ANNUAL FINANCIAL REPORT DECEMBER 31, 2019

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,

It is a privilege for me to present another outstanding year for DiaSorin.

During the year just ended, we delivered strong financial results with record net profit and cash generation. In addition to our financial success, I would like to stress the importance and value of all the projects we have worked on in 2019, with the objective of developing state-of-the art products and providing our customers with reliable, simple and fast diagnostic solutions. Diagnostic laboratories have always been at the heart of every single investment and development initiative and decision.

We continue to offer the broadest range of immunodiagnostic specialty tests available worldwide, with over 121 products, including 40 high-quality tests, on our LIAISON analyzers.

In 2019, we successfully launched the new LIAISON XS platform - result of many years' work and growth driver in small-medium sized laboratories all over the world, especially in the United States and China. In addition to this important project, we continued to expand the number of LIAISON XL installations -our biggest analyzer- representing about 54% of our total installed base worldwide.

Our ability to combine modern analyzers with new tests is fully consistent with our partnership with QIAGEN, a leading international diagnostic company, with which we have been sharing strong financial results in the European market following the launch of the Latent Tuberculosis test. Together we expect to achieve even stronger results in the United States in 2020 and in the future years.

As a diagnostic company, we cover 50 years of industrial history and thanks to our business-oriented and management vision, DiaSorin is now one of the leading players in the diagnostic field worldwide.

The year 2020 marks an important date for our Group: twenty years ago, in November 2000, we completed the management buyout. From very early on, we saw the tremendous potential of this Group and of its people along with its ability to develop high-quality tests. Twenty years later we can say we have won an entrepreneurial and daring challenge and I am proud to share our results year after year with you, our Shareholders.

I would like to add a few words concerning the challenging times we are facing following the COVID-19 outbreak.

We had to adjust to a new reality no one was prepared for. This global emergency will change our future, highlighting the critical importance of research and science to humanity's future.

We need to be courageous and cooperate to face the current Coronavirus outbreak. In this respect, I would like to thank the people who work in the molecular diagnostic sector: they have been able to develop a rapid COVID-19 test, in a very short time, for the identification of the virus despite its mutations.

I believe this test can effectively help both hospital laboratories, by relieving the immense pressure on healthcare professionals, and patients, by delivering accurate and fast results.

Science, research, professionalism and passion are the essential elements of the Group within which I am honored to serve as chairman. For this reason, I would like to thank the Company Top Management and all employees, as the important objectives they have set will be the foundations for even more important success, proving that innovation is crucial for a company that aims at future growth.

Our success is based on Our People, on our Group culture and on our passion for life which is at the core of our job. We are an example of a forward-looking company that is committed not only to business sustainability but also to contributing to social sustainability of people who come into contact with our diagnostic tests.

REPORT ON OPERATIONS

BOARD OF DIRECTORS & CONTROL BODIES

BOARD OF DIRECTORS	(appointed on April 24, 2019)
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) Francesca Pasinelli (2) Monica Tardivo (2) Luca Melindo Tullia Todros (2) Elisa Corghi (2)
BOARD OF STATUTORY AUDITORS	
Chairman	Monica Mannino
Statutory Auditors	Ottavia Alfano Matteo Michele Sutera
Alternates	Romina Guglielmetti Cristian Tundo
INDEPENDENT AUDITORS	PricewaterhouseCoopers S.p.A.
COMMITTEES	
Control, Risks and Sustainability Committee	Franco Moscetti (Chairman) Giancarlo Boschetti Roberta Somati
Compensation and Nominating Committee	Giuseppe Alessandria (Chairman) Michele Denegri Elisa Corghi
Related-party Committee	Franco Moscetti (Chairman) Giuseppe Alessandria Roberta Somati

(1) General Manager
(2) Independent Director
(3) Lead Independent Director

DIASORIN WORLDWIDE

DiaSorin, an Italian company listed in the FTSE MIB Index, is an international player in the field of laboratory diagnostics. For over 50 years, the Company has been developing, manufacturing and marketing diagnostic tests to give reliable and swift answers to healthcare professionals on the condition of their patients' health.

Starting from an ambitious industrial project and a clear management vision, DiaSorin has always based its success on its innovative biotech products. Research underpins the Group's strong results in diagnostic laboratories. Every year, over 200 employees work to develop state-of-the art solutions, that is specialty tests, and help doctors and laboratory personnel provide accurate and effective diagnostic results, also in niche clinical areas.

Thanks to DiaSorin's strategy to develop specialty tests along with high-routine tests, the Group is now known as the diagnostic "Specialist" and as a leading company in a highly concentrate, innovative and competitive market.

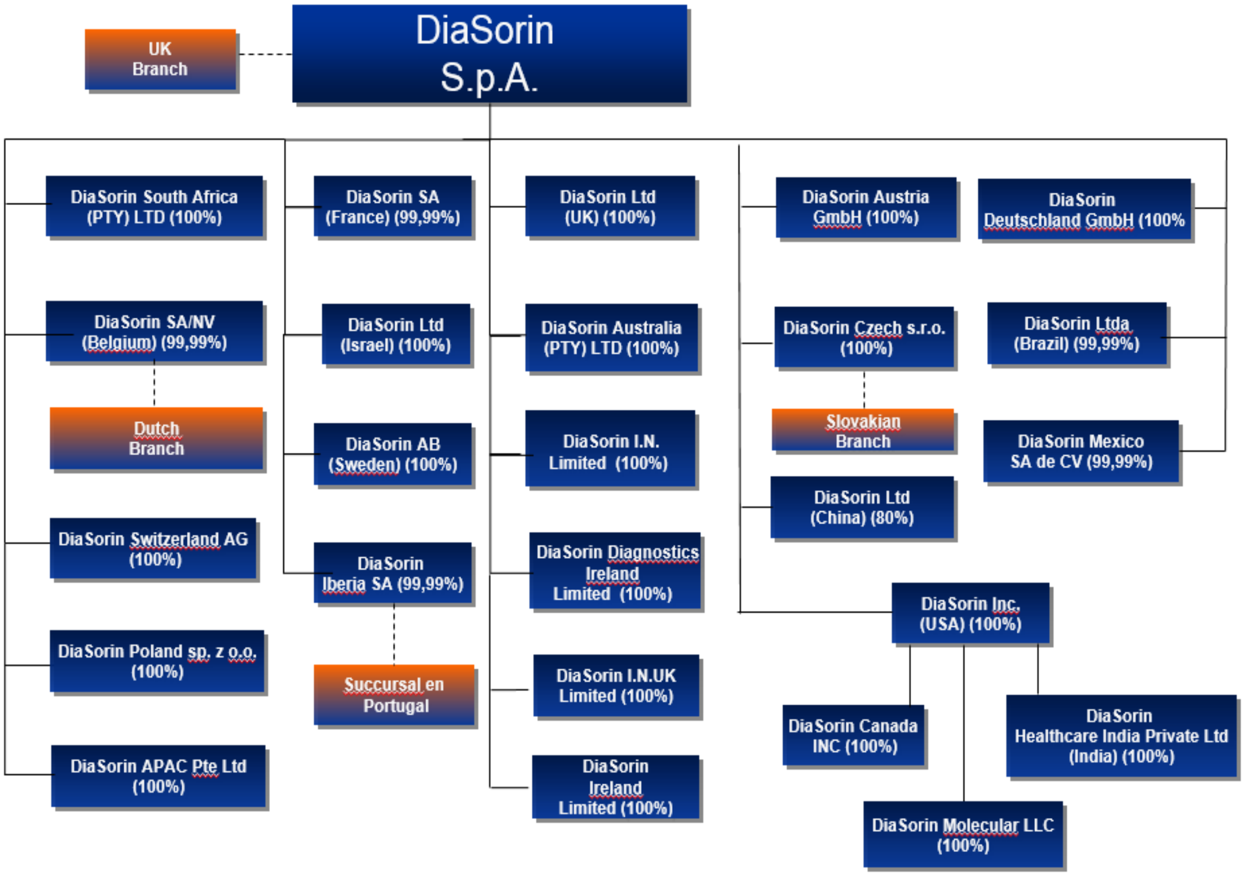
Its focus on specialty tests, especially in the immunodiagnostic and molecular diagnostic clinical areas, enabled DiaSorin to "touch" 10 people every second; this number keeps on growing and places a great responsibility on DiaSorin People's daily work.

Passion for science, attention to detail, reliability, quick thinking and action are just some of the core values for the success of an international Group that is made of 25 companies, 4 branches ,6 manufacturing facilities and 5 research facilities around the world. Today DiaSorin provides laboratory with the broadest range of fully automated specialty tests available in the immunodiagnostic market.

DiaSorin's industrial project is addressed to world laboratories which are served through both a direct presence and through an international network of distributors. At December 31, 2019, DiaSorin distributes its tests in Continental Europe, Israel, the United States, Canada, Mexico, Brazil, China, India and Australia. In the rest of the world, the Group operates through an international network of over 200 independent distributors, engaging in a constant dialogue in accordance with the best interest of its end customers.

Innovation and passion are at the root of DiaSorin's future projects to develop new and ambitious research and development projects and strengthen DiaSorin position as the "IVD Specialist".

STRUCTURE OF THE GROUP AT DECEMBER 31, 2019



OUR BUSINESS

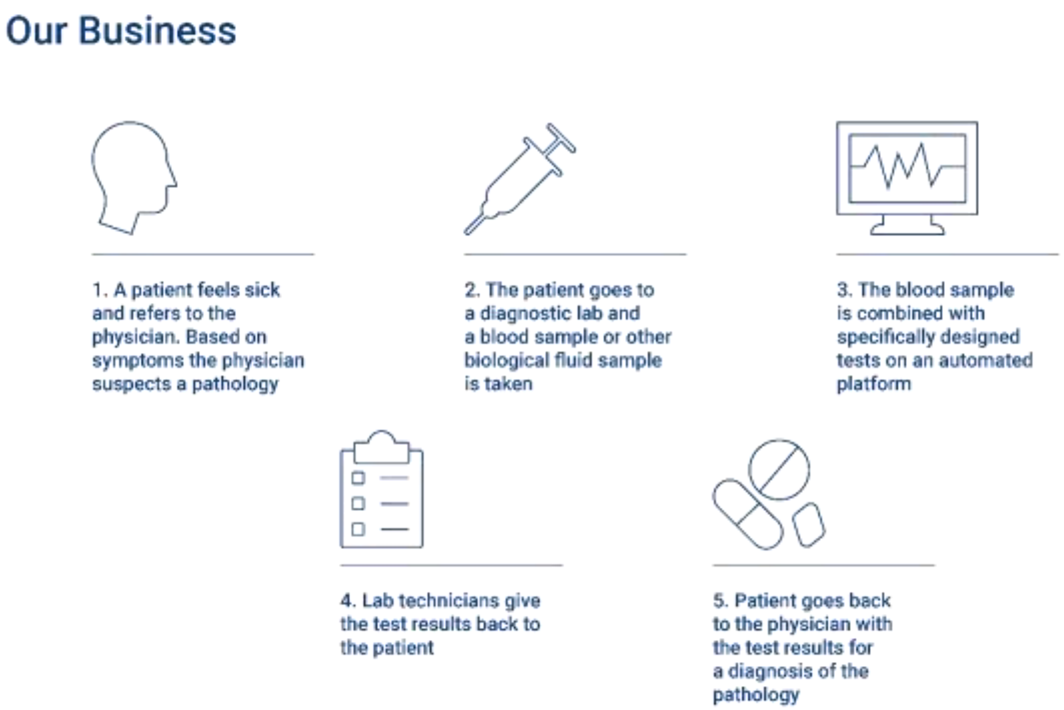
DiaSorin operates in the laboratory diagnostics market, providing both private and hospital microbiology laboratories with innovative solutions.

For over 50 years, the Group has been developing, manufacturing and marketing tests for the diagnosis of infectious diseases or hormonal disorders.

The diagnostic tests are aimed at diagnostic laboratories but the decision-making process involves doctor and patient. The test demand is generated by doctor’s need to better understand patient’s clinical value, health condition or to monitor the progression of certain diseases.

For this reason, DiaSorin’s business is crucial to the doctor, as well as to the patient: to know the patient’s health condition is the first step to make correct and useful decisions in treating unfavorable health conditions.

“To know to decide”: through highly reliable tests every second 10 people come into contact with one of DiaSorin tests.



Technologies

DiaSorin offers highly reliable tests based on two different technologies used in many laboratories worldwide: immunodiagnostics and molecular diagnostics.

Immunodiagnostics

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

Molecular Diagnostics

Technology that allows to diagnose 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 automated platforms that are developed by partner companies according to DiaSorin specifications to offer automated, swift and reliable diagnostic results and connectivity with other diagnostic operators' platforms.

The diagnostics "core business" is the development of tests that can work on these platforms. In this field DiaSorin is known as "specialty" player and leading company in highly routine tests.

The DiaSorin Group testing kits (reagents and consumables) encompasses different clinical areas where infectivity gained an increasingly important role.

DiaSorin' offer comprises an extensive and completely automated immunodiagnostic specialty tests:

Infectious Diseases

i) Gastrointestinal Infections
ii) Bone and Mineral
iii) Endocrinology
iv) Hypertension
v) Oncology
vi) Onco-hematology
vii) Autoimmunity

DiaSorin focused its research and kit development designed for laboratories also in the molecular diagnostics field, especially Infectious Diseases, on different matrix, including blood, CFS samples, mucocutaneous and cutaneous swabs.

Thanks to its innovation ability and the development of infectious diseases tests, DiaSorin's molecular business offers today one of the broadest menus in terms of specialty tests, which is supported by an extensive offer of diagnostic kits, primers to detect virus, bacteria and gene sequences associated with coagulation disorders.

Testing 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 **immunodiagnostics**, 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 2019, 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 through a constant evolution of its offer, which responds effectively to the needs of private and public clinical laboratories, with reliable, innovative, fully automated and standardized, easy to use and cost-effective solutions.

The Group pursues its strategy through its constant commitment towards research and development, identifying and developing innovative solutions for laboratories and reinforcing DiaSorin role as the diagnostic “Specialist”. The Group is committed to research, by developing 5/6 new immunodiagnostic tests and 3/4 molecular diagnostic kits every year.

The strategy to enter new laboratories leverages on the broad range of technological platforms capable of meeting the different needs of laboratories in terms of speed and reliability. In May 2019, DiaSorin presented the new LIAISON XS, a fully automated platform to serve small and medium sized laboratories worldwide. The new platform has joined LIAISON and LIAISON XL, enabling the Group to offer easy-to-use technological solutions calibrated on customers’ needs through the use of the same consumables on all LIAISON analyzers.

DiaSorin, through its increasingly important role in the immunodiagnostics and molecular diagnostics, is considered a reliable partner for the development of business strategic lines.

It is worth mentioning the partnerships with Qiagen, for the development of an automated solution for the Latent Tuberculosis diagnosis and with Beckman Coulter, for the registration of completely automated Hepatitis and Retrovirus tests in the U.S. market.

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 assess 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 research and development.

FOCUS ON OUR IMMUNODIAGNOSTIC PLATFORMS

LIAISON XL

In 2019, the expansion of the **LIAISON XL** continued with 515 units, reaching an overall installed base of 4,516 units.

The LIAISON XL continued to strengthen its international presence, thanks to its flexibility and to the value of its specialty diagnostic tests. The Group provides highly automated solutions, both stand-alone and through the Laboratory Automation Systems connection used by the main market players.

CONTINUOUS DEVELOPMENT OF THE NEW LIAISON XS ANALYZER

The launch of **LIAISON XS** in 2019 broadened DiaSorin's offer to the European customers. The new LIAISON analyzer entered a new market segment, that of testing laboratories with medium-low throughput. Customers will use this new platform for specialty tests, using it as a backup for existing instruments or as a platform compatible with the "hub and spoke" network.

In 2019, several strategic tests have been launched on the LIAISON XS, including the QuantiFERON TB Gold Plus, Calprotectin and Helicobacter Pylori Stool Antigen – the main tests used for Gastrointestinal infections.

The validation of the test menu, which today is available on the LIAISON XL, will be carried out on the LIAISON XS throughout 2020, according to the company strategic priorities. In 2020, the LIAISON XS will be registered in the U.S. market.

FOCUS ON CLIA IMMUNODIAGNOSTIC MENU

The year 2019 saw the launch of strategic products in the U.S. market, the expansion of gastrointestinal tests and the ongoing focus on activities relating to the partnership with QIAGEN.

INFECTIOUS DISEASES

In September 2018, DiaSorin launched the **LIAISON QuantiFERON TB Gold PLUS** on the CE market. DiaSorin and QIAGEN, through the partnership on QuantiFERON technology, focused on accelerating conversion of the global LTBI testing market to the modern blood-based testing, providing labs with the opportunity to lead the testing process with a complete, fast and robust fully-integrated solution.

In 2019, DiaSorin and QIAGEN announced the expansion of their QuantiFERON collaboration to develop an ultra-sensitive diagnostic test for Lyme disease. Lyme disease, also called borreliosis, is transmitted to humans through the bite of blacklegged ticks. Approximately 65,000 confirmed cases of Lyme disease per year are reported in the U.S. and Europe but figures are considered to be significantly underestimated as infections are estimated to be ca. 500,000-600,000 in these geographic areas.

Left untreated, the Lyme infection can spread to joints, the heart and the nervous system.

Due to the abnormal cellular response to the Lyme infections, current serological tests often cannot detect the infection in its early stage and there is often a risk for a false negative result. DiaSorin and QIAGEN innovative solution aims at tackling the early diagnosis of this disease, providing a fast, accurate and effective solution for the Lyme disease.

HEPATITIS AND RETROVIRUS

In the Hepatitis and Retrovirus clinical area, DiaSorin continued to work on the registration and commercialization of the Hepatitis and Retrovirus panel in the U.S. market, following the partnership agreement signed with Beckman Coulter in 2016.

In October, DiaSorin announced the **LIAISON HCV** FDA clearance for qualitative determination of specific hepatitis C antibodies available on LIAISON XL fully automated platform. The HCV test is one of the key tests in the DiaSorin and Beckman Coulter strategic agreement to serve the US market with a complete panel of hepatitis and retrovirus tests.

Around 115 million individuals are positive for HCV and 80 million suffer from a chronic infection. Complications from chronic hepatitis C were the cause of around 1 million deaths in 2019; for this reason, HCV infection diagnosis is needed to prevent the spread of the infection and to optimize patients' management.

The LIAISON HCV Ab test, as part of DiaSorin's Hepatitis panel, will be available in the U.S. market according to the strategic agreement signed with Beckman Coulter. This provides U.S. customers access to the complete Hepatitis and HIV products on the LIAISON XL in connection with Beckman Coulter's leading automation solutions.

The area of Gastrointestinal Infections continues to be an important growth driver for DiaSorin, with a growth of 35% in 2019, in line with the last years trend. As in the past, this performance reflects important upward trend both in more mature markets, like Europe, and in emerging markets where the use of these markers is rapidly increasing due to a greater awareness towards these pathologies and their diagnosis.

At the beginning of 2019, DiaSorin launched the LIAISON Calprotectin test to be used as an aid in the diagnosis of inflammatory bowel diseases (IBD), specifically Crohn's disease and ulcerative colitis, and as an aid in differentiation of IBD from irritable bowel syndrome (IBS). Thanks to the launch of this test, DiaSorin strengthened its presence in the U.S. market as diagnostic leader in the automated testing for gastrointestinal infections.

In May, DiaSorin announced the launch in the international market and U.S. market of the **LIAISON Elastase-1** quantification test to support the diagnosis of chronic exocrine pancreatitis. This pathology is a condition of chronic inflammation of the exocrine apparatus of the pancreas that causes pain and loss of normal organ function. In the condition of exocrine pancreatic insufficiency, the low quantity of pancreatic digestive enzymes leads to situations of poor digestion and poor absorption of ingested food. According to available epidemiological data, chronic exocrine pancreatitis is classified as a pathology with contained incidence for which an early diagnosis and monitoring of the course of the acute to chronic disease is difficult.

FOCUS ON MOLECULAR DIAGNOSTICS TECHNOLOGY

DiaSorin Molecular technological offer consists of a thermocycler, consumables and reagents to identify the presence of DNA/RNA of infectious pathogens in biological samples.

The LIAISON MDX analyzer features a compact and flexible design and can be used with the "Direct Amplification Disc (DAD)" for fast, "on demand" results, also at laboratories with low volume testing, or during urgent procedures such as, for example, the identification of patients to be isolated in hospitals or, in association with the "Universal Disc (UD)" for routine, screening or high-throughput results:

DAD *Direct Amplification Disc*		*It runs 8 specimens simultaneously or separately through a pipette system for biological samples and amplification reagents. The system is extremely easy to use and fast and used for fast and on demand results.*
UD *Universal Disc*		*It runs 96 specimens simultaneously and is designed for high-throughput to manage high-volume testing. It can process directly the biological samples, increasing its throughput (96 results in an hour)*

FOCUS ON MOLECULAR DIAGNOSTIC MENU

In 2019, the R&D activities in Cypress - California (USA) – focused on kits for the global market (FDA and CE-IVD) in the area of infectious diseases, developing qualitative assays that do not require the nucleic acids extraction and are run on the Direct Amplification Disc: these are "Direct", sample-to-answer tests.

INFECTIOUS DISEASES

In May, DiaSorin received FDA clearance for its new VZV Direct assay for use with cerebrospinal fluid (CSF) samples to aid in the diagnosis of meningitis and encephalitis.

In July, the HSV/VZV test was fully developed to be used on the UD, specifically designed to meet the Australian market needs where the diagnostic procedures are extremely centralized. The test offers high throughput thanks to the UD that does not require extraction phase (a unique feature) and delivers 96 results per hour, more than 500 results per day.

In September and December, the Company received CE-IVD marking and FDA approval for its Simplexa VZV Swab Direct kit, for the direct detection of varicella-zoster virus (VZV) DNA from both cutaneous and mucocutaneous swab specimens.

In 2019, 13 primer pairs used in virus detection (parvovirus, adenovirus, JCV, BKV, HHV-8), bacteria (Borrelia, Candida auris), and gene sequence for coagulation disorders (MTHFR, Factor V, Factor II) have been developed.

Particularly, the primer pair that targets the yeast *Candida auris* has been a quick response to a health emergency. *Candida auris*, according to the CDC (Center for Disease Control), is a quickly emerging drug-resistant yeast and is a serious global health threat. According to the European Centre for Disease Prevention and Control (ECDC) the yeast "is often multi-drug resistant and has caused outbreaks in hospitals”. The test is being implemented in several Health Department in the U.S.

In 2019, the Group started to develop a new assay for Cytomegalovirus infections in newborn children urine and saliva, to detect one of the major causes of deafness in children. During pregnancy the virus can be transmitted from mother to fetus and it is the major cause of birth defects.

Lastly DiaSorin worked to enhance the influenza test on the DAD disc and develop a test for the detection of mycoplasma pneumoniae, chlamydia pneumoniae and legionella pneumoniae, causing atypical pneumonia.

RESEARCH AND DEVELOPMENT COSTS AND INVESTMENTS

Consistent with the above, in 2019 the Group’s research and development costs increased to € 63,813 thousand (56,685 thousand in 2018).

(€ thousands)	**2019**	**2018**
Research and development costs that were not capitalized	41,752	39,631
Annual amortization of capitalized costs	6,196	5,451
Total research and development costs charged to income	**47,948**	**45,082**
Development costs capitalized during the year	15,865	17,054
Total research and development costs	***57,617***	***56,685***

In 2019, the Group’s Parent Company capitalized development costs totaling €9,810 thousand, research costs, amounting to €22,564 thousand, were charged directly to the income statement.

DIASORIN, A CULTURE OF EXCELLENCE

The secret behind DiaSorin's success lies in its corporate culture which is intended as the values people are required to comply with during their activities and in relation to the objectives set.

Clear guiding values to which people aspire in everyday life spur minds, generate team motivation, stimulates creativity and planning skill necessary to implement the Company's long-term vision.

This culture of excellence is based on a combination of strategy and implementation, vision and action with the fast pace required to be competitive in an increasingly global and complex market.

DiaSorin proves its strategic ability through its" diagnostic specialist" mission, distinctive expertise and ability to generate value thanks to openness to change, agility, flexibility.

Strategy becomes action through the assumption of responsibilities at all levels, fast pace is combined with quality results and people passions.

In this dynamic scenario, the management of human resources constantly changes thanks to the introduction of new solutions and a strong focus on the objectives to achieve.

In 2019, the culture of excellence has been defined through the implementation of organizational, management and project activities in several geographic and professional areas, as described below:

- Ongoing investment on the process to assign, measure and receive feedback in relation to both individual and team performance, on the back of constant investments in company education and the use of the HR TRUST platform to support the standardization of processes, tools, and coherent and efficient behaviors;
- The identification of professional skilled resources on the market, managing complex researches from a geographic and a professional point of view (background and required specialization);
- Investment on people Engagement, strengthening a constant, transparent and direct, communication and implementing specific action plans;
- An intense activity of qualified change management, balancing the entrepreneurial spirit embedded in the company leadership with a more structured approach to processes. To this end, the company implemented the innovation process aimed at defining roles, responsibilities, operating mechanisms and decisional processes;
- Definition and implementation of programs for professional growth, also at international level, to develop people potential in view of future and greater responsibilities. These programs have been supported by 360 assessment and coaching sessions and ad hoc programs according to individual needs.

In 2019, the industrial area continued to develop best practice and cross-fertilization policies through enhancement projects. At the same time, the industrial system has been rationalized by completing the closure of the Irish manufacturing facility and by starting, with proper communication to employees, the closure of the manufacturing facility in South Africa (Kyalami), completed during the first months of 2020.

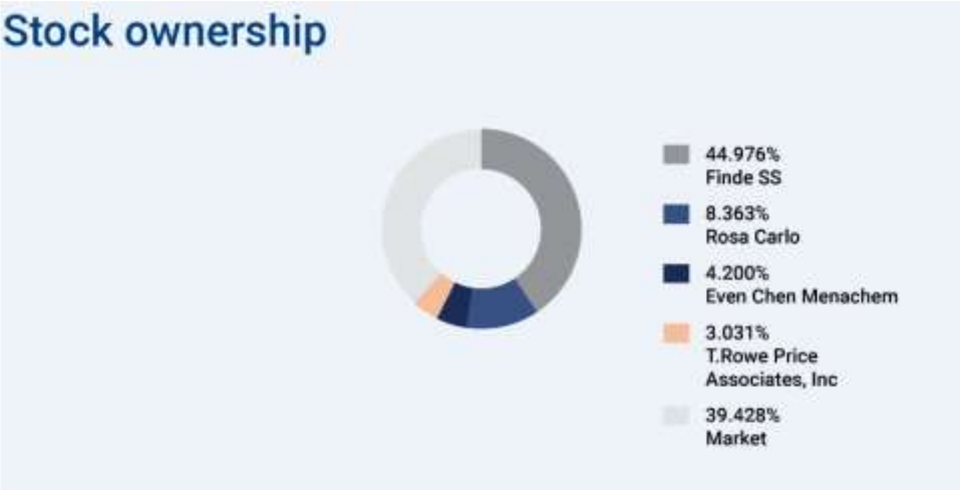
Important managerial investments involved some key areas, like DiaSorin Inc. and DiaSorin Molecular LLC, as well as our organization operating in the Chinese market.

At December 31, 2019, as a result of the investments and restructuring processes carried out in 2019, employees were 1,939.

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, 2019.

IP investimenti e Partecipazioni s.r.l. (FINDE SS) is the Company's reference shareholder; a significant stake, equal to 12.6%, is held by DiaSorin's management: Carlo Rosa, CEO of the DiaSorin Group, holds 8.4% of the share capital as a natural person or through SARAGO SRL and SARAGO 1 SRL; Chen Menachem Even, Chief Commercial Officer of the DiaSorin Group, holds 4.2% of the share capital as a natural person or through MC SRL.



PERFORMANCE OF THE DIASORIN STOCK IN 2019

In 2019, the DiaSorin stock was up +63.2%, as against +28.3% recorded in its reference stock market Index - the FTSE MIB.

FINANCIAL COMMUNICATION AND INVESTOR RELATIONS

In 2019, 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.

On June 11, 2019, the company presented its 2019-2022 Industrial Plan to the financial community in Turin and to 150 international investors connected to the live webcast. During the event DiaSorin outlined its growth drivers and the immunodiagnostic and molecular diagnostic investments for the next four years.

In 2019, the Investor Relations team met more than 500 analysts and investors and following the important messages presented during the 2019-2022 Investor Day, numerous conference calls have been scheduled to provide a more in-depth understanding of the Plan to investors worldwide. In the second half of 2019, the Top Management and the IR team attended financial conventions dedicated to the healthcare and diagnostic sector and roadshows organized by brokers who deal with DiaSorin stocks in the main European and U.S. financial centers.

Financial communication continues to be an essential interaction tool to better understand business dynamics and activities.

DiaSorin is committed to provide maximum accessibility to any corporate information, ensuring the utmost visibility, also through the Investor Relations section of the company website at www.diasoringroup.com. where the company outlines its equity story, strategy, strategic or commercial agreements of the last years. An interactive section is dedicated to the last Investor Day.

DiaSorin is aware that a successful communication requires to make all information available on the website and, even more important, to carry out a constant dialogue with the Company. Contact information with the offices responsible for communications and investor relations is provided below:

CONTACTS

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riccardo.fava@diasorin.it

Website: www.diasoringroup.com

CONSOLIDATED FINANCIAL HIGHLIGHTS

Income statement *(€ thousands)*	**12/31/2019**	**12/31/2018**
Net revenues	706,319	669,197
Gross profit	488,691	455,769
EBITDA (1)	276,833	255,351
Operating result (EBIT)	217,861	204,525
Net profit for the period	175,735	158,130

Statement of financial position *(€ thousands)*	**12/31/2019**	**12/31/2018**
Capital invested in non-current assets	532,791	491,080
Net invested capital	675,761	629,424
Net financial position	172,862	75,311
Shareholders' equity	848,623	704,735

Cash flow statement *(€ thousands)*	**12/31/2019**	**12/31/2018**
Net cash flow for the period	84,449	(86,237)
Free cash flow (3)	180,072	163,626
Capital expenditures	55,790	52,787
Number of employees	1,939	1,971

(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.

FINANCIAL HIGHLIGHTS OF THE GROUP'S PARENT COMPANY

Income statement *(€ thousands)*	**2019**	**2018**
Net revenues	395,079	364,079
Gross profit	180,844	172,108
EBITDA (1)	105,068	105,772
Operating result (EBIT)	83,778	87,807
Net profit for the period	113,648	100,097
Statement of financial position *(€ thousands)*	**12/31/2019**	**12/31/2018**
Capital invested in non-current assets	377,747	357,480
Net invested capital	441,716	470,345
Net financial position	(6,358)	(110,657)
Shareholders' equity	435,358	359,688
Cash flow statement *(€ thousands)*	**2019**	**2018**
Net cash flow for the period	23,245	(86,267)
Free cash flow (2)	77,665	60,139
Capital expenditures	28,880	24,056
Number of employees	741	753

(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.

MACROECONOMIC SCENARIO AND THE FOREIGN EXCHANGE MARKET

The year 2019 was characterized by a global economic slowdown, which is likely to continue part of 2020, with a significant growth difference between the United States and the European Union (favoring the U.S.).

The global economy was expected to recover in the second half of 2020 but the coronavirus (COVID-19) outbreak could negatively impact the economic recovery.

The persistence of trade friction between the United States and its main partners during the Trump administration, along with growing international geopolitical tensions represent additional risk factors that may negatively affect the global macro-economic trend.

Compared to the expectations at the end of 2018, the weakening of the economic cycle urged the main Central Banks to keep, and in some cases to strengthen, accommodating monetary policy in 2019.

In the foreign exchange markets, the year 2019 was characterized by a contained level of volatility, with moderate changes compared to 2018, and a general decrease in the value of the Group's reference currencies. The U.S. Dollar appreciated against Euro, whilst the latter was substantially stable vis-à-vis the Chinese Yuan. The Chinese Yuan depreciated against the U.S. Dollar, due to trade tensions between these two countries.

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**		
	2019	**2018**	**Change**	**12/31/2019**	**12/31/2018**	**Change**
U.S. dollar	1.1195	1.1810	-5.2%	1.1234	1.1450	-1.9%
Brazilian real	4.4134	4.3085	2.4%	4.5157	4.4440	1.6%
British pound	0.8778	0.8847	-0.8%	0.8508	0.8945	-4.9%
Swedish kronor	10.5891	10.2583	3.2%	10.4468	10.2548	1.9%
Swiss franc	1.1124	1.1550	-3.7%	1.0854	1.1269	-3.7%
Czech koruna	25.6705	25.6470	0.1%	25.4080	25.7240	-1.2%
Canadian dollar	1.4855	1.5294	-2.9%	1.4598	1.5605	-6.5%
Mexican peso	21.5565	22.7054	-5.1%	21.2202	22.4921	-5.7%
Israeli shekel	3.9901	4.2423	-5.9%	3.8845	4.2972	-9.6%
Chinese yuan	7.7355	7.8081	-0.9%	7.8205	7.8751	-0.7%
Australian dollar	1.6109	1.5797	2.0%	1.5995	1.6220	-1.4%
South African rand	16.1757	15.6186	3.6%	15.7773	16.4594	-4.1%
Norwegian krone	9.8511	9.5975	2.6%	9.8638	9.9483	-0.8%
Polish Zloty	4.2976	4.2615	0.8%	4.2568	4.3014	-1.0%
Indian Rupee	78.8361	80.7332	-2.3%	80.1870	79.7298	0.6%
Singapore dollar	1.5273	1.5926	-4.1%	1.5111	1.5591	-3.1%

OVERVIEW OF 2019 FOR THE DIASORIN GROUP

In 2019, the DiaSorin Group **revenues** totaled **€706,319 thousand** (€669,197 thousand in 2018), up 5.5% % compared to 2018 (+3,8% at CER). The foreign exchange rates had a positive impact on revenues, equal to €12 million, primarily due to the revaluation of the U.S. Dollar

The year 2019 recorded a positive trend in CLIA products that, net of Vitamin D, increased by 10.9% (+9.7% at CER), whilst Vitamin D sales were substantially flat (+0.5%, -2.4% at CER).

Revenues from molecular tests were €63,634 thousand, up 12.6% (+7.3% at CER) compared to 2018. Positive contribution from all molecular products, with the exception of flu tests due to the combined effect of a 2018-2019 moderate season against the peak recorded in the previous season and the decentralization process affecting large hospitals served by the Group. It should be noted that revenues, net of flu tests, increased by 30 percentage points.

Revenues from Elisa technology amounted to €93,718 thousand, down 1.3% (-2.8% at CER), whilst instrument sales and other revenues were down 6.5% (-7.2% at CER), mainly as a result of lower sales in the export market.

The **gross profit** of the period was **€488,691 thousand**, up 7.2% as against €455,769 thousand in 2018, equal to 69.2% of revenues (68.1% in 2018). Its ratio to revenues increased due to different sales mix (geography and technology) and improved manufacturing efficiency.

EBITDA amounted to **€276,833 thousand** (€255,351 thousand in 2018), up 8.4% compared to 2018, equal to 39.2% of revenues (38.2% of revenues in 2018)

Excluding the exchange rate impact and some one-off costs occurred in the last quarter of 2019 (particularly the closure of the manufacturing facility in South Africa), EBITDA grew by 7.6% compared to 2018, with an incidence to revenues equal to 39.6 percentage points.

EBIT totaled **€217,861 thousand** (€204,525 thousand in 2018), up 6.5% compared to 2018, equal to 30.8% of revenues, as against 30.6% in 2018.

In 2019, **net financial expense** amounted to **€ 1,574 thousand**, as against €160 thousand in 2018. The year-over-year change was principally due to the fair value remeasurement in 2018 of the interest held in DiaSorin India, following the acquisition of its total control.

Income taxes were **€40,552 thousand** (€46,235 thousand in 2018), with a 18.7% tax rate compared to a 22.6% tax rate in 2018. The decrease in the tax rate was mainly due to deferred-tax assets recognized on the value of the assets transferred to Italy following the Irish manufacturing facility divestiture started in 2017 and completed in 2019.

The **net profit** of the period was **€175,735 thousand,** up €17,605 thousand or 11.1% compared to 2018, with an incidence on turnover of 24.9% (23.6% in 2018).

REVIEW OF THE GROUP'S OPERATING PERFORMANCE AND FINANCIAL POSITION

FOREWORD

The 2019 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 2019 AND 2018

CONSOLIDATED INCOME STATEMENT

(€ thousands)	**12/31/2019**	**as a% of revenues**	**12/31/2018**	**as a% of revenues**
Sales and service revenues	706,319	100.0%	669,197	100.0%
Cost of sales	(217,628)	30.8%	(213,428)	31.9%
Gross profit	**488,691**	**69.2%**	**455,769**	**68.1%**
Sales and marketing expenses	(142,753)	20.2%	(133,058)	19.9%
Research and development costs	(47,948)	6.8%	(45,082)	6.7%
General and administrative expenses	(69,591)	9.9%	(67,216)	10.0%
Total operating expenses	**(260,292)**	**36.9%**	**(245,356)**	**36.7%**
Other operating income (expense)	(10,538)	1.5%	(5,888)	0.9%
EBIT	**217,861**	**30.8%**	**204,525**	**30.6%**
Net financial income (expense)	(1,574)	0.2%	(160)	0.0%
Profit before taxes	**216,287**	**30.6%**	**204,365**	**30.5%**
Income taxes	(40,552)	5.7%	(46,235)	6.9%
Net profit	**175,735**	**24.9%**	**158,130**	**23.6%**
EBITDA [1]	**276,833**	**39.2%**	**255,351**	**38.2%**

[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 2019, the DiaSorin Group generated **revenues** equal to **€706,319 thousand** (€669,197 thousand in 2018). A breakdown of revenues by geographic region of destination is as follows:

Breakdown of revenues by geographic region

(€ thousands)	**2019**	**2018**	**% Change at current exchange rates**	**% Change at constant exchange rates**
Europa and Africa	325,289	309,528	5.1%	4.9%
USA and Canada	205,792	188,103	9.4%	3.8%
Asia Pacific	134,267	129,371	3.8%	3.3%
Latin America	40,970	42,197	-2.9%	-3.4%
Group Total	**706,319**	**669,197**	**5.5%**	**3.8%**

Europe and Africa

Europe and Africa sales region generated sales equal to €325,289 thousand, up 5.1 percentage points (+4.9% at CER). In detail:

i) Revenues were up 16.3%, in Italy, on the back of increased CLIA sales, Latent Tuberculosis, PCT and Stool Testing;

ii) growth of 3.7% in the German market, mainly as a result of the positive contribution provided by Infectious Diseases, Hepatitis and Stool Testing. Lower ELISA sales, as a consequence of the Siemens business converted to CLIA technology, only partly offset the positive contribution provided by the aforementioned technologies;

iii) Downward trend in the French market, down 3.0%, primarily following the introduction of new policies that limited public reimbursement of certain specialty tests;

iv) Revenues from distributors network were down 20.6% (-21.4% at CER), mainly due to the non-renewal and seasonality of some tenders and lower instruments sales.

USA and Canada

In 2019, revenues amounted to €205,792 thousand, up 9.4% (+3.8% at CER) compared to 2018 (€188,103 thousand).

Immunodiagnostic sales were up 7.8% (+2.3% at CER), driven by the upward trend in CLIA tests, net of Vitamin D.

Sales of molecular tests were up 14.5% (+8.6% a at CER): the negative performance of flu tests resulting from a moderate 2018-2019 season compared to the positive peak registered last year was offset by the positive performance of the rest of the panel, with a growth of more than 26% at CER.

Asia Pacific

In 2019, total revenues amounted to €134,267 thousand (€129,371 thousand in 2018), up 3.8% (+3.3% at CER) compared to 2018.

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

i) Upward trend in sales generated in the Chinese market, with a growth of 9.0%, mainly on the back of CLIA tests, up 10.1 % (Thyroid, Infectious Diseases, Hepatitis);

ii) Growth of 7.6% in sales generated in the Australian market, driven by solid CLIA performance (Infectious Diseases, Gastrointestinal Infection and Hepatitis), as well as sales of molecular kits and instruments.

iii) Decline in sales from distributors, equal to 7.1% (non-renewal of some tenders and lower instruments sales)

Latin America

In 2019, the Latin American sales region recorded revenues of €40,970 thousand, down 2.9% (-3.4% at CER) as against €42,197 thousand in 2018.

The change (at CER) is due to:

- sales in the Brazilian market, down 1.0%; the result was penalized by Vitamin D, ELISA Murex sales and Prenatal Screening sales;

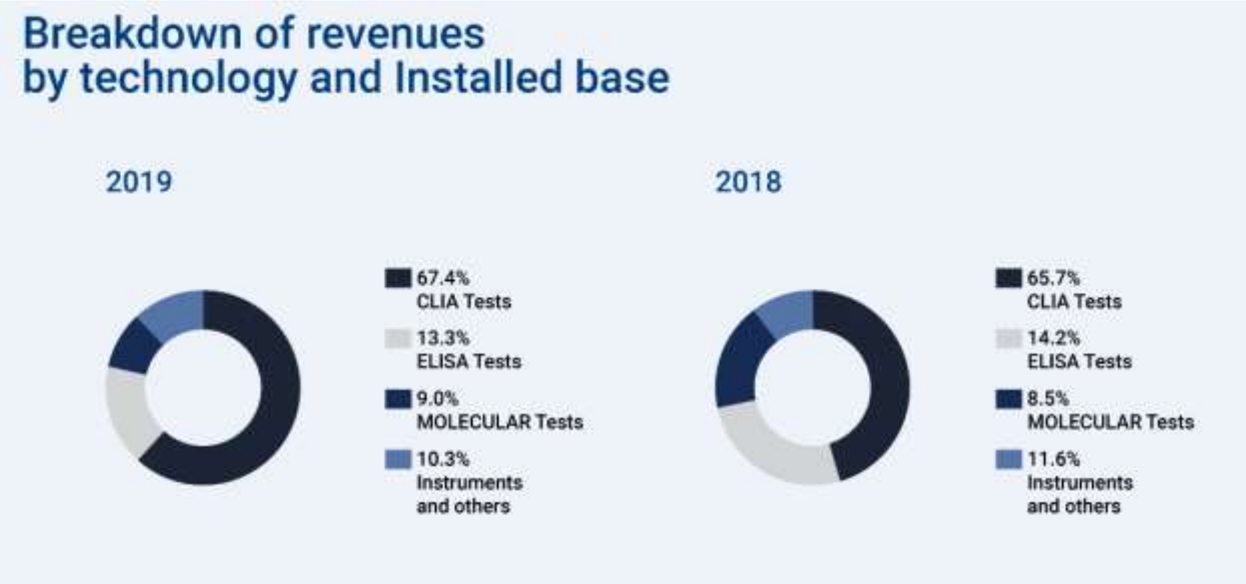
- sales in the Mexican market, up 8.9%, primarily driven by the positive contribution from CLIA sales, specifically Infectious Diseases, Hepatitis and Autoimmunity;

i) sales from distributors, down 12.0%, mainly due to lower instruments sales.

Breakdown of revenues by technology and installed base

(€ thousands)	**2019**	**2018**
CLIA tests	67.4%	65.7%
ELISA tests	13.3%	14.2%
MOLECULAR tests (*)	9.0%	8.5%
INSTRUMENTS SALES & OTHER REVENUES	10.3%	11.6%
Total	**100.0%**	**100.0%**

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



In 2019, CLIA sales accounted for 67.4% of the Group's total revenues as against 65.7% in 2018. The increase was due to the strong performance of the whole product panel, net of Vitamin D, including Latent Tuberculosis test which was offset by the decrease in the contribution provided by ELISA technology, also as a result of the decline in Siemens business, which was converted to CLIA. Contribution of molecular tests was substantially unchanged, whilst instruments sales and other revenues decreased to 10.3% in 2019 from 11.6% in 2018.

Net placements amounted to 440 instruments, for a total of 8,289 installed units. LIAISON XL new installations were equal to 515.

Operating performance

At the end of 2019, gross profit totaled €488,691 thousand, up 7.2% compared to €455,769 thousand in 2018, equal to 69.2%, of revenues (68.1% in 2018). The increase in the ratio of gross profit to revenues was due to a favorable sales mix (geography and technology) and improved production efficiency in the Group manufacturing facilities.

