ANNUAL FINANCIAL REPORT
DECEMBER 31, 2016

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

CONTENTS

LETTER TO SHAREHOLDERS

Dear Shareholders,

In 2016 DiaSorin confirmed its excellence in terms of financial results: we achieved ***solid net profit*** *and* ***cash generation*** *driven by growth in revenues and profitability. These results were in line with the guidance provided for the year just ended.*

Again this year, the Group's strategy laid the foundations for a sound future in the immunodiagnostic field, positioning DiaSorin as a global player capable of successfully competing in an increasingly complex market.

The acquisition of ***Focus Diagnostics' Molecular and Immunoassay products business*** *completed in May 2016 marked one of the most important milestone of the past year.*

In 2016, we signed a distribution ***partnership agreement with Beckman Coulter Diagnostics****, a global diagnostic leader, for the commercialization in the U.S. of DiaSorin* ***Hepatitis A, B, C*** *and* ***HIV tests*** *on the LIAISON XL.*

DiaSorin and Beckman will work together to submit to the Food and Drug Administration tests for approval and commercialization in the U.S.

Furthermore, DiaSorin has been awarded a contract by the Biomedical Advanced Research and Development Authority, a division of the U.S. Department of Health and Human Services' Office of the Assistant Secretary for Preparedness and Response, for the development of new serological tests to detect ***Zika virus*** *infections.*

The above results prove the excellence of our ***Research and Development*** *team that, again in 2016, launched high-quality tests on the market, confirming its leading role in the diagnostic market.*

Today DiaSorin has become a global diagnostic leader leveraging the integration of these new businesses into the Group's well-established excellence, the outstanding products we have already launched on the market and products under development and, lastly, LIAISON MDX innovative technology.

In view of the above, DiaSorin is, thus, able to meet the growing needs of laboratories all over the world, providing fast, high-quality and special solutions, as well as ***high-flexible immunodiagnostic and molecular diagnostic platforms and several high-quality diagnostic tests.***

In 2016, we continued to develop and evaluate the first prototypes of our new ***LIAISON XS*** *immunodiagnostic analyzer, designed to meet the growing needs of small and medium sized laboratories in USA and China. We believe this is a strategic market sector for the future of our Group and surely laboratories will be able to appreciate its huge potential, allowing the Company to achieve further success.*

Another aspect worthy of attention is, again this year, our focus on ***Sustainability.***

In 2016, our Group supported several initiatives of Corporate Social Responsibility sharing a common ***focus on People****. Next April we will publish our Sustainability Report which focuses on the importance of people and their talents, the ability of our people to innovate and the attention our Group pays to communities where we operate by supporting significant and concrete projects.*

Focusing on People means to thank our management and people we work with: they can make us an outstanding company capable of innovating, growing and achieving increasingly challenging targets. What our People have achieved so far stems from a good balance of entrepreneurship and managerial skills, from the ability to create a successful and growth process to meet the needs of laboratories, from patients who come into contact with our tests and from you, dear Shareholders, and the trust you place in our ambitious objectives. We are confident we will continue to achieve these objectives in the future.

Gustavo Denegri
Chairman

BOARD OF DIRECTORS, BOARD OF STATUTORY AUDITORS AND INDEPENDENT AUDITORS

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

(1) General Manager
(2) Independent Director
(3) Lead Independent Director
(4) Director Fiorella Altruda was appointed by the Shareholders' Meeting on December 19, 2016