Operating expenses totaled €260,292 thousand, up 6.1 percentage points compared with the previous year. The ratio of operating expenses to total revenues was 36.9%, in line with 2018.

Specifically, sales and marketing expenses, amounting to €142,753 thousand, increased by €9,695 thousand or +7.3% compared to 2018 (€133,058 thousand). This item consists mainly of costs associated with sale force and costs incurred to launch new products, in addition to costs for technical support offered together with the Group-owned equipment provided to customers under gratuitous loan contracts. The increase in these expenses was due to the increase in business volumes and in the installed base.

Research and development costs, equal to €47,948 thousand, increased by 6.4% compared to 2018 (€45,082 thousand). Their ratio to total revenues was equal to 6.8% as against 6.7 percentage points in 2018. Administrative expenses increased by 3.5% and amounted to €69,591 thousand, equal to 9.9% of revenues (slightly down compared to 10.0% in 2018).

Other operating expenses, equal to €10,538 thousand (€5,888 thousand in 2018) and include non-recurring expenses of €4,615 thousand. Non-recurring expenses include charges to discontinue the operating activities in the South African facility and reorganize some company areas in Italy following the introduction of the so-called “Quota 100” by the last Budget Law.

In 2019, EBITDA amounted to €276,833 thousand (€255,351 thousand in 2018), up 8.4% or €21,481 thousand compared to 2018. EBITDA incidence to revenues increased from 38.2% in 2018 to 39.2% in 2019. Excluding the foreign exchange rate impact and some non-recurring expenses recognized in the last quarter of the year (including costs relating to the closure of the South Africa facility and “Quota 100”), EBITDA grew by 7.6% in absolute value compared to 2018, equal to 39.6 percentage points of revenues.

EBIT totaled €217,861 thousand (€204,525 thousand in 2018), equal to 30.8% of revenues, compared to 30.6% in 2018.

Financial income and expense

In 2019, net financial expense amounted to €1,574 thousand, as against net financial expense of € 160 thousand in 2018.

Interest expense and other financial expense amounted to €3,517 thousand, versus €4,004 thousand in 2018, and include €1,381 thousand in financial interests on leases. Foreign exchange differences on other financial items were positive by €267 thousand (positive by € 908 thousand in 2018), due to the impact of exchange rates fluctuations on financial balances expressed in currencies other than the reporting currency.

Lastly, €2,659 thousand arose from interests accrued on financial balances and time deposit (€1,272 thousand in 2018). In 2018, the item included €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 year 2019 ended with a result before taxes of €216,287 thousand, up 5.8% compared to €204,365 thousand in 2018, equal to 30.6% of revenues, in line with the previous year.
Income taxes were €40,552 thousand (€46,235 thousand in 2018). The tax rate was 18.7% as against a tax rate of 22.6% in 2018. The decrease was attributable to a higher tax benefit following the reorganization of the Irish Group, net of the exit tax paid to the Irish tax authority.

Lastly, the net profit was €175,735 thousand, an increase of €17,605 thousand or +11.1% compared to 2018, equal to 24.9% of revenues (23.6% in 2018).

Statement of financial position of the Group at December 31, 2019

A statement of financial position of the Group at December 31, 2019 is provided below:

(€ thousands)	**12/31/2019**	**12/31/2018**
Goodwill and intangible assets	370,279	373,084
Total property, plant and equipment	128,385	94,981
Other non-current assets	34,127	23,015
Net working capital	210,954	201,016
Other non-current liabilities	(67,984)	(62,672)
Net invested capital	**675,761**	**629,424**
Net financial position	**172,862**	**75,311**
Total Shareholders' equity	**848,623**	**704,735**

Non-current assets increased to €532,791 thousand compared to December 31, 2018 (€491,080 thousand), mainly following the right-of-use amount recognized in intangible assets for the first application of IFRS 16 accounting standard – Leases starting from January 1, 2019.

Non-current assets include the recognition of deferred tax assets on the value of intangible assets transferred to Italy following the closure of the Irish manufacturing facility, for an amount equal to €10,497 thousand.

The amount was impacted by the exchange rates trend, resulting in an increase of ca. €6.5 million as at December 31, 2019.

Other non-current liabilities were €67,984 thousand, a decrease of €5,312 thousand at December 31, 2018, and include employees benefits and provisions for risks and charges.

A breakdown of the net working capital is provided below:

(€ thousands)	**12/31/2019**	**12/31/2018**
Trade receivables	132,513	131,092
Inventories	171,127	160,396
Trade payables	(55,733)	(57,286)
Other current assets/liabilities (1)	(36,953)	(33,186)
Net working capital	**210,954**	**201,016**

(1) Other current assets/liabilities are defined as the algebraic sum of receivables and payables other than financial and commercial items

Net working capital increased by €9,938 thousand. Trade receivables increased by €1,421 thousand is the net result of the revenues trend.

The increase of €10,731 thousand compared to December 31, 2018, was due to higher manufacturing volumes to support increased sales and the expansion of the product range.

Other current assets and liabilities recorded an increase in liabilities equal to €3,767 thousand, as a result of increased tax payables.

At December 31, 2019, the **net consolidated financial position** was **positive by €172,862 thousand.** Further details are provided in the consolidated statement of cash flow.

A condensed net financial position schedule is shown below:

(€ thousands)	**12/31/2019**	**12/31/2018**
Cash and cash equivalents	157,552	73,103
Liquid assets (a)	**157,552**	**73,103**
Other current financial assets (b)	**44,588**	**23,422**
Current bank debt	(8)	(20,601)
Derivatives financial instruments	-	(532)
IFRS16 current financial liabilities	(4,804)	-
Current financial liabilities (c)	**(4,812)**	**(21,133)**
Net current financial assets (d)=(a)+(b)+(c)	**197,328**	**75,392**
Non-current bank liabilities	-	(81)
Derivative financial instruments	-	-
IFRS16 non-current financial liabilities	(24,466)	
Non-current financial liabilities (e)	**(24,466)**	**(81)**
Net financial position (f)=(d)+(e)	**172,862**	**75,311**

At December 31, 2019, **shareholders' equity** of **€848,623 thousand** (€704,735 thousand at December 31, 2018) included 1,157,601 treasury shares, equal to 2.07% of the share capital, valued at €81,849 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, 2019:

(€ thousands)	**Net result in 2019**	**Shareholders' equity at 12/31/2019**
Amount in the financial statements of the Parent Company DiaSorin S.p.A	**113,648**	**435,358**
Difference between the carrying amount of equity investments and the value of the underlying shareholders' equity		424,935
Profits/(Losses) of consolidated companies	96,331	-
Elimination of unrealized intra-Group profits, net of the applicable tax effect	11,329	(13,008)
Elimination of write-down in subsidiaries	1,338	1,338
Elimination of intra-Group dividends	(46,911)	-
Amount in the consolidated financial statements	**175,735**	**848,623**

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 2018, is provided below.

(€ thousands)	**12/31/2019**	**12/31/2018**
Cash and cash equivalents at beginning of period	**73,103**	**159,340**
Net cash from operating activities	232,670	209,879
Cash used for investing activities	(52,223)	(49,414)
Cash used from/(for) financing activities	(68,429)	(215,240)
Acquisitions of subsidiaries and business operations	(6,903)	(22,014)
Change in net cash before investments in financial assets	***105,115***	***(76,789)***
Investments in financial assets	(20,666)	(9,448)
Change in net cash	***84,449***	***(86,237)***
Cash and cash equivalents at end of period	**157,552**	**73,103**

At December 31, 2019, available **liquid assets** held by the Group totaled **€157,552 thousand**, up €84,449 thousand compared to December 31, 2018.

The cash flow from operating activities increased to €232,670 thousand from €209,879 thousand in 2018, resulting from the growth in the operating result. Tax payments amounted to €42,612 thousand (€25,763 thousand in 2018), primarily due to the U.S. subsidiary (resulting from tax payment due dates), lower use of tax credit deriving from Patent Box in Italy and the one-off exit tax payment in Ireland to divest the operating activities in Dublin and transfer certain intangible assets to Italy.

Investing activities absorbed cash for €52,223 thousand, as against €49,414 thousand in 2018. In addition, development costs of €15,865 thousand were capitalized in 2019, as against development costs of €17,054 thousand in 2018. Capital expenditures for medical equipment were €17,728 thousand (€17,532 thousand in 2018).

Free cash flow was **€180,072**, an increase of €16,446 thousand, as against €163,626 thousand in 2018.
The net cash from financing activities amounted to €68,429 thousand, as against €215,240 thousand in 2018.

Dividend distribution amounted to €49,231 thousand (€145,268 thousand in 2018), credit lines available to the Group’s Parent Company were €20 million, exercises of stock options amounted to €7,016 thousand, and €4,645 thousand for lease payments following the application of the new IFRS 16 accounting standards.

NON-RECURRING MATERIAL TRANSACTIONS AND 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. In 2019 no material non-recurring transactions 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.

At the end of January 2020, the WHO has declared the novel Coronavirus outbreak, which first emerged in the People's Republic of China, a global public health emergency. The prolonged halt and the consequent delay in resuming production activities along with the isolation measures to contain the virus could have a significant impact on the global economy with a consequent impact also on the Group.

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 42% of revenues in 2019), the Chinese yuan (accounting for about 14% of revenues in 2019), and the Brazilian real (accounting for about 3% of revenues in 2019). 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, 2019 AND BUSINESS OUTLOOK

On February 7 the Group, consistently with the emerging trend toward decentralization of diagnostic tests from large laboratories to POC testing, signed an intellectual property agreement with a leading contract developer of technical solutions to develop a molecular diagnostic Point of Care technology and perform tests in a healthcare setting closer to patients.

At the end of January 2020, the WHO has declared the novel Coronavirus outbreak, which first emerged in the People's Republic of China, a global public health emergency. The prolonged halt and the consequent delay in resuming production activities along with the isolation measures to contain the virus could have a significant impact on the global economy with a consequent impact also on the Group's financial results for the first six months of 2020.

In light of the Group's operating performance after December 31, 2019, the management provides the following guidance for 2020:

- Revenues: growth of approximately 5% at CER;
- EBITDA Margin: incidence on Group revenues between 38% and 39%.

It should be noted that the guidance does not include any potential adverse effects deriving from the recent Coronavirus (COVID-19) outbreak.

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

Foreword

The 2019 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 2019 AND 2018

(€ thousands)	**2019**	**as % of revenues**	**2018**	**as % of revenues**
Net revenues	395,079	100.0%	364,079	100.0%
Cost of sales	(214,235)	54.2%	(191,971)	52.7%
Gross profit	**180,844**	**45.8%**	**172,108**	**47.3%**
Sales and marketing expenses	(36,516)	9.2%	(34,543)	9.5%
Research and development costs	(22,564)	5.7%	(19,536)	5.4%
General and administrative expenses	(33,706)	8.5%	(31,947)	8.8%
Total operating expenses	**(92,786)**	**23.5%**	**(86,026)**	**23.6%**
Other operating income (expenses)	(4,280)	1.1%	1,725	-0.5%
EBIT	**83,778**	**21.2%**	**87,807**	**24.1%**
Financial income (expense)	44,062	11.2%	31,779	8.7%
Result before taxes	**127,840**	32.4%	**119,586**	32.8%
Income taxes	(14,192)	3.6%	(19,489)	5.4%
Result for the year	**113,648**	**28.8%**	**100,097**	**27.5%**
EBITDA (1)	**105,068**	**26.6%**	**105,772**	**29.1%**

(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 2019, the Group's Parent Company reported net revenues of €395,079 thousand (€364,079 thousand in 2018), up 8.5 percentage point compared to 2018. 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

(€ thousands)	**2019**	**2018**	**% Change**
Revenues from third customers - Italy	**93,855**	**81,163**	**15.6%**
Revenues from third customers - International	**66,718**	**72,550**	**-8.0%**
Europa and Africa	18,046	20,844	-13.4%
Asia Pacific	37,506	39,242	-4.4%
USA and Canada	-	-	n.a.
Latin America	11,166	12,464	-10.4%
Intercompany revenues	**234,506**	**210,366**	**11.5%**
Europa and Africa	130,910	115,352	13.5%
Asia Pacific	51,176	50,979	0.4%
USA and Canada	42,605	32,757	30.1%
Latin America	9,815	11,278	-13.0%
Total	**395,079**	**364,079**	**8.5%**

In 2019, the Group's Parent Company's revenues amounted to €93,855 thousand in the domestic market, with an increase of €12,692 thousand, equal to 15.6 percentage points compared to 2018. This growth was particularly strong for such a mature market as the domestic one and was driven by sales of QuantiFERON latent tuberculosis test and of some CLIA specialty products, including LIAISON® BRAHMS PCT®.

Third-party revenues from international customers amounted to €66,718 thousand, a decrease of €5,832 thousand compared to 2018 (-8%). The decline is due to the non-renewal and the seasonality of some tenders in Africa and Asia, along with lower instruments sales.

Intercompany Revenues, equal to €234,506 thousand, increased 11.5 percentage points compared to 2018 (equal to €24,140 thousand). Specifically:

i) Revenue growth in the European markets, equal to €15,558 thousand (+13.5%), on the back of the Group's Parent company's distribution of products that were previously sold by the Irish manufacturing facility;

ii) Steady revenues in Asia Pacific (+0.4%).

iii) Revenue growth of 30.1%, equal to €9,848 thousand, in the U.S. market and Canada buoyed by the upward trend of CLIA tests, net of Vitamin D, which is positively impacted by the exchange rates effect (growth at CER equal to +23.6%).

iv) Downward trend in Latin America due to the negative performance in the Brazilian market versus, although to a lesser extent, a growth of 7% in sales generated from the Mexican subsidiary.

Breakdown of revenues by technology

% impact on revenues	**2019**	**2018**
CLIA tests	68.6%	66.4%
ELISA tests	12.1%	12.1%
MOLECULAR tests	0.6%	0.7%
INSTRUMENTS SALES AND OTHER REVENUES	18.7%	20.8%
Total	**100.0%**	**100.0%**

The increase in CLIA sales, accounting for 68.6% of total Parent Company's revenues, is partly due to the QuantiFERON latent tuberculosis test, whilst the decrease in the contribution provided by instrument sales is largely due to markets served through distributors. The percentage of total revenues represented by ELISA sales was in line with 2018.

Finally, it should be noted the increasing number of LIAISON XL analyzers in the domestic market, equal to 46 units compared to 2018. At December 31, 2018, LIAISON XL installed base was of 559 instruments, while the combined installed base totaled 845 analyzers.

Operating result

Gross profit totaled €180,844 thousand, +5.1% compared to 2018; the ratio of gross profit to revenues showed a slight decrease compared to 2018 (-1.5%), mainly due to sales of products that were previously sold by the Irish subsidiary, of which the Group's Parent Company is licensee and whose lower profitability has a dilutive effect on its gross profit.
Operating expenses amounted to €92,786 thousand; their ratio to total revenues was unchanged (23.5%).

Other operating charges and income were negative by €4,280 thousand (positive by €1,725 thousand in 2018), mainly due to greater provisions for risks and charges including those to reorganize some company areas in Italy.

EBITDA amounted to €105,068 thousand, in line with 2018. The incidence on revenues was 26.6% versus 29.1% and down by 2.5 percentage points compared to 2018. Other operating expenses include costs to support the reorganization of the abovementioned site, whilst 2018 reported a positive balance due to reversal of the provision for doubtful account.

As a result of the above, EBIT amounted to €83,778 thousand, a decrease of €4,029 thousand compared to 2018 (-4.6%), equal to 21.2% of revenues (24.1% in 2018).

Financial performance

In 2019, net financial income amounted to €44,062 thousand, as against €31,779 thousand in 2018. The amount includes dividends received from subsidiaries, amounting to €46,910 thousand in 2019, as against €33,295 thousand in 2018.

Fees on factoring transactions were €447 thousand (€314 thousand in 2018), as a consequence of revenue growth in the domestic market, and interest income of €157 thousand (€219 thousand in 2018).

Net interest income equal to €943 thousand (€1,407 thousand in 2018) from Group companies were generated from loans provided to subsidiaries, equal to €924 thousand.

Foreign exchange differences on other financial balances, which were positive by €318 thousand (positive by €913 thousand in 2018), include a negative amount of €108 thousand for the winding-up of financial instruments (negative by €826 thousand in 2018). Positive exchange differences, instead, on intercompany financing facilities and bank accounts amounted to €425 thousand (positive by €1,739 thousand in 2018).

Profit before taxes and net profit

In 2019, the Parent Company's profit before taxes amounted to €127,840 thousand, up 6.9% as against €119,586 thousand in 2018, mainly as a result of the increase in dividends from subsidiaries. Profit before taxes decreased to 32.4% from 32.8% in 2018.
The income tax liability for 2019 amounted to €14,192 thousand, with a 11.1% tax rate as a result of dividends from Group companies, the economic contribution for use of intangible assets (the so-called Patent Box) and tax benefits for new equipment purchase (Super and Hyper-depreciation).

Lastly, the net profit was €113,648 thousand, up 13.5% compared to €100,097 thousand in 2018, equal to 28.8% of revenues (27.5% in 2018), as a result of the combined effect commented above.

STATEMENT OF FINANCIAL POSITION OF THE GROUP'S PARENT COMPANY AT DECEMBER 31, 2019

The table below shows a breakdown of the financial position of the Group's Parent Company at December 31, 2019:

(€ thousands)	**12/31/2019**	**12/31/2018**
Goodwill and other Intangible Assets	115,813	114,340
Total property, plant and equipment	62,268	43,826
Equity investments	142,172	187,623
Other non-current assets	7,574	7,274
Net working capital	138,143	140,028
Other non-current liabilities	(24,254)	(22,746)
Net invested capital	**441,716**	**470,345**
Net financial position	**(6,358)**	**(110,657)**
Shareholders' equity	**435,358**	**359,688**

Non-current assets decreased to €327,827 thousand compared to December 31, 2018 (€353,063 thousand), following the decrease in the value of equity investments previously recognized at fair value and dividend paid as capital return in 2019. A significant part of the increase in property, plant and equipment stems from the right-of-use value during IFRS 16 first time adoption since early 2019.

Non-current liabilities were €24,254 thousand, an increase of €1,508 thousand compared to December 31, 2018, and include employees benefits, provisions for risks and charges and long-term payables.

A breakdown of net working capital is provided below:

(€ thousands)	**12/31/2019**	**12/31/2018**	**Change**
Trade receivables	111,762	108,259	3,503
Inventories	102,838	97,090	5,748
Trade payables	(64,880)	(58,693)	(6,187)
Other current assets/liabilities (1)	(11,577)	(6,628)	(4,949)
Net working capital	**138,143**	**140,028**	**(1,885)**

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

In 2019, net working capital recorded a decrease of €1,885 thousand. The increase of €5,748 thousand in ending inventories is due to the growth in manufacturing volumes to support higher revenues.
Trade receivables increased by €3,503 thousand compared to December 31, 2018, following the growth in revenues. Trade payables decreased by €6,187 thousand compared to December 31, 2018, (of which €10,013 thousand in liabilities owed to Group companies), due to the cyclical nature of purchases.

At December 31, 2019, the Parent Company's **net financial position** was negative by **€6,358 thousand**. 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 [(*)]:

(€ thousands)	**12/31/2019**	**12/31/2018**
Cash and cash equivalents	38,444	15,199
Liquid assets (a)	**38,444**	**15,199**
Other current financial assets	49	-
Current financial receivables owed by Group companies	7,786	53,471
Other current financial assets (b)	**7,835**	**53,471**
Current bank liabilities	-	(20,001)
Derivative financial instruments	-	(532)
Current financial liabilities owed to Group companies	(90,012)	(163,211)
IFRS16 current financial liabilities	(1,165)	-
Current financial liabilities (c)	**(91,177)**	**(183,744)**
Net current financial assets (d)=(a)+(b)+(c)	**(44,898)**	**(115,074)**
Non-current financial receivables owed by Group companies	49,920	4,417
Net non-current financial assets (e)	**49,920**	**4,417**
IFRS16 non-current financial liabilities	(11,380)	
Non-current financial liabilities (f)	**(11,380)**	-
Net non-current financial assets (e)	**38,540**	**4,417**
Net financial position (f)=(d)+(e)	**(6,358)**	**(110,657)**

(*) 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, 2019, **shareholders' equity** amounting to **€435,358 thousand** (€359,688 thousand at December 31, 2018) included 1,157,601 treasury shares, equal to 2.07% of the share capital, valued at €81,849 thousand. In 2019, the change in the reserve for treasury share was due to the exercise of a total of 133,406 options relating to the 2014 Stock Option Plan (44,188 options) and to the 2016 Stock Option Plan (89,218 options), for a total amount of €5,935 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 2018, is provided below:

(€ thousands)	**2019**	**2018**
Cash and cash equivalents at the beginning of the period	**15,199**	**101,466**
Cash provided by operating activities	103,145	82,032
Cash used in investing activities	(28,270)	(23,624)
Cash provided by financing activities	(44,727)	(123,745)
Acquisitions of subsidiaries and business operations	(6,903)	(20,930)
Net change in cash and cash equivalents	***23,245***	***(86,267)***
***Net change in* cash**	***23,245***	***(86,267)***
Cash and cash equivalents at the end of the period	**38,444**	**15,199**

At December 31, 2019, available **liquid assets** held by the Group's Parent Company amounted to **€ 38,444 thousand**, an increase of € 23,245 thousand compared to December 31, 2018.

The cash flow from operating activities amounted to €103,145 thousand, as against €82,032 thousand in 2018. Cash used in investing activities totaled €28,270 thousand, as against €23,624 thousand in 2018. Investments in medical equipment totaled €4,924 thousand (€5,198 thousand in 2018), investments in manufacturing and distribution equipment needed to support the manufacturing operations amounted to €3,500 thousand (€5,068 thousand in 2018). In addition, development costs of €9,810 thousand were capitalized in 2019 vs. development costs of €8,220 thousand in 2018.

Cash used in financing activities were €44,727 thousand, as against €123,745 thousand in 2018.

A breakdown is as follows:

- Distribution of ordinary dividend equal to €49,231 thousand (ordinary dividend equal to €46, 885 thousand and extraordinary dividend equal to €98,383 thousand in 2018);
- sale of treasury shares to serve the stock options plans for an amount of €7,016 thousand (net purchases for €65,296 thousand in 2018);
- Dividends collection from Group companies amounting to €92,433 thousand (€33,295 thousand in 2018);
- Decrease of financial items vis-à-vis Group companies for a total of €73,959 thousand (increase of €58,473 thousand in 2018).

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 in the and Note 29 of the annual Financial Statements.

The "Procedure for Related-Party Transactions" for 2019 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)

GLOSSARY

"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 issuers.

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

"Consob Related Parties Regulations": Regulations issued by Consob with Resolution No. 17221 of March 12, 2010 (as amended), on 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, 2019.

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

As at December 31, 2019, a breakdown of the Company's share capital of 55,948,257.00 (subscribed and fully paid-in) is as follows:

SHARE CAPITAL STRUCTURE					
	Number of shares	***% on the share capital***	***Number of voting rights*****	***Listed***	***Rights and obligations***
Ordinary share (par value 1 euro each)	55,948,257*	100%	83,793,011	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. 1,155,601 treasury shares held in the company's portfolio; number of treasury shares was equal to 1,157,601 at 12.31.2019.
** The amount of voting rights was equal to 83,793,011 at 12.31.2019.

In 2019 (i) a number of shareholders, each of them holding a number of voting rights lower than 3% of the total amount of voting rights, accrued increased voting rights in accordance with article 9-*bis* of the Bylaws; and (ii) on December 6, 2019, two relevant shareholders (Mr. Carlo Rosa and Mr. Chen Menachem Even) waived the increased voting rights on the shares held directly by the aforementioned shareholders.

As at December 31, 2019, no. 27,844,754 shares accrued increased voting rights (see Section **2,** Lett. **d**).

On February 7, 2020, no. 2 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. 27,863,838 shares accrued increased voting rights. Voting rights amounted to a total of no. 83,812,095 (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 and, specifically, "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**"), and "DiaSorin S.p.A. 2019 Stock Option Plan" ("**2019 Plan**"), along with the "DiaSorin S.p.A. 2014 Stock Option Plan" ("**2014 Plan**") which ended with the last options exercised in November 2019, 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/2020".

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, 2019, 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	44.976	49,186,908	60.047
	Finde S.p.A.	570,000		1,140,000	
Rosa Carlo	Sarago S.r.l.	2,402,532	8.363	4,805,064	8.448
	Sarago 1 S.r.l.	2,226,682		2,226,682	
	Rosa Carlo	50,000		50,000	
Even Chen Menachem	MC S.r.l.	2,300,000	4.200	2,300,000	2.803
	Even Chen Menachem	50,000		50,000	
T. Rowe Price Associates, Inc.	T. Rowe Price Associates, Inc.	1,696,073	3.031	1,696,073	2.023

* Share capital consists of 55,948,257 shares (par value of €1.00).
** At 12.31.19 the total amount of voting rights was 83,793,011, while as of the date of this Report was 83,812,095 (following increased voting rights by two Shareholders on February 7, 2020).

d) Securities conveying special rights (pursuant to art. 123-*bis,* section 1, letter d), 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, 2019, shares that accrued increased voting rights amounted to 27,844,754, whilst as of the date of this Report shares that accrued increased voting rights were 27,863,838; the total amount of voting rights was 83,812,095 (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, 2019, 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/2020", 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 24, 2019, the Shareholders' Meeting approved a motion to authorize purchases and sales of Diasorin S.p.A. common shares to serve the stock option plan called the "2017 Plan" (approved on April 27, 2017 by the Shareholders' Meeting, and for which a program for the purchase of treasury shares had already been authorized, and only partially executed, by the same Shareholders' Meeting), along with the 2019 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 200,000 Company common shares. As of the date of this Report, the Board of Directors has not yet started the purchase program.

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 the date of this Report, Diasorin holds no. 1,155,601 treasury shares, corresponding to 2,065% of its share capital, which had been purchased under previous authorizations.

All other disclosure required by the applicable regulation is available in the Explanatory Report of the Board of Directors dated March 14, 2019 and published, pursuant to law, also on the Company website (www.diasoringroup.com in the Section "Governance/Information for Shareholders/Shareholders' Meeting and board/2019").

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

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

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

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

***

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/ 2020").

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, available on Borsa Italiana website (http://www.borsaitaliana.it/comitato-corporate- governance/codice/codice.htm).

The company and its strategic subsidiaries are not subjected to non-Italian legislation that could influence the Issuer's corporate governance structure.

4. 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.

a) Article 58- *sexies* of Law no. 157/2019 converting Legislative Decree no. 124/2019 into law has introduced amendments - in effect since 25 December 2019- to article 147-*ter*, paragraph 1-*ter* (and art. 148) of TUF, requiring that the criterion that ensures a balance between genders should be extend from three to six consecutive mandates;

b) Budget Law no. 160/2019, in effect since 1 January 2020, paragraphs 302-304 of art. 1, has confirmed the current regulation on gender balance to be extended to six consecutive mandates and has established that the less-represented gender must obtain no longer one third but at least two fifths of the directors elected.

The new criterion concerning at least two fifths of the directors elected shall be applied from the first election of administrative and/or control bodies following the date when regulation entered into force; therefore, the company's Bylaws shall be updated with the new rules that will be applied during the next Board of Directors' election at the next Shareholders' Meeting to approve the financial statements at December 31, 2021.

This paragraph described the procedure to appoint and replace the members of the Board of Directors, in accordance with regulations 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. 28 of January 30, 2020 of the Head of the Corporate Governance Division shareholders' owing a shareholding equal to 1% of the Share Capital are entitled to present the slates of nominees to allocate the Directors to be elected.

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

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

The slates which contain a number of candidates equal to or above three shall include candidates belonging to both 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, formulated and 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 of the Issuer, which was appointed on April 28, 2016 and whose term of office will end on the Ordinary Shareholders' Meeting of April 24, 2019, is comprised of 15 members, as provided in the table below:

First and last name	Place and date of birth	Post held	Date of the appointment

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

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, 2021 was appointed by the Ordinary Shareholders' Meeting held on April 24, 2019.

The Board of Directors was appointed on the basis of two slates. The first slate has been filed by IP Investimenti e Partecipazioni S.r.l. (jointly with Finde S.p.A), which certified its ownership of an equity interest equal to about 43.799% 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 1,012% of the Company's common shares.

Pursuant to the Company Bylaws, all except one of the Directors that needed to be elected were taken from the slate that received the highest number of votes, in this case from the slate filed by the reference shareholder IP Investimenti e Partecipazioni S.r.l. (with favorable votes amounting to 82.890% of the voting capital) in the consecutive order in which they were listed on the slates. The remaining Director was taken from the slate filed by the aforementioned asset management companies (with favorable votes amounting to 16.989% of the voting capital), selecting for election the first and only candidate in the list[1].

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 24, 2019
Michele Denegri	Turin, January 7, 1969	Deputy Chairman and Non-Executive Director	April 24, 2019
Carlo Rosa	Turin, January 15, 1966	Chief Executive Officer and Executive Director	April 24, 2019
Chen Menachem Even	Ashkelon (Israel), March 18, 1963	Executive Director	April 24, 2019
Giancarlo Boschetti	Turin, November 14, 1939	Non-executive Director	April 24, 2019
Luca Melindo	Turin, November 11, 1970	Non-executive Director	April 24, 2019
Stefano Altara	Turin, June 4, 1967	Non-executive Director	April 24, 2019
Giuseppe Alessandria	Novello Monchiero (CN), May 15, 1942	Independent Director	April 24, 2019
Franco Moscetti	Tarquinia (VT), October 9, 1951	Independent Director	April 24, 2019
Roberta Somati	Rivoli (TO), January 9, 1969	Independent Director	April 24, 2019
Francesca Pasinelli	Gardone Val Trompia (BS), March 23, 1960	Independent Director	April 24, 2019
Monica Tardivo	Turin, April 19, 1970	Independent Director	April 24, 2019
Tullia Todros	Turin, June 18, 1948	Independent Director	April 24, 2019
Fiorella Altruda	Turin, August 12, 1952	Independent Director	April 24, 2019
Elisa Corghi	Mantova, August, 11, 1972	Independent Director	April 24, 2019

[1] On April 2, 2019, Roberto Rettani - the first candidate on the slate for the appointment of the Board of Directors- announced he withdrew from his application and relevant acceptance for personal reasons. Consequently, the slate was considered as consisting of a single candidate, in the person of Elisa Corghi.

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/2019" 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
Luca Melindo	Non-executive Director	Economic-management education	Financial Advisor
Stefano Altara	Non-executive Director	Law education	Legal and Corporate Affairs Advisor
Giuseppe Alessandria	Independent Director	Economic-management education	Management Advisor
Franco Moscetti	Independent Director	Economic-management education	Management Advisor
Roberta Somati	Independent Director	Scientific education	Management Advisor
Francesca Pasinelli	Independent Director	Scientific-management	Management Advisor
Monica Tardivo	Independent Director	Law education	Legal Advisor
Tullia Todros	Independent Director	Scientific education	Research and Development Advisor
Fiorella Altruda	Independent Director	Scientific education	Research and Development Advisor
Elisa Corghi	Independent Director	Economic-management education	Financial Advisor

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

Diversity policy.

In the meeting held on March 14, 2019, in compliance with the provisions of the Corporate Governance Code of listed companies (see articles 1.C.1. g) and h) and 2.P.4), following the input of the Nominating Committee and considering the self-assessment results, the Board of Directors defined the guidance as to managerial and professional figures whose presence is considered appropriate within the Board, as well as regarding the criteria of diversity such as gender, managerial, professional, international skills and age group within the composition of the Board itself.

In this respect, the Board provided the following guidelines about the appointment of the Board of Directors by the Shareholders' Meeting called to approve the financial statements at December 31, 2018 on April 24, 2019. Such guidelines are disclosed in the explanatory report prepared pursuant to art. 125-*ter* of TUF:

- taking into account the Company size and business, it is considered appropriate that the number of Directors does not exceed the current number of 15 (fifteen) Directors;

- on third of the Directors must meet the independence requirements, pursuant to art. 148, paragraph 3 of TUF and of the Corporate Governance Code;

- in compliance with legislation on gender balance, at least one third of Directors must belong to the less represented gender;

- as regards the policies on diversity (art. 123-bis, letter d-bis of TUF) and in order to facilitate the understanding of the organization of the Company and its activities, as well as the development of an efficient governance of the same, without prejudice to the legal requirement regarding gender balance, it is appropriate that: **(a)** the Board is characterized by the age diversity of its members; and **(b)** the educational and professional career of Directors guarantees a balanced combination of profiles and experiences, suitable to ensure the correct performance of its functions;

- it is up to each candidate to evaluate the compatibility of the appointment as Director of the Company with any additional offices of director and statutory auditor in other companies listed on regulated markets, in financial, banking, insurance companies or companies of significant size;

- with regard to the balance between executive and non-executive members, the presence of a managing director with broad management powers and having acquired specific experience and expertise in the Company is positively evaluated:

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 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 24 April 2019 to renew their last term of office.

The Board of Directors in office during the 2016-2019 period was composed of 10 men and 5 women, while the current Board of Directors comprises 9 men and 6 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 40-50 age group, 40% of Directors belong to the 51 -60 age group, 13% of

Directors belong to the 61- 70 age group, a further 13% of Directors belong to the 71- 80 age group and again 13% of Directors belong to the 81-90 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, 60% of members have an economics and management background, 26% of members have a science background and 14% of members have a law background. 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/2019", 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.

Cap on offices held in other companies

With regard to the posts held by Diasorin Directors on management and oversight bodies at other companies, during the meeting held as of March 11, 2020 the Board of Directors did not believe that it would be appropriate to introduce preset quantitative limits (fully referring to the guidelines approved by the Shareholders' Meeting on April 24,2019).

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 11, 2020, 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 May 2019, the company organized an induction session for newly appointed Directors (Director Corghi and Director Melindo) to provide an in-depth understanding of the Issuer's business, company dynamics and their evolutions, principles of sound risks management, and laws and self-regulatory framework.

The induction session lasted about 6 hours and was attended by the Chief Executive Officer and the General Manager, who was in charge of introducing issues to be addressed, and by Heads of Commercial Division, HR, Research& Development, Manufacturing, Administration Finance and Control, Legal, Investor Relations and Internal Audit Functions, as speakers; the latter clearly explained the organization and the Company's activities carried out within their respective areas.

In 2019, Directors and Statutory Auditors had an in-depths understanding of laws, regulatory and self-regulatory framework by attending the Board of Directors' meetings held to modify Company's Internal Procedures on Management of Inside Information, Insider and Internal Dealing Register, following a comprehensive discussion on market abuse regulation (see Section **5** of this Report);

Matters defined by art. 2.C.2 of the Corporate Governance Code (i.e. in-depth understanding of the Issuer's business, company dynamics and their evolutions, principles of sound risks management, and laws and self-regulatory framework) have been regularly discussed at the Control, Risks and Sustainability Committee's meetings and submitted to the Board of Directors' meetings.

During the current year, 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 significantly the compensation policy for Executive Directors, Directors performing special tasks, and Executives with strategic responsibilities (as provided in Section I of the "Compensation Report"), following the entry into force of Legislative Decree 49/2019, in implementing the Directive (EU) 2017/828 of the European Parliament and Council of 17 May 2017, the so-called *Shareholders' Right Directive II* regarding the encouragement of the shareholders' long-term commitment, which amended the Directive 2007/36/EC on the exercise of certain shareholders' rights within listed companies, the so-called *Shareholders' Right Directive* ("**SHRD II**").

The Company management maintained 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, Risks and Sustainability 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** (Compensation and Nominating Committee), Section **12.1** (Related-party Committee) and Section **10** (Control, Risks and Sustainability 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 24, 2019, 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 order to avoid or manage potential conflict of interest, Executives with strategic responsibilities that are also members of the Board of Directors (namely Mr. Rosa and Mr. Even) abstain from voting on the resolutions concerning their compensation.

In 2019, the Board of Directors had 7 meetings on March 14, April 24, May 9, June 10, July 31, November 6 and December 19. The meetings lasted 2 hours on average.

In addition to the meeting held on March 11, 2020, three (3) Board meetings have been scheduled for 2020, as detailed in the calendar of Corporate Events, available at the Issuer’s website at www.diasoringroup.com in the Section “Governance/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 role 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 11, 2020.

The self-assessment process was coordinated by Director Giuseppe Alessandria, Lead Independent Director, Chairman of the Compensation and Nominating 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.

The self-assessment process involved all the directors and was performed through a questionnaire 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

The self-assessment process showed a further improvement compared to the previous years, reporting positive comments, in relation to Group results, quality of documents, involvement of the Board of Directors, quality and clarity of information provided, management of meetings and excellence of the induction program. The process did not show areas to be brought to the Board of Directors' notice.

The Board of Directors, with the support of the Control, Risks and Sustainability 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 Internal Control System and conflict of interests; this assessment was carried out during the meeting held on March 11, 2020.

The Board of Directors assesses, 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 14, 2019 and on March 11, 2020.

During the meeting held on November 5, 2010, the Board of Directors approved the procedure to regulate related-party transactions; 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

Chief Executive Officers

By resolution dated April 24, 2019, 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 24, 2019, are reserved for the Board of Directors and may not be delegated:

- approving the annual budget;
- buying, acquiring through subscription equity investments of third-party;
- transferring and selling equity investments to third parties;
- buying, selling and leasing business and business operations;
- 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 5,000,000.00 (five million) euros per year;
- securing loans, credit lines and bank advances; discounting promissory notes and obtaining overdraft facilities involving amounts in excess of 20,000,00.00 (twenty 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 5,000,000.00 (five million) euros for each transaction;
- granting sureties involving amounts in excess of 5,000,000.00 (five 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.6) occurred.

The Chairman of the Board of Directors

On April 24, 2019, 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 2019, 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 EXECUTIVES 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

Following inclusion in the FTSE MIB Index, the company is subject to the provisions contained in the Corporate Governance Code. As to the minimum number of Independent Directors, the Board of Directors is composed of 8 independent directors out of 15 members, in compliance with 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 (in the case is not a whole number, the result is rounded down).

The Issuer, also after the exit from the STAR segment, continued 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. The Issuer complied with these guidelines to appoint the Board of Directors in office as at the date of this Report.

The slate-voting system required by Article 11 of the Bylaws is designed to ensure the election of a minimum 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.

At the meeting held on April 24, 2019, the Board of Directors ascertained that the independent Directors currently in office met the independence requirements. 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/2019", 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 11, 2020 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 confirmed as valid and properly enforced by the Board of Statutory Auditors, on March 11, 2020, to verify and assess the independence requirements pursuant to Application Criteria 3.C.5 of Corporate Governance Code.

The Board of Directors in office until April 24, 2019 included includes seven (7) Independent Directors out of 15 members: Franco Moscetti, Giuseppe Alessandria, Roberta Somati, Francesca Pasinelli, Monica Tardivo, Tullia Todros and Fiorella Altruda.

The Issuers' Board of Directors currently in office, appointed on April 24, 2019, includes eight (8) Independent Directors out of 15 members: Franco Moscetti, Giuseppe Alessandria, Roberta Somati, Francesca Pasinelli, Monica Tardivo, Tullia Todros, Fiorella Altruda and Elisa Corghi. 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.

A meeting was held on March 14, 2019 and as at the date of this Report a meeting was held on March 11, 2020; during the aforementioned meetings 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 24, 2019, the Board of Directors, as required by the Corporate Governance Code, confirmed Giuseppe Alessandria (already designated by the Board of Directors on April 28, 2016), 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 2019, the Lead Independent Director convened the annual meeting (on March 14, 2019) 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 -"MAR" - containing "Regulatory technical standards" and ESMA "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

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

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

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 in office until April 24, 2019, appointed internally the following Committees:

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

The Board of Directors elected on April 24, 2019, appointed internally the following Committees:

Control, Risks and Sustainability Committee	Franco Moscetti (Chairman) Giancarlo Boschetti Roberta Somati
Compensation and Nominating Committee	Giuseppe Alessandria (Chairman) Michele Denegri Elisa Corghi
Committee for Transactions with Related Parties	Franco Moscetti (Chairman) Giuseppe Alessandria Roberta Somati

It should be noted that, with a resolution dated April 24, 2019, the Compensation Committee and the Nominating Committee have been merged into a single Compensation and Nominating Committee.

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

7. COMPENSATION AND NOMINATING COMMITTEE

The Issuer's Board of Directors currently in office, consistent with the provisions of the Corporate Governance Code, established an internal Compensation and Nominating Committee, consisting of non- executive Directors, the majority of its members being independent Directors, including the Chairman who performs the functions set forth in art. 5 on issues relating to nominations and in art. 6 on issues relating to compensation, in compliance with principles and criteria required by the provisions of the Code.

The Compensation and Nominating Committee is responsible for:

Functions regarding compensation

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

Functions regarding nominations

Pursuant to art. 2386, first Section of the Italian Civil Code, if an Independent Director has to be replaced, the Committee submits to the Board of Directors the candidates to be elected as Directors.

The 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 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 and support the Lead Independent Director in the Board’s self-assessment process.

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

Until April 24, 2019 the Nominating Committee was composed of the following Directors: Giuseppe Alessandria (Independent Director who served also as Chairman), Franco Moscetti (Independent Director) and Michele Denegri (Non-Executive Director). The Compensation Committee was composed of the following Directors: Giuseppe Alessandria (Independent Director) who served also as Chairman, Roberta Somati (Independent Director) and Michele Denegri (Non-Executive Director).

By a resolution dated April 24, 2019, the Board of Directors merged the functions of the Compensation Committee and the Nominating Committee into a single “Compensation and Nominating Committee”, composed of the following Directors: Giuseppe Alessandria (Independent Director) who serves also as Chairman, Elisa Corghi (Independent Director) and Michele Denegri (Non-Executive Director). 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.

In 2019, the Compensation Committee met on March 7, 2019; the Compensation Committee provided recommendations on variable remuneration and on stock option plans and their beneficiaries and approved the draft of the 2019 Compensation Report.

The Nominating Committee, which was in office before the renewal of corporate bodies, met 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, along with diversity policy in the Board composition (see Section **4.2**). In addition to the meeting held, a further meeting was held on April 3, 2019 to assess slates of candidates for renewal of corporate bodies (including minority slates) 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.

Subsequently, the Committee – in its new composition – met on May 9, 2019 to draw up a proposal to be submitted to the Board of Directors for the Chairman and Deputy Chairman compensation for the years 2019-2020-2021.

For the current year, as at the date of this Report, a meeting was held on March 5, 2020, during which the Committee approved, among others, the Compensation Report for the year 2020, provided recommendations on variable remuneration and examined the proposal to set up a new stock options plan. As of the date of this Report, in addition to the meeting held, no further meetings have been scheduled for 2020.

The frequency, the average length, the attendance percentage at the Nominating Committee and Compensation Committee meetings (held until April 24, 2019) along with the Compensation and Nominating Committee meetings are listed in Table 2 annexed to this Report, to which reference is made; the Chairman of the Board of Statutory Auditors is required to attend Committee meetings.

The Committee's meetings (including meetings of the Nominating Committee and Compensation Committee) have been regularly recorded and communicated to the first scheduled Board of Directors' meeting by the Chairman of the Nominating Committee.

The meetings of the Committee (including the meetings of the Nominating Committee and the Compensation Committee) have been regularly recorded and communicated by the Chairman to the first scheduled Board of Directors' meeting. Meetings have been coordinated by the Chairman currently in office.

In performing its functions, the 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 Committee was not provided with financial resources as it uses the Issuer's resources and organization to discharge its duties.

8. COMPENSATION OF DIRECTORS

Information about (i) the Company policy for compensation of Directors, Executives with Strategic Responsibilities and members of the Board of Statutory Auditors, and (ii) compensation paid in 2019 is provided in Section I and Section II of the Compensation Report published pursuant to Art. 123-t*er* of the TUF on the Company website: www.diasoringroup.com in the Section "Governance/Information for Shareholders/Shareholders' meeting and board/2020", to which reference is made.

9. CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

Following the renewal of corporate bodies on April 24, 2019 and in compliance with art. 4 of the Code, the Board of Directors assigned, on the same date, the "Control and Risks Committee", which had already been established in the previous term of office, the task of supervising sustainability issues connected to corporate activities and interactions with its stakeholders. Coherently, the Board changed the Committee's name into "Control, Risks and Sustainability Committee".

The Control, Risks and Sustainability Committee is composed of non- executive Directors, the majority of its members being independent Directors.

The Committees' meetings are attended by the Chairman of the Board of Statutory Auditors and other members of the Board of Statutory Auditors, along with the Supervisory Director, and upon request of the Committee, the Internal Audit Officer, the Chairman of the Oversight Board and other employees whose presence may be deemed useful for the proceedings.

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

The 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, along with sustainability issues, as described in the following section.

The Committee in office until April 24, 2019, was composed of the following Directors: Franco Moscetti (Independent Director), acting as Chairman, Roberta Somati (Independent Director) and Enrico Mario Amo (Non- executive Director).

By a resolution dated April 24, 2019, the Issuer's Board of Directors reappointed the following Directors as members of the Committee: Franco Moscetti (Independent Director), acting as Chairman, and Roberta Somati (Independent Director). The Board appointed Director Giancarlo Boschetti (Non-executive Director), who has significant expertise in the areas of accounting and finance.

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

In 2019, the Control, Risks and Sustainability Committee met on February 27, July 29 and November 28; as at the date of this Report a meeting was held on March 4, 2020. No further meetings are scheduled for 2020.

The Chairman of the Board of Statutory Auditors, together with the other members of the Board of Statutory Auditors, the Chairman of the Oversight Board and the Internal Audit Officer, upon request of the Committee, attended the meetings to discuss items on the agenda, along with other employees whose presence may be deemed useful for the proceedings.

Meetings of the Control, Risks and Sustainability Committee have been regularly recorded and activities – coordinated by its Chairman – have been communicated to the first scheduled Board of Directors' meeting by the Chairman of the Control, Risks and Sustainability Committee.

Functions of the Control, Risks and Sustainability Committee

The Control, Risks and Sustainability 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.
- it monitors sustainability issues, evaluates and assesses sustainability matters relating to corporate activities and interactions with its stakeholders, and to this end the Committee: (i) supervises activities of DiaSorin S.p.A. and of DiaSorin Group companies concerning sustainability; (ii) evaluates and assesses the system of data collection and consolidation to prepare the Consolidated Non-Financial Statement, pursuant to Legislative Decree 254/2016 ("**NFS**"); (iii) reviews the NFS, expressing its opinion to the Board of Directors called to approve this document; and (iv) expresses, at the request of the Board of Directors, opinions on any sustainability issues.

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

In 2019, the Control, Risks and Sustainability Committee performed its constant control activity, concerning the correct and timely implementation of the guidelines and the proper management of the Internal Control and Risks system of the Issuer and its relevant subsidiaries.

In 2019, during the meetings held on March 14, and July 31, 2019, the Control, Risks and Sustainability 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 11, 2020.

In performing its functions, the Control, Risks and Sustainability 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.

During the Shareholders' Meeting held on April 24, 2019, the Board of Directors resolved to provide financial resources of 50,000.00 thousand euros to the Control, Risks and Sustainability Committee to perform its activities.

10. 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 24, 2019. The Guidelines aim to define the main risks to which the Company is exposed. The Board of Directors (i) is responsible for the prevention and monitoring of business risks to which the Issuer and the Group are exposed by defining control system guidelines that can be used to properly identify, adequately measure, monitor, manage and assess the abovementioned risks, in accordance with the goal of protecting the corporate assets and consistent with the principles of sound management, including in its assessment all the main risks that can have a major adverse impact on the Issuer's long-term sustainability and (ii) verifies on a regular basis (at least once a year) that the Internal Control and Risks management is adequate, effective and functions correctly.

The document following a first section dedicated to the members involved in the System, defines the guidelines adopted by the Issuer's Board of Directors.

The Issuer's Internal Control and Risks management system involves the following corporate bodies with different tasks:

- The Board of Directors has the function of directing and evaluating the adequacy of the Internal Control and Risks management, *interalia* identifying an (i) Control, Risks and Sustainability 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, Risks and Sustainability 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 Internal Control and Risks management system;
- The Corporate Accounting Document Officer, pursuant to the art. 154-*bi*s TUF;
- The Oversight Board established pursuant Legislative Decree 231/2001.

Insofar as the guidelines adopted for the Internal Control and Risks management system are concerned, the Organizational and Management Model adopted by the Diasorin Group 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.

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;

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

- 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 and Risks Management System applied to financial reporting must achieve to deliver a truthful and fair presentation. These objectives refer to the financial statement "assertions" (existence and occurrence of events, completeness, rights and obligations, valuation/recognition, presentation and disclosure) and other control objectives (e.g., compliance with authorization limits, segregation of duties and responsibilities, documentation and traceability of transactions, etc.).

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

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

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

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

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

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

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

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

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

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

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

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

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

- interacts with the Internal Auditing Director/Supervisory Director, who performs independent audits of the effectiveness of the Internal Control System and supports the Corporate Accounting Documents Officer in monitoring the System;

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

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

The Supervisory Director is responsible for overseeing the effective implementation of the Internal Control and Risks Management System by the Board of Directors and with the support of the Control, Risks and Sustainability 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 Internal Control, System, constantly verifying its efficiency and adequacy;
- making sure that the System changes in the Company's business and changes in the statutory and regulatory framework;
- promptly reporting to the Control, Risks and Sustainability 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, Risks and Sustainability Committee and the Chairman of the Board of Statutory Auditors will be promptly informed. In 2019, the Supervisory Director did not exercise this power.

On April 24, 2019, 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.

In 2019, 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 Internal Control and Risks Management System, monitoring on an on-going basis the system's overall adequacy, effectiveness and efficiency and the need for any adjustments;
- updated the system in response to changes in operating conditions and in the relevant regulatory framework;
- did not deemed it necessary to require intervention of the Internal Audit Officer.

10.2 INTERNAL AUDIT OFFICER

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

During the Board meeting held on December 19, 2019, the Board of Directors in compliance with the provisions of the Corporate Governance Code, appointed Francesco Mongelli, as from January 1, 2020 (replacing Mr. Giovanni Piovano who had a new task within the company) to the post of Internal Audit Officer, on the input of the Supervisory Director and following the favorable opinion of the Control, Risks and Sustainability 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, Risks and Sustainability 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, Risks and Sustainability 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; the 2019 Audit Plan was approved during the meeting held on March 14, 2019 and the 2020 Audit Plan was subject to approval on March 11, 2020. 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 and Sustainability 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, Risks and Sustainability Committee to show the results achieved during the year.

In 2019, the Internal Audit Officer carried out all the activities of his annual work-plan, reporting to the Control, Risks and Sustainability Committee during the meetings held on February 27, July 29 and November 28, 2020 and to the Board of Directors during the meeting held on March 14, 2019. The Internal Audit Officer reported to the Control, Risks and Sustainability Committee and to the Board of Directors again on March 4, 2020 and on March 11, 2020, respectively.

10.3 CODE OF CONDUCT AND ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

Group's code of conduct

On December 18, 2006, the Issuer approved and implemented a Group's 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 2019, 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 l), 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, fully operational from June 30, 2019 (in accordance with the provisions of Legislative Decree no. 179/2017) – the so-called Whistleblowing 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 Market Abuse Regulation and in the TUF 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. Francesco Mongelli (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). Mr. Mongelli alternated Mr. Giovanni Piovano, who received a new task within the company, starting from January 1, 2020, in compliance with the Internal Regulation of the Oversight Board providing for the Internal Audit Officer to be included among members of the Oversight Board. 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 11, 2020 the Board of Directors resolved to provide the Oversight Board with financial resources amounting to EUR 50,000.00 for the year ended December 31, 2020, confirming the same budget provided in 2019.

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, Risks and Sustainability Committee; Last meetings held with the Control, Risks and Sustainability Committee and the Board of Directors occurred on March 4, 2020 and March 11, 2020 respectively.

10.4 INDEPENDENT AUDITORS

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

10.5 CORPORATE ACCOUNTING DOCUMENTS OFFICER

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

On April 28, 2016, the Board of Directors appointed Mr. Piergiorgio Pedron (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, Risks and Sustainability 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.

10.6. 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 System to the Board of Directors, carried out by the Supervisory Director. Such function has been duly and regularly performed in 2019. 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, Risks and Sustainability Committee meetings. The Control, Risks and Sustainability Committee reports to the Board of Directors at least once every six months about the work performed and the adequacy of internal control and risks management system. 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 11, 2020, 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.

11. 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. Regulation on Related Party transactions (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.

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, 2018, 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 2019, no operations concerning Directors with direct or indirect interest or Related-Party interest have been carried out.

11.1 COMMITTEE FOR RELATED-PARTY TRANSACTIONS

By a resolution dated April 24, 2019, 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), Giuseppe Alessandria and Roberta Somati – appointed by Board resolution on April 28, 2016.

In 2019, the Committee for Related-Party Transactions met on February 27, 2019 to issue an opinion about the review of the Procedure for transactions with Related Parties (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) and update the List of Related Parties annexed to 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.

In 2020, the Committee for Related-Party Transactions met on March 4, 2020 to update the List of Related Parties annexed to the Procedure.

12. 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 2019, the Board of Statutory Auditors met on February 8, February 27, March 7 (two sessions), April 9 (two sessions), April 24, June 10, July 2, September 3, September 26, October 1 and November 28. The average length of meetings was 2 hours and 30 minutes. As of the date of this Report, the Board of Statutory Auditors met on February 17 and March 9, and other two additional meetings are scheduled for March 25 and April 1, 2020.

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.

As regards amendments introduced by Budget Law no. 160/2019 on gender balance, Consob through Communication no. 1/20 of 30 January 2020[2] – pending amendments to the regulatory framework – in performing its supervisory activity clarified that the criterion of rounding up to the next number is inapplicable (as set forth in paragraph 3, art. 144-*undecies*.1 of the Issuers' Regulations), as it is arithmetically impossible. Such amendment applies to corporate bodies composed of three members. Therefore, in compliance with the new regulations, numbers should be round down to the lower unit.

The reserve criterion of at least two-fifths– taking into account the above Communication no. 1/20 of 30 January 2020 – shall be applied on the first election of the corporate body following the date on which the law came into force; therefore, as provided in Section 4.1 of this Report, the company Bylaws shall be amended to include the new rules on gender balance. Such rules will be applied at the next renewal of the Board of Statutory Auditors, at the Shareholders' Meeting called to approve the financial statements at December 31, 2021.

This paragraph provides details on the election of corporate bodies, in accordance with the statutory provisions currently in force.

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

[2] See Communication no. 1/20 of 30 January 2020 concerning "*Clarifications on amendments introcuced by Law n. 160 of 27 December 2019 ("Budget Law 2020")*" *to Articles 147-ter and 148 of Legislative Decree 58/98 (TUF) on gender balance in corporated bodies of listed companies.*

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. 28 of 30 January 2020, of the Head of the Corporate Governance Division shareholders' owing a shareholding equal to 1% of the Share Capital are entitled to present the slates of nominees to allocate the Directors to be elected.

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.

13. 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 in office until 24 April, 2019 was appointed by the Ordinary Shareholders' Meeting held on April 28, 2016. The Board's term expired 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.

The members of the Board of Statutory Auditors in office until April 25, 2019, are 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

The Issuer's Board of Statutory Auditors in office as at the date of this Report was appointed by the Ordinary Shareholders' Meeting held on April 24, 2019 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 2021.

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 41.109% 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 1.012% of common shares.

Pursuant to the Bylaws, the Statutory Auditor candidate listed first in the slate that received the second highest number of votes (namely the slate presented by minority shareholders, receiving 16.974% of the voting capital) was elected to the post of Chairman of the Board of Statutory Auditors and Statutory Auditor. The candidates referred to in 1) and 2) listed in the slate that received the highest number of votes (and specifically from the slate filed by IP Investimenti e Partecipazioni S.r.l., receiving 82.831% of the Voting capital) were elected to the post of Statutory Auditors. Alternate candidates referred to in 1) listed in the slates presented by minority shareholders and by the reference shareholder were elected to the post of Alternates.

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
Ottavia Alfano	Milan, May 2, 1971	Statutory Auditor	Saluggia (VC) Via Crescentino snc

Matteo Michele Sutera	Milano, September 29, 1981	Statutory Auditor	Saluggia (VC) Via Crescentino snc
Romina Guglielmetti	Piacenza, March 18, 1973	Alternate	Saluggia (VC) Via Crescentino snc
Cristian Tundo	San Pietro Vernotico, October, 25, 1972	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 www.diasoringroup.com (Section "Governance/Information for Shareholders /Shareholders' meeting and board/2019") 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 corporate bodies' composition. Such explanatory reports are available in the Issuer's website at www.diasoringroup.com, Section "Governance/Information for Shareholders/Shareholders' Meeting and board/2019".

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 24 April 2019, to renew their last term of office.

Both the Board of Statutory Auditors in office during the 2016-2018 period and the Board of Statutory Auditors in office as at the date of this Report was composed of 1 man and 2 women, while, as regards the Alternates, the Board was composed 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 51-40 age group, while one member belongs to the 41-30 age group. Finally, both Alternates belong to the 51-40 age group.

All Statutory Auditors and one Alternate work as Certified Public Accountants and Independent Auditors; one Alternate works as a lawyer.

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

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

In 2019, the Board of Statutory Auditors:

- assessed the independence of its own members on April 24, 2019 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 9, 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 network. The 2019 assessment will be expressed in the report presented to the Shareholders' meeting that will approve the financial statements for the year ending December 31, 2019.

In performing its duties, the Board of Statutory Auditors coordinates and collaborates with the internal auditing department and with the Control, Risk and Sustainability 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 two meetings were held on February 17 and March 9 and two additional meetings have been scheduled for March 25 and April 1.

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

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

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

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

14. 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 k), 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, Section "Governance"), to enable investors to exercise their shareholder rights.

For the transmission and storage of the Regulated Information, the Issuer uses e-market SDIR and eMarket STORAGE, respectively. Both systems are managed by Spafid Connect S.p.A, located in Foro Buonaparte 10, Milan.

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

15. 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.

Parties eligible to vote may submit questions about the items on the Agenda prior to the Shareholders' Meeting. Questions from eligible parties that are received prior to the Shareholders' Meeting and are pertinent to the items on the Agenda shall be answered at least on the day of the Meeting. The Company may provide a single answer to question with the same content. The notice calling the meeting specifies the terms within which questions raised prior to the shareholders' meeting must reach the company. The terms must be no earlier than five trading days prior to the date of the first or only calling of the shareholders' meeting, or at the record date pursuant to article 83-*sexies*, paragraph 2, TUF (close of the accounting day on the seventh trading day prior to the date set for the Meeting) where the notice requires the Company to reply to submitted questions prior to the Meeting. In this case, replies are provided at least two days prior to the Shareholders' Meeting also by publication in a specific section of the company website. Ownership of the voting right can be proved even after submission of questions provided that it occurs within the third day following the abovementioned record date.

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.

Fourteen out of fifteen Executives in office and all the members of the Board of Statutory Auditors attended the Shareholders' Meeting held on April 24, 2019. The Chief Executive Officer reported to the Shareholders' Meeting on its past and scheduled activities, and he 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 2019, 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.

16. 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.

17. 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.

18. CONSIDERATIONS ON THE LETTER DATED DECEMBER 19, 2019 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 19, 2019 to the Chairmen of Boards of Directors of listed companies were sent to Directors and Chairman of the Board of Statutory Auditors by the Lead Independent Director on January 13, 2020 (with the request to consider the abovementioned recommendations in the self-assessment process) and brought to the attention of the Issuer's Board of Directors and Board of Statutory Auditors during the meeting held on March 11, 2020. The Boards acknowledged the analysis and recommendations contained therein.

The overall adequacy of the Company was recognized in relation to the recommendations concerning the inclusion of business activity's sustainability in the Company's strategies and compensation policy (see paragraph 11 of this Report, and the Compensation Report prepared pursuant art. 123-*ter* of TUF), the management of information flows to the Board of Directors (see paragraph 4.3 of this Report), the application of the independence criteria (see paragraph 4.6 of this Report), compensation paid to Non-Executive Directors and to members of the Board of Statutory Auditors in relation to their competence, skills and professional commitment (see the Compensation Report prepared pursuant art. 123-*ter* of TUF).

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE					
	No. of shares	***% on the share capital***	***No.voting rights***[**]	***Listed***	***Rights and obligations***
Ordinary share (par value 1 euro each)	55,948,257[*]	100%	83,793,011	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. 1,155,601 treasury shares held in the company's portfolio; number of treasury shares was equal to 1,157,601 at 12.31.2019

[**] Amount of voting rights was equal to 83,793,011 at 12.31.2019.

SIGNIFICANT EQUITY INTEREST					
Reporting party	**Direct Shareholder**	***No. of shares***	***% on the share capital****	***No.of voting rights***[**]	**% of voting rights**
Finde SS	IP Investimenti e Partecipazioni S.r.l.	24,593,454	44.976	49,186,908	60.060
	Finde S.p.A.	570,000		1,140,000	
Rosa Carlo	Sarago S.r.l.	2,402,532	8.363	4,805,064	8.451
	Sarago 1 S.r.l.	2,226,682		2,226,682	
	Rosa Carlo	50,000		50,000	
Even Chen Menachem	MC S.r.l.	2,300,000	4.200	2,300,000	2.805
	Even Chen Menachem	50,000		50,000	
T. Rowe Price Associates, Inc.	T. Rowe Price Associates, Inc.	1,696,073	3.031	1,696,073	2.024

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

[**] % of voting rights at 12.31.2019 amounted to 83,793,011, whilst as at the date of this Report was 83,812,095 (following increased voting rights by two shareholders on February 7, 2020).

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

Structure of the Board of Directors in office until April 24, 2019

Board of Directors													Control and Risks Committee		Compensation Committee		Nominating Committee		Related-party Committee	
Post held at DiaSorin	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Exec.	Non - exec.	Indep. Code	Indep. TUF	Number of other posts held	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman	Gustavo Denegri	1937	3.26.2007	4.28.2016	Approval of Fin. Stat.2018	M		X			7	6/7								
Deputy Chairman and Director	Michele Denegri	1969	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M		X			19	7/7			1/1	M	2/2	M		
CEO • ◊	Carlo Rosa	1966	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M	X				4	7/7								
Director	Chen Menachem Even	1963	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M	X				3	7/7								
Director	Giancarlo Boschetti	1939	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M		X			3	7/7								
Director	Enrico Mario Amo	1956	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M		X			3	1/1	1/1	M						
Director	Stefano Altara	1967	4.23.2014	4.28.2016	Approval of Fin. Stat. 2018	M		X			3	7/7								
Director ○	Giuseppe Alessandria	1942	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	2	7/7			1/1	P	2/2	P	1/1	M
Director	Franco Moscetti	1951	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	6	7/7	3/3	P			2/2	M	1/1	P
Director	Roberta Somati	1969	4.22.2013	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	-	6/7	3/3	M	1/1	M			1/1	M
Director	Francesca Pasinelli	1960	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	7	5/7								
Director	Monica Tardivo	1970	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	2	7/7								
Director	Tullia Todros	1948	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	1	6/7								
Director	Vittorio Squarotti	1979	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M		X			-	1/1								
Director	Fiorella Altruda	1952	12.19.2016	12.19.2016	Approval of Fin. Stat. 2018	-			X	X	2	7/7								

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 2019	Board of Directors	Control and Risks Committee	Compensation Committee	Nominating Committee	Related-party Committee
At 12.31.2019	7	3	1	2	1
Average length of meetings	2 hours	2 hours	1 hour	30 minutes	30 minutes

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 shows 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 posts the Director or the Statutory Auditor 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.
(*). 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 shows the post the Director holds inside the Board of Directors: "C": chairman; "M": member.

Structure of the Board of Directors in office from April 24, 2019

Board of Directors													Control, Risks and Sustainability Committee		Compensation and Nominating Committee		Related-party Committee	
Post held at DiaSorin	**Members**	**Year of birth**	**Date of first appointment ***	**In office since**	**In office until**	**List ****	**Exec.**	**Non - exec.**	**Indep. Code**	**Indep. TUF**	**Number of other offices held**	**(*)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**
Chairman	Gustavo Denegri	1937	3.26.2007	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M		X			7	6/7						
Deputy Chairman and Director	Michele Denegri	1969	3.26.2007	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M		X			19	7/7			1/1	M		
CEO • ◊	Carlo Rosa	1966	3.26.2007	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M	X				4	7/7						
Director	Chen Menachem Even	1963	3.26.2007	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M	X				3	7/7						
Director	Giancarlo Boschetti	1939	4.28.2016	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M		X			3	7/7	2/2	M				
Director	Luca Melindo	1970	4.24.2019	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M		X			12	6/6						
Director	Stefano Altara	1967	4.23.2014	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M		X			3	7/7						
Director ○	Giuseppe Alessandria	1942	3.26.2007	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M			X	X	2	7/7			1/1	P	1/1	M
Director	Franco Moscetti	1951	3.26.2007	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M			X	X	6	7/7	3/3	P			1/1	P
Director	Roberta Somati	1969	4.22.2013	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M			X	X	-	6/7	3/3	M			1/1	M
Director	Francesca Pasinelli	1960	4.28.2016	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M			X	X	7	5/7						
Director	Monica Tardivo	1970	4.28.2016	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M			X	X	2	7/7						
Director	Tullia Todros	1948	4.28.2016	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M			X	X	1	6/7						
Director	Elisa Corghi	1972	4.2.4.2019	4.24.2019	Approval of Fin. Stat. at 12.31.2021	m			X	X	6	6/6			1/1	M		

Director	Fiorella Altruda	1952	12.19.2016	4.24.2019	Approval of Fin. Stat. at 12.31.2021	M			X	X	2	7/7						
Number of meetings held in 2019					**Board of Directors**								**Control, Risks and Sustainability Committee**		**Compensation and Nominating Committee**		**Related-party Committee**	
At 12.31.2019					7								3		1		1	
Average length of meetings					2 hours								2 hours		30 minutes		30 minutes	
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 shows 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. (*). 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 shows 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 in office until April 24, 2019

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 posts ******
Chairman	Monica Mannino	1969	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	m	X	13/13	11
Statutory Auditor	Roberto Bracchetti	1939	27.4.2010	4.28.2016	Approval of Fin. Stat. 2018	M	X	6/6	6
Statutory Auditor	Ottavia Alfano	1971	4.22.2013	4.28.2016	Approval of Fin. Stat. 2018	M	X	13/13	19
Statutory Alternate	Salvatore Marco Fiorenza	1950	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	m	X	-	11
Statutory Alternate	Maria Carla Bottini	1960	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M	X	-	15
STATUTORY AUDITORS WHO RESIGNED IN THE YEAR: 0									
Number of meetings held in 2019: 13									
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

Structure of the Board of Statutory Auditors in office from April 24, 2019

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 posts *******
Chairman	Monica Mannino	1969	4.28.2016	4.24.2019	Approval of Fin. Stat. 2021	m	X	13/13	11
Statutory Auditor	Ottavia Alfano	1971	4.22.2013	4.24.2019	Approval of Fin. Stat. 2021	M	X	13/13	19
Statutory Auditor	Matteo Michele Sutera	1981	4.24.2019	4.24.2019	Approval of Fin. Stat. 2021	M	X	7/7	19
Statutory Alternate	Romina Guglielmetti	1973	4.24.2019	4.24.2019	Approval of Fin. Stat. 2021	M	X	-	6
Statutory Alternate	Cristian Tundo	1972	4.24.2019	4.24.2019	Approval of Fin. Stat. 2021	m	X	-	14
STATUTORY AUDITORS WHO RESIGNED IN THE YEAR: 0									
Number of meetings held in 2019: 13									
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)

POST HELD AT DIASORIN	**MEMBERS**	**POST HELD IN OTHER COMPANIES**
Chairman	Gustavo Denegri	Finde S.p.A. (Chairman of the Board of Directors) IP Investimenti e Partecipazioni S.r.l. (Chairman of the Board of Directors) Finde S.S. (Shareholder - Director) Finde Seconda S.S. (Shareholder - Director) Viridissima S.S. (Shareholder - Director) Viridina S.S. (Shareholder - Director) Tavan S.S. (Shareholder - Director)
Deputy Chairman and Director	Michele Denegri	Finde S.p.A. (Chief Executive Officer) IP Investimenti e Partecipazioni S.r.l. (CEO) Aurelia S.r.l. (Director) Finde S.S. (Shareholder - Director) Finde Seconda S.S. (Shareholder - Director) Combo S.r.l. (Director) Pygar S.r.l. (Chairman and CEO) Catacomb S.r.l. (Director) Orsolina 28 Soc. sportiva dilettantistica a r..l. (Director) MSD Immobiliare S.S. (Shareholder - Director) Socialfare Impresa Sociale S.r.l. (Deputy Chairman and Director) Carignano Prima S.S. (Shareholder - Director) Carignano Seconda S.S. (Shareholder - Director) Carignano Terza S.S. (Shareholder - Director) Carignano Quarta S.S. (Shareholder - Director) Carignano Quinta (Shareholder - Director) Carignano Sesta (Shareholder - Director) Carignano Settima (Shareholder - Director) Carignano 2 S.r.l. (Director)
CEO	Carlo Rosa	Sarago S.r.l. (Sole Director-Shareholder) Sarago 1 S.r.l. (Chairman of the Board of Directors – Sole Shareholder Istituto Italiano di Tecnologia (Director) Life Care Capital S.p.A. (Member of the Scientific Committee)
Director	Chen Menachem Even	MC S.r.l. (Sole Director – Sole Shareholder) Diasorin Ltd (Israel) (Chairman of the Board of Directors) * Diasorin Ltd (China) (Chairman of the Board of Directors) *
Director	Giancarlo Boschetti	Finde S.p.A. (Director)

		Aurelia S.r.l. (Director) Elena Due S.S. (Shareholder - Director)
Director	Luca Melindo	IP Investimenti e Partecipazioni S.r.l. (Director) Cardiovascular Lab S.p.A. (CEO) Sfera Società Agricola S.r.l. (Director) CoeLux S.r.l. (Director) Compagnia Immobiliare Banchette S.r.l. (Executive Director) Compagnia Immobiliare Hermada S.r.l. (Chairman of the Board of Directors) Compagnia Carmagnola S.r.l. (Executive Director) Combo S.r.l. (Director) Cratox S.r.l. (Director) Crociferi S.c.a.r.l. (Director) Catacomb S.r.l. (Director) Claris Ventures SGR S.p.A. (Director) Combo Milano S.p.A. (Director) Eridano S.r.l. (Executive Director) Socialfare Seed S.r.l. (Director)
Director	Stefano Altara	Finde 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	Axel Glocal Business S.r.l. (Sole Director - Shareholder) Fideuram Investimenti SGR S.p.A. (Deputy Chairman and Director) Zignago Vetro S.p.A (Director) Gruppo ASTM S.p.A. (Deputy Chairman and Director) Gruppo Pellegrini S.p.A. (Director) Gruppo OVS S.p.A. (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) Dompè Farmaceutici S.p.A. (Director) Anima Holding S.p.A. (Director) Anima SGR (Director) CIR Compagnie Industriali Amiche S.p.A (Director) EryDel S.p.A. (Director)
Director	Monica Tardivo	T.T.T. S.a.s di Sandro Tardivo & C. (Limited partner) Banca del Piemonte (Director)
Director	Tullia Todros	Corion Biotech S.r.l. (Director)

Director	Elisa Corghi	Nexi S.p.A. Tinexta S.p.A. (Director) BasicNet S.p.A. (Director) Corneliani S.p.A. (Director) Pitti Immagine S.r.l. (Director) ReValuta S.p.A. (Director)
Director	Fiorella Altruda	Bioindustry Park "Silvano Fumero" S.p.A. (Chairman of the Board of Directors) Associazione CentroScienza Onlus (Member of the Board)

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

TABLE OF THE POSTS HELD BY THE BOARD OF STATUTORY AUDITORS

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

POST HELD AT DIASORIN	MEMBERS	POST HELD IN OTHER COMPANIES
Chairman	Monica Mannino	Tinexta S.p.A. (Statutory Auditor) Connect S.p.A. (Statutory Auditor) ERAMET Alloys Italia S.r.l. (già 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) Milano Ristorazione S.p.A. (Statutory Auditor) Giglio Group SpA (Statutory Auditor) Genea S.r.l. (Director) D-Flight S.p.A. (Alternate) Vita Società Editoriale S.p.A. in liquidazione (Alternate) Willis Italia S.p.A. (Alternate) Crisscross Coomunications (Italy) S.r.l. (Alternate)
Statutory Auditor	Ottavia Alfano	Saga Coffee S.p.A. (Chairman of the Board of Statutory Auditors) Vodafone Gestioni S.p.A (Chairman of the Board of Statutory Auditors) Genextra S.p.A. (Alternate) L&B Capital S.p.A. (Chairman of the Board of Statutory Auditors) Sarago S.r.l. (Statutory Auditor and auditor) Evolvere S.p.A. (Chairman of the Board of Statutory Auditors) Evoca S.p.A. (Chairman of the Board of Statutory Auditors) Manifatture Milano 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) Pier Luigi Loro Piana S.a.p.a. (Statutory Auditor) Nuova Energia Holding S.r.l. (Chairman of the Board of Statutory Auditors) Cleanbnb S.p.A. (Statutory Auditor) Illimity Sgr S.p.A. (Statutory Auditor) VND S.p.A. (Statutory Auditor) Bonafous S.p.A. in liquidation (Alternate) Neprix S.r.l. (Alternate) Residenza Immobiliare 2004 S.p.A. (Alternate)
Statutory Auditor	Matteo Michele Sutera	Valbrenta S.p.A. (Chairman of the Board of Directors) Adda S.r.l. (Vice Chairman of the Board of Directors) Brenta PCM S.p.A. (Deputy Chairman of the Board of Directors)

		Assietta S.p.A. (Chairman of the Board of Statutory Auditors) New Seres Appenines S.p.A. in liquidation (Chairman of the Board of Statutory Auditors) OdeXa S.p.A. (Chairman of the Board of Statutory Auditors) Bribri S.p.A. (Statutory Auditor) Corporate Value S.p.A. (Statutory Auditor) Exilles S.p.A. (Statutory Auditor) I.M.S. Industria Materiali Stampati S.p.A. (Statutory Auditor) Panakes partners SGR S.p.A. (Statutory Auditor) E.P. Preziosi Participations S.p.A. (Statutory Auditor) Preziosi Investments S.p.A. (Statutory Auditor) Panakes partners SGR S.p.A. (Statutory Auditor) Cooperativa Sociale Comunità Betania Onlus (Statutory Auditor) Gerola Energia S.r.l. (Auditor) Arno S.r.l. (Alternate) MMB S.r.l. (Alternate) Technical Plast S.r.l. (Alternate)
Alternate	Romina Guglielmetti	Tod’s Group S.p.A. (Director) Servizi Italia S.p.A. (Director) Pininfarina S.p.A. (Director) Compass Banca S.p.A. (Director) MBFACTA S.p.A. (Independent Director) Enel S.p.A. (Statutory Auditor)
Alternate	Cristian Tundo	F.llI Guazzi S.p.A. (Chairman of the Board of Statutory Auditors) Giglio Group S.p.A. (Chairman of the Board of Statutory Auditors) Everis Italia S.p.A. (Statutory Auditor) CHR Hansen Italia S.p.A. (Statutory Auditor) AGCO S.p.A. (Statutory Auditor) SITI B&T Group S.p.A. (Statutory Auditor) DUC S.p.A. (Statutory Auditor) Smeg S.p.A. (Alternate) Smeg Servizi S.p.A. (Alternate) Bonferraro S.p.A. (Alternate) Apell S.p.A. (Alternate) F.lli Galloni S.p.A. (Alternate) Marco Antonetto S.p.A. (Alternate) GPI S.p.A. (Alternate)

CONSOLIDATED NON-FINANCIAL STATEMENT AT DECEMBER 31, 2019, PURSUANT TO LEGISLATIVE DECREE NO. 254/2016

1. NOTE ON METHODOLOGY

1.1 **Objectives of Non-Financial Statement**

The DiaSorin Group prepared this Consolidated Non-Financial Statement (hereinafter referred to as "**Non-Financial Statement"**) 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 main policies, management models and the Group's main activities carried out in 2019 with regard to issues 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 Report 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 statement*". 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 Statement 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 Statement includes all the companies that fall within the scope of the 2019 consolidated financial statements, as detailed in the Section '*General information and scope of consolidation*" in the notes to the 2019 consolidated financial statements. These companies are consolidated line by line starting 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 was partly due the harmonization of processes and systems used to manage training and payroll data at Group level in order to streamline processes.

Comparison data, for the year 2017 only, 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 referred 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 was around 70% of total employees of the in-scope Group companies (at December 31, 2017).

- Paragraph "*Environment, Health and Safety– Outcomes*": environmental performance data referred 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 Statement and Consolidated Financial Statements as regards environmental indicators, the DiaSorin Group, starting from 2018, extended the scope of environmental data to its commercial subsidiaries (in the first reporting years, commercial subsidiaries had not been 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 "*Quality of our products 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 Reporting cover the years 2017 (with the abovementioned scope limitations) and 2018.

Following the closure of DiaSorin Ireland Limited (Ireland), line-by-line consolidation of data pertaining to the Irish manufacturing facility ended in 2017.

Consolidation of DiaSorin India started in 2018 when the company had been incorporated into the Group as subsidiary and its relevant data had been collected.

The main change that occurred in the scope of consolidation, as compared to December 31, 2018, was the inclusion of DiaSorin APAC Pte Ltd, a wholly owned subsidiary established in 2019 and based in Singapore.

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 immunodiagnostics 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, as detailed below.

Raw Materials and Product development

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

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

Production

Immunodiagnostic kits are assembled using raw materials to create semi-finished components that will be later combined with other components to produce final reagents, as part of a completed kit. Some initial components, such as buffer and cleaning solutions can be found in different products and prepared in large batches that will be distributed, at the end of the process, in single kits. Other components (such as solids, markers, controls and calibrators, etc.) 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.

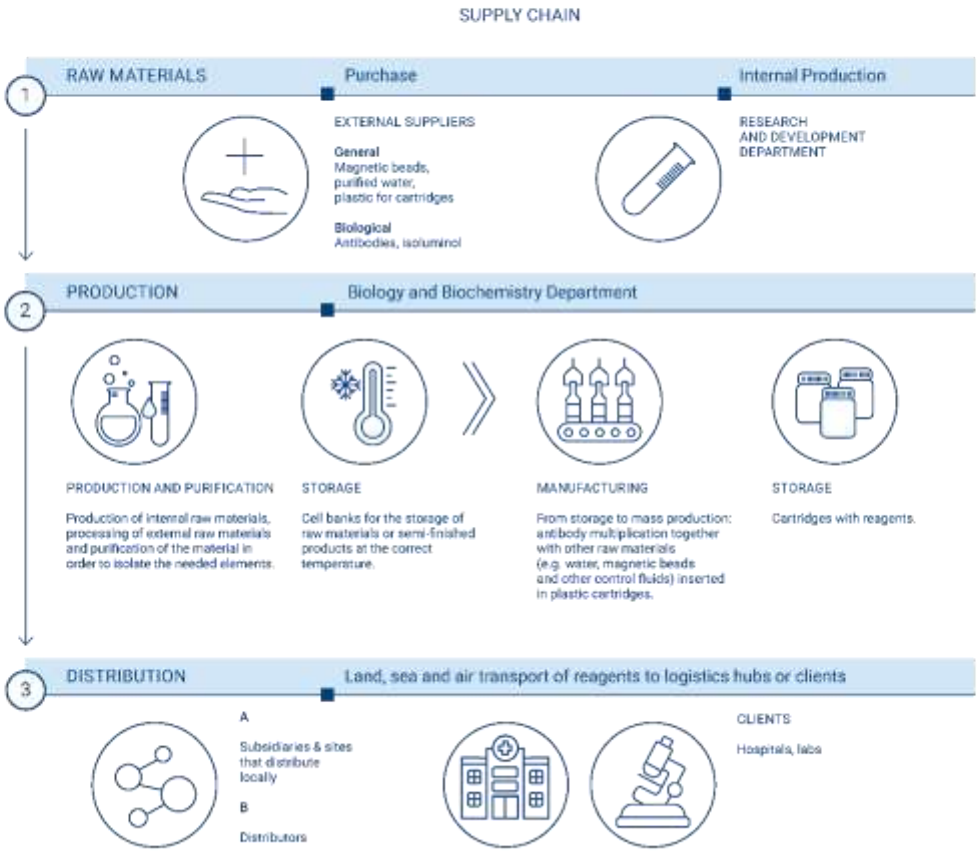
Distribution

Typically, direct sales include sales made through:

- Public calls for tenders in countries which rely on public health systems, 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, the DiaSorin Group 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 Statement, DiaSorin updated its materiality analysis. The objective is to identify areas where Group’s activities and structure have a more significant impact on local communities, external ecosystem, employees’ welfare, 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 updated and set out according to two operating phases:

- Identifying material topics
- Assessing the relevance of topics

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

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 by company strategies and stakeholders and 5 reflecting utmost interest. The DiaSorin Group carried out its annual update of the material topics, through an internal stakeholder engagement and relevant meetings with the Heads of Departments involved. Each Department was asked to assign a priority level to the topics that fell within its remit, by assessing their importance from the DiaSorin Group's and key stakeholders' point of view (as described in the relevant paragraph "Identification of risks and opportunities").

Materiality matrix of the DiaSorin Group

The analysis provided the materiality matrix of the DiaSorin Group and its results had been 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 importance (materiality) of each topic on the basis of its position with respect to the two axes.

The Group chose to represent material topics whose materiality was ranged from medium to higher level.

The chart above provides synthetically the outcome of the update analysis. Topics that are 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.

The materiality matrix in 2019 differs from 2018 due to specific issues distribution. The following provides the main changes:

- <u>Anti-corruption and bribery:</u> the topic acquired greater importance compared to 2018, both for the Company and the stakeholders (including, in particular, public bodies, public and private organizations in the healthcare sector, credit institutions and private certification bodies). Further details concerning the Group's commitment and the instruments adopted, including the whistleblowing platform implemented in 2019 addressing anti-corruption and bribery matters, are provided in the specific paragraph of the Disclosure;
- <u>Customer satisfaction:</u> the issue increased in importance to reference stakeholders, compared to 2018. This trend reflects a positive perception of the Group actions aimed at paying greater attention to customers and provide support. To this end, the Company further developed its "Customer Satisfaction Survey" in 2019, as described in the specific paragraph of the Non-Financial Statement;
- <u>Environmental management:</u> the issue gained importance on the vertical axis, compared to 2018, highlighting stakeholders' and, more generally, the entire community's growing focus on climate change issues and sustainable development. Therefore, the Group undertook new initiatives, some

of which are still being implemented in response to this trend; further details are provided in the paragraph "Environment, Health and Safety".

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 through surveys and analyses 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

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 Confindustria Medical Devices). 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:

- Corruption offences against 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.
- Receiving of stolen goods, money laundering, utilization of money, goods or other benefits of unlawful origin, self-laundering.

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 2019, the Company implemented two new updates to the Model following approval from competent corporate bodies.

The first update is linked to the entry into force of Legislative Decree no. 179/2017. Article 2 of the Legislative Decree 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 Supervisory Body explored ways to implement the whistleblowing system and comply with new provisions. The Supervisory Body chose an IT system supplied by an external provider (after carefully evaluating any options regarding the implementation of an internal IT system, the Supervisory Body 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 Supervisory Body, with support of competent corporate functions and an external legal advisor, updated the General Section of the Model and drew up a dedicated whistleblowing management procedure.

The online IT system became operational on June 30, 2019, and all company's employees had been appropriately informed through a formal communication signed by the Chief Executive Officer.
In order to comply with Legislative Decree 231/2001, the IT system is currently active only for the employees of the Group's Parent Company DiaSorin S.p.A. and in future it is expected to be extended to all employees at Group level.

The second update 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 financing terrorism), and Directive 2006/70/EC (containing 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.

Following the abovementioned update, the Supervisory Body's activity has been consistently extended to specific controls concerning new types of alleged crime envisaged in the Model.

The Company is currently assessing a new introduction to the Model, following Law Decree no. 124 of 26 October 2019 which was converted into law (concerning *"Urgent provisions on tax matter and for undeferrable needs"*), including amongst offences the crime of submitting fraudulent tax returns through invoices or other documents for non-existent transactions, issue of invoices or other documents for non-existent transactions, concealment or destruction of accounting documents and fraudulent evasion of tax payment.

2.6 Governance

Pursuant to Art. 4 of the Corporate Governance Code of listed companies (the "**Code**"): «*As for the companies belonging to the FTSE-Mib Index, the Board of Directors considers whether or not to set-up a committee having the task to supervise sustainability issues related to the relevant business and to its interactions with all the stakeholders; alternatively, the Board of Directors considers whether to assemble or allocate such tasks among the other committees.*».

In compliance with the provisions of the Code, the Board of Directors of the Company set up "the Control, Risks and Sustainability Committee, by a resolution dated April 24, 2019. In addition to perform tasks related to the system of internal control and risks management, the Committee supervises sustainability issues.

In particular, the Control, Risks and Sustainability Committee has the task to monitor sustainability issues, review and assess sustainability matters relating to corporate business activities and to its interactions with the stakeholders.

In performing the abovementioned task, the Committee:

(i) supervises sustainability initiatives of DiaSorin S.p.A. and of the DiaSorin Group's companies;

(ii) examines and assesses the system of data collection and consolidation for the Consolidated Non-Financial Statement, pursuant to Legislative Decree 254/2016 ("**NFS**");

(iii) examines the NFS, expressing its opinion to the Board of Directors called to approve this document;

(iv) expresses, at the request of the Board of Directors, opinions on any sustainability issues.

3. IDENTIFICATIONS 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 the 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 Anti-corruption and bribery

The main risk in relation to anti-corruption and bribery issues concern the potential **occurrence of 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.

3.2 Quality of our products and process

The main risk identified by the DiaSorin Group regarding 'Quality of our product and process" 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 the supply chain management is linked to **non-compliance of purchased products/services** with the Group's quality requirements (resulting in a negative impact on quality and, thus, effectiveness of the end product) and **local regulatory requirements.**

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 and bribery issues.

3.3 Customer satisfaction

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

3.4 Innovation and technological excellence

A key factor in DiaSorin success is the company's ongoing commitment to identify and select new products to expand the menu provided to customers. In order to constantly support DiaSorin leadership in identifying and launching new innovative products, the Group decided to further strengthen its **Corporate Innovation Process**.

The new Innovation Process ensures the structured involvement of any new ideas concerning kits and instruments to **maintain excellence – in terms of innovation – also in the clinical areas that are potentially new for the Group**.

The introduction of a new Corporate Innovation Process within the DiaSorin Group allows to carry out some key analyses before the development phase, **assessing in advance any risks or misuse of resources and time to develop products** that do not meet the minimum requirements for DiaSorin both in economic and technical terms.

3.5 Employees

3.5.1. Workers' Health and Safety

The DiaSorin Group identified the following main risks in relation to "Workers' Health and Safety":

- **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 safety culture in order to avoid risks to their health and safety. Further details are provided in paragraph "Environment, Health and Safety".

3.5.2 Employee training, development and well-being

The high level of scientific and technical knowledge of DiaSorin employees requires careful control on four risk areas:

- **Employee core competencies:** failure to identify employee core competencies that are in line with the company values and culture would undermine the creation of long-term value and would increase the turnover rate;
- **Retaining and updating employee know-how and skills:** inadequate effort to retain and update employee skills would have a significant impact on the company, due to the nature of the Group business and its evolving, knowledge-based sector;
- **Attention to employee needs:** lack of sufficient attention paid to employees would negatively impact staff motivation and satisfaction, affecting the work place and the sense of belonging to the Company/Group;

- **Turnover of highly skilled and specialized personnel:** lack of attention to turnover rate would compromise employee retention in terms of know-how and key competences**.**

As regards the abovementioned risk 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** fostering **discussion** and **dialogue.**

3.5.4. Dialogue with social partners and focus on workers

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. Social topics and respect for human rights

3.6.1 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.

3.6.2 Respect for human rights

As to "**Respect for human rights**", associated risks are not deemed relevant for the DiaSorin Group in relation 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, DiaSorin "*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.

3.7. Environment

3.7.1 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".

3.7.2. Energy efficiency and 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. ANTI-CORRUPTION AND BRIBERY

4.1 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).