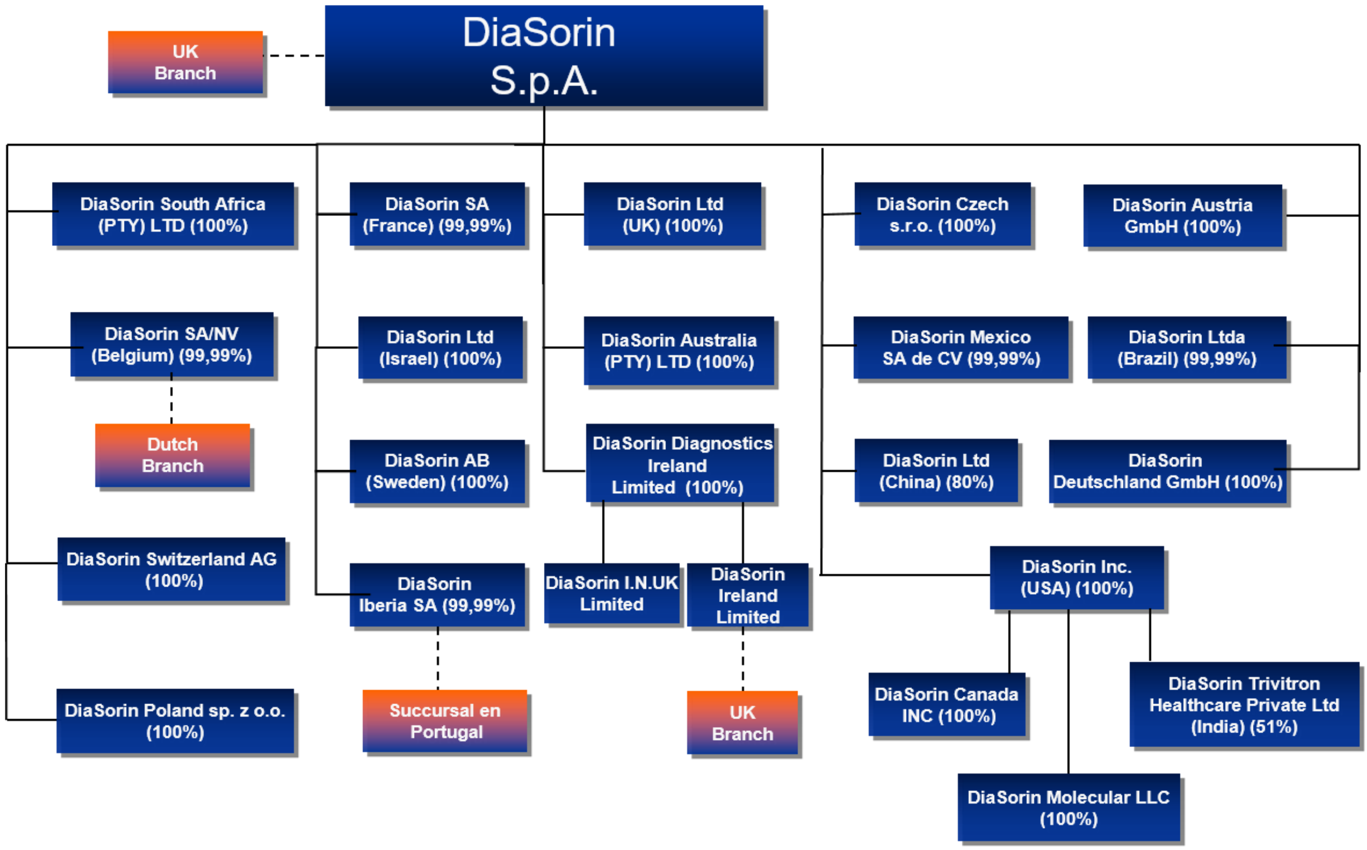
AN EXPERIENCE FILLED WITH FUTURE

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

With over 40 years of experience, DiaSorin is a solid and innovative player in the in vitro diagnostics which is an increasingly competitive and complex market.

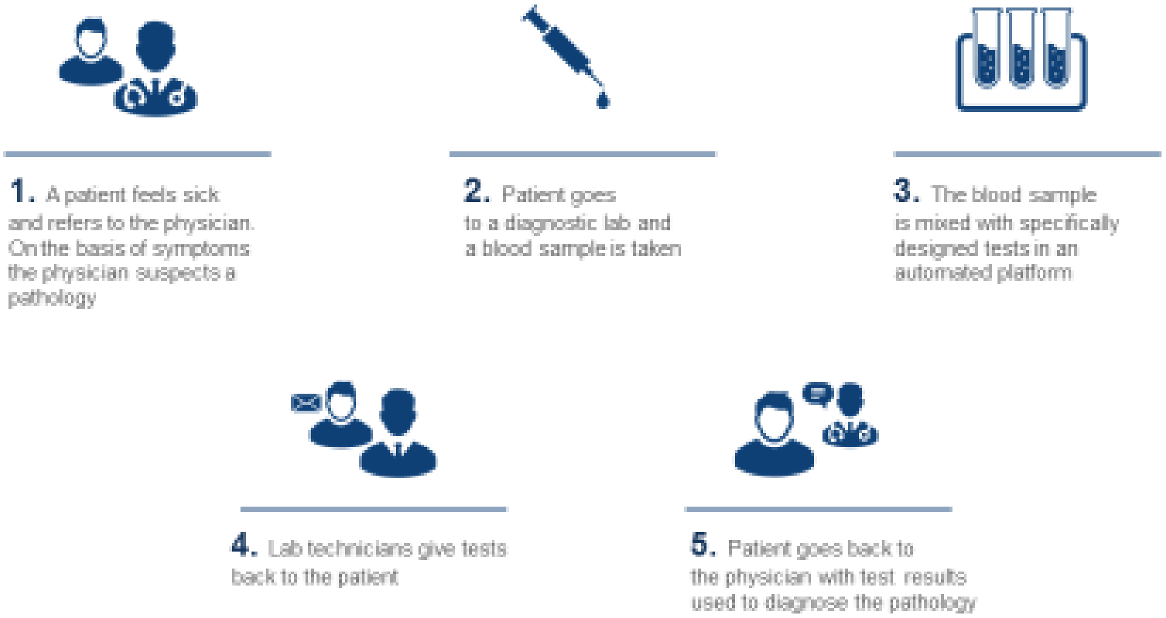
In the last 10 years DiaSorin focused its efforts to widen its presence in over 120 countries, strengthened its position both in reference markets, such as Europe and United States and in emerging markets, such as China, that are becoming a major global player.
The Group's daily challenge is to see what others cannot see, anticipating the future.