No employee shall directly or indirectly offer, promise, grant, accept, solicit, pay or authorize bribes or other perquisites (including low-value gifts or gratuities, with the exception of commercial items universally accepted in an international context), even if unlawful pressure has been exerted, for the illegal purpose of : (a) Influencing the opinion or conduct of any party (including, logically, government officials and business counterparts); (b) obtaining or maintaining commercial activity; (c) influencing official action (and in general any official action or decision) by any government official; or (d) obtaining illegal advantages or/and facilitation. Any offering, promise, gift or donation shall be made in compliance with applicable laws and company procedures and it shall not convey the impression of bad faith and misconduct.

The Group will not tolerate any kind of bribery to public officials, or to any other party connected with public officials, in any form or manner, in any jurisdiction including those jurisdictions where such activity may be current practice or not legally prosecuted. The aforementioned prohibitions are extended not only to direct incentives but also to indirect incentives made in any form including via agents, consultants or other third parties.

On the basis of the above, Recipients of the Code are forbidden to offer commercial giveaway, gifts or other perquisites that may violate laws and regulations or to be in conflict with the Code of Conduct or, if publicly available, damage DiaSorin image. Equally, Recipients shall not exploit their position to demand for, accept, seek or obtain promise of benefits and/or advantage of any kind (this principle shall not apply to authorized acceptance of occasional gifts with modest value or of launches, entertainment of nominal value, in accordance with local ways and customs, and with company procedures).

4.2 Instruments adopted

The DiaSorin Group adopted the following main instruments to manage and mitigate "Anti-corruption and Bribery matters" 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, Control and Sustainability 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 the Non-Financial Disclosure of the previous years, and as a member of the EDMA (European Diagnostic Manufacturers Association) associated with MedTech Europe[3], the DiaSorin Group 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 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.

4.3 Outcomes

[3] MedTech Europe is the association representing medical technology sector from diagnosis to treatment

The table that follows sums up the number of employees participating in anti-corruption training and communication for each reporting year:

Number of employees participating in anti-corruption training and communication	2017	2018	2019
Executives	7	102	24
White collars	102	694	488
Blue collars	67	89	45
Total number of employees	**176**	**885**	**557**

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

Comparison data, for the year 2017 only, are reported in a limited scope, as described in paragraph 1.3.

2017 and 2018 data include training session concerning the amendments to the MedTech Code, as described above: 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. Starting from 2019 training hours were included in the induction program, including the Group Code of Conduct's contents, for newly hired employees.

5. QUALITY OF OUR PRODUCT AND PROCESS

5.1 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 UNI EN ISO 13485:2016 (Medical Devices. Quality Management Systems. Requirements for Regulatory Purposes) - in compliance with the US Code of Federal Regulation ("21CFR Part 820" Food and Drug Administration) - and in accordance with local regulations applicable to markets where DiaSorin Group's product are registered and distributed.

As far as possible, DiaSorin S.p.A. and Group companies undertake to consult consumer protection associations in relation to projects with a major impact on customers. 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.

5.2 Instruments adopted

The following provides the main instruments adopted by the DiaSorin Group to manage and mitigate risks related to “Quality of our products and process”, 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 facility, with the support of the Corporate QA&RA&CA Function (Quality, Assurance, Regulatory Assurance and Clinical Affairs). 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 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 and subsidiaries;
- ✓ Supporting sites and subsidiaries in implementing new Provisions al Group level, managing and supervising specific inter-sites projects;
- ✓ Harmonizing Quality Systems rules across all sites and subsidiaries, 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.

In the light of the above, the Corporate QA&RA&CA Function monitored the following projects:

A) **Implementation of new regulations**

- In 2018, DiaSorin Molecular and Diasorin Inc, acting as distributors in the Canadian market, also on behalf of other Group’ sites, obtained ISO 13485:2016 certification in Canada through the MDSAP (Medical Device Single Audit Program), thus receiving the compliance certification for their Quality Management System, through a single Audit managed by their Notified Body. The Notified Body is recognized by regulatory authorities adhering to MDSAP program (ex. Canada, USA, Australia, Taiwan, Japan, Brazil);

- in 2017 an inter-site project was implemented to comply with the new European Regulation which will replace the current IVD MD 98/79 EC European Directive (this project has a time horizon up to 2024)

B) **Observance of certified quality systems by the DiaSorin Group's manufacturing facilities**.

- In the last years DiaSorin manufacturing facilities have successfully passed all the QMS (Quality Management System) Audits by their Notified Body and Competent Authorities in export countries where Diasorin registers and distributes its products, in compliance with the Certifications and approvals necessary to distribute in Export Countries without detriment to the Group business;
- in 2019, the U.S. FDA conducted inspections of several Group's facilities (DS S.p.A. Italia, DS S.p.A. UK branch, DS Inc.). No lack of compliance was found. Such inspections focused on the approval of high-risk products intended for the US market and, thus, requiring the FDA Pre - Market Approval (PMA Audit), or on data audits and on-site controls to monitor activities connected to the clinical validation (BIMO-Bioresearch Monitoring program Audit) of the abovementioned products. As to DS UK Branch, the FDA inspection of products requiring PMA coincided with the FDA approving the manufacturing facility. The Corporate QA&RA&CA Function supported facilities in the preparatory phase and attended such inspections.

C) **Improvement and harmonization projects among DiaSorin's sites**:

- in 2018, the Company launched an inter-sites project sponsored and managed by the Corporate QA&RA&CA Function concerning the implementation of a common software designed to harmonize the QMS processes across all Corporate sites according to the same rules and procedures. The project will be completed in 2020;

- since 2018, the Corporate QA&RA&CA Function has been actively working with the Corporate Global Procurement Function to implement the B.R.A.V.O platform among all DiaSorin sites and ensure the Supplier Management is compliant with QMS requirements applicable to suppliers selection, qualification and monitoring.

<u>Supply Chain management</u>

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 has started a reorganization of the whole management process of its supply chain with the objective, among others, of implementing a progressive centralization and harmonization of manufacturing facilities' purchasing processes and hence of gaining more central control over the management of Group suppliers.

The project, launched in 2017, is still being implementing. It is structured around three main clusters:

- **organization**: redefining responsibilities centrally/locally and providing Global Procurement Head Office with a central role in the purchase management at Group level; the Purchasing Department has been reorganized and strengthened with new hires. A strict governance has been implemented through business review and regular 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 has been approved: it defines rules to be applied locally by the Purchasing Department 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 Department.
- **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 cloud platform at Group level to manage relationships with suppliers, starting from qualification to entering into supply contracts, including related negotiation. It is a long-term project, and today DiaSorin S.p.A. and DiaSorin Inc. are using 3 modules out of 4. The project is expected to be completed and extended to all Group companies by 2020.

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 the minimum requirements set forth in the Group Procedure, each manufacturing facility has the task to prepare a local procedure regulating suppliers' management, purchase of products and services to ensure quality, safety and efficiency of the end product.

The "Corporate Supplier Management" Procedure provides the guidelines to be followed at local level in the different stages of the supplier management as well as sharing of responsibilities between Group companies and relevant Functions/Corporate Departments.

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 formalize criteria and methods to be adopted in this phase;
- classification of suppliers on the basis of the risk category associated with product quality and safety;
- document arrangement to track the technical requirements of products being purchased and included in the contractual documents, 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 product certifications, suppliers audits etc.).

Auditing 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 has implemented 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 not yet undergone the qualification process.

Audits and their reference principles are governed by the Group Procedure defining the handling of noncompliance (critical or non-critical, as the case may be), the implementation of corrective and/or preventive actions as well as follow-ups implemented by the Company.

Audit results to Corporate suppliers and actions to handle noncompliance are shared among all the facilities concerned and the Global Procurement Function and periodically reported to the Top Management.

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

5.3 Outcomes

In 2019, 25 audits have been carried out on critical suppliers (34 in 2018), of which 12 Corporate audits (10 in 2018) and 13 local audits (24 in 2018). The audits revealed no indication of significant noncompliance (likewise in 2017 and 2018). The decrease in local audits was mainly due to the closure of the Irish manufacturing facility.

As regards DiaSorin sites' quality systems, the following tables provides the number of inspections carried out by Notified Bodies and other Export Countries' Competent Bodies in the Group facilities where DiaSorin registers and produces its products:

Group's manufacturing facilities	2017	2018	2019	Total
Saluggia, Italy	1	4	3	**8**
Dartford, UK	1	2	5	**8**
Dietzenbach, Germany	2	1	1	**4**
Cypress, USA	2	2	2	**6**
Stillwater, USA	2	2	3	**7**
Kyalami, South Africa	1	1	0	**2**
Total per year	**9**	**12**	**14**	**35**

Despite the increase in the number of inspections received in the 2017-2019 reporting period, all facilities passed the inspections. No indication of noncompliance and/or critical issue having an impact on the Group's business was found.

6. CUSTOMER RELATIONSHIP AND CUSTOMER SATISFACTION

6.1 DiaSorin's commitment and reference principles

Behavior standards adopted by DiaSorin S.p.A. and Group companies in dealings with customers are inspired by quality of products and of services provided, by customer support to create a relationship of mutual trust, cooperation and technical/scientific professional expertise. The primary goal of the Company is fully satisfying its customers, creating a relationship based on honesty, fairness, efficiency and professionalism in accordance with the obligations arising under supply contracts between both parties and operating in total compliance with the laws and rules contained in the Code of Conduct.

In order to provide a structured management of all aspects related to quality of products and services provided, the DiaSorin Group adopts a Quality Management System in compliance with ISO 9001:2015 standards (Quality Management Systems Requirements) and ISO 13485:2016 (Medical Devices. Quality Management Systems) and a structured system to monitor customer satisfaction, as described below.

Diasorin is committed to meeting its stakeholders' training and educational needs (current or potential customers, professionals, scientific community and, more generally, citizens) concerning scientific and medical issues; to this end, DiaSorin promotes and/or supports activities in the field of Public Health.

6.2 Instruments adopted

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 product quality.

DiaSorin S.p.A. and Group companies have implemented dedicated methods to guarantee that customers feedbacks 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.

The Group implemented, also in accordance with regulatory requirements, a dedicated internal procedure ("DiaSorin Group Customer Satisfaction Survey"), which aims at defining the manners through which the Group can regularly monitor the Customer Experience. The procedure provides that at least every two year a specific survey is implemented and coordinated by the Quality Department, Marketing and Service Corporate.

Since 2017, DiaSorin hired an external company which is specialized in Customer Experience Management, to carry out a dedicated Survey on a worldwide basis, assessing and benchmarking the performance of several company's areas against the main competitors in the sector. In the past years, each subsidiary was required to manage and assess customer satisfaction, therefore the new initiative aimed at innovating and implementing the process, making it more structured, centralized and harmonized amongst all countries.

In 2019, this activity has been furtherly developed, with the support of Praxidia, through the launch of a new Customer Satisfaction Survey.

The project involved two activities:

- Relational: telephone interviews, every six months, to both lab managers and DiaSorin instruments users;
- Transactional: e-mail surveys to users who interact directly with DiaSorin technical staff. In this case, surveys are addressed to Customers after technical support, for the whole year.

The survey referred to:

- Analyzer;
- Assay Products;
- Order Entry;
- Sales Representative;
- Field Engineer;
- Application Specialist;
- Technical Support;
- Benchmark against competitors.

Surveys outcomes are tracked in real time on a dedicated web portal managed by the supplier, broken down by Country. Each Group Company has access to data related to its own country. A detailed semiannual report is forwarded to management in order to assess outcomes, trends, and implement any corrective actions. The portal has been configured so that a negative assessment can immediately report a noncompliance and the involved subsidiary can implement a "recovery plan", to be disclosed on the Portal.

Along with the abovementioned internal Procedure aimed at directly measuring customer satisfaction, Diasorin S.p.A. and Group companies – in accordance with the Scientific Companies in the sector– participate unconditionally to the organization of travelling events, to cover as many geographic areas as possible, on topics of current interest, such as vaccine-preventable diseases and sexually transmitted diseases. The objective of these meetings is training lab staff from a scientific point of view, strengthening skills and disseminating the latest scientific discoveries and information. Events involving leading health care professionals, including institutional members (such as the Higher Institute of Health in Italy) are proactively supported.

DiaSorin promotes meetings between citizens and doctors to support proper information dissemination and involve the largest possible audience in healthcare issues. To this end, Diasorin participated in the *"SaluTO - Torino medicina e benessere"* event in 2019.

6.3 Outcomes

In 2019, the Customer Satisfaction survey involved 1200 customers in 20 countries. The survey has been carried out on a homogenous number of customers for each country (ca. 35%), where the Group operates directly through its subsidiaries.
The Praxidia platform highlighted a high level of customer satisfaction for DiaSorin's services, with an overall satisfaction equal to 8.53 out of 10.
DiaSorin's operating and manufacturing activities require the Customer Satisfaction to be constantly monitored. For this reason, the Group aims at repeating this survey every year, assessing customer satisfaction through a periodic and centralized process.

7. INNOVATION AND TECHNOLOGY EXCELLENCE

7.1 DiaSorin's commitment and reference principles

Innovation and technology excellence are key drivers in 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.

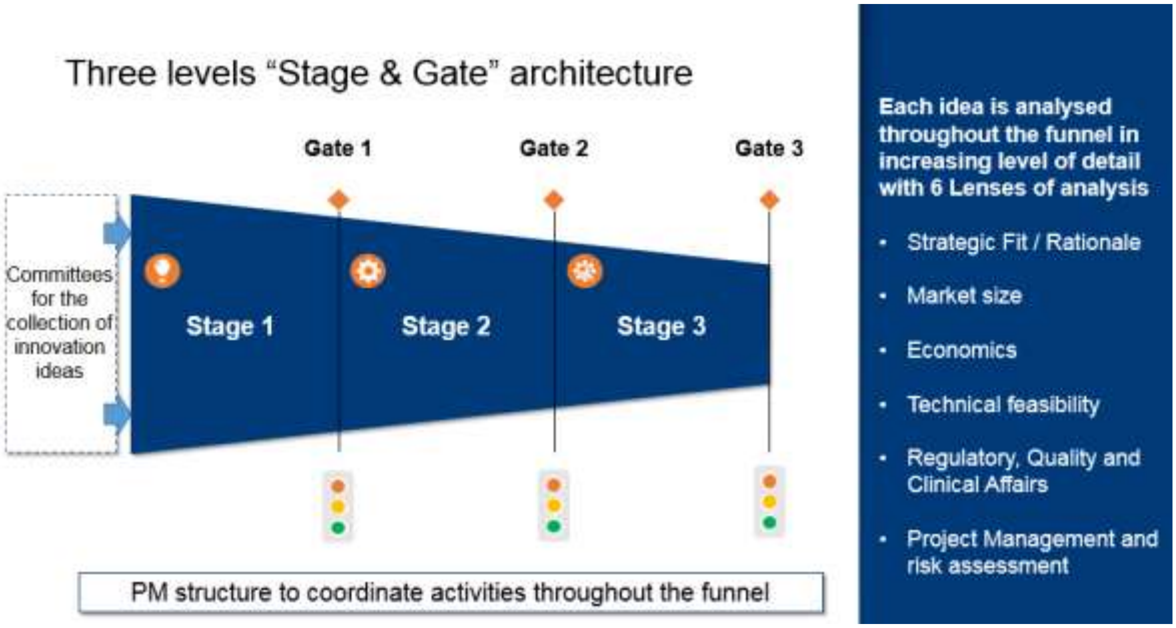
7.2 Instruments adopted

In 2019, DiaSorin implemented and launched a new Group Innovation Process, headed by the Innovation Function that has been specifically set up in the last months of 2018.

The Innovation Process involving all the Group's businesses and companies stems from the need of ensuring a structured approach to new ideas -concerning immunodiagnostic or molecular diagnostic kits or testing instruments - with the aim of screening and starting the Product Development stages only for projects that are deemed worthy of further development.

The corporate strategy fosters innovative ideas that through the new Innovation Process are gathered through either external sources (for example DiaSorin's Key Opinion Leaders) or "internal" sources (DiaSorin Group's internal functions).

Ideas are assessed through the "Stage and Gate" process, as shown below.



Each stage includes the development of a set of standard analyses in relation to 6 assessment axes. The analysis required for each idea becomes more detailed as the idea moves to the next stages.

The 6 assessment axes (common to all "Stages") are as follows:

- **Strategic fit / rationale:** proving the idea rationale and strategic importance within the Group;
- **Market size:** proving the presence of a relevant and potential market:
- **Economics:** proving the profitability of the idea through a breakdown of revenues and expected costs (revenues by region and costs by nature);
- **Technical feasibility:** assessing technical risks associated with the idea development (potential binding intellectual property or potential specific technical risks);
- **Regulatory, Quality and Clinical Affairs:** providing a framework of any regulatory strategy, Quality needs and a preliminary definition of the clinical analyses required;
- **Project Management and risk management:** assessing time and resources required to commercially launch the idea and defining the main project risks.

Thanks to a Project Management structure, which is coordinated by the Innovation Function, and a dedicated governance, each idea is analyzed and assessed in each gate where it can be passed to the next stage, it can be rejected, or it can be to put on hold for additional analyses.

Gate 3 of the innovation process corresponds to the entry of the idea into the Group PDMP (Product Development Master Plan), which is the document containing all the product development projects for kits or instruments the Group is going to launch on the market in the upcoming years. The document, which is monitored and periodically updated by the Corporate R& Department, provides information on the Group's active projects for each development phases (pre-feasibility, feasibility, validation, industrialization).

The innovation process is expected to have a dual function:

- On the hand, the process helps to ensure the market launch of products that qualify as value products – thanks to the detailed analyses performed to accurately filter the best ideas;
- On the other, the Product Development process is expected to be more efficient and faster, following an in-depth analysis of details and relevant variables during the innovation phase.

In order to ensure a structured assessment process to handle the great number of ideas that a model like this can generate (in terms of kits and instruments), the Group divided innovative ideas into three categories. With the support of ad hoc committees, ideas are channeled into the process and analyzed through assessment processes that, although sharing a common approach, may vary depending on the ideas to be assesses.

The 3 categories of standard innovative ideas (both for kits and instruments) are:

- **"Expand"** ideas: they consist of new-to-market kit or instrument ideas. Their development places DiaSorin as the "first in the market" and leads to **an IVD market expansion** (*in-vitro diagnostics*). As they consist of ideas for new kits or instruments based on the latest international research findings according to which there are no comparable products in the market, these ideas may need ad hoc exploratory studies before assessing the product feasibility;
- **"Advance"** ideas: they either consist of kit or instrument ideas that are commercially available but are not yet part of the DiaSorin product portfolio, or they consist of kit or instrument ideas that, although part of the DiaSorin product portfolio, may be integrated with new features, better performances, or based on different technologies.
  Advance ideas aim at completing the current product offer to increase **DiaSorin market shares** against competitors;
- **"Sustain"** ideas: they consist of ideas that aim at **enhancing current kit or instruments efficiency,** to offer the market products with the same quality features but with higher margins. For example, the substitution of a raw material purchased externally with one manufactured internally may result in higher margins while maintaining the same end product quality.

All activities related to the new Innovation process are now fully implemented.

In the first year of implementation, the Group Innovation Process emerged as a real corporate Change Management process, bringing relevant changes for DiaSorin.

The main changes are:

- Greater involvement of Functions that are now required to perform a structured role in the identification of innovative ideas and to actively contribute to carrying out the analyses required to assess the different ideas;
- a greater focus on activities concerning processes, going beyond the traditional functional structure per manufacturing facility and following a *modus operandi* coordinated by a project manager supported by company Functions;
- a precise definition of expectations and rules to assess innovative ideas along with a coded list of analyses to be carried out;
- Greater involvement of Function Managers (Marketing, Operations, R&D, Innovation), who must comply with precise recommendations concerning new kits and instruments to be launched on the market.

7.3 Outcomes

As regards the Group Innovation process implemented in 2019, it should be noted the project pipeline gathers more than 50 ideas for the Immunodiagnostic and Molecular diagnostics business, concerning both kits and instruments.

In 2019, about 30 new ideas have been presented: 15 ideas have been assessed and accepted within the PDMP. The remaining ideas will be assessed in the next months.

The following provides the number of PDMP projects at December 31, 2019 for each reporting year.

Reagents for Immunoassay	2017	2018	2019
Pre-feasibility	8	3	2
Feasibility	6	1	1
Validation	10	9	16
Industrialization	2	7	9
TOTAL	**26**	**20**	**28**

Reagents for Molecular - considering Assays + ASRs (Analyte Specific Reagents)	2017	2018	2019
Pre-feasibility	13	18	2
Feasibility	-	2	-
Validation	2	1	3
Industrialization	9	13	17
TOTAL	**24**	**34**	**22**

Instrument projects (Immuno + Molecular)	2017	2018	2019
Pre-feasibility		3	4
Feasibility	3	4	4
Validation	3	1	10
Industrialization	-	0	0
TOTAL	**6**	**8**	**18**

The Group continued its innovation policy in some immunodiagnostic sectors, particularly gastroenterology, anemia, cellular immunity, liver diseases, and infectious diseases caused by insect's bites.

In gastroenterology, the Company received FDA approval for Elastase stool testing, enabling the Group to expand its stool testing to both the U.S. and EC markets.

In the anemia clinical area, the company developed and obtained EC mark and FDA approval for fully automated assay for Vitamin B12, Folate and Ferritin.

As regards the cellular immunity, the Group obtained the FDA registration and launched the first IGRA (Interferon Gamma Release Assay) assay in the U.S. market. The assay is based on CLIA technology as an aid in the diagnosis of Latent Tuberculosis. The objective of the company is to identify and develop new applications for the determination of interferon gamma, according to its clinical utility and the economic return deriving from the innovation process described above.

In the hepatitis clinical area, the company is developing two new tests on an automated analyzer, for the determination of Hepatitis E virus. These assays use critical raw materials that are specifically developed in the Group's research laboratories.

As regards infectious diseases transmitted by insect bites, the Group further developed a serology assay for the qualitative detection of Zika virus IgM antibodies as well as Borrelia antibodies. DiaSorin is developing new kits for the detection of Lyme IgG and IgM disease and once approved by the FDA they will be commercialized in the U.S.

In addition to its menu strategy, the Group worked on the instrument platform to enter different market segments (LIAISON XS, the new platform designed for small-sized laboratories, has been launched in Europe in 2019 and will be available in the U.S. in 2020 and in China in 2021) and develop new solutions in order to strengthen segments where the LIAISON XL is already present.

Additional details on new products developed in the reporting period are provided in the report on operations of the annual consolidated financial statements.

8. EMPLOYEE MANAGEMENT

8.1 DiaSorin’s commitment and reference principles

DiaSorin value increased proportionally to the value of people who worked or still work at DiaSorin. This growth has always been structured around three main clusters:

- LEADERSHIP – Management expertise, that mix of competence and sensibility, business acumen, skill and experience, to recognize the contribution of each single individual in relation to the collective result;
- ENGAGEMENT – sense of belonging, with a strong empathy for our “Diagnostic Specialist” mission and capacity to outline a long-term Vision with agility and flexibility to achieve common and shared objectives;
- TALENT –capacity to turn the strategy vision into a concrete action, thanks to the skills of people who work with passion and energy, uncompromising speed and quality of execution. The work of each company employee is crucial to achieve the end result.

The Human Resources Strategy is committed to take care of and evolve a culture of excellence which adopts the “DiaSorin Leadership Model”, a solid foundation for our company culture, and the company’s Code of Ethics as reference principles.

The “DiaSorin Leadership Model” is the DNA of our culture and describes the execution capacity, pragmatism, focus on details, skills, sense of belonging, proactivity and energy, integrity which are at the core of the company Entrepreneurial Spirit.

The transformation occurred over the last years required varied skills and additional Values that are typical of a new "Managerial Style" such as, for example:

- Innovation, capacity to find new solutions and new ways to do things, without fear of challenging the *status quo*;
- Capacity to inspire our colleagues, activating empowerment processes and involving a growing number of people.

These are some of the values embedded in our managers and described in the “DiaSorin Leadership Model”, a reference principle for all DiaSorin employees with the purpose of:

- Stimulating minds of people who work within the Company;
- Inspiring people to the common Good;
- Fostering creativity and planning skill on the basis of a vision of the future intended as capacity to see and desire the Diasorin of tomorrow.

Management of Human Resources refers to The Group's Code of Conduct which sets out a set of norms and standards of conduct to which the Group is required to abide by concerning:

- **Employee 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"*.
- **Employee 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

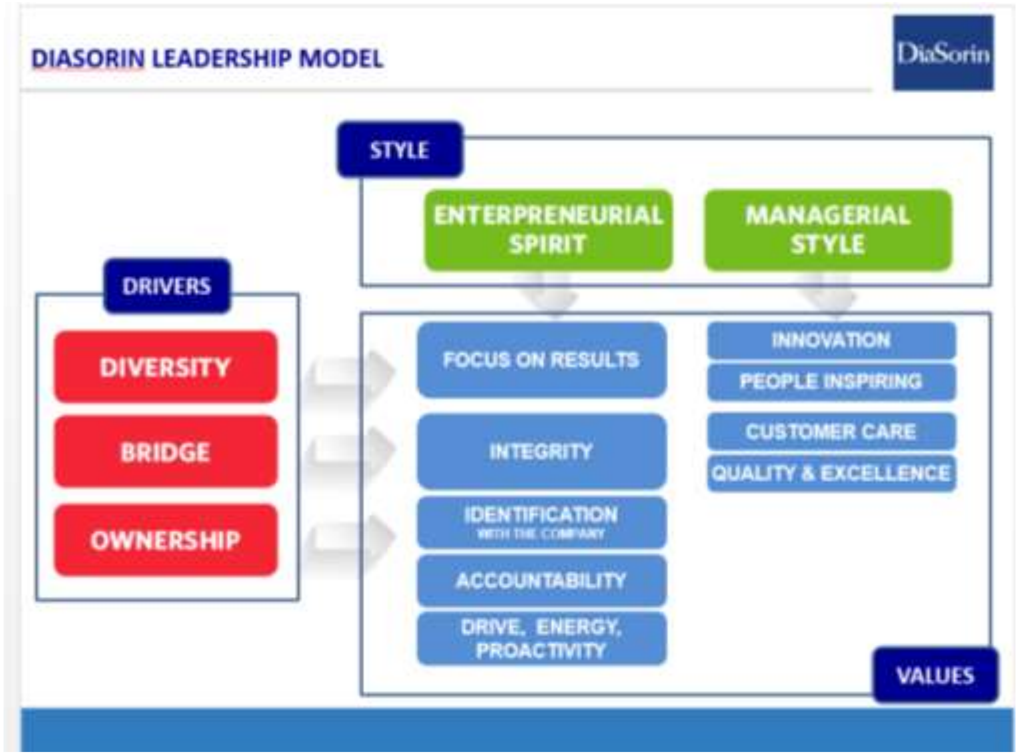
The following provides the DiaSorin Group's main instruments to manage and reduce risks (or where applicable, to address opportunity) as detailed in paragraph "Identification of risks and opportunity" in relation to employee management.

"DiaSorin Leadership Model" and Performance Management

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



The Model was implemented in 2010 and inspired by our people, and continued throughout the subsequent years through the identification and definition of values that are part of it, the design and launch of a performance management system and managerial education programs. In 2019, the assessment of performance and behaviors consistent with the Leadership Model have been extended to all Group employees.

DiaSorin adopts a Performance Management Process (P.M.P.) which is addressed to all Company employees through the PMP Lead (employees with a variable compensation) or PMP You (all other employees). The PMP Lead and the PMP YOU assess the soft skills that are consistent with the company culture and encourage managers and teams to a constant dialogue concerning their contribution to the company growth and their behaviors to achieve the objectives set, in order to identify opportunities to improve the company performance and development.

To support the PMP Lead and PMP YOU model, DiaSorin implemented the "Performance and Goals" module within the HR information system known as T.R.U.S.T. *(Technology Roadmap Underpinning Successful Transformation)* for the standardization of the whole assessment process.

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.

Every year technical training activities are planned and developed in response to emerging macro themes/training needs.

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.

In-house training paths are addressed to technical staff operating in the Service areas concerning manufacturing facilities, subsidiaries, distributors, equipment installation and maintenance at the customers' premises. The training programs are managed and monitored by the Service Function at DiaSorin corporate headquarter in Saluggia.

In 2019, the Group implemented several external training programs, including the European Platform Training Academy which involved 300 subsidiaries with training sessions coordinated by the HR Function and held by external staff. Training programs take into account the training needs of the company Functions relating to 4 specific areas. Specifically:

- technical;
- transversal skills;
- soft skills;
- people management.

The growth in the company size has required the implementation of intercultural projects and for this reason, in 2019, DiaSorin launched specific sessions to provide more in-depth knowledge of different cultures and foster dialogue and communication.

DiaSorin attaches great importance also to the "Induction" phase. Corporate Induction events for new Managers and Top Managers hired in 2019 took place at DiaSorin corporate headquarter in Saluggia. In addition to Managers and Top Managers, Corporate Induction was also provided to Managers who changed their role and responsibilities within DiaSorin.

The local HR is responsible for Induction programs for employees hired in 2019.

In 2019, the main focus of Corporate cross-sectional training activities was on the HR information system, known as T.R.U.S.T, which is gradually implementing different recruiting and compensation modules to carry out the training initiatives that were previously on the go-live system. 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. Classroom training or via webinar on the "Leadership Assessment", as envisaged in the PMP Lead program was delivered to 260 managers. Furthermore, video tutorials on the PMP Lead and PMP YOU different phases were made available to all Group employees.

DiaSorin S.p.A. trained 66 managers for the launch of the recruiting module.

Given the attention paid to training sessions, the company launched a project headed by the Quality Function aimed at implementing the Pilgrim platform for all Group companies to achieve complete automation and homogenization of the training data collection, making the relevant documentation more accessible and structured.

People development

The Company is taking different actions to attract and retain talents in response to an increasingly dynamic and competitive market and to the increased demand for highly skilled resources. To this end, DiaSorin is strengthening its brand, both at Corporate and local level, implementing new solutions aimed at improving people management and developing employees' sense of belonging to the Company.
Examples include the use of social networks like Linkedin at corporate level and Glassdoor in the U.S., together with the Hiring Excellence Training Program, focusing on the Talent Acquisition process as a competitive tool to ensure long-term investments on value resources and help managers in charge of recruiting staff understand whether the candidates fit into the DiaSorin Group's culture and values. The initiative will be implemented at Group level in 2020.

Organizational Evolution and change management

The Company business sector is constantly evolving and requires innovative solutions to maximize a quick and proper implementation of business plans and new organizational schemes. To this end, in 2017, DiaSorin updated the development process in the immunodiagnostic and molecular diagnostic segments and introduced the "Innovation" process in 2019. The Innovation Function set up dedicated committees and analyzed about 30 projects involving 200 managers at Group level.
New organizational solutions have also been extended to strictly business-related areas to make the commercial organization in Europe and in the U.S. more efficient, through the internal development of talented resources, employment of resources with new skills and a revision of the organizational units and internal processes.
The above involved a great investment in terms of change management and communication.

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. Pension plans include the provisions for employee severance indemnities in Italy, the" Employment Rights Acts 1996", the "Employment Relations Act 1999" and the "Children and Families Act 1999" in the U.K., the Alecta system in Sweden, the U-Kasse pension plan and the Direct Covenant system in Germany, medical plans and insurance, life insurance and pension plans in the U.S. according to the" Affordable Care Act" and the "401kPlan". 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 addition to plans under national legislation, some Group's companies offer healthcare insurance and family care plans to increase employee engagement and wellbeing.

Flu vaccination and a complete check-up are offered free of charge to employees in Italy and in the U.S.

In the U.S., the Group implemented a procedure to support elderly assistance and paternity leave ("Family Care Leave Policy").

The Chinese subsidiary expanded the panel of services for medical insurance cover and for employees on business trip. Employees have benefits for sporting activities free of charge.

In 2019, the DiaSorin Group renewed its Corporate Welfare Plan in Italy. The Plan has been implemented in 2017 and provided for a payment of a flexible benefit amounting to 864 euros in the 2017-2019 period for each employee, to be spent in tax-free services. The current flexible benefit amounts to €1,700 thousand in the 2020-2022 period and the panel of services provided has been expanded (healthcare, education, culture and leisure).

The welfare agreement has been signed through an active and ongoing dialogue with social partners.

Employees 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.

Dialogue with social partners and focus on employees' needs

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.

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. Every year the U.S. subsidiaries (DiaSorin Inc and DiaSorin Molecular) conduct an Employee satisfaction survey.

This tool includes further investigations through focus group attended by local management and action plans to promote employee engagement and ensure an optimal corporate climate.

Diversity and inclusion

The DiaSorin Group acknowledges the individual value of each employee within the Company and fosters proactive behaviors to create a work environment where all employees are actively included. The Company firmly believes that the best solutions come from different perspectives, without fear of asking and answering tough questions and of jeopardizing the *status quo* to develop small ideas and achieve great results in terms of innovation.

For an efficient management of diversity and inclusion, the Company implemented anti-harassment and bullying policies regulating the behaviors that employees must adopt to promote a positive workplace. DiaSorin is also committed to implement specific policies to meet the different needs of countries where the Group operates.

Some Group' companies delivered specific training sessions concerning this issue, such as the on-line sessions organized by the U.K. Branch to foster diversity and inclusion of its 88 employees coming from 11 different countries.

8.3 Outcomes

The tables that follow show data on Group employees in 2019 and in the periods provided for comparison.

Information on Group employees

Employees by gender								
2017			2018			2019		
Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
999	897	**1,896**	1,064	907	**1,971**	1,062	877	**1,939**

Employees by category	2017			2018			2019		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Executives	65	21	**86**	72	25	**97**	80	26	**106**
White collars	745	750	**1,495**	811	775	**1,586**	796	747	**1,543**
Blue collars	189	126	**315**	181	107	**288**	186	104	**290**

Employees by age	2017			2018				2019			
	Men	Women	**Total**	Executives	White Collars	Blue Collars	Total	Executives	White Collars	Blue Collars	Total
<= 29 years	104	109	**213**	0	153	55	**208**	0	144	62	**206**
30 - 50 years	630	537	**1,167**	47	1,043	147	**1,237**	54	996	145	**1,195**
>= 50 years	265	251	**516**	50	390	86	**526**	52	403	83	**538**

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

Employees by contract	2017			2018			2019		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Number of employees with permanent contract	972	877	**1,849**	1,050	897	**1,947**	1,047	865	**1,912**
Number of employees with temporary contract	27	20	**47**	14	10	**24**	15	12	**27**

Employees by employment type	2017			2018			2019		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Number of full-time employees	995	866	**1,861**	1,058	870	**1,928**	1,057	819	**1,876**
Number of part-time employees	4	31	**35**	6	37	**43**	5	58	**63**

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

Employees by education	2017			2018			2019		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Total graduates, broken down as follows:	561	565	**1,126**	687	634	**1,321**	715	628	**1,343**

Biology	*141*	*189*	***330***	*144*	*199*	***343***	*145*	*180*	**325**
Chemistry	*41*	*46*	***87***	*54*	*56*	***110***	*59*	*54*	**113**
Biochemistry	*53*	*62*	***115***	*83*	*81*	***164***	*65*	*74*	**139**
Economics	*49*	*34*	***83***	*45*	*35*	***80***	*68*	*44*	**112**
Engineering	*118*	*50*	***168***	*160*	*64*	***224***	*179*	*73*	**252**
Other degrees	*159*	*184*	***343***	*201*	*199*	***400***	*199*	*203*	**402**
Qualified technicians	124	73	**197**	141	96	**237**	129	78	**207**
Qualified employees	264	236	**500**	179	146	**325**	167	144	**311**
Unqualified employees	50	23	**73**	57	31	**88**	51	27	**78**

Dialogue with social partners

51% of the Group's employees are covered by collective bargaining agreements. Collective bargaining agreements do not apply to all countries where the Group operates.

	2017	**2018**	**2019**
Employees covered by collective bargaining agreements or similar agreements (%)	52%	47%	51%

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

New hires and employee turnover

Number of employees hired in the year	**2017**			**2018**			**2019**		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Total	194	159	**353**	189	135	**324**	150	89	**239**
By age:									
<= 29 years	60	56	**116**	43	45	**88**	42	30	**72**
30 - 50 years	111	86	**197**	114	80	**194**	88	47	**135**
>= 50 years	23	17	**40**	32	10	**42**	20	12	**32**

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

In 2019, the turnover rate was equal to 13% (14% in 2018 and 15% in 2017).

The following table provides turnover by gender and age in 2019:

Turnover rate	**By age**			**By gender**		
	<= 29 years	30-50 years	>= 50 years	Men	Women	**Total**
2019	17%	11%	14%	13%	12%	**13%**

Training activities

Data on 2017 training hours – as described in paragraph 1.3 - 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.

Number of training hours by category	**2017**			**2018**			**2019**		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Executives	477	494	**971**	2,835	984	**3,819**	1,432	816	**2,248**
White collars	16,413	22,193	**38,606**	30,196	29,285	**59,481**	36,124	26,856	**62,980**
Blu collars	6,758	4,594	**11,352**	8,574	4,806	**13,380**	7,742	4,926	**12,668**

Number of training hours by type	**2017**			**2018**			**2019**		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Induction	1,071	894	**1,965**	3,543	2,786	**6,329**	5,709	2,976	**8,685**
EHS training	5,528	5,286	**10,814**	4,083	2,438	**6,521**	6,654	3,931	**10,585**
Technical professional training	12,318	15,676	**27,994**	22,210	18,934	**41,143**	20,733	12,724	**33,457**
Languages courses	193	324	**517**	290	447	**736**	414	324	**738**
Managerial	1,044	1,110	**2,154**	2,136	1,862	**3,997**	1,905	1,506	**3,411**
Other	3,494	3,991	**7,485**	9,350	8,604	**17,955**	9,883	11,137	**21,020**

Average hours of training per year	**2017**			**2018**			**2019**		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Executives	11	35	**16**	39	39	**39**	18	31	**21**
White collars	36	43	**40**	37	38	**38**	45	36	**41**
Blu collars	38	40	**39**	47	45	**46**	42	47	**44**

Disclosure 404-1 Average hours of training per year per employee del GRI Standard 404: Training and Education

Performance Management System

% of employees receiving performance and career development review									
	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	100%	100%	**100%**	100%	100%	**100%**	99%	100%	**99%**
White collars	84%	75%	**80%**	85%	72%	**79%**	94%	92%	**93%**
Blu collars	72%	86%	**77%**	72%	86%	**77%**	90%	84%	**88%**

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

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

Diversity and equal opportunities

Ratio basic salary men/women	2017	2018	2019
White collars	90%	87%	91%
Blu collars	88%	83%	85%

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

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

9. ENVIRONMENT, HEALTH AND SAFETY

9.1 DiaSorin's commitment and reference principles

Since 2015, the DiaSorin Group's **EHS Management System** has been 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**" (hereinafter the "**EHS Policy**"), approved by the Group's Chief Executive Officer 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, even if no formal improvement objectives have been set at the moment. 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.

9.2 Instruments adopted

The following provides the DiaSorin Group's main instruments for risk management (or where applicable, to address opportunities) 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), on a voluntary basis, 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 Statement.

In 2019, the Saluggia headquarter launched a Plastic Free project. The project, which will be implemented in 2020, aims at eliminating disposable plastics and implementing recyclable waste in office areas.

To minimize its environmental impact, hybrid cars have been introduced among DiaSorin S.p.A car fleet and a carpool initiative will be launched in 2020.

The Group's sites are progressively adopting LED lighting systems and lighting control systems to reduce their energy consumptions.

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 company 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 documents (i.e. guidelines, policies, procedures, etc.) for the 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 contractor 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 basis 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 that all Group Companies comply with applicable regulations and EHS Minimum Requirements and identifying areas where an improvement is achievable, through the analysis of documents 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 documents 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 the 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.

9.3 Outcomes

2019 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

	2017			2018			2019		
Consumption [GJ]	**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	-	39,436	**39,436**	-	75,196	**75,196**	-	63,056	**63,056**
Electricity consumption	23,522	53,340	**76,862**	24,107	57,178	**81,285**	22,028	60,732	**82,760**
TOTAL	**23,522**	**92,776**	**116,299**	**24,107**	**132,374**	**156,481**	**22,028**	**123,788**	**145,816**
%	**20%**	**80%**		**15%**	**85%**		**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 2018, the increase in energy consumption was due to data collection concerning vehicles' fuel consumption (implemented only in a few subsidiaries) and to the extension of the scope to all commercial subsidiaries.

Conversely, the decrease in 2019 was due to reduced consumption of natural gas and other fuels.

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

	Withdrawals [m3]		
Source	**2017**	**2018**	**2019**
Water supplies	60,538	49,990	48,109
Ground water	252,793	84,481	62,027
TOTAL	**313,331**	**134,471**	**110,136**

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

Changes in water consumption are due to ground water withdrawals for the cooling system at Saluggia facility, in connection with weather conditions and manufacturing needs.

The DiaSorin Group 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 emissions[4]) 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 less than 2% of Group total electricity consumption 2018.

Emissions [tCO2eq]	2017	2018	2019
	2,177	3,891	2,902

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

Emissions [tCO2eq] (*)	2017	2018	2019
	8,265	8,885	9,253

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

(*) Scope 2 emissions are calculated by applying standard emission factor of the reference country to the quota of electricity purchased from non-renewable sources. The quota of electricity related to suppliers, being renewable and with an emission factor equal to zero, is not included in the calculation.

Waste

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

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

	Waste produced (excluding WEEE) [t]		
Waste by type	**2017**	**2018**	**2019**
Hazardous waste	154	210	224
Non-hazardous waste	1,239	1,036	1,410
TOTAL	**1,393**	**1,246**	**1,634**

	Waste produced (excluding WEEE)		
Waste by destination	**2017**	**2018**	**2019**
Re-use/recycling/recovery	52.3%	49.6%	51.2%
Disposal	47.7%	50.4%	48.8%

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 and 2019, 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 produced (WEEE) [t]		
Waste by destination	**2017**	**2018**	**2019**
Recovery	14	41	31
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.

	2017	2018	2019
Injury rate	3.12	3.42	2.55
Lost days rate	55.56	105.28	38.83

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

10. RELATIONSHIPS WITH LOCAL COMMUNITIES

10.1 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 use of the donation must be clear).

10.2 Instruments adopted

In compliance with the principles of the Code of Conduct, DiaSorin actively supports the community in which it operates, 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**
- Achieving 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.

10.3 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 Italy a flagship for excellence in the scientific field.

Following the great success of the first two editions of the competition in Piedmont, in 2019, 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 50,000 thousand euros and 5,000 thousand euros per year for 5 consecutive years. An external and later an internal DiaSorin jury (composed of Research and Development experts) assessed 130 candidate projects (including how to implement it throughout 5 years) and selected the 8 finalists. The authors of the finalist projects were the protagonists of the "Mad for Science Challenge", which took place on May 22, 2019 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.

The first-place winner of the “2019 Mad for Science” competition was the Liceo scientifico "Ariosto Spallanzani" of Reggio Emilia, which was granted 50,000 thousand euros for the biolab implementation and 5,000 thousand euros per year for 5 consecutive years for the purchase of reagents and consumables.

Il second-place winner was the Liceo scientifico "G. Battaglini" of Taranto, which was granted 25,000 thousand euros for the biolab implementation and 2,500 thousand euros per year for 5 consecutive years for the purchase of reagents and consumables.

During the Final the best communicator High School was granted a communication prize of 10,000 thousand euros to implement its already existing laboratory. The winner was the IIS "Lorenzo Cobianchi" of Verbania.
DiaSorin supported winners purchasing instruments and equipment needed and will provide the first and second-place winner (winning 50,000 thousand euros and 25,000 thousand euros, respectively) a five-year supply of materials needed to implement the biolab.

TALENT” PILLAR

Talenti Project

The purpose of the project is promoting local excellence and celebrating talent in all its forms

In 2016-2018, 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.

Italian athletes achieved important results: 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.

For this reason, DiaSorin decided to support again this project in the four-year period 2019-2022, along with the talented athletes that the Italian Federation of Paralympic Winter Sports will select and train to represent Italy in the 2022 Paralympic Games in Beijing.

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. Every year, several Italian teams compete at Palazzetto dello Sport in Chieri. On December 1, 2019 the 4th national competition of DiaSorin Sitting Volley Cup took place. An increasing number of athletes participated in the competition, during which 4 male teams and 4 female teams challenged each other, including the team of Pisa - Italy's champion team - which plays in the Italian national team of Sitting Volley and is expected to compete at the 2020 Paralympic Games in Tokyo.

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.

Following the successful impact on the Regina Margherita hospital, on February 13, 2019, DiaSorin again financed the restyle of the pediatric MRI room at Istituto Giannina Gaslini, popularly known as the Gaslini Hospital in Genoa.

Disney contributed to the project decorating the MRI room with characters of Toy Story 4 by Disney-Pixar.

Aware of the importance of this project, at the end of 2019 DiaSorin signed a protocol of intent with the Italian Children's Hospital Association to extend the initiative to all pediatric hospitals in Italy that need restyling intervention.

Projects worldwide

Consistently with Corporate CSR criteria to support local initiatives, again in 2019 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 2019, in association 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 through the purchase and donation of new desktops and tablets to help students increase their technological skills 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 home automation devices to help elderly people needing care and of a 3D printer to create assistive devices for people with disabilities;
- financing 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. Activities included seminars on justice, school democracy, film forum on social matters, web training session on cyber bulling.

With respect to Health Pillar, DiaSorin financially supported cancer prevention campaigns for L.I.L.T (Italian League for the fight against tumors). In 2019, this initiative helped medical checkups by financing purchase of medical products, sterilization of instruments, blood analysis, vehicles for doctors.

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 2019 - Valley Outreach and Coco's Heart Dog Rescue":* fundraising to support local communities in need. In 2019, the project focused on rescue and the importance to act as soon as possible to save people's lives.
- *"American Red Cross"*: setting up of a unit to collect and donate blood at DiaSorin Inc.. During the blood collection day, the "*Wellbeing Fair June 2019"*, volunteers donated 21 blood units supporting the needs of 60 people.
- *"Meals from the Heart"*: fundraising to provide food for local communities. In 2019, DiaSorin Inc. employees packed more than 38,000 meals for people in need.
- *"Stuff the Bus: Community Thread & United Way"*: program to support scientific education in Stillwater schools involving DiaSorin Inc. employees through a fundraising for scientific school departments.
- *Summer internships at DiaSorin Inc.:* 5 summer internships in different business areas resulting in full-time employment at the end of the internship projects.
- *"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. In qualification competitions, teams of students are required to solve technical problems and answer fast-paced questions about science and math, like in tv shows. Winning teams will represent Minnesota in the "National Science Bowl" competition, promoted by the U.S. Energy Department in Washington, D.C.

- *"Lakeview Health Foundation":* financial support, through the Foundation, to health and welfare of local communities. DiaSorin Inc.'s employees took part in the community breakfast to support activities carried out in 2019.
- *"Feed the Valley Challenge":* financial support for needy people through one of the most important no profit organization in Stillwater, providing consumer staples, psychological care for people experiencing difficult periods. In 2019, the event raised $ 180,000 through local company sponsors, including DiaSorin Inc.

2. DiaSorin Molecular, Cypress California, USA

- *"Rise Against Hunger"*: 12,000 meals packed against hunger worldwide.
- *"Support- Measles Epidemic in Samoa"*: fundraising organized by employees to collect supplies against measles epidemic in Samoa.
- *"Second Harvest Fundraiser"*: more than 1,250 pounds of food donated by DiaSorin Molecular LLC.

<u>China</u>

In China, in accordance with the Talent Pillar, DiaSorin supports the most deserving students offering scholarships to the *Shanghai Jiaotong University*.

The Company supports also health-promoted activities for prevention health tests in elderly people.

<u>France</u>

- *"Handecom"*: DiaSorin contributes to hire workers with disabilities at its offices in Paris.

<u>Israel</u>:

- *"Voluntary service"*: DiaSorin Israel employees undertake to support, on a quarterly basis, important initiatives for the local community.

<u>Benelux</u>:

- In 2019, DiaSorin Belgium subsidiary supported a needy student's internship and graduation thesis rewarding his excellent school performance.

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	Environmental management (waste management, energy efficiency, management of water resources)	Consult chapter 3 "Identification of risks and opportunities", paragraph 3.7 "Environment"	Consult chapter 9 "Environment, Health and Safety"	*GRI Standard 302 "Energy 2016":* • Disclosure 302-1: Energy consumption within the organization *GRI Standard 303 "Water 216":* • Disclosure 303-1: Water withdrawal by source *GRI Standard 305 "Emissions 2016":* • Disclosure 305-1: Direct (Scope 1) GHG emissions • Disclosure 305-2: Energy indirect (Scope 2) GHG emissions *GRI Standard 306 "Effluents and Waste 2016":* • Disclosure 306-2: Waste by type and disposal method • Disclosure 306-3: Significant spills *GRI Standard 307 "Environmental Compliance":* • Disclosure 307-1: Noncompliance with environmental laws and regulations	The scope of 2017 data is limited to the Group's manufacturing facilities (the list is provided in chapter 1 "Note on Methodology"). 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.	*Disclosures 302-1 / 303-1 / 305-1 / 305-2:* - 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. *Disclosure 306-2* 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 3.6 "Social topics and respect for human rights"	Consult chapter 10 "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 and technological excellence	Consult chapter 3 "Identification of risks and opportunities", paragraph 3.4 "Innovation and technological excellence"	Consult chapter 7 "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 documents detailing the different stages of the project development.
	Customer satisfaction	Consult chapter 3 "Identification of risks and opportunities", paragraph 3.3 "Customer satisfaction"	Consult chapter 6. "Relationship with customers 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	The scope includes all Group's companies.	N/A

				to" clients' needs in 2019		
	Quality of our products and process	Consult chapter 3 "Identification of risks and opportunities", paragraph 3.2 "Quality of our product and processes"	Consult chapter 5 "Quality of our product and processes"	Number of audits on critical suppliers in 2018 and 2019 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 Statement data are determined according audit plans both at Corporate and local level and audit reports providing outcomes thereof.
EMPLOYEES	Training Employee development Employee welfare Diversity and inclusion	Consult chapter 3 "Identification of risks and opportunities", paragraph 3.5 "Employees"	Consult chapter 9. "Employee management"	*GRI Standard 102 "General Disclosures 2016":* • Disclosure 102-8: Information on employees and other workers *GRI Standard 401" Employment 2016":* • Disclosure 401-1: New employee hires and employee turnover *GRI Standard 404 "Training and Education 2016":* • Disclosure 404-1: Average hours of training per year per employee • Disclosure 404-3: Percentage of employees receiving regular performance and career development reviews	Data on employee training (Disclosure 404-1) and ratio of basic salary and remuneration of women to men (405-2) for 2017 and previous years refer exclusively to the following companies: - DiaSorin S.p.A. - DiaSorin Deutschland GmbH - DiaSorin Inc. (USA) - DiaSorin Molecular LLC Likewise, human resources indicators, starting 2018 the scope has been extended to all Group companies	*Disclosure 102-8* Figures on Company's personnel refers to the total workforce at 12/31 of each reporting year. *Disclosure 401-1* - 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 2017. From 2018, in compliance with requirements of the Disclosure GRI, turnover rate is provided by gender and age. *Disclosure 404-1* - Average training hours are determined as the ratio between training hours provided and employees at 12/31 of the reporting year. *Disclosure 404-3* 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. *Disclosure 405-1* - Reporting data by gender and age are provided for Group's employees only (information on corporate bodies is provided in the Corporate Governance

				GRI Standard 405 "Diversity and Equal Opportunities 2016": • Disclosure 405-2: Ratio of basic salary and remuneration of women to men In addition to the above GRI indicators, the DiaSorin Group provides a staff breakdown by education		Report and ownership structure) broken down in the three professional categories. *Disclosure 405-2* - The ratio of salary of women to men 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 2019 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. 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			*GRI Standard 102 "General Disclosures 2016":* • 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 operates.
	Health and Safety		Consult chapter 9 "Environment, Health and Safety"	*GRI Standard 403 "Occupational Health & Safety 2016":* • Disclosure 403-2: 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	Consult chapter 3.6 "Social topics and respect	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.		

		opportunities", paragraph 3.6 "Social topics and respect for human rights"	for human rights" sub-paragraph 3.6.2 "Respect for human rights"	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. gestione dei rapporti con i propri dipendenti e collaboratori e nella gestione dei rapporti con la catena di fornitura.		
ANTI-CORRUPTION AND BRIBERY	Anti-corruption and bribery	Consult chapter 3 "Identification of risks and opportunities", paragraph 3.1 "Anti-corruption and bribery"	Consult chapter 3 "Anti-corruption and bribery"	*GRI Standard 205 "Anti-corruption":* • Disclosure 205-2: Communication and training about anti-corruption policies and procedures	2017 data for refer exclusively to the following companies: - DiaSorin S.p.A. - DiaSorin Deutschland GmbH - DiaSorin Inc. (USA) - DiaSorin Molecular LLC From 2018, data include all Group companies.	Starting from 2019, as to DiaSorin S.p.A, anti-corruption and bribery training courses, that is MedTech Code and Model 231 training courses, are included in the induction session for new hires and therefore included in "Disclosure 404-1: Average hours of training per year per employee". 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).

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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 2019

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 2019 prepared in accordance with article 4 of the Decree, presented in a specific section of the Report on Operations, and approved by the Board of Directors on 11 March 2020 (hereafter the "NFS").

Responsibility 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"), indicated at paragraph "Note on methodology" of the NFS, identified by them as the reporting standards, with reference to a selection of GRI Standards.

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

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Auditor's 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 ("*reasonable assurance engagement*") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily 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 management of DiaSorin SpA and with the personnel of DiaSorin SpA UK Branch (UK) 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 subsidiaries, divisions and sites, DiaSorin SpA, DiaSorin SpA UK Branch (UK) and DiaSorin Ltd (China), which was selected on the basis of its activities, its contribution to the performance indicators at a consolidated level and its location, we carried out interviews with local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of DiaSorin Group as of 31 December 2019 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 the selection of GRI Standards included in the NFS.

Milan, 29 April 2020

PricewaterhouseCoopers SpA

Signed by	*Signed by*
Stefano Pavesi	Paolo Bersani
(Partner)	(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 NFS 2019 translation.

MOTION TO APPROVE THE FINANCIAL STATEMENTS AND APPROPRIATE THE 2019 NET PROFIT

Dear Shareholders,

We recommend that you approve the Company’s financial statements for the year ended December 31, 2019 and appropriate the net profit of €113,648,012 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 € 52,053,023.20, as a dividend of € 0.95 on each common share outstanding on the record date, excluding treasury share, equal to 1,155,601 ordinary shares;

bring forward as retained earnings the balance of € 61,594,988.80.

The dividend will be payable on May 20, 2020, with coupon date May 18, 2020, 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 19, 2020 (record date) will be entitled to a dividend.

Saluggia, March 11, 2020

On behalf of the Board of Directors,

The Chairman

Gustavo Denegri

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

(€ thousands)	Notes	2019	*amount with related parties*	2018	*amount with related parties*
Net revenues	(1)	706,319	-	669,197	425
Cost of sales	(2)	(217,628)		(213,428)	
Gross profit		**488,691**	**-**	**455,769**	
Sales and marketing expenses	(3)	(142,753)		(133,058)	
Research and development costs	(4)	(47,948)		(45,082)	
General and administrative expenses	(5)	(69,591)	(7,171)	(67,216)	(4,788)
Other operating income (expenses)	(6)	(10,538)		(5,888)	
Non-recurring amount		*(4,615)*		*(4,139)*	
EBIT		**217,861**		**204,525**	
Net financial income (expense)	(7)	(1,574)		(160)	
Result before taxes		**216,287**		**204,365**	
Income taxes	(8)	(40,552)		(46,235)	
Net result		**175,735**	**-**	**158,130**	**-**
Including:					
- Parent Company shareholders' interests in net result		175,735		158,128	
- Minority shareholders' interests in net result		-		2	
Basic earnings per share	(9)	**3.21**		**2.85**	
Diluted earnings per share	(9)	**3.20**		**2.85**	

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(€ thousands)	**2019**	**2018**
Net result (A)	**175,735**	**158,130**
Other comprehensive gains/(losses) that will not be reclassified subsequently to gain/(loss) of the period:		
Gains/(losses) on remeasurement of defined benefit plans	(2,653)	81
Total other comprehensive gains/(losses) that will not be reclassified subsequently to gain/(loss) of the period (B1)	**(2,653)**	**81**
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	8,139	12,186
Gains/(losses) on fair value measurement of receivables	61	(61)
Total other comprehensive gains/(losses) that will be reclassified subsequently to gain/(loss) of the period (B2)	**8,200**	**12,125**
TOTAL OTHER COMPREHENSIVE GAINS/(LOSSES), NET OF TAX EFFECT (B1) +(B2)=(B)	**5,547**	**12,206**
TOTAL CONSOLIDATED COMPREHENSIVE GAINS/(LOSSES) (A)+(B)	**181,282**	**170,336**
Including:		
- amount attributable to Parent Company shareholders	181,282	170,334
- amount attributable to minority interests	-	2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PURSUANT TO CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
(€ thousands)	**notes**	**12/31/2019**	***amount with related parties***	**12/31/2018**	***amount with related parties***
ASSETS					
Non-current assets					
Property, plant and equipment	(10)	128,385		94,981	
Goodwill	(11)	164,681		162,616	
Other intangibles	(11)	205,598		210,468	
Equity investments	(12)	27		27	
Deferred-tax assets	(13)	31,647		20,958	
Other non-current assets	(14)	2,453		2,030	
Total non-current assets		*532,791*		*491,080*	
Current assets					
Inventories	(15)	171,127		160,396	
Trade receivables	(16)	132,513		131,092	-
Other current assets	(17)	24,981		26,847	
Other current financial assets	(18)	44,588		23,422	
Cash and cash equivalents	(18)	157,552		73,103	
Total current assets		*530,761*		*414,860*	
TOTAL ASSETS		**1,063,552**		**905,940**	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
PURSUANT TO CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

(€ thousands)	**notes**	**12/31/2019**	***amount with related parties***	**12/31/2018**	***amount with related parties***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	(20)	55,948		55,948	
Treasury shares	(20)	(81,849)		(87,784)	
Additional paid-in capital	(20)	18,155		18,155	
Statutory reserve	(20)	11,190		11,190	
Other reserves and retained earnings	(20)	669,444		549,096	
Net profit for the year attributable to shareholders of the Parent Company		175,735		158,128	
Equity attributable to shareholders of the Parent Company		*848,623*		*704,733*	
Net profit for the period attributable to minority interests		-		2	
Equity attributable to minority interests		-		*2*	
Total shareholders' equity		**848,623**		**704,735**	
Non-current liabilities					
Non-current financial liabilities	(21)	24,466		81	
Provisions for employee benefits	(22)	36,263		32,659	
Deferred-tax liabilities	(13)	7,135		5,050	
Other non-current liabilities	(23)	24,586		24,963	
Total non-current liabilities		*92,450*		*62,753*	
Current liabilities					
Trade payables	(24)	55,733		57,286	
Other payables	(25)	51,134	76	50,520	132
Current tax liabilities	(26)	10,800		9,513	
Current financial liabilities	(21)	4,812		21,133	
Total current liabilities		*122,479*		*138,452*	
Total liabilities		**214,929**		**201,205**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,063,552**		**905,940**	

CONSOLIDATED STATEMENT OF CASH FLOWS

PURSUANT TO CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

	2019	*amount with related parties*	2018	*amount with related parties*
Cash flow from operating activities				
Net profit for the year	175,735		158,130	
Adjustments for:				
- Income taxes	40,552		46,235	
- Depreciation and amortization	58,972		50,826	
- Financial expense (income)	1,574		160	
- Additions to/ (Utilizations of) provisions for risks	(599)		(1,961)	
- (Gains)/Losses on sales of non-current assets	287		(2,101)	
- Additions to/ (Reversals of) provisions for employee severance indemnities and other benefits	1,162		945	
- Changes in shareholders’ equity reserves:				
- Stock options reserve	4,821		3,008	
- Currency translation reserve on operating activities	(771)		2,171	
- Change in other non-current assets/liabilities	346		(3,106)	
Cash flow from operating activities before changes in working capital	**282,079**	**-**	**254,307**	**-**
(Increase)/Decrease in trade receivables	(51)	-	(637)	-
(Increase)/Decrease in inventories	(9,820)		(14,362)	
Increase/(Decrease) in trade payables	(1,814)	-	(8,584)	-
(Increase)/Decrease in other current items	4,533	526	8,079	-
Cash from operating activities	**274,927**	**-**	**238,803**	**-**
Income taxes paid	(42,612)		(25,763)	
(Paid)/ collected interests	355		(3,161)	
Net cash from operating activities	**232,670**	**-**	**209,879**	**-**
Investments in intangibles	(18,361)		(19,542)	
Investments in property, plant and equipment	(37,429)		(33,245)	
Equity investments	-		-	
Proceeds from divestments of non-current assets	3,567		3,373	
Cash used in regular investing activities	**(52,223)**	**-**	**(49,414)**	**-**
Acquisitions of subsidiaries and business operations	(6,903)		(22,014)	
Cash used in investing activities	**(59,126)**	**-**	**(71,428)**	**-**
(Repayment of)/ Proceeds from loans and other financial liabilities	(26,601)		(4,190)	
(Opening)/ Repayment of term deposits	(20,666)		(9,448)	
Increase in share capital/additional paid-in capital	-		-	
(Purchase)/Sale of treasury shares	7,016		(65,296)	
Dividends paid	(49,231)		(145,268)	
Cash used in financing activities	**(89,482)**	**-**	**(224,202)**	**-**
Foreign exchange translation differences	387		(486)	
Net change in cash	**84,449**	**-**	**(86,237)**	**-**
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**73,103**		**159,340**	
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**157,552**	**-**	**73,103**	**-**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(€ thousands)	**Share capital**	**Treasury shares**	**Additional paid-in capital**	**Statutory reserve**	**Currency translation reserve**	**Stock option reserve**	**Reserve for treasury shares**	**Other reserves and retained earnings**	**Net profit (loss) for the year**	**Group interest in shareholders' equity**	**Minority interest in equity**	**Total interest in shareholders' equity**
Shareholders' equity at 12/31/2017	**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)**
Profit for the period	-	-	-	-	-	-	-	-	*158,128*	***158,128***	*2*	*158,130*
Other changes in the comprehensive income statement	-	-	-	-	*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**

(€ thousands)	**Share capital**	**Treasury shares**	**Additional paid-in capital**	**Statutory reserve**	**Currency translation reserve**	**Stock option reserve**	**Reserve for treasury shares**	**Other reserves and retained earnings**	**Net profit (loss) for the year**	**Group interest in shareholders' equity**	**Minority interest in equity**	**Total interest in shareholders' equity**
Shareholders' equity at 12/31/2018	**55,948**	**(87,784)**	**18,155**	**11,190**	**13,472**	**3,847**	**87,784**	**443,993**	**158,128**	**704,733**	**2**	**704,735**
Appropriation of previous year's profit	-	-	-	-	-	-	-	158,128	(158,128)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(49,231)	-	**(49,231)**		**(49,231)**
Stock options and other changes	-	-	-	-	-	3,519	-	1,302	-	**4,821**	-	**4,821**
Sale of /(purchase) treasury shares	-	5,935	-	-	-	-	(5,935)	7,016	-	**7,016**	-	**7,016**
Profit for the period	-	-	-	-	-	-	-	-	*175,735*	***175,735***	-	*175,735*
Translation adjustment	-	-	-	-	8,141	-	-	-	-	**8,141**	-	**8,139**
IFRS9 receivables measurement								61		61		61
Gains/(losses) from remeasurement of defined benefits plans, net of tax effect	-	-	-	-	-	-	-	(2,653)	-	**(2,653)**	-	**(2,653)**
Other changes in the comprehensive income statement	-	-	-	-	*8,141*	-	-	*(2,592)*	-	***5,549***	-	*5,547*
Comprehensive profit for the period	-	-	-	-	8,141	-	-	(2,592)	175,735	**181,284**	-	**181,282**
Shareholders' equity at 12/31/2019	**55,948**	**(81,849)**	**18,155**	**11,190**	**21,613**	**7,366**	**81,849**	**558,616**	**175,735**	**848,623**	**2**	**848,623**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

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 2019 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, 2019. 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.

The scope of consolidation changed compared to December 31, 2018, as it includes DiaSorin APAC Pte Ltd, a wholly owned subsidiary established in 2019 and headquartered in Singapore.

Investments in subsidiaries

A list of direct and indirect investments in subsidiaries at December 31, 2019 and December 31, 2018 is provided below:

		At December 31, 2019		At December 31, 2018	
Company	**Country**	**% 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 Ireland Limited	Ireland	100%	-	100%	-
DiaSorin I.N.UK Limited	Ireland	100%	-	100%	-
DiaSorin I.N. 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 APAC Pte Ltd	Singapore	100%	-	-	-
Indirect investment		100%	-	100%	-
DiaSorin Canada Inc	Canada	100%	-	100%	-
DiaSorin Healthcare India Private Limited	India	100%	-	100%	-
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, 2019, the Group does not hold investments classified as joint venture pursuant to IFRS 11.

Business combinations

At December 31, 2019, there are no business combinations.

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) Right-of-use assets (in accordance with IFRS 16 accounting standard)
g) 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.

In accordance with the IFRS 16 accounting principles, the Group as lessee recognizes the so-called right -of - use asset at the initial leasing date (i.e. the date on which the underlying asset is available for use). Right-of use-asset is measured at cost, net of any accumulated depreciation and impairments and adjusted for any remeasurement of the lease liability. The cost of the right-of-use asset includes the amount of the lease liabilities recognized, the initial direct costs incurred and the payment of leases at the commencement date or before, net of any incentives received. The right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the end of the useful life of the right-of use asset of, if earlier, to the lease's term. If the lease transfers ownership of the asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise the option to purchase the asset, the Group shall depreciate the right-of-use asset from the lease commencement date to the end of the useful life of the underlying asset.

Additional details on the impact of the IFRS 16 first application starting from January 1, 2019 is provided in "New Accounting Standards".

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%
Right-of-use assets	5.5%-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.
In accordance with IFRS 16 accounting standard, if changes to lease contracts result in a change in the accounting for the existing lease, the Group recognizes a remeasurement of the carrying amount of the right-of-use asset and a change, at the same time, in the lease liability; any gains or losses resulting from the remeasurement are recognized in the income statement of the period.

Intangible assets

Intangible assets are recognized in the statement of financial position only if they are identifiable, controllable, there is an expectation that they will produce future economic benefits and their cost can be measured reliably.
Intangible assets with a finite useful life are valued at their acquisition or production cost or at their appraised value, net of accumulated amortization and impairment losses. Amortization is computed on the basis of an asset's estimated useful life and begins when an asset is available for use. Useful lives are reviewed annually and the impact of any changes is reflected prospectively.
Intangible assets with an indefinite useful life are not amortized. They are tested for impairment annually or more frequently, if necessary, even when there are no indications that the value of the assets has been impaired. These tests are carried out for each cash generating unit to which intangible assets have been allocated.

Intangible assets with an indefinite useful life

Goodwill
Goodwill generated through the acquisition of a subsidiary or another business combination is the portion of the purchase price paid in excess of the Group's interest in the fair value on the date of acquisition of the acquired assets, liabilities and identifiable contingent liabilities. Goodwill is recognized as an intangible asset with an indefinite useful life and is not amortized. However, its carrying amount is tested once a year (or more often if necessary) for impairment, even when there are no indications that its value has been impaired, and to test the indefinite life assumption. Impairment losses are immediately recognized in profit or loss and may not be reversed subsequently. After initial recognition, goodwill is valued at cost, less any accumulated impairment losses. When a subsidiary is sold, the net carrying amount of the goodwill allocated to that subsidiary is included in the computation of the gain or loss generated by the sale.
For impairment test purposes, goodwill is allocated to the cash generating units (CGUs).

The carrying value of goodwill generated by acquisitions completed before January 1, 2005 (date of transition to the IFRS) is maintained at the amount determined in accordance with Italian accounting principles, subject to impairment testing at that date, as allowed under the exemption provided by IFRS 1.

In 2010, the value of the knowhow acquired in connection with the Murex transaction was added to the assets with an indefinite useful life and, consequently, was tested for impairment.

Intangible assets with a defined life

Development costs

Costs incurred internally to develop new products or systems constitute an intangible asset and may be recognized as such only if all the following requirements can be satisfied:

- It is a technically feasible to complete an asset so that it will be available for use or sale and the Group intends to do so.
- The Group is able to sell, exchange or distribute the future economic benefits attributable to an asset without having to relinquish future economic benefits generated by other assets used by the same cash generating unit.
- There is evidence that the costs incurred will generate probable future benefits. Such evidence can consist of the existence of a market for the output of the asset or of the usefulness of the asset, if used internally.
- The Group has access to adequate technical and financial resources to complete the development of the asset and to sell or use internally its output.
- The expenditures attributable to the asset during its development can be measured reliably.

Capitalized development costs include only the expenditures that can be attributed directly to the development process.
In the first year, amortization is computed based on the length of time during which the asset is effectively in use. The useful life of development costs is estimated at 10 or 15 years, in accordance with the maximum length of time during which management believes that the asset will generate economic benefits for the Group. The estimated useful life of capitalized development costs incurred to develop the LIAISON XL system is also 10 years.
Research and development costs that do not satisfy the requirements listed above are charged to income immediately and may not be capitalized in subsequent years.

Other intangibles

Other intangibles are recognized in the statement of financial position only it is probable that their use will generate future economic benefits and if their cost can be measured reliably. If these conditions are met, these intangible assets are recognized at cost, which is their purchase price plus incidental expenses. The gross carrying amount of intangible assets with a finite useful life is amortized on a straight-line basis based on the assets' estimated useful lives. Amortization begins when an asset is put into use. In the first year, amortization is computed based on the length of time during which the asset is effectively in use. The Group uses the following amortization rates:

Asset type	Amortization rate
Concessions, licenses and similar rights	6.67% -10% or length of contract

Customer relationship	6.67% -10%
Trademarks	5% - 20%
Industrial patent and intellectual property rights	Legal duration

Absent an explicit duration of the reference contracts, the amortization period for distribution rights ranges between 10 and 15 years, based on management's best estimate.
The duration of the amortization period, which is based on internal analyses and valuations, development plans and the return flows from their use, is deemed to be consistent with expectations concerning the duration and development of the Group's activities and products and with the likelihood that the positions achieved in the diagnostics market will be retained.

Impairment of assets

The Group tests its property, plant and equipment and its intangible assets once a year to determine whether the value of these assets has been impaired. If evidence of impairment is detected, the recoverable value of the affected assets is determined. Intangibles with a finite useful life, intangibles that are not yet ready for use and goodwill generated through a business combination are tested for impairment at least once a year, even when there is no indication that the value of the assets has been impaired, or more often if there is an indication that their value may have been impaired, as required.
An asset's recoverable amount is the higher of its fair value, less cost to sell, and its value in use, computed as the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Expected future cash flows reflect assumptions that are consistent with the criteria applied to determine the discount rate. Cash flow projections are based on Company plans and on reasonable and documented assumptions about the Group's future results and macroeconomic conditions.
The discount rate used must reflect the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.
When the recoverable amount of an individual asset cannot be estimated, the Group estimates the recoverable amount of the CGU to which the asset belongs. Particularly, the CGUs identified by the DiaSorin Group coincide with the legal entities of the Group, whose tangibles and intangibles assets are recognized in total assets at the date of the impairment test.
Whenever the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the reduction is recognized as an impairment loss. Subsequently, if an impairment loss for an asset other than goodwill ceases to exist or is reduced, the carrying amount of the asset (or CGU) is increased to the new estimated recoverable amount (but not more than the asset's net carrying amount had no impairment loss been recognized). This reversal is recognized immediately in earnings. Impairment losses recognized on goodwill or intangibles with indefinite useful life are in no way recoverable.

Inventories

Inventories, which consist mainly of raw materials, work-in-progress and finished products, are carried at the lower of cost or net realizable value, determined in accordance with market conditions. Costs include the price paid to suppliers plus the incidental expenses incurred to bring the purchased goods to the warehouse door, net of discounts and allowances. 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.

Starting from January 1, 2019 and following IFRS 16 first adoption the Group, as lessee, recognizes separately from financial liabilities the lease liabilities measuring them at the present value of the payments due for leasing not yet settled at the lease commencement date. The payments due include the fixed payments (including the fixed payments in substance), net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual value. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option shall be exercised by the Group.

Additional details on the impact of the IFRS 16 first application starting from January 1, 2019 is provided in "New Accounting Standards".

Financial Derivatives

Consistent with the provisions of IFRS 9, 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 are listed on an active market is determined using valuation techniques based on a series of methods and assumptions, and market information at the balance sheet date.

The following provides a classification of financial instruments recorded at fair value in a three-level hierarchy:

- Level 1: Fair value is determined on the basis of (unadjusted) quoted prices in active markets for identical assets or liabilities;

- Level 2: Fair value is determined using valuation techniques based on observable inputs on active market;
- Level 3: Fair value is determined using valuation techniques based on market unobservable inputs.

Revenue recognition

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 (carried out through the Group's subsidiaries) 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 (the so-called export markets, where DiaSorin is not present through a direct distribution channel), 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 current 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 non-recurring 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	Yes	Financial years as from 1 January 2019
Amendments to IAS 19: Plant Amendment, Curtailment or Settlement	Yes	Financial years as from 1 January 2019
Amendments to IFRS 3: Definition of a Business	No	Financial years as from 1 January 2020
Interest rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	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
Amendments to the Conceptual Framework	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 Group

This note presents the impact of the adoption of the accounting standards "IFRS 16 - Leases and IFRIC 23 - Uncertainty over Income Tax Treatments" on the consolidated financial statements to the extent that they differ from those applied in the previous periods.

Other amendments which came into force as of January 1, 2019 had no material impact on the Consolidated Financial Statements at December 31, 2019 as they were not applicable or the adopted procedure was already in line with such amendments.

IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16 – Leases replacing IAS 17 – Leases, and interpretations of IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new lease definition and introduces a criterion based on control (right of use) of an asset to distinguish lease 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.

Impact of the adoption

The Group adopted IFRS 16 applying the simplified retrospective method as at January 1, 2019 for its first application, 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 recognized 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 used 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 used 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 16 did not require recognition of financial liability of the lease and relevant right of use, but rental costs continued to be recognized in the income statement on a straight-line basis over the length of the corresponding contracts.

The new IFRS 16 accounting standard introduced 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 process to assess and determine impacts deriving from the application of the new standard as at the transition date (January 1, 2019) 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 implementation of the new accounting standard required IT tools, control and compliance models and related process to be updated and modified.

The following table shows the impacts of the IFRS 16 on the statement of financial position as at the transition date:

(€ thousands)	**December 31, 2018**	**Effects of IFRS 16 adoption**	**January 1, 2019**
ASSETS			
Property, plant and equipment	94,981	30,550	125,531
Goodwill	162,616	-	162,616
Other intangibles	210,468	-	210,468
Equity investments	27	-	27
Deferred-tax assets	20,958	-	20,958
Other non-current assets	2,030	-	2,030
Total non-current assets	*491,080*	30,550	521,630
Inventories	160,396	-	160,396
Trade receivables	131,092	-	131,092
Other current assets	26,847	(213)	26,634
Other current financial assets	23,422	-	23,422
Cash and cash equivalents	73,103	-	73,103
Total current assets	*414,860*	(213)	414,647
TOTAL ASSETS	**905,940**	**30,337**	**936,277**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	**704,735**	**-**	**704,735**
Non-current financial liabilities	81	26,037	26,118
Provisions for employee benefits	32,659	-	32,659
Deferred-tax liabilities	5,050	-	5,050
Other non-current liabilities	24,963	87	25,050
Total non-current liabilities	*62,753*	26,124	88,877
Trade payables	57,286	-	57,286
Other payables	50,520	(225)	50,295
Current tax liabilities	9,513	-	9,513
Current financial liabilities	21,133	4,438	25,571
Total current liabilities	*138,452*	4,213	142,665
Total liabilities	**201,205**	**30,337**	**231,542**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**905,940**	**30,337**	**936,277**

A reconciliation of lease liabilities at January 1, 2019 to operating lease commitments at December 31, 2018 is as follows:

(€ thousands)	**January 1, 2019**
In scope IFRS 16 operating lease commitments as at December 31, 2018	**38,889**
Extension options and other changes	2,127
Undiscounted financial liabilities for operating leases at January 1, 2019	*41,016*
Discounting effect	(10,541)
Financial liabilities for operating leases resulting from the transition to IFRS 16 at January 1, 2019	**30,475**

The table below provides the rights of use and financial liabilities recognized following the application of IFRS 16 at January 1, 2019 on each operating segment in accordance with IFRS 8:

(€ thousands)	**Italy**	**Europe**	**North America**	**Rest of the World**	**Consolidated**
Rights of use	12,432	3,894	10,310	3,915	**30,550**
Financial liabilities	12,275	3,870	10,534	3,796	**30,475**

The weighted average incremental borrowing rate applied to the financial liabilities recognized at January 1, 2019 was 4.8%. The income statement for the period includes higher depreciation charges from right-of-use assets amounting to €5,432 thousand, interest expense on leases equal to €1,379 thousand and lower lease payments amounting to €6,024 thousand.

IFRIC Interpretation 23 – Uncertainty over income tax treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group applies a significant degree of judgement in identifying the uncertainties on the tax treatment of income taxes. As the Group operates in a complex multinational environment, it has assessed whether the Interpretation may have affected its interim consolidated financial statements.

Based on the analysis carried out, no impact on the consolidated financial statements occurred arising from the application of the interpretation as at January 1, 2019.

Accounting principles issued but not yet adopted by the Group

The Group is assessing any possible impacts resulting from the introduction of amendments to standards and interpretations that at the date of the Report had already been issued but not yet effective although such amendments are not expected to have a material impact on the consolidated financial statements. The Group intends to adopt these standards and interpretations, if applicable, once they are effective.

Amendments to *IFRS 3 and to IAS 1 and IAS 8* are provide below.

Amendments to IFRS 3 – Definition of business

In October 2018, the IASB issued *Definition of a Business – (Amendments to IFRS 3)* to support entities when determining whether they have acquired a business or a group of assets. The amendments clarify:

- the minimum requirements to be considered a business;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes;
- add guidance to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs, and;
- add an optional test on the fair value concentration.

New examples have been published along with amendments.
The Group has not been impacted by the amendments at the date of first application as amendments apply prospectively to transactions or other events occurring on or after the date of first application.

Amendments to IAS 1 and IAS 8 – Definition of material

In October 2018, the IASB issued amendments to *IAS 1 - Presentation of Financial Statements* and to *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors*, to align and clarify the definition of "material" standards. The new definition clarifies that information is 'material' if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.
Amendments to definition of material are not expected to have a significant impact on the Group financial statements.

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:

	12/31/2019	12/31/2018

(€ thousands)	**Notes**	**Carrying Value**	**Assets at amortized cost**	**Hedging instruments**	**Assets at fair value with changes in the Comprehensive Income Statement**	**Carrying Value**	**Assets at amortized cost**	**Hedging instruments**	**Assets at fair value**	**Assets at fair value with changes in the Comprehensive Income Statement**
Trade receivables	(16)	132,513	119,588	-	12,925	131,092	119,326	-	-	11,766
Other current financial assets	(18)	44,539	44,539	-	-	23,422	23,422	-	-	-
Financial derivatives	(18)	49	-	-	49	-	-	-	-	-
Cash and cash equivalents	(18)	157,552	157,552	-	-	73,103	73,103	-	-	-
Total current financial assets		***334,653***	***321,678***	***-***	***12,975***	***227,617***	***215,851***	***-***	***-***	***11,766***
Total financial assets		**334,653**	**321,678**	**-**	**12,975**	**227,617**	**215,851**	**-**	**-**	**11,766**

		12/31/2019				**12/31/2018**			
(€ thousands)	**Notes**	**Carrying Value**	**Liabilities at amortized cost**	**Hedging instruments**	**Liabilities at fair value**	**Carrying Value**	**Liabilities at amortized cost**	**Hedging instruments**	**Liabilities at fair value**
Non-current bank debt	(21)	-	-	-	-	81	81	-	-
Financial lease liabilities (IFRS 16)	(21)	24,466	24,466	-	-				
Derivative financial instruments	(21)	-	-		-	-	-		-
Total non-current financial liabilities		***24,466***	***24,466***	***-***	***-***	***81***	***81***	***-***	***-***
Trade payables	(24)	55,733	55,733	-	-	57,286	57,286		-
Current bank debt	(21)	8	8	-	-	20,601	20,601	-	-
Financial lease liabilities (IFRS 16)	(21)	4,804	4,804	-	-				
Derivative financial instruments	(21)	-	-	-	-	532	-	-	532
Amounts owed to shareholders for dividends		-	-	-	-	-	-	-	-
Total current financial liabilities		***60,545***	***60,545***	***-***	***-***	***78,419***	***77,887***	***-***	***532***
Total financial liabilities		**85,011**	**85,011**	**-**	**-**	**78,500**	**77,968**	**-**	**532**

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, 2019 classified at level 2 and registered in other current financial assets amounting to 49 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 €5.0 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 €20 million on the currency translation reserve.

In 2019, in order to mitigate the foreign exchange risk related to the currency fluctuations, the Group's Parent Company executed currency forward sales requiring the recognition of a positive fair value of 49 thousand at December 31, 2019 (negative fair value €532 thousand €s at December 31, 2018).

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, 2019 classified at level 2 and registered in other current financial liabilities.

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, 2019, past-due trade receivables were equal to about 5.5% of revenues. These receivables were held mainly by the Group's Parent Company and by the U.S., Brazilian and Spanish subsidiaries. These past-due receivables were covered by an allowance for doubtful accounts amounting to €8,147 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.

A breakdown of the provision for doubtful accounts in respect of trade receivables at December 31, 2019 is as follows:

(€ thousands)

Type	**Expiring**	**0-90**	**91-180**	**181-360**	**Due over 360**	**Total due**	**Total receivables**
Trade receivables	102,553	24,991	3,562	1,374	8,652	38,579	141,133
Expected loss rate	***0%***	***1%***	***3%***	***42%***	***83%***	***21%***	***n.a***
Provision for doubtful account	(473)	(261)	(114)	(574)	(7,198)	(8,147)	(8,620)
Net value	**102,080**	**24,730**	**3,449**	**800**	**1,453**	**30,432**	**132,513**

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.

At December 31, 2019, the Group did not have any bank loans (€20,682 thousand at December 31, 2018).

Cash and cash equivalent were €157,552 thousand and financial assets amounted to €44,539 thousand in bank deposits and liquidity investments with a due date exceeding 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 allowance for doubtful accounts' estimate is based on the expected credit loss 'ECL' model calculated as the difference between the contractual cash flows due and the cash flows the Group expects to receive, 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, 2019 AND AT DECEMBER 31, 2018

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:

- Activities generating revenues and expenses (including revenues and expenses relating to transactions with other components of the same entity);
- 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
- Discrete financial information about assets, liabilities, revenues and expenses.

No unallocated common costs are shown in the abovementioned schedules and hence each segment is equipped with comprehensive independent organizations (sales, technical support and accounting) fully capable of exercising its function. Moreover, 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 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 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 Group level.

	ITALY		EUROPE		NORTH AMERICA		REST OF THE WORLD		ELIMINATIONS		CONSOLIDATED	
(€ thousands)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
INCOME STATEMENT												
Revenues from customers	160,573	153,713	198,799	195,741	219,758	200,008	127,189	119,735	-	-	706,319	669,197
Inter-segment revenues	234,505	210,365	16,714	29,710	62,355	51,726	765	471	(314,339)	(292,272)	-	-
Total revenues(1)	**395,078**	**364,078**	**215,513**	**225,451**	**282,113**	**251,734**	**127,954**	**120,206**	**(314,339)**	**(292,272)**	**706,319**	**669,197**
Segment EBIT	**83,778**	**87,807**	**24,451**	**26,646**	**101,475**	**83,721**	**9,098**	**10,973**	**(941)**	**(4,621)**	**217,861**	**204,526**
Unallocated common costs											-	-
Operating margin											**217,861**	**204,526**
Other net income/(expense)											-	-
Financial income/(expense)											(1,574)	(161)
Result before taxes											**216,287**	**204,365**
Income taxes											(40,552)	(46,235)
Net result											**175,735**	**158,130**
OTHER INFORMATION												
Investments in intangibles	10,861	9,524	256	106	6,444	8,834	801	1,078	-	-	18,362	19,542
Invest. in prop.,plant and equip.	18,822	15,133	11,849	6,765	8,729	10,061	3,441	3,903	(1,621)	(2,017)	41,220	33,845
Total investments	**29,683**	**24,657**	**12,105**	**6,871**	**15,173**	**18,895**	**4,242**	**4,981**	**(1,621)**	**(2,017)**	**59,582**	**53,387**
Amortization of intangibles	(8,537)	(6,881)	(6,140)	(5,342)	(12,501)	(11,411)	(836)	(848)	4,174	2,627	(23,840)	(21,855)
Depreciation of prop.,plant and equip	(12,757)	(11,083)	(8,833)	(7,139)	(10,208)	(9,182)	(5,848)	(4,653)	2,514	3,087	(35,132)	(28,970)
Total amortization and depreciation	**(21,294)**	**(17,964)**	**(14,973)**	**(12,481)**	**(22,709)**	**(20,593)**	**(6,684)**	**(5,501)**	**6,688**	**5,714**	**(58,972)**	**(50,825)**

	ITALY		EUROPE		NORTH AMERICA		REST OF THE WORLD		ELIMINATIONS		CONSOLIDATED	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
STATEMENT OF FINANCIAL POSITION												
Segment assets	401,346	375,752	170,804	131,981	358,537	335,788	64,007	62,346	(164,955)	(117,437)	829,738	788,430
Unallocated assets											233,814	117,510
Total assets	**401,346**	**375,752**	**170,804**	**131,981**	**358,537**	**335,788**	**64,007**	**62,346**	**(164,955)**	**(117,437)**	**1,063,552**	**905,940**
Segment liabilities	112,092	104,240	73,058	76,117	40,808	35,367	39,837	40,010	(98,078)	(90,306)	167,716	165,428
Unallocated liabilities											47,213	35,777
Shareholders’ equity											848,623	704,735
Total liabilities and shareholders’ equity	**112,092**	**104,240**	**73,058**	**76,117**	**40,808**	**35,367**	**39,837**	**40,010**	**(98,078)**	**(90,306)**	**1,063,552**	**905,940**

(1) Revenues are recognized at a point in time when control over distributed products is transferred to end customers

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 €58,972 thousand (€50,826 thousand in 2018) broken down as follows:

(€ thousands)	**2019**	**2018**
Depreciation of property, plant and equipment	35,132	28,531
Amortization of intangibles	23,840	22,295
Total	**58,972**	**50,826**

Depreciation of property, plant and equipment includes €16,450 thousand attributable to equipment held by customers (€16,682 thousand in 2018), which in the income statement by destination is part of the cost of sales. An additional €9,478 thousand representing depreciation of plant and machinery and manufacturing and distribution equipment is included among production expenses (€6,769 thousand in 2018).

The amortization of intangible assets is recognized mainly as part of research and development costs (€8,528 thousand), sale and marketing expenses (€11,485 thousand), general and administrative expenses (€1,831 thousand) and production expenses (€313 thousand).

Labor costs amounted to €177,199 thousand (€163,502 thousand in 2018).
A breakdown is as follows:

(€ thousands)	**2019**	**2018**
Wages and salaries	133,010	124,664
Social security contributions	24,421	22,751
Severance indemnities and other benefits paid	4,365	3,777
Cost of stock option plan	3,852	2,762
Other labor costs	11,551	9,548
Total	**177,199**	**163,502**

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

	2019	**2018**
Factory staff	289	306
Office staff	1,563	1,557
Managers	104	94
Total	**1,955**	**1,957**

1. Net revenues

In 2019, net revenues, which are generated mainly through the sale of diagnostic kits, totaled €706,319 thousand (€669,197 thousand in 2018), up 5.5% compared to 2018 (+3.8% at CER). This item includes equipment rentals and technical support amounting to €15,150 thousand (€13.329 thousand in 2018).

A breakdown of revenues by customer location in outlet markets:

(€ thousands)	**2019**	**2018**	**% Change at current exchange rates**	**% Change at constant exchange rates**
Europe and Africa	325,290	309,528	5.1%	4.9%
USA and Canada	205,792	188,103	9.4%	3.8%
Asia Pacific	134,267	129,371	3.8%	3.3%
Latin America	40,970	42,197	-2.9%	-3.4%
Total	**706,319**	**669,197**	**5.5%**	**3.8%**

Sales to public institutions and universities totaled €241,514 thousand (€251,188 thousand in 2018).