STRUCTURE OF THE GROUP AT DECEMBER 31, 2016



OUR BUSINESS

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



Clinical areas

We develop both high routine tests and specialty tests in a wide range of clinical areas.

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

DiaSorin tests are designed for hospitals and private testing laboratories in the markets of immunodiagnostics and molecular diagnostics.

Immunodiagnostics

This technology is based on the detection of antibodies to find diseases in a human fluid sample.

Molecular Diagnostics

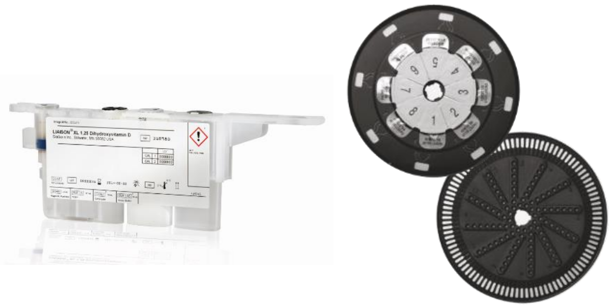
This technology is used in the diagnosis of a pathology through the detection of specific RNA or DNA sequences (nucleic acids) in patients' biological fluids or in their abnormal cells. The identification of nucleic acids is carried out through the DNA or RNA "amplification".

Both technologies use:

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

Diagnostic kits

DiaSorin diagnostic tests are biological components whose purpose is detecting the presence of specific elements (virus, hormones, etc.) in patient's blood sample.



Due to their high level of specificity, these high-tech diagnostic products can detect the presence of the element to be searched in the patient's sample, even in small quantity.

Technological platforms

The biological sample is analyzed to detect the presence of a specific element through instruments based on specific technologies.

As for **Immunodiagnostics**, DiaSorin makes use of proprietary platforms based on CLIA technology (**Chemiluminescence**) and ELISA technology (**Colorimetry**).

CLIA

SIGNAL: generated by markers marked with chemiluminescent molecules

PROCESSING TIMES: 30-45 minutes

- Tests developed in proprietary formats to use only on closed systems
- High level of usage flexibility in terms of menus

INSTRUMENTS

ELISA

SIGNAL: generated by colorimetric markers

PROCESSING TIMES: 3-4 hours

- Tests developed in proprietary formats to use on open systems
- Lower flexibility in terms of menus, used for few parameters but with high volumes (i.e. blood banks)

INSTRUMENTS

As for **Molecular Diagnostics**, DiaSorin makes use of proprietary platforms based on the 3 phases required to deliver the final diagnostic results: extraction, amplification and diagnosis.

EXTRACTION

It is an extraction process of a small quantity of nucleic acids (RNA or DNA) that can be used with a large number of biological samples (plasma, serum, CSF and swabs) after a minimum pre-treatment of the sample

AMPLIFICATION AND DIAGNOSIS

Amplification: the process to multiply the nucleic acid after its extraction.

Diagnosis: process for the qualitative and quantitative determination of the viral load or genetic mutations using molecular kits.