2. Cost of sales

In 2019, the cost of sales amounted to €217,628 thousand, as against €213,428 thousand in 2018. This item includes €13,966 thousand for royalties paid for the use of patents applied to manufacture products (€13,889 thousand in 2018), and €10,480 thousand in costs incurred to distribute products to end customers (€11,784 thousand in 2018) and €16,450 thousand for depreciation of equipment held by customers (€16,682 thousand in 2018).

3. Sales and marketing expenses

In 2019, sales and marketing expenses amounted to €142,753 thousand, as against €133,058 thousand in 2018. 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 €47,948 thousand (€45,082 thousand in 2018), include the research and development outlays that were not capitalized equal to €25,899 thousand (€24,469 thousand in 2018), costs incurred to register the products offered for sale and meet quality requirements totaling €15,853 thousand (€15,162 thousand in 2018) and the amortization of capitalized development costs equal to €6,196 thousand (€5,451 thousand in 2018). In 2019, the Group capitalized new development costs amounting to €13,797 thousand, compared with €14,435 thousand in 2018; capitalized costs refer to the development of both the new analyzer LIAISON XS and of CLIA kits and molecular kits.

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 €69,591 thousand in 2019 (€67,216 thousand in 2018). The item includes €7,171 thousand in costs attributable to Directors and strategic executive compensation (€4,788 thousand in 2018).

6. Other operating income (expenses)

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

(€ thousands)	**12/31/2019**	**12/31/2018**
Trade-related foreign exchange gains/(losses)	12	(1,187)
Tax liabilities	(941)	(753)
Accruals to the doubtful debts and provisions for risks and charges	(1,135)	(1,108)
Out-of-period items and other operating income (expense)	(3,859)	1,299
Non-recurring expenses	(4,615)	(4,139)
Other operating income (expense)	**(10,538)**	**(5,888)**

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 €4,615 thousand and refer to provisions for restructuring charges to discontinue the operating activities in the South African facility and reorganize some company areas in Italy following the introduction of the so-called “Quota 100” by the last Budget Law.

7. Financial income (expenses)

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

(€ thousands)	**12/31/2019**	**12/31/2018**
Factoring transactions fees	(447)	(314)
Interest and other financial expenses	(3,517)	(4,004)
Of which: financial interests on leasing	*(1,381)*	*n.a.*
Interest on provisions for pensions	(595)	(552)
Share of the profit/(loss) from discounted financial payables	(115)	(143)
Gain from business combination	-	2,430
Interest and other financial income	2,833	1,515
Foreign exchange differences and financial instruments	267	908
Net financial income (expense)	**(1,574)**	**(160)**

In 2019, net financial expenses amounted to €1,574 thousand, compared to €160 thousand in 2018.

Interest and other financial expenses were equal to €3,517 thousand (€4,004 thousand in 2018). Exchange differences on financial items were positive by €267 thousand (positive by €908 thousand in 2018) 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 €447 thousand (€314 thousand in 2018).

The Group recognized financial income from assets valued at amortized cost for an amount of €2,833 thousand (€1,515 thousand in 2018), 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 €40,552 thousand (€46,235 thousand in 2018) broken down as follows:

(€ thousands)	**2019**	**2018**
Current income taxes:		
- Regional taxes (IRAP)	2,123	2,168
- Other income taxes	39,237	39,603
Other taxes (non-deductible tax withholdings/ prior-period taxes)	7,497	1,263
Deferred taxes	(8,305)	3,201
IRAP amount	*(21)*	*74*
Total income taxes for the year	**40,552**	**46,235**

The significant change in "Other taxes" is due to the exit tax for the Irish facility's restructuring and levies other than income taxes (FDII e GILTI) paid by the U.S. subsidiary.

Deferred taxes include advance taxes recognized on the amount of assets transferred to Italy following the Irish facility's divestiture.

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:

(€ thousands)	**2019**	**2018**
Profit before taxes	216,287	204,365
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes	51,909	49,048
Tax effect of permanent differences	(11,947)	(7,420)
Effect of unrecognized deferred-tax liabilities/assets	(10,095)	
Effect of foreign tax rates that are different from statutory Italian tax rates	1,086	1,102
Other differences		
Total income taxes	**30,953**	**42,730**
Effective tax rate	**14.3%**	**20,9%**

In 2019, the effective tax rate of 14.3%, reflected primarily the positive impact of the Patent Box in Italy and the balance of deferred tax assets.

9. Earnings per share

Basic earnings per share amounted to €3.21 in 2019 (€2.85 in 2018). Diluted earnings per share totaled €3.20 (€2.85 in 2018). Basic earnings per shares were computed by dividing the net profit attributable to the shareholders by the weighted average number of shares outstanding during the year (54,711,844 in 2019 and 55,513,113 in 2018).
The dilutive effect of stock option plans granted by DiaSorin S.p.A is determined by excluding tranches assigned to a price higher than the average price of the ordinary shares in 2019.

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 2019 and 2018:

(€ thousands)	At December 31, 2018	Additions	IFRS 16 first adoption impact	Divestments	Translation differences	Reclassifications and other changes	At 31 December 2019
Land	2,361	-	-	-	5	-	2,366
Buildings	23,633	484	-	(50)	144	1,354	25,565
Plant and machinery	38,096	2,477	-	(1,493)	241	906	40,227
Manufacturing and distribution equipment	178,082	21,535	-	(17,259)	2,089	840	185,287
Other assets	29,130	2,954	-	(4,005)	603	303	28,985
Advances and tangible in progress	10,353	9,979	-	(1,204)	119	(4,946)	14,301
IFRS 16 rights of use	-	3,791	30,550	(497)	743	(544)	34,043
Total property, plant and equipment	**281,655**	**41,220**	**30,550**	**(24,508)**	**3,944**	**(2,087)**	**330,774**

(€ thousands)	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**

The following changes occurred in the corresponding accumulated depreciation accounts in 2019 and 2018:

(€ thousands)	**At December 31, 2018**	**Depreciation for the year**	**Divestments**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2019**
Buildings	16,774	633	(42)	104	(449)	17,020
Plant and machinery	23,825	3,728	(1,467)	153	449	26,688
Manufacturing and distribution equipment	128,990	22,200	(14,601)	1,374	(1,216)	136,747
Other assets	17,085	3,139	(3,926)	223	-	16,521
IFRS 16 rights of use	-	5,432	(39)	20	-	5,413
Total property, plant and equipment	**186,674**	**35,132**	**(20,075)**	**1,874**	**(1,216)**	**202,389**

(€ thousands)	**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 -**	**1,431**	**28,531**	**(17,446)**	**625**	**(2,179)**	**186,674**

A breakdown of the net carrying value of property, plant and equipment at December 31, 2019 and 2018 is provided below:

(€ thousands)	**At December 31, 2018**	**Additions**	**IFRS 16 first adoption impact**	**Depreciation**	**Divestments**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2019**
Land	2,361	-	-	-	-	5	-	2,366
Buildings	6,859	484	-	(633)	(8)	40	1,803	8,545
Plant and machinery	14,271	2,477	-	(3,728)	(26)	88	457	13,539
Manufacturing and distribution equipment	49,092	21,535	-	(22,200)	(2,658)	715	2,056	48,540
Other assets	12,045	2,954	-	(3,139)	(79)	380	303	12,464
Advances and tangible in progress	10,353	9,979	-	-	(1,204)	119	(4,946)	14,301
IFRS 16 rights of use	-	3,791	30,550	(5,432)	(458)	723	(544)	28,630
Total property, plant and equipment	**94,981**	**41,220**	**30,550**	**(35,132)**	**(4,433)**	**2,070**	**(871)**	**128,385**

(€ thousands)	**At December 31, 2017**	**Additions**	**Business combination**	**Depreciation**	**Divestments**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2018**
Land	2,348	-	-	-	-	13	-	2,361
Buildings	6,249	1,094	-	(565)	-	77	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)**	**873**	**(601)**	**94,981**

Additions to manufacturing and distribution equipment include equipment provided to customers under gratuitous loan contracts, amounting to €17,728 thousand in 2019 (€17,532 thousand in 2018). Depreciation for the period totaled €16,425 thousand (€16,682 thousand in 2018).

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.

Reclassifications and other net movements of €871 thousand (€601 thousand in 2018) refer to reclassifications from advances of tangible assets to intangible assets.

Tangible assets include "Right-of-use Assets" for a total amount of €28,630 thousand at December 31, 2019 (€30,550 thousand as first adoption impact at January 1, 2019) recognized on the basis of IFRS 16 accounting standard. The item includes right-of-use assets relating to rented property and industrial buildings, amounting to €24,205 thousand, at December 31, 2019 (€26,350 thousand as first adoption impact) along with right-of-use assets relating to company vehicles rentals amounting to €4,425 thousand at December 31, 2019 (€4,200 thousand as first adoption impact).

11. Goodwill and other intangible assets

Goodwill totaled €164,681 thousand at December 31, 2019 (€162,616 thousand at December 31, 2018), with an increase of €2,065 thousand due to foreign exchange translation.

The tables below describe the main changes that occurred in goodwill.
At December 31, 2019, the Group completed the fair value allocation of the assets acquired through the acquisition – occurred in 2018- of the distribution business from ADA Srl concerning the QuantiFERON Latent Tuberculosis test launched in the Italian market. The company did not recognize any difference or reclassification compared to December 31, 2018.

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:

- €107,936 thousand to the DiaSorin USA (North America) CGU,
- €46,447 thousand to the DiaSorin Italy CGU,
- €6,840 thousand to the DiaSorin Germany CGU
- €2,693 thousand to the DiaSorin Brazil CGU,
- €765 thousand to the DiaSorin Benelux CGU

The table below provides a breakdown of changes in goodwill, by individual CGU, that occurred in 2019:

(€ thousands)	**At December 31, 2018**	**Translation differences**	**Reclassifications**	**Business Combination**	**At December 31, 2019**
DiaSorin Belgium	765	-	-	-	765
DiaSorin Brazil	2,736	(43)	-	-	2,693
DiaSorin Germany	6,840	-	-	-	6,840
DiaSorin Italy	45,053	73	1,321	-	46,447
DiaSorin USA (North America)	105,901	2,035	-	-	107,936
DiaSorin South Africa	1,321	-	(1,321)	-	-
Total goodwill	**162,616**	**2,065**	**-**	**-**	**164,681**

Insofar as the knowhow acquired with the Murex transaction in 2010 is specifically concerned, this intangible asset with an indefinite useful life, amounting to €5,044 thousand, was tested for impairment as part of the CGU DiaSorin Italy.

The impairment test was completed on the basis of the most recent projections of economic results and cash flows for future years (2020-2022). These projections have been developed on the basis of the 2020 budget along with the 2019-2020 Strategic Plan approved by the Board of Directors and presented in June 2019, and according to the latest forecast data available to the Group Management.

The recoverability of the recognized amounts was tested by comparing the net carrying amount of the individual CGUs with their value in use (recoverable amount). The recoverable amount is equal to the present value of the future cash flows that the continuing use of the assets belonging to each CGU is expected to generate both for the period of explicit flows, and at the end of the time horizon of the forecast (in accordance with the perpetuity method).

Consequently, the impairment tests performed showed no need to write down the amount at which goodwill and intangibles is carried in the financial statements.

The main assumptions used to compute the recoverable amount were those concerning the discount rate, the most recent budget data and long-range projections and the expected growth rate at the end of the time horizon of the forecast.

In computing the present value of future cash flow, the Group used a discount rate that reflects the weighted average cost of capital (WACC) and the cost of debt. The discount rate used was determined on a post-tax basis and coherently with the cash flows. The Group computed a specific WACC for each CGU to take into account the specific risk entailed by the Group's business in each country (this variable is reflected in the use of government bonds as risk-free for each country).

The discount rates used for each CGU are listed in the table below:

Company	% used
DiaSorin S.p.A.	8.00%
DiaSorin S.A. (France)	4.60%
DiaSorin Iberia S.A.	5.13%
DiaSorin S.A/N.V (Benelux)	4.23%
DiaSorin AB (Sweden)	4.56%
DiaSorin Ltd (UK)	5.39%
DiaSorin Deutschland GmbH	4.29%
DiaSorin Austria GmbH	4.55%
DiaSorin Czech s.r.o. (incl. Sk branch)	5.41%
DiaSorin (North America)	6.62%
DiaSorin Ltda (Brazil)	11.82%
DiaSorin Mexico S.A de C.V.	11.55%
DiaSorin Ltd (Israel)	5.86%
DiaSorin Ltd (China)	7.48%
DiaSorin Australia (Pty) Ltd	5.86%
DiaSorin Healthcare India Pvt. Ltd	10.90%
DiaSorin Switzerland AG	4.08%
DiaSorin Poland sp. z.o.o.	6.75%

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 €205,598 thousand at December 31, 2019 (€210,468 thousand at December 31, 2018).

The tables that follow show the changes that occurred in the original cost of goodwill and other intangibles in 2019 and 2018:

(€ thousands)	**At December 31, 2018**	**Additions**	**Translation differences**	**Disposals and other changes**	**At December 31, 2019**
Goodwill	162,616	-	2,065	-	164,681
Development costs	97,407	13,797	1,232	(233)	112,203
Concessions, licenses and trademarks	123,218	2,053	655	354	126,280
customer relationship	*81,474*	-	*1,059*	-	*82,533*
Industrial patents and intellectual property rights	29,097	470	103	157	29,827
Advances and other intangibles	4,403	(27)	17	(336)	4,057
Total intangible assets	**498,215**	**16,293**	**5,131**	**(58)**	**519,581**

(€ thousands)	**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	29,097
Advances and other intangibles	3,231	743	679	(37)	(213)	4,403
Total intangible assets	**447,374**	**19,923**	**25,076**	**10,019**	**(1,177)**	**498,215**

The following changes occurred in the corresponding accumulated amortization accounts in 2019 and 2018:

(€ thousands)	**At December 31, 2018**	**Amortization**	**Translation differences**	**Disposals and other changes**	**At December 31, 2019**
Goodwill	-	-	-	-	-
Development costs	29,138	6,196	228	(46)	35,516
Concessions, licenses and trademarks	49,609	8,695	768	(124)	58,948
customer relationship	*17,684*	*7,891*	*(277)*	-	*25,298*
Industrial patents and intellectual property rights	25,789	906	109	-	26,804
Advances and other intangibles	2,911	152	9	(336)	2,736
Total intangible assets	**125,131**	**23,840**	**837**	**(506)**	**149,302**

(€ thousands)	**At December 31, 2017**	**Business combination**	**Amortization**	**Translation differences**	**Disposals and other changes**	**At December 31, 2018**
Development costs	24,696	-	5,451	535	(1,544)	29,138
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**

A breakdown of the net carrying value of goodwill and other intangibles at December 31, 2019 and 2018 is provided below:

(€ thousands)	**At December 31, 2018**	**Additions**	**Amortization**	**Translation differences**	**Disposals and other changes**	**At December 31, 2019**
Goodwill	162,616	-	-	2,065	-	164,681
Development costs	68,269	13,797	(6,196)	1,004	(187)	76,687
Concessions, licenses and trademarks	73,609	2,053	(8,695)	(113)	478	67,332
customer relationship	*63,790*	-	*(7,891)*	*1,336*	-	*57,235*
Industrial patents and intellectual property rights	3,308	470	(906)	(6)	157	3,023
Advances and other intangibles	1,492	(27)	(152)	8	-	1,321
Total intangible assets	**373,084**	**16,293**	**(23,840)**	**4,294**	**448**	**370,279**

(€ thousands)	**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)	679	419	73,608
customer relationship	*66,175*		*3,100*	*(7,527)*	*1,842*	*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**

Capitalized development costs, which totaled €13,797 thousand (€14,435 thousand in 2018), refer to investments to implement the new analyzer Liaison XS and develop new CLIA kits and Molecular kits.

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, 2019. No changes occurred compared to December 31, 2018. The equity investments 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.

13. Deferred-tax assets and deferred-tax liabilities

Deferred-tax assets amounted to €31,647 thousand at December 31, 2019 (€20,958 thousand at December 31, 2018). 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 €7,135 thousand (€5,050 thousand at December 31, 2018) 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:

(€ thousands)	**12/31/2019**	**12/31/2018**
Deferred-tax assets	31,647	20,958
Deferred-tax liabilities	(7,135)	(5,050)
Total net deferred-tax assets	**24,512**	**15,908**

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

(€ thousands)	**12/31/2019**	**12/31/2018**
Temporary changes:		

Amortization/Write-down of goodwill/ intangible assets	3,785	(348)
Provisions for risks and charges	3,335	2,914
Provision for employees benefits	6,804	4,987
Intra-Group profits and other consolidation adjustment	7,837	7,253
Other charges deductible in future years	2,022	569
Losses carried forward	729	532
Total net deferred tax assets	**24,512**	**15,908**

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

(€ thousands)	**12/31/2019**	**12/31/2018**
Previous tax losses	2,391	3,114
Deferred tax assets recognized on tax losses	**729**	**548**

(€ thousands)	**12/31/2019**	**12/31/2018**
Previous tax losses	5,150	7,681
Unrecognized deferred tax assets	**1,754**	**2,442**

14. Other non-current assets

Other non-current assets amounted to €2,453 thousand (€2,030 at December 31, 2018). They consist mainly of receivables from the Parent Company and the Belgian, Brazilian and U.S. subsidiaries due beyond 12 months.

15. Inventories

A breakdown of inventories, which totaled €171,127 thousand is provided below:

(€ thousands)	**12/31/2019**			**12/31/2018**		
	Gross amount	**Write-down provisions**	**Net amount**	**Gross amount**	**Write-down provisions**	**Net amount**
Raw materials and supplies	52,437	(2,672)	49,765	48,469	(2,436)	46,033
Work in progress	52,274	(2,370)	49,904	49,542	(2,155)	47,387
Finished goods	73,863	(2,405)	71,458	68,934	(1,958)	66,976
Total	**178,574**	**(7,447)**	**171,127**	**166,945**	**(6,549)**	**160,396**

The increase of €10,731 thousand compared with December 31, 2018, is mainly due to increased manufacturing volumes to support a growth in revenues and to fluctuations in foreign exchange rates.

The table below shows the changes that occurred in the provisions for inventory write-downs:

(€ thousands)	**12/31/2019**	**12/31/2018**
Opening balance	**6,549**	**7,003**
Additions for the year	1,941	1,069
Utilizations/Reversals for the year	(1,133)	(1,586)
Translation differences and other changes	90	63
Ending balance	**7,447**	**6,549**

16. Trade receivables

Trade receivables totaled €132,513 thousand at December 31, 2019 (€131,092 thousand at December 31,2018). The increase in trade receivables compared with December 31, 2018 is due to the growth in revenues.
The table that follows shows the changes that occurred in the allowance for doubtful accounts, which amounted to €8,620 thousand compared with December 31, 2018:

(€ thousands)	**12/31/2019**	**12/13/2018**
Opening balance	**8,882**	**9,615**
Additions for the period	255	459
Utilizations/Reversals for the period	(496)	(892)
Translation differences and other changes	(21)	(300)
Ending balance	**8,620**	**8,882**

Receivables from public sector and universities amounted to €47,320 thousand (€46,098 thousand at December 31, 2018).

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 2019, the receivables assigned by the Group's Parent Company amounted to €45,266 thousand (€32,315 thousand in 2018).

17. Other current assets

Other current assets amounted to €24,981 thousand (€26,847 thousand at December 31, 2018). They consist of tax credits for research and development investments (€7,987 thousand), accrued income and prepaid expenses for insurance, rentals and advances to suppliers.

18. Cash and cash equivalent and current financial assets

Cash and cash equivalents amounted to €157,552 thousand at December 31, 2019 (€ 73,103 thousand at December 31, 2018). They consist of balances in banks accounts. More detailed information is provided in the Statement of Cash Flows above.

Current financial assets amounted to €44,588 thousand at December 31, 2019 and include term deposits exceeding three months taken out by DiaSorin Inc..

19. Assets held for sale

At December 31, 2019 assets held for sale were completely disposed of.

20. Shareholders' equity

Share capital

At December 31, 2019, 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, 2018.

Treasury shares

At December 31, 2019, the amount of treasury shares was 1,157,601 (2,07% of the share capital), totaling €81,849 thousand (€ 87,784 thousand at December 31, 2018).
In 2019, the change in the reserve for treasury shares was due to the exercise of 133,406 total options to serve the 2014 Stock Option Plan (44,188 options) and the 2016 Stock Option Plan (89,218 options), for a total amount of €5,935 thousand.

Additional paid-in capital

This reserve amounted to €18,155 thousand at December 31, 2019 and no changes occurred compared with December 31, 2018.

Statutory reserve

This reserve amounted to €11,190 thousand at December 31, 2019 and no changes occurred compared with December 31, 2018.

Other reserves and retained earnings

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

(€ thousands)	12/31/2019	12/31/2018	Change
Currency translation reserve	21,611	13,472	8,139
Reserve for treasury shares	81,849	87,784	(5,935)
Stock option reserve	7,366	3,847	3,519
Gains/Losses on remeasurements of defined benefit plans	(10,410)	(7,155)	(3,255)
Gains/Losses on the fair value measurement of receivables	61	(53)	114
Retained earnings	571,598	453,832	117,766
IFRS transition reserve	(2,973)	(2,973)	-
Other reserves	342	342	-
Total other reserves and retained earnings	**669,444**	**549,096**	**120,348**

Currency translation reserve
This item amounted to €21,611 thousand (€13,471 thousand at December 31, 2018) 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 €8,139 thousand 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, 2019, the reserve for treasury shares amounted to €81,849 thousand (€87,784 thousand at December 31, 2018). This reserve was established pursuant to law (Article 2357 *ter* of the Italian Civil Code). In 2019, the change in the reserve for treasury shares was due to the exercise of 133,406 total options to serve the 2014 Stock Option Plan (44,188 options) and the 2016 Stock Option Plan (89,218 options), for a total amount of €5,935 thousand.

Stock option reserve
The balance in the stock option reserve, which amounted to €7,366 thousand (€3,847 thousand at December 31, 2018) refers to the stock option plans in effect at December 31, 2019 (see Note 28). The changes in the reserve that occurred in 2019 included an increase due to the recognition of the overall

cost of the stock option Plans (€3,519 thousand) 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, 2019 this item, negative by €10,410 thousand at December 31, 2019 (€7,155 thousand at December 31, 2018) includes net profits of the period related to the actuarial assessment of the Group's defined-benefit plans amounting to €3,255 thousand.

Retained earnings
Retained earnings amounted to €571,598 thousand (€453,832 thousand at December 31, 2018). The change of €117,166 thousand compared with December 31, 2019, is the net result of:

- appropriation of the consolidated net profit earned by the Group in 2018(€158,130 thousand);
- distribution of ordinary dividends equal to €49,231 thousand approved on April 24, 2019 by the Ordinary Shareholders' Meeting (equal to €0.90 per share);
- negative change of €7,016 thousand to purchase and sale treasury shares from the allocation and exercise of some tranches of the 2014 and 2016 Stock Option Plans.

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, 2018.

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, 2019:

(€ thousands)	**Net result in 2019**	**Shareholders' equity at 12/31/2019**
Amount in the financial statements of the Parent Company DiaSorin S.p.A.	**113,648**	**435,358**
Difference between the carrying amount of equity investments and the value of the underlying shareholders' equity		424,935
Profits/(Losses) of consolidated companies	96,331	-
Elimination of unrealized intra-Group profits, net of the applicable tax effect	11,329	(13,008)
Elimination of write-down of investments in subsidiaries	1,338	1,338
Elimination of intra-Group dividends	(46,911)	-
Amount in the consolidated financial statements	**175,735**	**848,623**

21. Borrowings and other financial liabilities

Borrowings and other financial liabilities amounted to €29,278 thousand at December 31, 2019. A breakdown of borrowings and other financial liabilities is as follows (amounts in € thousands).

Lender	Currency	Current portion	Non-current portion	Due beyond 5 years	Total
Short-term bank borrowings	€	8			8
IFRS 16 lease payables	€	4,804	24,466	-	29,270
Total financial liabilities		**4,812**	**24,466**	**-**	**29,278**

The table below lists the changes that occurred in the financing facilities that were outstanding at December 31, 2019 compared with 2018 (amounts in thousands of euros):

Lender	At December 31, 2018	IFRS 16 first time adoption	Disbursements	Repayments	Translation differences and other movements	At December 31, 2019
Short-term bank borrowings	20,579	-	32,000	(52,577)	6	8
Other financial debts - leasing	103	-	-	(103)	-	-
IFRS 16 lease payables	-	30,578	3,651	(4,645)	(314)	29,270
Total owed to financial institutions	**20,682**	**30,578**	**35,651**	**(57,325)**	**(308)**	**29,278**

In order to mitigate the foreign exchange risk related to the currency fluctuations, the Group’s Parent Company executed currency forward sales requiring the recognition of a positive fair value of €49 thousand at December 31, 2019 (negative by €532 thousand at December 31, 2018).

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 2019, this cost amounted to €5,926 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 €150 thousand were recognized in the income statement in 2019 (losses of €67 thousand in 2018).
The table that follows lists the Group's main employee benefit plans that are currently in effect:

(€ thousands)	**12/31/2019**	**12/31/2018**	**Change**
Employee benefits *provided in:*			
- Italy	4,743	5,150	(407)
- Germany	27,939	24,258	3,681
- Sweden	2,698	2,537	161
- Other countries	883	714	169
Total employee benefits	**36,263**	**32,659**	**3,604**
broken down as follows:			
- Defined-benefit plans			
Provision for employee's severance indemnities	*3,042*	*3,604*	*(562)*
Other defined-benefit plans	*30,637*	*26,795*	*3,842*
	33,679	30,399	3,280
- Other long-term benefits	2,584	2,260	324
Total employee benefits	**36,263**	**32,659**	**3,604**

The table below shows the main changes that occurred in the Group's employee benefit plans compared with December 31, 2018:

(€ thousands)	**Defined-benefit plans**	**Other benefits**	**Total employee benefits**
Balance at 12/31/2018	**30,399**	**2,260**	**32,659**
Interest cost	598	(3)	595
Actuarial losses/(gains) recognized in income statement	-	150	150
Actuarial losses/(gains) from financial assumptions	4,041	-	4,041
Actuarial losses/(gains) from demographic changes	-	-	-
Actuarial losses/(gains) from experience	(396)	-	(404)
Current service cost	742	270	1,012
Benefits paid	(1,653)	(101)	(1,754)
Translation differences and other changes	(52)	8	(44)

Balance at 12/31/2019	**33,679**	**2,584**	**36,263**

The main changes that occurred in 2019 with regard to provision for employee benefit include actuarial losses recognized in the comprehensive income statement (€3,645 thousand, gross of the tax effect) and contributions paid (€1,754 thousand). The net amount recognized in the 2019 income statement for employee benefits was an expense of €1,757 thousand (€1,497 thousand in 2018).
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	
	12/31/2019	**12/31/2018**
Discount rate	1.06%	1.74%
Projected wage increases	2.83%	2.17%
Inflation rate	1.50%	1.67%
Average employee turnover rate	4.98%	5.11%

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

(€ thousands)		**Provision of employee severance indemnities**	**Other defined-benefit plans**
Discount rate			
	0.8% Increase	(117)	(4,641)
	0.8% Decrease	125	6,098
Projected wage increases		-	-
	0.8% Increase	-	-
	0.8% Decrease	-	-
Inflation rate		-	-
	0.8% Increase	76	4,139
	0.8% Decrease	(73)	(3,441)
Average employee turnover rate		-	-
	10% Increase	(7)	-
	10% Decrease	7	-

(*) The sensitivity analysis concerning provision of employee severance indemnities takes into account changes in discount rate, projected wage increases and inflation rate up or down by 0.5%.

23. Other non-current liabilities

Other non-current liabilities, which totaled €24,586 thousand at December 31, 2019 (€24,963 thousand at December 31, 2018) 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:

(€ thousands)	**12/31/2019**	**12/31/2018**
Opening balance	**13,894**	**14,984**
Additions for the period	3,252	1,244
Utilizations/Reversals for the period	(4,418)	(2,255)
Translation differences and other changes	(216)	(79)
Ending balance	**12,512**	**13,894**

Provisions for risks and charges include €1,783 thousand in provisions for restructuring costs and charges to discontinue operating activities in South Africa

Reversals for the period are related disputes ended successfully, whilst utilizations refer to expenses to close the Irish manufacturing facility.

24. Trade payables

At December 31, 2019, trade payables, which totaled €55,733 thousand (€57,286 thousand at December 31, 2018) 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 €51,134 thousand at December 31, 2019 (€50,520 thousand at December 31, 2018) consist mainly of amounts owed to employees for additional monthly payments to be paid equal to €34,666 thousand (€30,300 thousand at December 31, 2018), contributions payable to social security and health benefit institutions amounting to €4,232 thousand (€3,348 thousand at December 31, 2018) and accruals and deferred charges for a total of €2,263 thousand (€1,677 thousand at December 31, 2018).

26. Income taxes payable

The balance of €10,800 thousand at December 31, 2019 (€9,513 thousand at December 31, 2018) 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 €33,256 thousand and include bank sureties in connection with the submission of bids in response to public calls for tenders and outstanding financing facilities (€24,867 thousand). These guarantees were established to secure lines of credit provided to Group companies (in the amount of €5,692 thousand, out of which €1,637 thousand to the Indian subsidiary), and in connection with defined-contribution pension plans of certain subsidiaries (€2,698 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.

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, 2019, following 636,093 stock options exercised in 2017, and 32,850 stock options exercised in 2018, along with 5,000 stock options exercised on March 11, 2019 at an average exercise price of €46,864, and 34,188 stock options exercised between May 10 and May 17, 2019 at an average exercise price of €51.292 and 5,000 stock options exercised on November, 26 2019 at an average exercise price of €56.198, all the stock options were exercised.

During the abovementioned period, the average price of the DiaSorin shares was €99.86.

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	2019
VI Tranche	May 9, 2016	34,188	2019
VII Tranche	November 10, 2016	5,000	2019
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, a sixth tranche with a grant of 20,000 options by a resolution dated November 7, 2018 and a seventh tranche with a grant of 25,000 by a resolution dated March 14, 2019.
Please note that, due some "bad leaver" and "good leaver" events, 104,548 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.

At December 31, 2019, stock options amounted to 106,234, following 46,218 stock options exercised between July 1, 2019 and December 19, 2019 at an average exercise price of €52.5431 and 20,000 stock options exercised between August 6, 2019 and October 7, 2019 at an average exercise price of

€56.3108 and 23,000 stock options exercised on December 20, 2019 at an average exercise price of €51.83923.

During the abovementioned period, the average price of the DiaSorin shares was €105.23.

As detailed:

2016 Plan	Grant date	Number of options	Exercise year
I Tranche	May 16, 2016	46,218	2019
II Tranche	August 4, 2016	20,000	2019
III Tranche	December 19, 2016	23,000	2019
III Tranche	December 19, 2016	2,000	
IV Tranche	August 3, 2017	40,000	
V Tranche	March 7, 2018	19,234	
VI Tranche	November 7, 2018	20,000	
VII Tranche	March 14, 2019	25,000	
Total		**195,452**	

2017 Plan

On April 27, 2017, the Ordinary Shareholders' Meeting approved the new 2017 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries.
The Board of Directors approved 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, a fourth tranche with a grant of 15,000 options by a resolution dated November 7, 2018, a fifth tranche with a grant of 10,000 options by a resolution dated March 14, 2019, a sixth tranche with a grant of 10,000 options by a resolution dated June 10, 2019, a seventh tranche with a grant of 65,000 options by a resolution dated July 31, 2019, an eighth tranche with a grant of 45,000 options by a resolution dated November 6, 2019 and a ninth tranche with a grant of 30,000 options by a resolution dated 19 December, 2019.

Please note that, due some "bad leaver" and "good leaver" events, 16,122 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 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, 2019, stock options amounted to 378,878

A breakdown of the option grants is as follows:

2017 Plan	Grant date	Number of options
I Tranche	November 9, 2017	153,878
II Tranche	March 7, 2018	10,000
III Tranche	May 8, 2018	40,000
IV Tranche	November 7, 2018	15,000
V Tranche	March 14, 2019	10,000
VI Tranche	June 10, 2019	10,000
VII Tranche	July 31, 2019	65,000
VIII Tranche	November 6, 2019	45,000
IX Tranche	December 19, 2019	30,000
Total		**378,878**

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.

At December 31, 2019, stock options amounted to 675,000, all related to the grant date of May 8, 2018.

2019 Plan

On April 24, 2019, the Ordinary Shareholders' Meeting approved the new 2019 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries.

The Shareholders' Meeting of April 24, 2019 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 200,000 common shares (equal to 0.357% of the share capital) to serve the new 2019 Stock Option Plan.

At December 31, 2019, the Board of Directors had not yet resolved on any options to be granted to Beneficiaries.

Valuation of stock options

The stock options granted to Directors and employees are measured at their fair value on the grant date in accordance with the method provided in IFRS 2 and the total cost of the plan thus determined is allocated over the vesting period.

The fair value computation method uses a binomial model and is based on the following assumptions:

<u>A – Exercise price</u>

The exercise price was determined in accordance with Article 6.2 of the Plan's Regulations.

<u>B – Stock price</u>

The value assigned to the underlying instrument for stock option valuation purposes is the daily closing price for DiaSorin shares on the grant date.

<u>C – Expected volatility</u>

The expected volatility of the underlying instrument measures the expected fluctuations in price/value over a given period of time. The measure of volatility used in the option pricing model used is the annualized standard deviation of the continuously compounded rates of return on an equity security over a period of time.

<u>D – Employee exit rate</u>

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%.

<u>E – Risk-free interest rate</u>

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.

<u>F – Dividend yield</u>

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:

2016 Plan	Vesting period (in years)	Exercise Price	Stock Price	Per value per share	Volatility	Employee Exit Rate	Risk Free Rate	Dividend Yield	Stock Price reference date	Vesting date
I Tranche	3.000000000	€ 52.54	€ 52.25	€ 1.00	30.00%	0.00%	0.46%	1.70%	05/16/2016	01/16/2019
II Tranche	3.000000000	€ 56.31	€ 57.80	€ 1.00	30.00%	0.00%	0.14%	1.70%	08/04/2016	08/05/2019
III Tranche	3.000000000	€ 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
VII Tranche	3.005479452	€ 86.04	€ 85.80	€ 1.00	25.00%	0.00%	0.25%	1.50%	3/14/2019	3/15/2022

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%	09/11/2017	11/10/2020
II Tranche	3.005479452	€ 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	3.005479452	€ 82.42	€ 81.60	€ 1.00	26.00%	0.00%	0.24%	1.50%	07/11/2018	11/8/2021
V Tranche	3.005479452	€ 86.04	€ 85.80	€ 1.00	25.00%	0.00%	0.12%	1.50%	3/14/2019	3/15/2022
VI Tranche	3.010958904	€ 95.35	€ 102.00	€ 1.00	25.00%	0.00%	-0.02%	1.50%	6/10/2019	6/13/2022
VII Tranche	3.005479452	€ 102.62	€ 105.00	€ 1.00	25.00%	0.00%	-0.24%	1.50%	7/31/2019	8/01/2022
VIII Tranche	3.005479452	€ 99.60	€ 104.30	€ 1.00	25.00%	0.00%	-0.08%	1.50%	11/6/2019	11/7/2022
IX Tranche	3.005479452	€ 119.28	€ 117.60	€ 1.00	25.00%	0.00%	-0.06%	1.50%	12/19/2019	12/20/2022

2018 Plan	Vesting period (in years)	Exercise Price	Stock Price	Per value per share	Volatility	Employee Exit Rate	Risk Free Rate	Dividend Yield	lo 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 2016 Plan is equal to €2,508 thousand, with a vesting period that goes from May 16, 2016 to March 15, 2022. The fair value per option is as follows (amounts in €):

2016 Plan	Number of options on the vesting date	Fair Value
III Tranche	2,000	10.414678
IV Tranche	40,000	14.61540
V Tranche	19,234	13.30140
VI Tranche	20,000	16.34540
VII Tranche	25,000	17.16720

Based on the assumptions described above, the fair value of the 2017 Plan is equal to 3,722 thousand, with a vesting period that goes from November 9, 2017 to November 20, 2022. The fair value per option is as follows (amounts in €):

2017 Plan	Number of options on the vesting date	Fair Value
I Tranche	153,878	8.7998
II Tranche	10,000	11.12670
III Tranche	40,000	12.94260
IV Tranche	15,000	14.27840
V Tranche	10,000	14.45860
VI Tranche	10,000	19.70320
VII Tranche	65,000	18.19750
VIII Tranche	45,000	19.21230
IX Tranche	30,000	19.05680

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

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

The cost attributable to 2019, which amounted to €3,852 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 €7,016 thousand (€4,788 thousand in 2018). Further details are provided in the Compensation Report included in the Report on Corporate Governance and Share Ownership.

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, 2019 and business outlook

On February 7 the Group, consistently with the emerging trend toward decentralization of diagnostic tests from large laboratories to POC testing, signed an intellectual property agreement with a leading contract developer of technical solutions to develop a molecular diagnostic Point of Care technology and perform tests in a healthcare setting closer to patients.

At the end of January 2020, the WHO has declared the novel Coronavirus outbreak, which first emerged in the People's Republic of China, a global public health emergency. The prolonged halt and the consequent delay in resuming production activities along with the isolation measures to contain the virus could have a significant impact on the global economy with a consequent impact also on the Group's financial results for the first six months of 2020.
In light of the Group's operating performance after December 31, 2019, the management provides the following guidance for 2020:

- Revenues: growth of approximately 5% at CER;
- EBITDA Margin: incidence on Group revenues between 38% and 39%.

It should be noted that the guidance does not include any potential adverse effects deriving from the recent Coronavirus (COVID-19) outbreak.

31. Non-recurring events and transactions

In 2019, non-recurring events and transactions referred to operations to discontinue the operating activities in the South African facility and reorganize some company areas in Italy following the introduction of the so-called "Quota 100" by the last Budget Law.

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 2019, 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 2019 financial statements of foreign companies:

Currency	Average exchange rates			Exchange rates at		
	2019	2018	Change	12/31/2019	12/31/2018	Change
U.S. dollar	1.1195	1.1810	-5.2%	1.1234	1.1450	-1.9%
Brazilian real	4.4134	4.3085	2.4%	4.5157	4.4440	1.6%
British pound	0.8778	0.8847	-0.8%	0.8508	0.8945	-4.9%
Swedish kronor	10.5891	10.2583	3.2%	10.4468	10.2548	1.9%
Swiss franc	1.1124	1.1550	-3.7%	1.0854	1.1269	-3.7%
Czech koruna	25.6705	25.6470	0.1%	25.4080	25.7240	-1.2%
Canadian dollar	1.4855	1.5294	-2.9%	1.4598	1.5605	-6.5%
Mexican peso	21.5565	22.7054	-5.1%	21.2202	22.4921	-5.7%
Israeli shekel	3.9901	4.2423	-5.9%	3.8845	4.2972	-9.6%
Chinese yuan	7.7355	7.8081	-0.9%	7.8205	7.8751	-0.7%
Australian dollar	1.6109	1.5797	2.0%	1.5995	1.6220	-1.4%
South African rand	16.1757	15.6186	3.6%	15.7773	16.4594	-4.1%
Norwegian krone	9.8511	9.5975	2.6%	9.8638	9.9483	-0.8%
Polish Zloty	4.2976	4.2615	0.8%	4.2568	4.3014	-1.0%
Indian Rupee	78.8361	80.7332	-2.3%	80.1870	79.7298	0.6%
Singapore Dollar	1.5273	1.5926	-4.1%	1.5111	1.5591	-3.1%

34. Other information

Law no. 124 of 4 August 2017 (the Annual Market and Competition Law) defined that, as from 2019, 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 2019, 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 (*)	Par value per share or partnership interest	% interest held directly	No. of shares or partnership interests held
Equity investments consolidated line by line								
DiaSorin S.A/N.V.	Bruxelles (Belgium)	EUR	1,674,000	2,877,429	5,569,566	6,696	99.99%	249
DiaSorin Ltda	Sao Paulo (Brazil)	BRL	65,547,409	1,909,619	15,094,392	1	99.99%	65,547,408
DiaSorin S.A.	Antony (France)	EUR	960,000	2,153,033	8,704,092	15,3	99.99%	62,492
DiaSorin Iberia S.A.	Madrid (Spain)	EUR	1,453,687	1,295,339	5,205,024	6,01	99.99%	241,877
DiaSorin Ltd	Blewbury (UK)	GBP	500	632,668	1,923,819	1	100.00%	500
DiaSorin Inc.	Stillwater (USA)	USD	1	84,225,900	475,893,900	0,01	100.00%	100
DiaSorin Canada Inc	Mississauga (Canada)	CAD	200,000	214,900	1,376,600	N/A	-	100 Class A common shares
DiaSorin Molecular LLC	Cypress (USA)	USD	100,000	7,157,000	11,688,500	100,000	-	1
DiaSorin Mexico S.A de C.V.	Mexico City (Mexico)	MXP	63,768,473	4,666,530	52,800,159	1	99.99%	49,999
DiaSorin Deutschland GmbH	Dietzenbach (Germany)	EUR	275,000	4,039,172	11,417,422	275,000	100.00%	1
DiaSorin AB	Solna (Sweden)	SEK	5,000,000	6,505,891	28,241,243	100	100.00%	50,000
DiaSorin Ltd	Rosh Haayin (Israel)	ILS	100	1,243,000	17,921,000	1	100.00%	100
DiaSorin Austria GmbH	Wien (Austria)	EUR	35,000	480,750	2,635,409	35,000	100.00%	1
DiaSorin Czech s.r.o.	Prague (Czech Republic)	CZK	200,000	11,306,000	70,758,000	200,000	100.00%	1
DiaSorin Diagnostics Ireland Limited	Dublin (Ireland)	EUR	3,923	5,089	32,230,527	0,01	100.00%	392,282
DiaSorin Ireland Limited	Dublin (Ireland)	EUR	163,202	(1,973,722)	26,374,842	1,20	100.00%	136,002
DiaSorin I.N.UK Limited	Dublin (Ireland)	EUR	7,826,072	(89,933)	11,662,793	0,01	100.00%	782,607,110
DiaSorin I.N. Limited	Dublin (Ireland)	EUR	1	(3,282,463)	(1,412,220)	0,01	100.00%	100
DiaSorin South Africa (PTY) Ltd	Johannesburg (South Africa)	ZAR	101	(9,554,221)	71,065,118	1	100.00%	101
DiaSorin Australia (Pty) Ltd	Sydney (Australia)	AUD	3,300,000	2,021,850	9,475,521	33,000	100.00%	100
DiaSorin Ltd	Shanghai (China)	RMB	1,211,417	29,393,513	49,882,123	1	80.00%	96,000
DiaSorin Switzerland AG	Risch (Switzerland)	CHF	100,000	265,889	930,619	100	100.00%	1,000
DiaSorin Poland sp. z o.o.	Warsaw (Poland)	PLN	550,000	(134,012)	10,493,406	50	100.00%	11,000
DiaSorin Healthcare India Private Limited	Chennai (India)	INR	365,552,320	(20,924,447)	(51,655,918)	10	0.01%	36,555,232
DiaSiorin APAC Pte. Ltd.	Singapore (Singapore)	EUR	1	46,475	61,798	N/A	100.00%	1

Company	Head office location	Currency	Share capital (*)	Net profit/(loss) for the year (*)	Shareholders' equity in latest approved financial statements (*)	Par value per share or partnership interest	% interest held directly	No. of shares or partnership interests held
Investments valued at cost								
DiaSorin Deutschland Unterstuetzungskasse GmbH	Dietzenbach (Germania)	EUR	25,565	92,810	25,565	1	-	1

(*) Amounts stated in the local currency

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

(€ thousands)	**Party providing the service**	**Recipients**	**Fee attributable to 2019**
Independent Auditing	PricewaterhouseCoopers S.p.A.	Parent Company Diasorin S.p.A.	273
	PricewaterhouseCoopers S.p.A.	Subsidiaries	60
	PwC Network	Subsidiaries	544
	Other	Subsidiaries	13
Other services	PricewaterhouseCoopers S.p.A.	Parent Company Diasorin S.p.A.	22
	Rete PwC	Subsidiaries	47
Total			**959**

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 2019 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, 2019:

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 11, 2020

Signed:

Carlo Rosa	Piergiorgio Pedron
Chief Executive Officer	Corporate Accounting Documents Officer

STATUTORY FINANCIAL STATEMENTS OF DIASORIN S.P.A. AT DECEMBER 31, 2019 AND AT DECEMBER 31, 2018

INCOME STATEMENT

(in €)	**Notes**	**2019**	**2018**
Net revenues	(1)	395,078,909	364,079,093
Cost of sales	(2)	(214,234,598)	(191,971,487)
Gross Profit		**180,844,311**	**172,107,606**
Sales and marketing expenses	(3)	(36,516,038)	(34,542,537)
Research and development costs	(4)	(22,564,416)	(19,536,435)
General and administrative expenses	(5)	(33,705,957)	(31,947,220)
Other operating income /(expenses)	(6)	(4,279,756)	1,725,650
Non-recurring amount		*(2,034,204)*	*(1,530,399)*
Operating result (EBIT)		**83,778,144**	**87,807,064**
Net financial income /(expense)	(7)	44,061,820	31,779,359
Result before taxes		**127,839,964**	**119,586,423**
Income taxes	(8)	(14,191,952)	(19,489,023)
Net Result		**113,648,012**	**100,097,400**

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

(€ thousands)	**2019**	**2018**
Net profit for the year (A)	**113,648**	**100,097**
Other comprehensive gains/(losses) that will not be reclassified in gain/loss of the period:		
Gains/(losses) on remeasurement of defined-benefit plans	(128)	(26)
Total comprehensive gains/losses that will not be reclassified in gain/loss of the period (B1)	**(128)**	**(26)**
Other comprehensive gains/(losses) that will be reclassified in gain/loss of the period:		
Gains/(losses) on fair value measurement of receivables	61	**(61)**
Gains/(losses) from translation of financial statements of foreign branches	453	(74)
Total comprehensive gains/(losses) that will be reclassified in gain/loss of the period (B2)	**514**	**(135)**
TOTAL COMPREHENSIVE GAINS/(LOSSES), NET OF TAX EFFECT (B1)+(B2)=(B)	**386**	**(161)**
TOTAL COMPREHENSIVE GAINS/(LOSSES) (A)+(B)	**114,034**	**99,936**

STATEMENT OF FINANCIAL POSITION

DiaSorin S.p.A BALANCE SHEET			
(in €)	**Notes**	**12/31/2019**	**12/31/2018**
ASSETS			
Non-current assets			
Property, plant and equipment	(10)	62,267,806	43,825,536
Goodwill	(11)	39,756,621	39,751,694
Intangible assets	(11)	76,055,843	74,587,567
Equity investments	(12)	142,172,403	187,622,763
Deferred-tax assets	(13)	3,739,253	4,373,535
Other non-current assets	(17)	3,834,818	2,899,861
Other non-current financial assets	(16)	49,919,795	4,417,015
Total non-current assets		**377,746,539**	**357,477,971**
Current assets			
Inventories	(14)	102,838,338	97,090,495
Trade receivables	(15)	43,758,408	42,493,681
Trade receivables from Group companies	(15)	68,004,464	65,765,301
Financial receivables from Group companies	(16)	7,785,711	53,471,092
Other current assets	(17)	14,460,491	18,024,175
Other current financial assets	(16)	49,365	-
Cash and cash equivalents	(18)	38,444,495	15,199,174
Total current assets		**275,341,272**	**292,043,918**
TOTAL ASSETS		**653,087,811**	**649,521,889**

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)*

DiaSorin S.p.A BALANCE SHEET			
(in €)	**Notes**	**12/31/2019**	**12/31/2018**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	(19)	55,948,257	55,948,257
Treasury shares	(19)	(81,849,427)	(87,784,463)
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)	318,265,971	262,081,192
Net profit for the year		113,648,012	100,097,400
Total shareholders' equity		**435,357,567**	**359,687,140**
Non-current liabilities			
Non-current financial liabilities	(20)	11,379,768	-
Provisions for employee benefits	(21)	4,742,490	5,149,851
Other non-current liabilities	(22)	19,511,516	17,596,006
Total non-current liabilities		**35,633,774**	**22,745,857**
Current liabilities			
Trade payables	(23)	38,279,994	42,105,777
Trade payables due to Group companies	(23)	26,599,681	16,587,421
Current financial liabilities	(20)	1,164,689	20,000,932
Payables due to Group companies	(20)	90,012,326	163,211,339
Other current financial liabilities	(20)	-	532,057
Other liabilities	(24)	22,958,368	22,800,813
Current tax liabilities	(25)	3,081,412	1,850,553
Total current liabilities		**182,096,470**	**267,088,892**
TOTAL LIABILITIES		**217,730,244**	**289,834,749**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**653,087,811**	**649,521,889**

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

(€ thousands)	**2019**	**2018**
Cash flow from operating activities		
Net profit for the year	113,648	100,097
Adjustments for:		
- Income taxes	14,192	19,489
- Depreciation and amortization	21,289	17,963
- Financial expense (income)	(44,062)	(31,779)
- Additions to/Utilizations of provisions for risks	2,029	(447)
- (Gains)/Losses on sales of non-current assets	(182)	39
- Additions to/(Reversals of) provisions for employee severance indemnities and other employee benefits	(30)	116
- Changes in shareholders' equity reserves:		
- Stock options reserve	3,851	2,763
- Cumulative translation adjustment from operating activities	(397)	(122)
- Change in other non-current assets/liabilities	(592)	(4,741)
Cash flow from operating activities before changes in working capital	**109,746**	**103,378**
(Increase)/Decrease in current receivables	(3,451)	(10,939)
(Increase)/Decrease in inventories	(6,040)	(5,595)
Increase/(Decrease) in trade payables	6,124	(6,327)
(Increase)/Decrease in other current items	7,050	4,864
Cash from operating activities	**113,429**	**85,381**
Income taxes paid	(7,494)	(1,618)
Paid/ collected interests	(2,790)	(1,731)
Net cash from operating activities	**103,145**	**82,032**
Investments in intangibles	(11,022)	(9,524)
Investments in property, plant and equipment	(17,858)	(14,532)
Equity investments	-	-
Proceeds from divestments of non-current assets	610	432
Cash used in ordinary investing activities	**(28,270)**	**(23,624)**
Acquisitions of subsidiaries and business operations	(6,903)	(20,930)
Cash used in investing activities	**(35,173)**	**(44,554)**
(Repayment of)/ Proceeds from loans and other liabilities	(21,419)	(4,000)
Increase)/Decrease) in financial items due to Group companies	(72,512)	58,473
(Purchase)/Sale of treasury shares, stock options exercise	7,016	(65,296)
Dividend distribution	(49,231)	(145,268)
Dividend received from Group companies	92,433	33,295
Cash from financing activities	**(43,713)**	**(122,796)**
Foreign exchange translation differences	(1,014)	(949)
Net change in cash and cash equivalents	**23,245**	**(86,267)**
Cash and cash equivalents opening balance	**15,199**	**101,466**
Cash and cash equivalents closing balance	**38,444**	**15,199**

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

(€ thousands)	**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 12/31/2017	**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)**
Profit for the year	-	-	-	-	-	-	-	-	100,097	**100,097**
Other changes in the comprehensive income statement	-	-	-	-	-	-	(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**
Appropriation of previous year's profit	-	-	-	-	-	-	-	100,097	(100,097)	-
Dividend distribution	-	-	-	-	-	-	-	(49,231)	-	**(49,231)**
Stock options and other changes	-	-	-	-	2,548	-	-	1,303	-	**3,851**
Sale of /(purchase) treasury shares	-	5,935	-	-	-	(5,935)	-	7,016	-	**7,016**
Profit for the year									113,648	**113,648**
Other changes in the comprehensive income statement	-	-	-	-	-	-	453	(67)	-	**386**
Comprehensive profit	-	-	-	-	-	-	453	(67)	**113,648**	**114,034**
Shareholders' equity at 12/31/2019	**55,948**	**(81,849)**	**18,155**	**11,190**	**6,150**	**81,849**	**(362)**	**230,629**	**113,648**	**435,358**

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

INCOME STATEMENT

(€ thousands)	**Notes**	**2019**	***amount with related parties***	**2018**	***amount with related parties***
Net Revenues	(1)	395,079	234,506	364,079	210,366
Cost of sales	(2)	(214,235)	(68,930)	(191,971)	(48,773)
Gross profit		**180,844**		**172,108**	
Sales and marketing expenses	(3)	(36,516)	(792)	(34,543)	(1,055)
Research and development costs	(4)	(22,564)	(823)	(19,536)	(640)
General and administrative expenses	(5)	(33,706)	(6,938)	(31,947)	(4,910)
Other operating income (expense)	(6)	(4,280)	2,518	1,725	1,916
Non-recurring amount		*(2,034)*		*(1,530)*	
Operating result (EBIT)		**83,778**		**87,807**	
Net financial income (expense)	(7)	44,062	49,176	31,779	34,701
Result before taxes		**127,840**		**119,586**	
Income taxes	(8)	(14,192)		(19,489)	
Net Result		**113,648**		**100,097**	

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

DIASORIN S.P.A. BALANCE SHEET

(€ thousands)	**Notes**	**12/31/2019**	***amount with related parties***	**12/31/2018**	***amount with related parties***
ASSETS					
Non-current assets					
Property, plant and equipment	(10)	62,268		43,826	
Goodwill	(11)	39,757		39,751	
Intangible assets	(11)	76,056		74,589	
Equity investments	(12)	142,172		187,623	
Deferred-tax assets	(13)	3,739		4,374	
Other non-current assets	(17)	3,835	-	2,900	2,151
Other non-current financial assets	(16)	49,920	49,920	4,417	4,417
Total non-current assets		*377,747*		*357,480*	
Current assets					
Inventories	(14)	102,838		97,090	
Trade receivables	(15)	111,762	68,004	108,259	65,765
Financial receivables	(16)	7,786	7,786	53,471	53,471
Other current assets	(17)	14,461	-	18,024	
Other current financial assets	(16)	49		-	
Cash and cash equivalents	(18)	38,444		15,199	
Total current assets		*275,340*		*292,043*	
TOTAL ASSETS		**653,087**		**649,523**	

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

(€ thousands)	**Notes**	**12/31/2019**	***amount with related parties***	**12/31/2018**	***amount with related parties***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	(19)	55,948		55,948	
Additional paid-in capital	(19)	18,155		18,155	
Statutory reserve	(19)	11,190		11,190	
Other reserves and retained earnings	(19)	318,266		262,082	
Treasury shares	(19)	(81,849)		(87,784)	
Net profit for the year		113,648		100,097	
Total shareholders' equity		**435,358**		**359,688**	
Non-current liabilities					
Non-current financial liabilities	(20)	11,380		-	
Provisions for employee severance indemnities	(21)	4,742		5,150	
Other non-current liabilities	(22)	19,512		17,596	
Total non-current liabilities		*35,634*		*22,746*	
Current liabilities					
Trade payables	(23)	64,880	26,600	58,693	16,587
Current financial liabilities	(20)	91,177	90,012	183,212	163,212
Other current financial liabilities		-		532	
Other liabilities	(24)	22,957	658	22,801	132
Current tax liabilities	(25)	3,081		1,851	,
Total current liabilities		*182,095*		*267,089*	
TOTAL LIABILITIES		**217,729**		**289,835**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**653,087**		**649,523**	

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

(€ thousands)	**2019**	***amount with related parties***	**2018**	***amount with related parties***
Cash flow from operating activities				
Net profit for the year	113,648		100,097	
Adjustments for:				
- Income taxes	14,192		19,489	
- Depreciation and amortization	21,289		17,963	
- Financial expense (income)	(44,062)		(31,779)	
- Additions to/Utilizations of provisions for risks	2,029		(447)	
- (Gains)/Losses on sales of non-current assets	(182)		39	
- Additions to/(Reversals of) provisions for employee severance indemnities and other employee benefits	(30)		116	
- Changes in shareholders' equity reserves:				
- Stock options reserve	3,851		2,763	
- Cumulative translation adjustment from operating activities	(397)		(122)	
- Change in other non-current assets/liabilities	(592)		(4,741)	
Cash flow from operating activities before changes in working capital	**109,746**		**103,378**	
(Increase)/Decrease in current receivables	(3,451)	(2,239)	(10,939)	(12,693)
(Increase)/Decrease in inventories	(6,040)		(5,595)	
Increase/(Decrease) in trade payables	6,124	10,012	(6,327)	(2,982)
(Increase)/Decrease in other current items	7,050	526	4,864	(2,186)
Cash from operating activities	**113,429**		**85,381**	
Income taxes paid	(7,494)		(1,618)	
Paid/ collected interests	(2,790)		(1,731)	
Net cash from operating activities	**103,145**		**82,032**	
Investments in intangibles	(11,022)		(9,524)	
Investments in property, plant and equipment	(17,858)		(14,532)	
Equity investments	-		-	
Proceeds from divestments of non-current assets	610		432	
Cash used in ordinary investing activities	**(28,270)**		**(23,624)**	
Acquisition/setting up of subsidiaries and business operations	(6,903)		(20,930)	
Cash used in investing activities	**(35,173)**		**(44,554)**	
(Repayment of)/Proceeds from loans and other financial liabilities	(21,419)		(4,000)	
Increase)/Decrease) in financial items due to Group companies	(72,512)	(72,512)	58,473	58,473
(Purchase)/Sale of treasury shares, stock options exercise	7,016		(65,296)	
Dividend distribution	(49,231)		(145,268)	
Dividend received from Group companies	92,433	92,433	33,295	33,295
Cash from financing activities	**(43,713)**		**(122,796)**	
Foreign exchange translation differences	(1,014)		(949)	
Net change in cash and cash equivalents	**23,245**		**(86,267)**	
Cash and cash equivalents opening balance	**15,199**		**101,466**	
Cash and cash equivalents closing balance	**38,444**		**15,199**	

NOTES TO THE FINANCIAL STATEMENTS OF DIASORIN S.P.A. AT DECEMBER 31, 2019 AND DECEMBER 31, 2018

GENERAL INFORMATION

Background information

The DiaSorin Group is specialized in the development, manufacture and distribution of products in the immunodiagnostics and molecular diagnostics. DiaSorin S.p.A., the Group's Parent Company, has its headquarters in Via Crescentino (no building No.), Saluggia (VC).

The Company owns controlling interests in other companies, which it carried at cost in its financial statements and, consequently, also prepared consolidated financial statements, which provide exhaustive additional information about the balance sheet, financial position and income statement of the Company and the Group.

The income statement and the statement of financial position are presented in €s, 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 2019 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

At December 31, 2019, no new business combinations occurred.

At December 31, 2019, the Group completed the fair value allocation of the assets acquired through the acquisition – occurred in 2018- of the distribution business from ADA Srl concerning the QuantiFERON Latent Tuberculosis test launched in the Italian market and of the residual interest in the Indian subsidiary. The company did not recognize any difference or reclassification compared to December 31, 2018.

The residual debt to ADA Srl amounted to €1,000 thousand (€3,000 thousand at December 31, 2018), to be paid in more tranches in subsequent years.

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) Right-of-use assets (in accordance with IFRS 16 accounting standards)
g) 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.

In accordance with the IFRS 16 accounting principles, the Group as lessee recognizes the so-called right -of - use asset at the initial leasing date (i.e. the date on which the underlying asset is available for use). Right-of use-asset is measured at cost, net of any accumulated depreciation and impairments and adjusted for any remeasurement of the lease liability. The cost of the right-of-use asset includes the amount of the lease liabilities recognized, the initial direct costs incurred and the payment of leases at the commencement date or before, net of any incentives received. The right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the end of the useful life of the right-of use asset, if earlier, to the lease's term.
If the lease transfers ownership of the asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise the option to purchase the asset, the Group shall depreciate the right-of-use asset from the lease commencement date to the end of the useful life of the underlying asset.

Additional details on the impact of the IFRS 16 first adoption starting from January 1, 2019 is provided in "New Accounting Standards".

The depreciation rates used are as follows:

Industrial buildings	5.5%
General purpose and specialized facilities	10-12%
Machinery	12%
Manufacturing and distribution equipment	40%
Equipment held by customers	14-25%
Reconditioned equipment held by customers	20-33%
Right-of-use assets	5.5%-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.

In accordance with IFRS 16 accounting standard, if changes to lease contracts result in a change in the accounting for the existing lease, the Group recognizes a remeasurment of the carrying amount of the right-of-use asset and a change, at the same time, in the lease liability; any gains or losses resulting from the remeasurement are recognized in the income statement of the period.

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).

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 and LIAISON XS systems is also 10 years.

Research and development costs that do not satisfy the requirements listed above are charged to income immediately and may not be capitalized in subsequent years.

Other intangibles

Other intangibles are recognized in the statement of financial position only it is probable that their use will generate future economic benefits and if their cost can be measured reliably. If these conditions are met, these intangible assets are recognized at cost, which is their purchase price plus incidental expenses.

The gross carrying amount of intangible assets with a finite useful life is amortized on a straight-line basis based on the assets' estimated useful lives. Amortization begins when an asset is put into use. In the first year, amortization is computed based on the length of time during which the asset is effectively in use. The Group uses the following amortization rates:

Asset type	Amortization rate
Concessions, licenses and similar rights	6.67% -10% or length of contract
Customer relationship	5% - 20%
Trademarks	6.67-10%
Industrial patent and intellectual property rights	Legal duration

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.

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.

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

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. Accounting effects resulting from the law application are described in the notes of the Report.

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.

Starting from January 1, 2019 and following IFRS 16 first adoption the Group, as lessee, recognizes separately from financial liabilities the lease liabilities measuring them at the present value of the payments due for leasing not yet settled at the lease commencement date. The payments due include the fixed payments (including the fixed payments in substance), net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual value. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option shall be exercised by the Group.
Additional details on the impact of the IFRS 16 first adoption starting from January 1, 2019 is provided in "New Accounting Standards".

Financial Derivatives

Consistent with the provisions of IFRS 9, 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 are listed on an active market is determined using valuation techniques based on a series of methods and assumptions, and market information at the balance sheet date.

The following provides a classification of financial instruments recorded at fair value in a three-level hierarchy:

- Level 1: Fair value is determined on the basis of (unadjusted) quoted prices in active markets for identical assets or liabilities;
- Level 2: Fair value is determined using valuation techniques based on observable inputs on active market;
- Level 3: Fair value is determined using valuation techniques based on market unobservable inputs.

Revenue recognition

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	Yes	Financial years as from 1 January 2019
Amendments to IAS 19: Plant Amendment, Curtailment or Settlement	Yes	Financial years as from 1 January 2019
Amendments to IFRS 3: Definition of a Business	No	Financial years as from 1 January 2020
Interest rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	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
Amendments to the Conceptual Framework	No	Financial years as from 1 January 2020
IFRS 17 Insurance Contracts	No	Financial years as from 1 January 2021

The Parent Company will comply with these new standards, amendments and interpretations based on their relevant effective dates, when endorsed by the European Union. An assessment is being carried out to analyze the potential effects of introducing these amendments in the consolidated financial statements.

New accounting standards adopted by the Company

This note presents the impact of the adoption of the accounting standards "IFRS 16 - Leases and IFRIC 23 - Uncertainty over Income Tax Treatments" on the consolidated financial statements to the extent that they differ from those applied in the previous periods.

Other amendments which came into force as of January 1, 2019 had no material impact on the Consolidated Financial Statements at December 31, 2019 as they were not applicable or the adopted procedure was already in line with such amendments.

IFRS 16 – Financial Instruments

On January 13, 2016, the IASB issued IFRS 16 – Leases that is intended to replace IAS 17 – Leases, and interpretations of IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives e SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying as discriminants: the identification of the asset, the right to replace it, the right to obtain substantially all of the economic benefits deriving from the use of the asset and the right to manage the use of the asset underlying the contract.
The standard establishes a single recognition and measurement model of lease contracts for the lessee providing for the recognition of the leased asset also operating under assets against a financial liability, providing the possibility not to recognize as a lease contracts concerning “low-value assets” and leases with a lease term of 12 months or less. On the contrary, this Standard does not include significant changes for lessors.

Impact of the adoption
The Company adopted IFRS 16 with January 1, 2019 as first-time application date and applying 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 used 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 used 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 has 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 introduced 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 process to assess and determine impacts deriving from the application of the new standard as at the transition date (January 1, 2019) 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 implementation of the new accounting standard required IT tools, control and compliance models and related process to be updated and modified.

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

(€ thousands)	**December 31, 2018**	**Effects of IFRS 16 adoption**	**January 1, 2019**
ASSETS			
Property, plant and equipment	43,826	12,432	56,258
Goodwill	39,752	-	39,751
Other intangibles	74,589	-	74,589
Equity investments	187,623	-	187,623
Deferred-tax assets	4,374	-	4,374
Other non-current assets	2,900	-	2,900
Another non-current financial assets	4,417	-	4,417
Total non-current assets	***357,480***	**12,432**	**369,912**
Inventories	97,090	-	97,090
Trade receivables	108,259	-	108,259
Financial receivables	53,471	-	53,471
Other current assets	18,024	(157)	17,867
Other current financial assets	-	-	-
Cash and cash equivalents	15,199	-	15,199
Total current assets	*292,043*	(157)	*291,886*
TOTAL ASSETS	**649,523**	**12,275**	**661,798**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	**359,688**	-	**359,688**
Provisions for employee benefits	5,150	-	5,150
Other non-current liabilities	17,596	11,309	28,905
Total non-current liabilities	*22,746*	11,309	34,055
Trade payables	58,693	-	58,693
Current financial liabilities	183,212	966	184,178
Other current financial liabilities	532	-	532
Other payables	22,801	-	22,801
Current tax liabilities	1,851	-	1,851
Total current liabilities	*267,089*	966	268,055
Total liabilities	**289,835**	**12,275**	**302,110**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**649,523**	**12,275**	**661,798**

A reconciliation of lease liabilities at January 1, 2019 to operating lease commitments at December 31, 2018 is as follows:

(€ thousands)	**January 1, 2019**
In scope IFRS 16 operating lease commitments as at December 31, 2018	**17,019**
Extension options and other changes	1,205
Undiscounted financial liabilities for operating leases at January 1, 2019	*18,224*
Discounting effect	(5,949)
Financial liabilities for operating leases resulting from the transition to IFRS 16 at January 1, 2019	**12,275**

The weighted average incremental borrowing rate applied to the financial liabilities recognized at January 1, 2019 was 4.48%.

The income statement for the period includes higher depreciation charges from right-of-use assets amounting to €1,428 thousand, interest expense on leases equal to €541 thousand and lower lease payments amounting to €1,418 thousand.

IFRIC Interpretation 23 – Uncertainty over income tax treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group applies a significant degree of judgement in identifying the uncertainties on the tax treatment of income taxes. As the Group operates in a complex multinational environment, it has assessed whether the Interpretation may have affected its interim consolidated financial statements.

Based on the analysis carried out, no impact occurred on the consolidated financial statements arising from the application of the interpretation as at January 1, 2019.

Accounting principles issued but not yet adopted by the Group

The Group is assessing any possible impacts resulting from the introduction of amendments to standards and interpretations that at the date of the Report had already been issued but not yet effective although such amendments are not expected to have a material impact on the consolidated financial statements. The Group intends to adopt these standards and interpretations, if applicable, once they are effective.

Amendments to IFRS 3 and to IAS 1 and IAS 8 are provide below.

Amendments to IFRS 3 – Definition of business

In October 2018, the IASB issued *Definition of a Business – (Amendments to IFRS 3)* to support entities when determining whether they have acquired a business or a group of assets. The amendments clarify:

- the minimum requirements to be considered a business;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes;
- add guidance to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs, and;
- add an optional test on the fair value concentration.

New examples have been published along with amendments.

The Company has not been impacted by the amendments at the date of first application as amendments apply prospectively to transactions or other events occurring on or after the date of first application.

Amendments to IAS 1 and IAS 8 – Definition of material

In October 2018, the IASB issued amendments to *IAS 1 - Presentation of Financial Statements* and to *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors*, to align and clarify the definition of "material" standards. The new definition clarifies that information is 'material' if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Amendments to definition of material are not expected to have a significant impact on the Group financial statements.

ANALYSIS OF FINANCIAL RISKS

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

(€ thousands)	Notes	12/31/2019 Carrying value	Assets at amortized cost	Assets at fair value with changes in Comprehensive Income Statement	12/31/2018 Carrying value	Assets at amortized cost	Assets at fair value with changes in Comprehensive Income Statement
Other non-current financial assets	(16)	49,920	49,920	-	4,417	4,417	-
Total non- current financial assets		***49,920***	***49,920***	***-***	***4,417***	***4,417***	***-***
Trade receivables	(15)	43,758	30,833	12,925	42,494	30,728	11,766
Trade receivable from Group companies	(15)	68,004	68,004	-	65,765	65,765	-
Other current assets	(17)	14,461	14,461	-	18,024	18,024	-
Financial derivatives	(20)	49	-	49	-	-	-
Intercompany financial receivables	(16)	7,786	7,786	-	53,471	53,471	-
Cash and cash equivalents	(18)	38,444	38,444	-	15,199	15,199	-
Total current financial assets		***172,502***	***159,528***	***12,974***	***194,953***	***183,187***	***-***
Total financial assets		**222,422**	**209,448**	**12,974**	**199,370**	**187,604**	**11,766**

(€ thousands)	Notes	12/31/2019 Carrying value	Liabilities at amortized cost	Liabilities at fair value	12/31/2018 Carrying value	Liabilities at amortized cost	Liabilities at fair value
Financial lease liabilities (IFRS 16)	(20)	11,380	11,380	-	-	-	-
Derivative financial instruments	(20)	-	-	-	-	-	-
Total non-current financial liabilities		***11,380***	***11,380***	***-***	***-***	***-***	***-***
Trade payables	(23)	38,280	38,280	-	42,106	42,106	-
Trade payables due to Group companies	(23)	26,600	26,600	-	16,587	16,587	-
Financial payables due to Group companies	(20)	90,012	90,012	-	163,211	163,211	-
Financial lease liabilities (IFRS 16)	(20)	1,165	1,165	-	20,001	20,001	-
Derivative financial instruments	(20)	-	-	-	532	-	532
Payables to shareholders for dividends	(24)	-	-	-	-	-	-
Total current financial liabilities		***156,057***	***156,057***	***-***	***242,437***	***241,905***	***532***
Total financial liabilities		**167,437**	**167,437**	**-**	**242,437**	**241,905**	**532**

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, 2019 at level 2 and registered in other current financial assets amounting to €49 thousand. The change in the fair value of these instruments is recognized in earnings.

Risks related to fluctuations in foreign exchange and interest rate

The Group's Parent Company is exposed to the market risk caused by fluctuations in foreign exchange rates because it operates at the international level and executes transactions involving different foreign exchange and interest rates. A fluctuation of 5 percentage points in foreign currencies other that the euro would have an impact on the income statement equal to about 0.35 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 €3,537 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.

Type	**Amount not yet due**	**0 - 90**	**91 - 180**	**181 - 360**	**Due for more than 360**	**Past-due amount**	**Total receivables from third-parties**
Gross amount	33,062	7,220	1,717	629	4,663	14,229	47,292
Expected loss rate	***0%***	***0%***	***1%***	***56%***	***67%***	***25%***	***7%***
Allowance for doubtful account	0	(34)	(14)	(354)	(3,135)	(3,537)	(3,537)
Net amount	**33,062**	**7,186**	**1,703**	**274**	**1,528**	**10,692**	**43,755**

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.
As at December 31, 2019 there are no bank loans outstanding (€20,001 thousand at December 31, 2018).
Cash and cash equivalent totaled €38,444 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 allowance for doubtful accounts' estimate is based on the expected credit loss 'ECL' model calculated as the difference between the contractual cash flows due and the cash flows the Group expects to receive, 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 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 €21,290 thousand (€17,963 thousand in 2018) broken down as follows:

(€ thousands)	**2019**	**2018**
Depreciation of property, plant and equipment	12,754	10,644
Amortization of intangibles	8,536	7,319
Total	**21,290**	**17,963**

Depreciation of property, plant and equipment includes €4,028 thousand attributable to equipment held by customers (€3,980 thousand in 2018), which in the income statement by destination is part of the cost of sales. An additional €6,184 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 sales and marketing expenses (€ 2,910 thousand) and research and development costs (€4,187 thousand).
Amortization of intangibles was allocated as follows:

(€ thousands)	**2019**	**2018**
Cost of sales	597	594
Sales and marketing expenses	2,910	1,956
Research and development costs	4,187	3,908
General and administrative expenses	842	861
Total	**8,536**	**7,319**

Labor costs amounted to €63,137 thousand (€55,624 thousand in 2018).
A breakdown is as follows:

(€ thousands)	**2019**	**2018**
Wages and salaries	44,617	39,628
Social security contributions	12,297	11,342
Severance indemnities paid	2,708	2,511
Cost of stock option plan	2,451	1,697
Other labor costs	1,064	446
Total	**63,137**	**55,624**

The table below shows the average number of employees of DiaSorin S.p.A. in each category:

	2019	**2018**
Factory staff	65	72
Office staff	652	626
Executives	43	39
Total	**760**	**737**

1. Net revenues

Net revenues, which are generated mainly through the sale of diagnostic kits, totaled €395,079 thousand, up 8.5% compared with 2018. This item includes €2,121 thousand for equipment rental fees and technical support (€1,767 thousand in 2018). A breakdown of revenues by geographic region is provided below:

(€ thousands)	**2019**	**2018**	**%Change**
Revenues from third customers – Italy	**93,855**	**81,163**	**15.6%**
Revenues from third customers – International	**66,718**	**72,550**	**-8.0%**
Europe and Africa	18,046	20,844	-13.4%
Asia Pacific	37,506	39,242	-4.4%
USA and Canada	-	-	n.a.
Latin America	11,166	12,464	-10.4%
Intercompany revenues	**234,506**	**210,366**	**11.5%**
Europe and Africa	130,910	115,352	13.5%
Asia Pacific	51,176	50,979	0.4%
USA and Canada	42,605	32,757	30.1%
Latin America	9,815	11,278	-13.0%
Total	**395,079**	**364,079**	**8.5%**

Revenues from sales to public institutions and universities amounted to €73,096 thousand (€61,211 thousand in 2018).

2. Cost of sales

In 2019, cost of sales amounted to €214,235 thousand (€68,930 from related -party transactions), as against €191,971 thousand in 2018. Cost of sales includes €16,561 thousand for royalties paid for the use of patents applied to manufacture products (€5,618 thousand in 2018) and €2,789 thousand for distributing products to end customers (€3,243 thousand in 2018). An amount of €4,028 thousand is related to depreciation of equipment held by customers (€3,980 thousand in 2018).

3. Sales and marketing expenses

Sales and marketing expenses amounted to €36,516 thousand as against €34,543 thousand in 2018. 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.

4. Research and development costs

In 2019, research and development costs were €22,564 thousand (€19,536 thousand in 2018) and 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 €1,833 thousand (€1,536 thousand in 2018).
In 2019, the Group’s Parent Company capitalized development costs amounting to €8,496 thousand, as against €5,601 thousand in 2018.

5. General and administrative expenses

General and administrative expenses, which totaled €33,706 thousand (€31,947 thousand in 2018). The total amount includes €6,356 thousand from related-party transactions (€4,910 thousand in 2018). The remuneration of the Board of Directors, excluding the Company's employees, amounted to €997 thousand (€975 thousand in 2018). The remuneration of competence of the Statutory Auditors amounted to €110 thousand (€100 thousand in 2018).

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:

(€ thousands)	**2019**	**2018**
Intra-Group services	2,598	1,916
Trade-related foreign exchange losses and gains	52	(575)
Tax charges	(68)	(197)
Additions to the allowances for doubtful accounts and provisions for risks and charges	(1,423)	(456)
Other operating (expense) /income	(3,405)	2,567
Non-recurring charges	(2,034)	(1,530)
Other operating (expense) /income	**(4,280)**	**1,725**

Other operating expense/income include €900 thousand for the reorganization of some company areas following the introduction of the so-called "Quota 100" in the last Budget Law, and €400 thousand related to the consultancy support to discontinue the operating activities in the South African facility

7. Financial income (expenses)

In 2019, net financial income totaled 44,062 thousand as against €31,779 thousand in 2018. A breakdown of financial income and expenses is as follows:

(€ thousands)	**2019**	**2018**
Interest and other financial expenses	(2,976)	(4,125)
- amount with related parties	*(33)*	*(37)*
Interest and other financial income	1,148	1,696
- amount with related parties	*975*	*1,443*
Dividends received from subsidiaries	46,910	33,295
Write-downs and revaluation of equity investments in subsidiaries	(1,338)	-
Foreign exchange differences and financial instruments	318	913
Net financial income (expense)	**44,062**	**31,779**

Fees on factoring transactions amounted to €447 thousand (€314 thousand in 2018), the collection of interests accrued on past-due position totaled €157 thousand (€219 thousand in 2018) and interest accrued on bank accounts were equal to €15 thousand (€34 thousand in 2018).

Net interest income equal to €943 thousand (€1,407 thousand in 2018) from Group companies derived from cash pooling and loans provided to subsidiaries.

Dividends received from subsidiaries increased to €46,910 thousand in 2019, from €33,295 thousand in 2018, broken down as follows:

(€ thousands)	**2019**	**2018**
Diasorin Inc.		24,116
Diasorin South Africa (PTY) Ltd	1,104	1,891
Diasorin Deutschland GmbH	4,000	0
Diasorin S,A/N.V. (Belgium)	2,600	2,500
Diasorin Ltd (Israel)		750
Diasorin Ltd (China)	3,545	3,174
Diasorin S.A. (France)	1,350	650
Diasorin Austria GmbH	350	-
DiaSorin Ireland Limited	8,477	-
DiaSorin Switzerland AG	485	214
Diasorin Diagnostic Ireland Limited	25,000	
Total dividends received	**46,910**	**33,295**

The item includes the write-down of the investment in Diasorin Inuk, equal to €1,338 thousand, to adjust the value of the shareholding to the corresponding shareholders' equity.

Foreign exchange differences on other financial balances, which were positive by €318 thousand (€913 thousand in 2018) include a negative amount of €108 thousand for the closure of hedging instruments (expense of €826 thousand in 2018). Exchange differences on intercompany financing facilities and bank accounts were positive by €425 thousand (positive by €1,739 thousand in 2018).

8. Income taxes

The income tax expense recognized in the income statement amounted to €14,192 thousand, as against €19,489 thousand in 2018.

(€ thousands)	**2019**	**2018**

Current income taxes:		
- Local taxes (IRAP)	2,123	2,168
- Corporate income taxes (IRES)	13,009	13,409
Other income taxes (non-deductible taxes/ taxes of previous years)	(1,498)	3,439
Deferred taxes	558	473
Local taxes IRAP amount	*33*	*74*
Total income taxes	**14,192**	**19,489**

The “other income taxes” item includes non-deductible taxes withheld on dividends the Group's Parent Company received from foreign subsidiaries (€422 thousand in 2019 as against €1,618 thousand in 2018).

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:

(€ thousands	**2019**	**2018**
Profit before taxes	127,840	119,586
Ordinary tax rate	24.0%	24.0%
Theoretical income taxes	30,682	28,701
Tax effect of permanent differences	(17,148)	(14,893)
Total income taxes	**13,534**	**13,808**
Effective tax rate	**10.6%**	**11.5%**

In 2019, the effective tax rate was 10.6% mainly (from 11.5% in 2018) as a result of the dividends received from Group companies, the economic support for intangible assets (the so-called Patent Box), and tax benefits for new equipment purchase (Super and Hyper- depreciation).
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.

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 2019 and 2018:

(€ thousands)	**At December 31, 2018**	**Additions**	**IFRS 16 first adoption impact**	**Disposals**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2019**
Land	659	-	-	-	-	-	659
Buildings	8,946	414	-	-	-	1,985	11,345
Plant and machinery	27,927	1,579	-	(154)	134	233	29,719
Manufacturing and distribution equipment	70,581	6,845	-	(2,283)	203	(306)	75,040
Other assets	11,749	483	-	(18)	396	214	12,824
Advances and tangible in progress	5,431	8,537	-	(160)	26	(3,726)	10,108

IFRS 16 rights of use	-	964	12,432	(3)	439	(245)	13,587
Total property, plant and equipment	**125,293**	**18,822**	**12,432**	**(2,618)**	**1,198**	**(1,845)**	**153,282**

(€ thousands)	**At December 31, 2017**	**Additions**	**IFRS 16 first adoption impact**	**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**

The following changes occurred in the corresponding accumulated depreciation accounts in 2019 and 2018:

(€ thousands)	**At December 31, 2018**	**Depreciation**	**Disposals**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2019**
Buildings	-	-	-	-	-	-
Plant and machinery	5,302	256	-	-	-	5,558
Manufacturing and distribution equipment	17,327	2,776	(154)	99	-	20,048
Other assets	54,405	7,436	(2,043)	72	(1,271)	58,599
Buildings	4,433	858	(18)	94	-	5,367
IFRS 16 rights of use	-	1,428	-	15	-	1,443
Total property, plant and equipment	**81,467**	**12,754**	**(2,215)**	**280**	**(1,271)**	**91,015**

(€ thousands)	**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**

A breakdown of the net carrying value of property, plant and equipment at December 31, 2019 and 2018 is provided below:

(€ thousands))	**At Decembe r 31, 2018**	**Addition s**	**IFRS 16 first adoptio n impact**	**Depreciatio n**	**Disposal s**	**Translatio n difference s**	**Reclassificatio ns and other changes**	**At Decembe r 31, 2019**
Land	659	-	-	-	-	-	-	659
Buildings	3,644	414	-	256	-	-	1,985	5,787
Plant and machinery	10,600	1,579	-	2,776	-	35	233	9,671
Manufacturing and distribution equipment	16,176	6,845	-	7,436	(240)	131	965	16,441
Other assets	7,316	483	-	858	-	302	214	7,457
Advances and tangible in progress	5,431	8,537	-	-	(160)	26	(3,726)	10,108
IFRS 16 rights of use	-	964	12,432	1,428	(3)	424	(245)	12,144
Total property, plant and equipment	**43,826**	**18,822**	**12,432**	**12,754**	**(403)**	**918**	**(574)**	**62,267**

(€ thousands)	**At December 31, 2017**	**Additions**	**IFRS 16 first adoption impact**	**Depreciation**	**Disposals**	**Translation differences**	**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**

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 €4,028 thousand (€3,980 thousand in 2018).

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.

Reclassifications and net other changes amounting to €574 thousand (€633 thousand in 2018) refer to advance payment reclassification from tangible to intangible assets.

Tangible assets include “Right-of-use Assets” for a total amount of €12,144 thousand at December 31, 2019 (€12,432 thousand as first adoption impact at January 1, 2019) recognized on the basis of IFRS 16 accounting standard. The item includes right-of-use assets relating to rented property and industrial buildings, amounting to €10,744 thousand, at December 31, 2019 (€10,998 thousand as first adoption impact) along with right-of-use assets relating to company vehicles rentals amounting to €1,400 thousand at December 31, 2019 (€1,434 thousand as first adoption impact).

11. Goodwill and other intangible assets

In 2019 and 2018 changes in the gross carrying amount of intangible assets were as follows:

(€ thousands)	**At December 31, 2018**	**Additions**	**Business combination**	**Disposals and other changes**	**At December 31, 2019**
Goodwill	44,961	-	-	5	44,966
Development costs	27,042	8,496	-	-	35,538
Concessions, licenses and trademarks	81,268	737	-	248	82,253
Customer relationship	6,741		-	-	6,741
Industrial patents and intellectual property rights	11,174	469	-	0	11,643
Advances and other intangibles	112	6	-	(19)	99
Total intangibles	**171,299**	**9,708**	**-**	**234**	**181,241**

(€ thousands)	**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	13,342	595	81,068
Customer relationship	8,012	-	-	(1,071)	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**

The following changes occurred in the corresponding accumulated amortization accounts in 2019 and 2018:

(€ thousands)	**At December 31, 2018**	**Amortization**	**Disposals and other changes**	**At December 31, 2019**
Goodwill	5,210	-	-	5,210
Development costs	13,203	1,833	0	15,036
Concessions, licenses and trademarks	28,772	5,651	(48)	34,375
Customer relationship	582	512	-	1,094
Industrial patents and intellectual property rights	9,094	535	(0)	9,629
Advances and other intangibles	99	5	(20)	84
Total intangibles	**56,960**	**8,535**	**(68)**	**65,428**

(€ thousands)	**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**

A breakdown of the net carrying value of intangible assets at December 31, 2019 and 2018 is provided below:

(€ thousands)	**At December 31, 2018**	**Additions**	**Business combination**	**Amortization**	**Disposals and other changes**	**At December 31, 2019**

Goodwill	39,751	-	-	-	5	39,756
Development costs	13,839	8,496	-	1,833	-	20,502
Concessions, licenses and trademarks	52,496	737	-	5,651	296	47,878
Customer relationship	6,159	-	-	512	-	5,647
Industrial patents and intellectual property rights	2,080	469	-	535	0	2,015
Advances and other intangibles	13	6	-	5	1	15
Total intangibles	**114,338**	**9,708**	**-**	**8,535**	**301**	**115,813**

(€ thousands)	**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	-	0	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**	**6,905**	**16,342**	**7,320**	**(520)**	**114,340**

Goodwill

Goodwill totaled €39,756 thousand at December 31, 2019. 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.

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 with the corresponding 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 was completed on the basis of the most recent projections of economic results and cash flows for future years (2020-2022). These projections have been approved by the Board of Directors and developed on the basis of the 2020 budget along with the 2019-2020 Strategic Plan presented in June 2019 and according to the latest forecast data available to the Group Management

In computing the present value of future cash flows, the Company used a discount rate that reflects the weighted average of the cost of capital and debt (WACC). The discount rate used was determined on an after-tax basis in accordance with the determination of cash flows and takes into account the specific risks associated with the countries where the Company operates.

The discount rate applied was 8%.

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, 2019, capitalized development costs amounted to €20,502 thousand (€13,839 at December 31, 2018). In 2019, additions totaled €8,496 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, 2019, this item totaled €47,878 thousand (€52,297 at December 31, 2018), with a decrease of €4,419 thousand primarily as a result of amortizations.

At December 31, 2019, customer relationship decreased to €5,647 primarily as a result of amortizations.

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 €142,172 thousand at December 31, 2019 (€187,623 at December 31, 2018). The table that follows lists the Company’s equity investments and shows the changes that occurred in 2019:

Company	**Head office location**	**12/31/2018**	**Change**	**12/31/2019**
DiaSorin S.A/N.V.	Bruxelles (Belgium)	1,145	-	1,145
DiaSorin Ltda	Sao Paolo (Brazil)	10,908	-	10,908
DiaSorin S.A.	Antony (France)	2,377	118	2,495
DiaSorin Iberia S.A.	Madrid (Spain)	5,331	-	5,331
DiaSorin Ltd	Blewbury (UK)	572	-	572
DiaSorin Inc.	Stillwater (USA)	33,474	1,216	34,690
DiaSorin Mexico S.A de C.V.	Mexico City (Mexico)	3,296	-	3,296
DiaSorin Deutschland GmbH	Dietzenbach (Germany)	5,297	33	5,330
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)	22,641	-	22,641
DiaSorin South Africa (PTY) Ltd	Johannesburg (South Africa)	3,874	-	3,874
DiaSorin Australia (Pty) Ltd	Sydney (Australia)	2,275	-	2,275
DiaSorin Ltd	Shanghai (China)	155	33	188
DiaSorin Switzerland AG	Risch (Switzerland)	243	-	243
DiaSorin INUK Ltd	Dublin (Ireland)	32,000	(20,338)	11,662
DiaSorin Ireland Ltd	Dublin (Ireland)	53,200	(26,523)	26,677
Diasorin APAC	Singapore (Singapore)	-	10	10
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		**187,623**	**(45,451)**	**142,172**

The change of €45,451 thousand was due to:

- the increase in stock option costs awarded to employees of DiaSorin S.A., DiaSorin Inc., DiaSorin Deutschland GmbH, Diasorin Ltd (China), for an amount equal to €1,400 thousand;
- the investment in the newly established Diasorin Apac company (€10 thousand);
- the decrease in the value of investments in DS Inuk (€ 19.000 thousand) and in Diasorin Ireland Limited (€ 26,523 thousand) -originally measured at fair value- due to dividends paid as return of capital in 2019;
- the write-down of the investment in Diasorin INUK (€ 1,338 thousand), to adjust the carrying value to the shareholders' equity following dividends paid in 2019.