INSTRUMENTS

Bullet Pro®

PCR (Infectious Diseases)

LIAISON® MDX

QLAMP (Onco-hematology)

OUR STRATEGY

In 2016, the Group strengthened its specialist role in immunodiagnostic and molecular diagnostics segments through a long-term business and customer-oriented strategy:

- through, on the one hand, a constant evolution of its product in order to effectively meet the needs of private laboratories and hospitals providing solutions that are:
  - reliable;
  - innovative;
  - fully automated and standardized;
  - easy to use;
  - cost-effective
- and through, on the other hand, commercial partnerships with international companies and strategic acquisitions so as to:
  - enter new market segments;
  - reach new customers;
  - strengthen its commercial coverage.

The acquisition of Focus Diagnostics

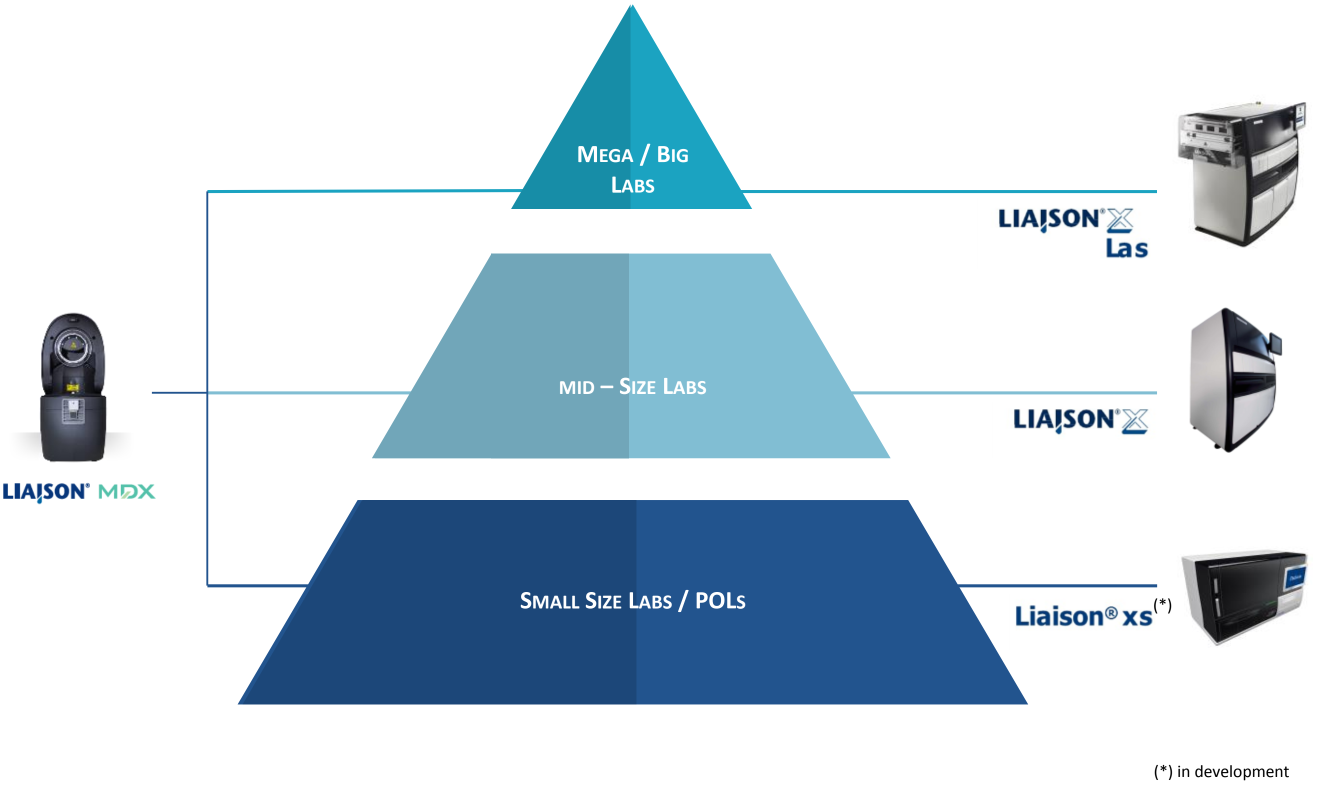
The acquisition of Focus Diagnostics' molecular diagnostic product business completed on May 13, 2016 allowed the Group to further enter the molecular diagnostic segment that is, today, a growing sector within the in vitro diagnostic used in laboratories.

The Focus Diagnostics' molecular business, today DiaSorin Molecular, is mainly based on molecular tests/kits used on a technological platform - called LIAISON MDX - that uses PCR real time for the amplification of DNA and RNA.

Today 13 CE marked tests are available on the LIAISON MDX (out of which 6 are available in the US market) to provide customers with an integrated solution for the detection of several routine and specialty infectious diseases.