The carrying amount of the equity investments has been tested for impairment, even in the absence of specific indicators. The impairment test was completed on the basis of the most recent projections of economic results and cash flows for future years (2020-2022). These projections have been developed on the basis of the 2020 budget along with the 2019-2020 Strategic Plan presented in June 2019 and according to the latest forecast data available to the Group Management

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.

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 (*)	Par value per share or partnership interest	% interest held directly	No. of shares or partnership interests held	Carrying amount in EUR
Investments in subsidiaries									
DiaSorin S.A/N.V.	Bruxelles (Belgium)	**EUR**	1,674,000	2,877,429	5,569,566	6,696	99.99%	249	1,145,001
DiaSorin Ltda	Sao Paulo (Brazil)	**BRL**	65,547,409	1,909,619	15,094,392	1	99.99%	65,547,408	10,907,323
DiaSorin S.A.	Antony (France)	**EUR**	960,000	2,153,033	8,704,092	15,3	99.99%	62,492	2,494,441
DiaSorin Iberia S.A.	Madrid (Spain)	**EUR**	1,453,687	1,295,339	5,205,024	6,01	99.99%	241,877	5,330,802
DiaSorin Ltd	Blewbury (UK)	**GBP**	500	632,668	1,923,819	1	100.00%	500	572,500
DiaSorin Inc.	Stillwater (USA)	**USD**	1	84,225,900	475,893,900	0,01	100.00%	100	34,689,009
DiaSorin Mexico S.A de C.V.	Mexico City (Mexico)	**MXP**	63,768,473	4,666,530	52,800,159	1	99.99%	49,999	3,295,932
DiaSorin Deutschland GmbH	Dietzenbach (Germany)	**EUR**	275,000	4,039,172	11,417,422	275,000	100.00%	1	5,331,591
DiaSorin AB	Solna (Sweden)	**SEK**	5,000,000	6,505,891	28,241,243	100	100.00%	50,000	4,818,667
DiaSorin Ltd	Rosh Haayin (Israel)	**ILS**	100	1,243,000	17,921,000	1	100.00%	100	18
DiaSorin Austria GmbH	Wien (Austria)	**EUR**	35,000	480,750	2,635,409	35,000	100.00%	1	1,035,000
DiaSorin Czech s.r.o.	Prague (Czech Republic)	**CZK**	200,000	11,306,000	70,758,000	200,000	100.00%	1	2,125,931
DiaSorin Diagnostics Ireland Limited	Dublin (Ireland)	**EUR**	3,923	5,089	32,230,527	0,01	100.00%	392,282	22,641,452
DiaSorin Ireland Limited	Dublin (Ireland)	**EUR**	163,202	(1,973,722)	26,374,842	1,2	100.00%	136,002	26,677,000
DiaSorin I.N. Limited	Dublin (Ireland)	**EUR**	1	(3,282,463)	(1,412,220)	0,01	100.00%	100	1
DiaSorin I.N.UK Limited	Dublin (Ireland)	**EUR**	7,826,072	(89,933)	11,662,793	0,01	100.00%	782,607,110	11,662,000
DiaSorin South Africa (PTY) Ltd	Johannesburg (South Africa)	**ZAR**	101	(9,554,221)	71,065,118	1	100.00%	101	3,874,053
DiaSorin Australia (Pty) Ltd	Sydney (Australia)	**AUD**	3,300,000	2,021,850	9,475,521	33,000	100.00%	100	2,274,990
DiaSorin Ltd	Shanghai (China)	**RMB**	1,211,417	29,393,513	49,882,123	1	80.00%	96,000	188,455
DiaSorin Switzerland AG	Risch (Switzerland)	**CHF**	100,000	265,889	930,619	100	100.00%	1,000	243,415
DiaSorin Poland sp. z o.o.	Warsaw (Poland)	**PLN**	550,000	(134,012)	10,493,406	50	100.00%	11,000	2,853,823
Diasorin APAC Pte Ltd	Singapore (Singapore)	**SGD**	15,323	46,475	61,798	N/A	100.00%	10,000	10,000
DiaSorin Healthcare India Private Limited	Mumbai (India)	**INR**	365,552,320	(20,924,447)	(51,655,918)	10	0.01%	1	0

(*) Amounts stated in local currencies

13. Deferred-tax assets

Deferred-tax assets amounted to €3,739 thousand (€4,374 thousand at December 31, 2018). 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)	**12/31/2019**	**12/31/2018**
Positive changes:		
Provisions for risks	3,920	3,408
Actuarial valuation of employee benefits	622	546
Unrealized exchange differences	85	569
Other charges deductible in future years	607	682
Total	**5,234**	**5,205**
Negative changes:		
Amortization	(1,495)	(831)
Total	**(1,495)**	**(831)**
Net deferred-tax assets	**3,739**	**4,374**

14. Inventories

A breakdown of inventories, which totaled €102,839 thousand, is as follows:

(€ thousands)	**12/31/2019**			**12/31/2018**		
	Gross amount	**Provisions for write-down**	**Net amount**	**Gross amount**	**Provisions for write-down**	**Net amount**
Raw materials and supplies	26,371	(1,436)	24,935	24,743	(1,452)	23,291
Work in progress	44,913	(1,421)	43,492	41,020	(966)	40,054
Finished goods	35,730	(1,318)	34,412	34,753	(1,008)	33,745
Total	**107,014**	**(4,175)**	**102,839**	**100,516**	**(3,426)**	**97,090**

Inventories increased by €5,749 thousand compared with December 31, 2018, 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:

(€ thousands)	**2019**	**2018**
Opening balance	**3,426**	**3,297**
Additions for the period	1,058	392
Utilizations for the period	(331)	(260)
Translation differences	22	(3)
Ending balance	**4,175**	**3,426**

15. Trade receivables

Trade receivables of €111,762 thousand at December 31, 2019 (including €68,004 thousand from related-party transactions), an increase of €3,503 thousand at December 31, 2018 (€108,259 thousand), of which €2,239 thousand in receivables due from Group companies. Trade receivables owed by public institutions amounted to €13,361 thousand at December 31, 2019.
The allowance for doubtful accounts amounted to €3,537 thousand. A comparison with December 31, 2018 is provided below:

(€ thousands)	**12/31/2019**	**12/31/2018**
Opening balance	**3,441**	**4,175**
Additions for the year	164	0
Utilizations for the year	(68)	(734)
Ending balance	**3,537**	**3,441**

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 2019, the receivables assigned by the Group's Parent Company amounted to €45,266 thousand (32,315 thousand in 2018).

16. Financial receivables and other non-current financial assets

The balance of €58,369 thousand includes primarily:
- €54,464 thousand in loans provided to Group companies (€49,920 thousand for current portion and €4,544 thousand for non-current portion)
- Interests on loans amounting to €596 thousand;
- Positive balance arising from the centralized cash management system managed by the Group's Parent Company (€3,309 thousand).

The change in loans provided to Group companies is provided below (amounts stated in € thousands):

Subsidiary	**Balance at 12/31/2019**	**Balance at 12/31/2018**
DiaSorin Poland sp. Z.o.o	2,119	-
DiaSorin I.N. Limited	47,714	47,161
DiaSorin Slovakia sro	1,381	1,208
DiaSorin Australia Pty	592	1,168
DiaSorin Ltda (Brazil)	2,608	2,608
DiaSorin Sa de CV (Mexico)	623	794
DiaSorin APAC	23	-
Total loans	**55,060**	**52,939**

In 2019 a new loan was granted to DiaSorin Poland, for an amount of €2,093 thousand and to DiaSorin APAC, for an amount of €22 thousand, to support the newly established company.

As of December 31, 2019, all existing loans have variable or interest rates with a spread in line with market conditions applicable to the lending operation.

In order to mitigate the foreign exchange risk related to the currency fluctuations, the Group's Parent Company executed currency forward sales requiring the recognition of a positive fair value of €49 thousand at December 31, 2019 (negative by €532 thousand at December 31, 2018).

17. Other current assets

Other current assets amounted to €14,461 thousand (€18,024 thousand at December 31, 2018). They consist of tax credit related to research and development investments (€7,987 thousand), and accrued income and prepaid expenses, for insurance and rentals and advances to suppliers.
Other non-current assets were €3,835 thousand (€2,900 thousand at December 31, 2018) and consist of accrued income and long-term prepaid expense.

18. Cash and cash equivalents

Cash and cash equivalents amounted to €38,444 thousand at December 31, 2019 (€15,199 thousand at December 31, 2018). 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, 2019, the fully paid-in share capital consisted of 55,948,257 common shares, par value of 1 € each. No changes occurred compared with December 31, 2018.

Treasury shares

At December 31, 2019, the amount of treasury shares was 1,157,601 (2,069% of the share capital) totaling €81,849 thousand (€87,784 thousand at December 31, 2018).
The change equal to €5,935 thousand compared to 2018 was due to the sale of treasury shares in connection with the Stock Option Plan.

Additional paid-in capital

This reserve amounted to €18,155 thousand at December 31, 2019 and no changes occurred compared with December 31, 2018.

Other reserves and retained earnings

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

(€ thousands)	**12/31/2019**	**12/31/2018**	**change**
Currency translation reserve	(362)	(815)	453
Reserve for treasury shares	81,849	87,784	(5,935)
Stock option reserve	6,150	3,602	2,548
IFRS 9 reserve	-	(61)	61
Gains/(losses) on remeasurement of defined benefit plans	(1,270)	(1,142)	(128)
Reserve for equity investments revaluation	3,505	2,537	968
Retained earnings	227,388	169,171	58,217
IFRS transition reserve	1,006	1,006	-
Total Other reserves and retained earnings	**318,266**	**262,082**	**56,184**

Currency translation reserve

The change of €453 thousand shown in the currency translation reserve at December 31, 2019 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 positive by 487 thousand, net of the tax effect (equal to €117 thousand).

Reserve for treasury shares

At December 31, 2019, the reserve for treasury shares amounted to €81,849 thousand (€87,784 thousand at December 31, 2018). This reserve was established pursuant to law (Article 2357 ter of the Italian Civil Code). In 2019, the change in the reserve for treasury shares was due to the exercise of 133,406 total options to serve the 2014 Stock Option Plan (44,188 options) and the 2016 Stock Option Plan (89,218 options), for a total amount of €5,935 thousand.

Stock option reserve

At December 31, 2019, the stock option reserve amounted to €6,150 thousand (€3,602 thousand at December 31, 2018) and refers to the stock option plans existing at December 31, 2019 (described in Note 27). 2018). The changes in the reserve that occurred at December 31, 2019 included both an increase due to the recognition of the overall cost of the stock option Plans (€2,451 thousand) that was posted and recognized in the income statement as a labor costs included in general and administrative expenses, and a decrease of 335 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 (€1,400 thousand) and a decrease of 968 thousand for the options exercised to serve Stock Options plans.

Gains/Losses on remeasurement of defined-benefit plans

At December 31, 2019 this item, negative by €1,270 thousand, includes net losses of the period related to the actuarial assessment of the Group's defined-benefit plans amounting to €128 thousand, net of tax effect

Retained earnings

Retained earnings amounted to €227,388 thousand (€169,171 thousand at December 31, 2018). The increase compared to December 31, 2018 is due to:

- the appropriation of the net profit earned in 2018 (€100,097 thousand);
- the distribution of dividends, equal to €49,231 thousand, to shareholders approved on April 24, 2019 from the Ordinary Shareholders' Meeting (equal to €0.90 per share);
- increase of €7,016 thousand resulting from the exercise of some tranches of the 2014 and 2016 Stock Option Plans (with consequent sale of treasury shares).

IFRS transition reserve

The IFRS transition reserve was established on January 1, 2006, upon first-time adoption of the IFRSs as an offset to the adjustments recognized to make the financial statements prepared in accordance with

Italian accounting principles consistent with IFRS requirements, net of the applicable tax effect (as required by and in accordance with IFRS 1). This reserve has not changed since it was first established.

The table below shows the components of shareholders' equity on the basis of availability for use and distribution:

(€ thousands)		
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	81,849	
Other reserve	9,029	A, B
Retained earnings	227,388	A,B,C

20. Borrowings

Borrowings include negative balances arising from the centralized cash management system managed by the Group's Parent Company (€90,012 thousand) and liabilities under IFRS 16 leases (€12,545 thousand). A breakdown of borrowings is as follows (amount in thousands):

Lender	Currency	Current portion	Non-current portion	Over 5 years	Total
IFRS 16 lease payables	€	1,165	11,380	-	12,545
Total financial liabilities owed to third parties		**1,165**	**11,380**	**-**	**12,545**
Group's centralized cash management system / Intra-group financing facilities	€	90,012	-	-	90,012
TOTAL		**91,177**	**11,380**	**-**	**102,557**

The table below lists the financial liabilities owed to outside lenders that were outstanding at December 31, 2019 and December 31, 2018 (amounts in € thousands):

Lender	At December 31, 2018	IFRS 16 First adoption impact	Disbursements	Repayments	Translation differences	At fair value	Amortized cost effect	At December 31, 2019
IFRS 16 lease payables	-	12,275	973	(877)	174	-	-	12,545
Short-term bank borrowings	20,001		32,000	(52,001)				-
Total financial liabilities	**20,001**	**12,275**	**32,973**	**(52,878)**	**174**	**-**	**-**	**12,545**

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 2019, this cost amounted to €2,914 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 2019 was 144 thousand (loss of 64 thousand in 2018).

The table that follows summarizes the Company's main employee benefit plans that are currently in effect:

(€ thousands)	**12/31/2019**	**12/31/2018**	**Change**
Employees severance indemnities	3,042	3,604	(562)
Other long-term benefits	1,701	1,546	155
Total employee benefits	**4,743**	**5,150**	**(407)**

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 2019:

(€ thousands)	**Defined-benefit plans**	**Other benefits**	**Total employee benefits**
Balance at 12/31/2018	**3,604**	**1,546**	**5,150**
Financial losses / (gains)	(5)	(3)	(8)
Actuarial losses/(gains) recognized in income statement	-	144	144
Actuarial losses/(Gains) arising from financial assumptions	182	-	182
Actuarial losses/(Gains) arising from demographic adjust.	-	-	-
Actuarial Losses/(Gains) arising from experience adjust.	(13)	-	(13)
Current service cost	-	115	115
Benefits paid	(726)	(101)	(827)
Balance at 12/31/2019	**3,042**	**1,701**	**4,743**

The main changes in provisions for employee benefits encompass actuarial losses recognized in the comprehensive income statement (€169 thousand) and contribution paid (€827 thousand). The net amount recognized in the 2019 income statement for employee benefits was an expense of 251 thousand (€150 thousand in 2018).

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	
	12/31/2019	**12/31/2018**
Discount rate	0.19%	0.67%
Projected wage increases	3.50%	3.50%
Inflation rate	1.50%	1.50%
Average employee turnover rate	6.28%	6.56%

A sensitivity analysis on the change of the main assumptions is set out below:

(€ thousands)		**Employee severance indemnities**
Discount rate		
	0.5% Increase	(117)
	0.5% Decrease	125
Projected wage increases		-
	0.5% Increase	-
	0.5% Decrease	-
Inflation rate		-
	0.5% Increase	76
	0.5% Decrease	(73)
Average employee turnover rate		-
	10% Increase	(7)
	10% Decrease	7

22. Other non-current liabilities

Other non-current liabilities amounted to €19,512 thousand (€17,596 at December 31, 2018) and include:

- 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 €9,354 thousand;
- provisions for risks and charges, equal to €8,721 thousand in connection with pending or contingent legal disputes;
- severance benefits to sales agents, equal to 437 thousand.

The table below lists the provisions for risks and charges and shows the changes that occurred in 2019:

(€ thousands))	**12/31/2019**			**12/31/2018**		
	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	**7,587**	**366**	**7,953**	**7,511**	**287**	**7,798**
Additions for the year	1,270	162	**1,432**	900	94	**994**
Utilizations/Reversals for the year	(136)	(91)	**(226)**	(824)	(15)	**(839)**
Balance at the end of the year	**8,721**	**437**	**9,159**	**7,587**	**366**	**7,953**

The provision for supplemental severance benefits owed to sales agents 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.

23. Trade payables

Trade payables, which totaled €64,880 thousand (€58,693 thousand at December 31, 2018) include €26,600 thousand owed to related parties. There are no amounts due after December 31, 2019.

24. Other current liabilities

Other current liabilities of €22,957 thousand at December 31, 2019 (€22,801 thousand at December 31, 2018) 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 €18,659 thousand (€14,833 at December 31, 2018);
- amounts due for short-term deferred portions of Siemens business' purchase price, equal to €2,500 thousand (€5,000 thousand at December 31, 2018);

25. Taxes payable

The balance of €3,081 thousand at December 31, 2019 (€1,851 thousand at December 31, 2018) represents current tax liabilities.

26. Commitments and contingent liabilities

Guarantees provided and received

At December 31, 2019, the guarantees that the Group's Parent Company provided to third parties totaled €33,105 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 (€24,716 thousand). These guarantees were established to secure lines of credit provided to Group companies (in the amount of €5,692 thousand), and in connection with defined-contribution pension plans of some subsidiaries (in the amount of €2,697 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 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.

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, 2019, following 636,093 stock options exercised in 2017, and 32,850 stock options exercised in 2018, along with 5,000 stock options exercised on March 11, 2019 (all relating to the Group's Parent Company) at an average exercise price of €46,864, and 34,188 stock options exercised (out of which 30,000 relating to the Group's Parent Company) between May 10 and May 17, 2019 at an average exercise price of €51,292 and 5,000 stock options exercised on November 26, 2019 at an average exercise price of €56,198, all the stock options were exercised.

During the abovementioned period, the average price of the DiaSorin shares was €99.86.

A breakdown of the option grants is as follows:

2014 Plan	Grant date	Number of options	Parent Company's options	Exercise year
I Tranche	August 1, 2014	636,093	489,098	2017
I Tranche	August 1, 2014	22,850	-	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	2019
VI Tranche	May 9, 2016	34,188	30,000	2019
VII Tranche	November 10, 2016	5,000	-	2019
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, a sixth tranche with a grant of 20,000 options by a resolution dated November 7, 2018 and a seventh tranche with a grant of 25,000 by a resolution dated March 14, 2019.
Please note that, due some "bad leaver" and "good leaver" events, 104,548 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 of December 31, 2019, stock options amounted to 106,234, following 46,218 stock options exercised between July 1, 2019 and December 19, 2019 at an average exercise price of €52,5431, 20,000 stock options exercised between August 6, 2019 and October 7, 2019 at an average exercise price of €56,3108 and 23,000 stock options exercised on December 20, 2019 at an average exercise price of €51,83923.

During the abovementioned period, the average price of the DiaSorin shares was €105.23.

As detailed:

2016 Plan	**Grant date**	**Number of options**	**Exercise year**
I Tranche	May 16, 2016	46,218	2019
II Tranche	August 4, 2016	20,000	2019
III Tranche	December 19, 2016	23,000	2019
III Tranche	December 19, 2016	2,000	
IV Tranche	August 3, 2017	40,000	
V Tranche	March 7, 2018	19,234	
VI Tranche	November 7, 2018	20,000	
VII Tranche	March 14, 2019	25,000	
Total		**195,452**	

2017 Plan

On April 27, 2017, the Ordinary Shareholders' Meeting approved the new 2017 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries.
The Board of Directors approved 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, a fourth tranche with a grant of 15,000 options by a resolution dated November 7, 2018, a fifth tranche with a grant of 10,000 options by a resolution dated March 14, 2019, a sixth tranche with a grant of 10,000 options by a resolution dated June 10, 2019, a seventh tranche with a grant of 65,000 options by a resolution dated July 31, 2019, an eighth tranche with a grant of 45,000 options by a resolution dated November 6, 2019 and a ninth tranche with a grant of 30,000 options by a resolution dated 19 December, 2019.
Please note that, due some "bad leaver" and "good leaver" events, 16,122 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 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, 2019, stock options amounted to 378,878 (of which 178,878 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	153,878	78,878
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
V Tranche	March 14, 2019	10,000	10,000
VI Tranche	June 10, 2019	10,000	10,000
VII Tranche	July 31, 2019	65,000	15,000
VIII Tranche	November 6, 2019	45,000	-
IX Tranche	December 19, 2019	30,000	-
Total		**378,878**	**178,878**

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 4, 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, 2019, stock options amounted to 675,000 (of which 560,000 stock options refereed to the Parent Company), all related to the grant date of May 8, 2018.

2019 Plan

On April 24, 2019, the Ordinary Shareholders' Meeting approved the new 2019 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries.

The Shareholders' Meeting of April 24, 2019 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 200,000 common shares (equal to 0.357% of the share capital) to service the new 2019 Stock Option Plan.

At December 31, 2019, the Board of Directors had not yet resolved on any options to be granted to Beneficiaries.

Valuation of stock options

The stock options granted to Directors and employees are measured at their fair value on the grant date in accordance with the method provided in IFRS 2 and the total cost of the plan thus determined is allocated over the vesting period.

The fair value computation method uses a binomial model and is based on the following assumptions:

<u>A – Exercise price</u>

The exercise price was determined in accordance with Article 6.2 of the Plan's Regulations.

<u>B – Stock price</u>

The value assigned to the underlying instrument for stock option valuation purposes is the daily closing price for DiaSorin shares on the grant date.

<u>C – Expected volatility</u>

The expected volatility of the underlying instrument measures the expected fluctuations in price/value over a given period of time. The measure of volatility used in the option pricing model used is the annualized standard deviation of the continuously compounded rates of return on an equity security over a period of time.

D – Employee exit rate

This rate, which reflects the probability that Directors or employees who are the recipients of stock option grants will leave the Company before the vesting date, was deemed to be 0%.

E – Risk-free interest rate

IFRS 2 requires the use of a risk-free interest rate that will be valid over the expected life of the options, with the term expected life meaning the length of time between the grant date and the expected option exercise date.

F – Dividend yield

The value of stock options is also affected by assumptions about the dividend yield, which is the annual dividend paid per share stated as a percentage of the share price.

The table below lists the input data used for stock option valuation purposes

2016 Plan	Vesting period (in years)	Exercise Price	Stock Price	Par value Per share	Volatility	Employee Exit Rate	Risk Free Rate	Dividend Yield	Stock Price Reference date	Vesting date
I Tranche	3.000000000	€ 52.54	€ 52.25	€ 1.00	30.00%	0.00%	0.46%	1.70%	05/16/2016	01/16/2019
II Tranche	3.000000000	€ 56.31	€ 57.80	€ 1.00	30.00%	0.00%	0.14%	1.70%	08/04/2016	08/05/2019
III Tranche	3.000000000	€ 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
VII Tranche	3.005479452	€ 86.04	€ 85.80	€ 1.00	25.00%	0.00%	0.25%	1.50%	3/14/2019	3/15/2022

2017 Plan	Vesting period (in years)	Exercise Price	Stock Price	Par 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%	09/11/2017	11/10/2020
II Tranche	3.005479452	€ 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	3.005479452	€ 82.42	€ 81.60	€ 1.00	26.00%	0.00%	0.24%	1.50%	07/11/2018	11/8/2021
V Tranche	3.005479452	€ 86.04	€ 85.80	€ 1.00	25.00%	0.00%	0.12%	1.50%	3/14/2019	3/15/2022
VI Tranche	3.010958904	€ 95.35	€ 102.00	€ 1.00	25.00%	0.00%	-0.02%	1.50%	6/10/2019	6/13/2022
VII Tranche	3.005479452	€ 102.62	€ 105.00	€ 1.00	25.00%	0.00%	-0.24%	1.50%	7/31/2019	8/01/2022
VIII Tranche	3.005479452	€ 99.60	€ 104.30	€ 1.00	25.00%	0.00%	-0.08%	1.50%	11/6/2019	11/7/2022
IX Tranche	3.005479452	€ 119.28	€ 117.60	€ 1.00	25.00%	0.00%	-0.06%	1.50%	12/19/2019	12/20/2022

2018 Plan	Vesting period (in years)	Exercise Price	Stock Price	Par 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 2016 Plan is equal to €2,508 thousand, with a vesting period that goes from May 16, 2016 to March 15, 2022. 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
III Tranche	2,000	-	10.414678
IV Tranche	40,000	-	14.61540
V Tranche	19,234	-	13.30140
VI Tranche	20,000	-	16.34540
VII Tranche	25,000	-	17.16720

Based on the assumptions described above, the fair value of the 2017 Plan is equal to 3,722 thousand, with a vesting period that goes from November 9, 2017 to December 20, 2022. 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	153,878	78,878	8.7998
II Tranche	10,000	10,000	11.12670
III Tranche	40,000	40,000	12.94260
IV Tranche	15,000	15,000	14.27840
V Tranche	10,000	10,000	14.45860
VI Tranche	10,000	10,000	19.70320
VII Tranche	65,000	15,000	18.19750
VIII Tranche	45,000	-	19.21230
IX Tranche	30,000	-	19.05680

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

2018 Plan	Number of options on the vesting date	Parent Company's options	Fair Value
I Tranche	675,000	560,000	14.97060

The cost attributable to 2019, which amounted to €2,451 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 2019 expense for stock options awarded to subsidiaries employees, equal to €1,401 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.

(€ thousands)	Net revenues		Cost of sales		General & Admininstrative		Sales & marketing		Research & Development and Quality		Other operating income (expense)		Financial income (expense)	
Counterparty	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
DiaSorin S.A. - France	18,607	17,476	524	531	-	24	(224)	(123)	-	-	(609)	185	1,350	650
Diasorin Iberia S.A.	13,739	11,337	562	493	(150)	(160)	62	84	(14)	-	532	392	11	22
DiaSorin S.A./N.V - Benelux	16,298	12,874	287	352	-	6	51	77	(4)	-	497	377	2,600	2,500
DiaSorin Ltd - UK	8,535	-	190	-	34	-	19	2	-	-	252	(8)	2	(1)
DiaSorin Ireland Limited	-	2,159	(1,168)	(1,065)	(82)	(158)	0	-	-	(35)	(89)	297	9,795	(5)
DiaSorin Diagnostics Ireland Limited	-	-	-	-	-	-	-	-	-	-	-	-	24,995	14
DiaSorin I.N. Limited	-	-	(9,229)	(60)	-	-	-	-	-	-	-	-	555	117
DiaSorin IN.UK Limited	(20)	11,975	(18)	497	-	5	-	88	-	-	-	388	1	(3)
DiaSorin Deutschland GmbH	42,413	40,306	(13,919)	(13,012)	22	48	15	6	(33)	-	(3,246)	(3,746)	4,000	7
DiaSorin Austria GmbH	6,839	6,546	200	244	-	3	12	101	-	-	222	145	350	1
DiaSorin Switzerland AG	4,563	3,648	200	177	-	1	4	1	-	-	154	123	485	214
DiaSorin Poland sp. Z .o.o.	3,020	2,575	148	116	-	2	27	7	-	-	219	167	59	59
DiaSorin AB - Sweden	7,885	-	573	-	-	-	10	-	-	-	271	2	(0)	(0)
DiaSorin Czech s.r.o.	4,824	3,865	159	134	-	2	8	17	-	-	250	161	(2)	(2)
DiaSorin Slovakia sro	2,009	1,128	118	52	-	1	4	-	-	-	-	-	9	0
DiaSorin Inc. - USA	41,866	31,141	(43,771)	(34,577)	12	83	303	13	(964)	25	2,611	2,376	(1)	24,935
DiaSorin Canada Inc	-	-	-	-	-	-	-	-	-	-	(211)	-	-	-
DiaSorin Ltda - Brazil	5,408	7,174	-	-	-	-	(211)	(134)	-	-	16	(124)	208	205
DiaSorin Mexico S.A de C.V.	4,407	4,104	-	-	-	23	(577)	(657)	-	-	198	130	73	106
DiaSorin Ltd - Israel	1,904	1,362	(3)	(4)	-	-	21	8	-	-	187	148	-	750
DiaSorin Ltd - China	42,580	43,892	(85)	(69)	-	(1)	(137)	(488)	-	-	(549)	(661)	3,545	3,174
DiaSorin Trivitron Healthcare Private Limited	2,307	1,386	-	-	-	-	(88)	(97)	-	-	11	(10)	-	-
DiaSorin South Africa (PTY) Ltd	294	479	117	280	-	5	(1)	1	-	-	749	834	1,104	1,891
DiaSorin APAC Pte Ltd	-	-	-	-	-	-	-	-	-	-	(489)	-	-	-
DiaSorin Australia (Pty) Ltd	6,290	5,322	(1)	(1)	(0)	-	33	53	-	-	332	336	39	67
DiaSorin Molecular LLC	738	1,620	(3,815)	(2,861)	8	(6)	(126)	(14)	193	(630)	1,209	404	-	-
Total Group companies	**234,506**	**210,366**	**(68,930)**	**(48,774)**	**(156)**	**(122)**	**(792)**	**(1,058)**	**(823)**	**(640)**	**2,518**	**1,916**	**49,176**	**34,700**
Executives with strategic responsibilities	-	-	-	-	(5,786)	(3,813)	-	-	-	-	-	-	-	-
Directors	-	-	-	-	(997)	(975)	-	-	-	-	-	-	-	-
Other related parties	-	-	-	-	(6,783)	(4,788)	-	-	-	-	-	-	-	-
Total Group companies and other related parties	**234,506**	**210,366**	**(68,930)**	**(48,774)**	**(6,938)**	**(4,910)**	**(792)**	**(1,058)**	**(823)**	**(640)**	**2,518**	**1,916**	**49,176**	**34,700**
As a percentage on line items	**59.4%**	**57.8%**	**32.2%**	**25.4%**	**20.6%**	**15.4%**	**2.2%**	**3.1%**	**-3.6%**	**-3.3%**	**58.8%**	**-111.1%**	**-111.6%**	**109.2%**

(€ thousands)	Trade receivables		Current financial receivables		Non-current financial receivables		Other non-current assets		Trade payables		Current financial payables		Other current liabilities	
Counterparty	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
DiaSorin S.A. - France	2,734	3,556	-	-	-	-	-	-	(325)	(427)	(1,427)	(1,362)	-	-
Diasorin Iberia S.A.	3,956	3,451	2,432	1,740	-	-	-	-	(172)	(166)	-	-	-	-
DiaSorin S.A./N.V - Benelux	3,650	3,125	-	-	-	-	-	-	(115)	-	(5,080)	(3,896)	-	-
DiaSorin Ltd - UK	2,349	15	-	-	-	-	-	-	(1)	(10)	(2,194)	(1,468)	-	-
DiaSorin Ireland Limited	(0)	473	-	-	-	-	-	-	(32)	(626)	(27,640)	(60,008)	-	-
DiaSorin I.N. Limited	2	-	447	47,161	47,267	-	-	-	(4,679)	-	(2,807)	(4,465)	-	-
DiaSorin Diagnostics Ireland Limited	-	-	-	-	-	-	-	-	-	-	(32,231)	(57,224)	-	-
DiaSorin IN.UK Limited	(0)	2,865	-	-	-	-	-	-	-	(30)	(11,971)	(29,964)	-	-
DiaSorin Deutschland GmbH	5,922	6,897	-	-	-	-	-	-	(5,648)	(3,396)	(188)	(665)	-	-
DiaSorin Austria GmbH	1,222	1,788	-	-	-	-	-	-	-	-	(1,345)	(849)	-	-
DiaSorin Switzerland AG	881	803	-	-	-	-	-	-	(13)	-	(375)	(538)	-	-
DiaSorin Poland sp. Z .o.o.	480	480	554	2,501	1,691	-	-	-	-	-	-	-	-	-
DiaSorin AB - Sweden	1,750	2	-	-	-	-	-	-	-	-	(4,503)	(2,391)	-	-
DiaSorin Czech s.r.o.	829	931	87	-	-	-	-	-	-	-	-	(382)	-	-
DiaSorin Slovakia sro	550	536	420	238	961	1,208	-	-	-	-	(252)	-	-	-
DiaSorin Inc. - USA	10,916	7,518	-	471	3,092	2,151	-	-	(8,727)	(5,907)	-	-	-	-
DiaSorin Canada Inc	-	-	-	-	-	-	-	-	(211)	-	-	-	-	-
DiaSorin Ltda - Brazil	4,435	5,699	2,608	62	-	2,546	-	-	(287)	(294)	-	-	-	-
DiaSorin Mexico S.A de C.V.	2,002	2,246	624	422	(0)	372	-	-	(102)	(240)	-	-	-	-
DiaSorin Ltd - Israel	278	233	-	-	-	-	-	-	-	-	-	-	-	-
DiaSorin Ltd - China	15,208	16,219	-	-	-	-	-	-	(708)	(968)	-	-	-	-
DiaSorin Trivitron Healthcare Private Limited	2,537	1,382	-	-	-	-	-	-	(65)	(245)	-	-	-	-
DiaSorin South Africa (PTY) Ltd	424	980	-	-	-	-	-	-	(384)	(9)	-	-	-	-
DiaSorin APAC Pte Ltd	-	-	23	-	-	-	-	-	(128)	-	-	-	-	-
DiaSorin Australia (Pty) Ltd	1,981	1,632	592	877	(0)	291	-	-	-	(20)	-	-	-	-
DiaSorin Molecular LLC	5,899	4,935	-	-	-	-	-	-	(5,003)	(4,249)	-	-	-	-
Total Group companies	**68,004**	**65,765**	**7,786**	**53,471**	**53,012**	**6,568**	**-**	**-**	**(26,600)**	**(16,587)**	**(90,012)**	**(163,211)**	**-**	**-**
Executives with strategic responsibilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Directors	-	-	-	-	-	-	-	-	-	-	-	-	(658)	(132)
Dividends to Executives with strategic responsibilities and Directors								-						
Other related parties	-	-	-	-	-	-	-	-	-	-	-	-	(658)	(132)
Total Group companies and other related parties	**68,004**	**65,765**	**7,786**	**53,471**	**53,012**	**6,568**	**-**	**-**	**(26,600)**	**(16,587)**	**(90,012)**	**(163,211)**	**(658)**	**(132)**
As a percentage on cash flow	**60.8%**	**54.9%**	**100.0%**	**100.0%**	**106.2%**	**100.0%**	**0.0%**	**0.0%**	**41.0%**	**30.1%**	**98.7%**	**84.7%**	**2.9%**	**0.5%**

29. Transactions resulting from atypical and/or unusual activities

In 2019, 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 2019, 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 2019, 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**	**Recipient**	**Fee attributable to 2019**
Independent Auditing	PricewaterhouseCoopers S.p.A.	Group's Parent company- Diasorin S.p.A.	273
Other services	PricewaterhouseCoopers S.p.A.	Group's Parent company- Diasorin S.p.A.	22
Total			**295**

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 2019 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, 2019:

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 11, 2020

Signed:

Carlo Rosa	Piergiorgio Pedron
Chief Executive Officer	Corporate Accounting Documents Officer

2019 REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE SHAREHOLDERS' MEETING OF DIASORIN S.P.A PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998 AND ARTICLE 2429, SECTION 2, OF THE ITALIAN CIVIL CODE

Dear Shareholders,

Firstly, the Board of Statutory Auditors, which has been appointed on April 24, 2019 by the Shareholders' Meeting of DiaSorin S.p.A (hereinafter, the Company) and in office for the three-year period 2019-2021, i.e. until the date of the Shareholders' Meeting called to approve the Financial Statements at December 31, 2021, is composed of:

• Statutory Auditors: Monica Mannino (Chairperson), Ottavia Alfano, Matteo Sutera;

• Alternate Auditors: Cristian Tundo, Romina Guglielmetti.

Pursuant to Article 144-quinquiesdecies of the Issuers’ Regulation, 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).

Art. 144-quaterdecies of the Issuers' Regulation (disclosure obligations to Consob) provides that whoever holds the position of member of the control body of a single issuer is not subject to the disclosure requirements laid down in said article and, therefore, is excluded from the lists published by the Consob.

The Company reports in the Report on Corporate Governance and Ownership Structures the main offices held by the members of the Board of Statutory Auditors.

The Board here acknowledges that all its members comply with the aforementioned Consob regulatory provisions concerning the "limits on the cumulation of offices".

In the year ended December 31, 2019, 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. 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 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 recommendations set forth in the last edition of the Corporate Governance Code (the "Corporate Governance Code") dated July 2018 and promoted by the Corporate Governance Committee.

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In 2019, in carrying out the activities under its jurisdiction, the current and previous Board of Statutory Auditors declares that:

- it attended the Shareholders' Meeting on April 24, 2019, 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 Chairperson or another member of the Board of Statutory Auditors, the meetings of the Control, Risks and Sustainability Committee, the Compensation and Nominating Committee, and the Committee for Related-Party Transactions;
- 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 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' Regulation, 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 at June 30, 2019 - 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' Regulation 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 Statement included in the Annual Financial Report ascertaining compliance with the provisions regulating its drawing up, pursuant to the abovementioned Decree.

After the end of the year, the Company had to face the impacts of the Covid-19 emergency, which spread at the end of February and affected the Company's reference sector and its business operations. In this regard, the Company promptly took steps to protect its employees and independent workers and safeguard its corporate operations, by approving a business continuity plan.

The Report on Operations showed that the economic and financial effects of Covid-19 could significantly affect the Group results of the first half of 2020.

In the course of its oversight activities, which the Board of Statutory Auditors carried out in the manner described above, no irregularities were found indicating failure to comply with the law and the Company's Articles of Incorporation or otherwise requiring disclosure to the Oversight Board or mention in this Report.

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The additional disclosures required by Consob Communication no. DEM/1025564 of 6 April 2001 and subsequent amendments are provided hereinafter.

I. 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 2019 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 2019, the parties involved and their financial effects are explained in the Note 29 of the Consolidated Financial Statements and in the Note 28 of the Statutory Financial Statements, to which reference is made. The Company engages on a regular basis in commercial and financial transactions with its subsidiaries. These transactions, which are carried out within the framework of normal company activities, are executed on standard market terms. The Board of Statutory Auditors believes that the information provided concerning the aforementioned transactions is overall adequate and, based on data thus acquired, deemed said transactions to be fair and in the Company's interests.

Related-Party transactions, which are identified on the basis of the international accounting standards and the directives issued by the Consob, are governed by an internal procedure (hereinafter the "Procedure"), which was amended by the Board of Directors on March 14, 2019, following the favorable opinion of the Committee for Related-Party Transactions 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 29, 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, 2019 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 2019 Non-Financial Statement. 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 Statement 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. As stated in the opinion on the Financial Statements, this report addresses certain matters, without contradicting the opinions in question. It bears mentioning here that, in addition to the significant matters identified as "key aspects of the audit" in the aforementioned reports on the Separate and Consolidated Financial Statements, there are no significant deficiencies in the internal control system in relation to the financial reporting process worthy of being brought to the attention of the managers responsible for " governance " activities.

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.

During the year, on the basis of the information provided 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 2019, - by the Independent Auditors or by parties belonging to its network in favor of DiaSorin and the Group subsidiaries are reported in the Company consolidated financial statements as required by Article

149- duodecies of the Issuers' Regulations, in the Annex II of the Report on the consolidated financial statements.

Fees include the activities related to the audit of the Non-Financial Statement. Services other than auditing refer to certification of turnover data required by certain local regulations, royalty certifications and tax compliance for non-EU countries.

For the Parent Company, the Independent Auditors also certified the 2018 Research and Development costs statement for the purposes of the tax credit.

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.

The Board of Statutory Auditors reports that the assessment process for services to be assigned to Independent Auditors and its Network by the Company and its subsidiaries is governed by an "Internal procedure for the approval of services to be assigned to the Independent Auditors and to its network "which has the objective of ensuring that the independence requirement of the Independent Auditors is met and of regulating the aforementioned assessment process.

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 pursuant to which, from January 1, 2019 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 2019, 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 2019, 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 and Nominating Committee - with regard to the structure and implementation of the remuneration policy and its implementation.

The compensation system which was set in accordance with the recommendations of the Compensation and Nominating 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 directors, 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 and Nominating Committee periodically monitors that the remuneration is in line with market value.

The Board of Statutory Auditors held 13 meetings in 2019, 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 7 meetings held by the Company's Board of Directors, 3 meetings held by the Control, Risks and Sustainability Committee, 3 meetings held by the Compensation and Nominating Committee (of which 2 meetings held before the two Committees merged into a single Committee), 1 meeting held by the Committee for Related-party Transactions and 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 Internal Auditing departments and 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 supervisory activities carried out and no critical aspects having been identified, the Company's organizational structure is adequate in relation to 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 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, Risks and Sustainability 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, Risks and Sustainability 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, Risks and Sustainability 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 (updated in February 2018), 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 and listed on regulated markets, in compliance with current regulations.

In 2019, the Board of Directors, based on the available information and evidence collected with the support of the preparatory work of the Control, Risks and Sustainability 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 11, 2020. 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, Risks and Sustainability 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, taking also into account 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, 8 of whom are independent directors. Its composition complies with the rules on gender balance.

In 2020, 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 11, 2020 and described in the Report on Corporate Governance and the Company's Ownership Structure. The Board of Statutory Auditors was informed of the assessment outcomes shared with the Lead Independent Director and the Independent Directors regarding the recommendations set forth in the VII Annual Report of the Corporate Governance Committee on the application of the Corporate Governance Code of Borsa Italiana (see paragraph 19 of the 2019 Report on Corporate Governance and 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.

Finally, the Board of Statutory Auditors assessed the suitability of the members of the Board of Statutory Auditors and the adequate composition of the body, with reference to the requirements of professionalism, competence, integrity and independence required by law, preparing the Report on the self-assessment of the related Board of Statutory Auditors for 2019. The self-assessment outcome was positive. The self-assessment Report was presented to the Board of Directors during the Shareholders' Meeting of March 11, 2020 and was disclosed in the Report on Corporate Governance 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 that have been submitted to the Board of Directors for approval. No situations requiring the members of the Board of Statutory Auditors to report a personal or third-party interest in a transaction involving the Company occurred in 2019.

The Board of Directors includes the following Committees:

- The Risk, Control and Sustainability Committee performs advisory and propositional functions and reports to the Board of Directors at least every six months on the activities carried out and on the adequacy of the Internal Control and Risk Management System. The Committee is also responsible for supervising sustainability issues connected to the exercise of the business activity and to its interaction dynamics with all stakeholders; this Committee is composed of three non-executive directors, the majority of whom are independent, including the Chairman, and held 3 meetings in 2019;
- The Compensation and Nominating Committee is composed of three Non-executive Directors - two of whom are independent - and held 1 meeting in 2019. It should be noted that with resolution dated April 24, 2019, the Board of Directors merged the functions of the Compensation Committee and the Nominating Committee by setting up the Compensation and Nominating Committee. Prior to this merger, the Nominating Committee had already held 2 meetings, while the Compensation Committee held 1 meeting, during the first quarter of 2019.
- The Committee for Related-Party Transactions is composed of three independent directors; in 2019, it held 1 meeting to examine and assess transactions with related parties, on which the Committee has issued its opinion.

Additional information about the Company's corporate governance is provided in the Report on Corporate Governance and the Company's Ownership Structure, with regard to which the Board of Statutory Auditors has no observations to make.

XVII. The Board of Statutory Auditors examined the Compensation Report approved by the Board of Directors on March 11, 2020 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 remuneration 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 11, 2020 and stated it has no further comments to make also in relation to the dividend distribution proposal.

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, 2019, 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, 2019 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 Statement 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 Statement pursuant to Article 6, paragraph 1 of Legislative Decree 254/2016, having the company drawn up the Consolidated Non-financial Statement 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 2019 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.

Milan, April 29, 2020

The Board of Statutory Auditors

Monica Mannino	Chairperson
Ottavia Alfano	Statutory Auditor
Matteo Sutera	Statutory Auditor

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 2019, 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 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valutation of goodwill and other intangible assets *Note 11 to the financial statements as of 31 December 2019 "goodwill and other intangible assets"* Carrying amount of goodwill reported in financial statement is Euro 39,757 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 76,056 thousand and represents the 20% 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 2019 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. We finally assessed the appropriateness and

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	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 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 2019, 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 2019 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 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 29 April 2020

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 pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of DiaSorin SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of DiaSorin Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2019, 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 2019, 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.

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valutation of goodwill and other intangible assets *Note 11 to the consolidated financial statements as of 31 December 2019 "goodwill and other intangible assets"* Carrying amount of goodwill reported in financial statement is Euro 164,681 thousand and represents the 31% 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 205,598 thousand and represents the 39% 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 2019 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.

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 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 2019, 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 2019 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 2019 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.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Milan, 29 April 2020

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