The LIAISON MDX is a flexible and versatile instrument to allow laboratories to perform both quick and easy specialty tests without extracting the nucleic acid and high-volume and high-sophisticated tests, to be used in all laboratories.

Thanks to the high flexibility and scalability of immunodiagnostic and molecular diagnostic platforms and the large number of high-quality diagnostic tests, the Group can today provide different technological solutions and meet most of laboratories needs all over the world.



A GLOBAL PRESENCE

The Group headed by DiaSorin S.p.A. is comprised of 24 companies and 4 branches on 5 continents and manufactures its tests in 7 facilities around the world.

In Europe, United States, Mexico, Brazil, China, Australia and Israel, the DiaSorin Group sells its tests and platforms mainly through its commercial subsidiaries. In countries where the Group does not have a direct presence, it operates through an international network of more than 100 independent distributors.

BUILDING TODAY FOR TOMORROW: RESEARCH AND DEVELOPMENT

In 2016, the Group strengthened its specialist role in the immunodiagnostic and molecular diagnostic segments, through a business strategy focused on innovation.

One of the basic pillars for DiaSorin growth is its ability to innovate its products and assess new business opportunities stemming from ongoing Research and Development activities.

A human innovation made from people for people arises from a close relationship with the scientific community and the academic world and from long-term research activities.

The DiaSorin business is an ongoing evolution process laying today the foundation for the development of tomorrow.
It starts from the researcher's intuition about marketing a new product: this is the reason why the Group is firmly investing in knowledge.

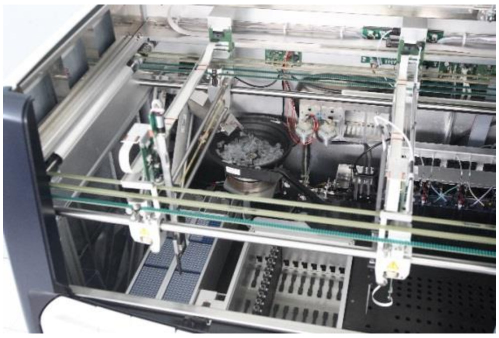
DiaSorin has over 125 immunodiagnostic and molecular diagnostic researchers working for the Group facilities, mainly in Italy, United States and Ireland.

FOCUS ON OUR PLATFORMS

IMPROVEMENTS TO LIAISON XL PLATFORM

Research & Development worked towards a two-fold objective:

- consolidation of hardware and software components to make LIAISON XL "stronger and stronger" and meet the needs of a growing range of instruments installed on the market;
- expansion of the compatibility of the LAS version (Laboratory Automation System) of LIAISON XL, to connect additional automated sample-handling systems at large clinical laboratories (consistent with strategic partnership in this area).



The increase in the installed base embodies the LIAISON commercial success with 571 new placements, for a total of 2,863 installed units, through either stand-alone solutions or automation connectivity and commercial partnership with the major player in the immunodiagnostic market.

The above confirms an increasing level of laboratories' satisfaction for the platform and for its tests menu which is today the broadest available on CLIA technology, with high throughput designed for large-sized laboratories.

FURTHER DEVELOPMENT OF LIAISON XS ANALYZER

In 2016, the LIAISON XS project entered the following phases: implementation and prototype evaluation.

Unlike the LIAISON XL, the new analyzer was designed to tackle significant market segments in low volumes laboratories.

The LIAISON XS is compatible with tests and consumables already used on the LIAISON XL.

FOCUS ON CLIA MENU

Again in 2016, DiaSorin continued to provide laboratories with 112 tests available on CLIA technology, a unique and comprehensive menu for high routine and specialty tests.

INFECTIOUS DISEASES

In 2016, the Company launched two new tests in the Infectious Diseases clinical area.

The launch of **Helicobacter pylori IgG** test has enlarged the Group's Infectious Diseases panel on CLIA technology: this is the fastest and fully automated solution on the market, which allows an accurate and correct diagnosis of the H. pylori infection.

DiaSorin has been awarded a contract by the Biomedical Advanced Research and Development Authority, a division of the U.S. Department of Health and Human Services' Office of the Assistant Secretary for Preparedness and Response, for the development of new serological tests to detect **Zika** virus infections. The new tests will be developed at Stillwater facilities.

HEPATITIS AND RETROVIRUS

In the **Hepatitis and Retrovirus** clinical area DiaSorin launched a second-generation kit for the determination of antibodies to **Hepatitis B** (**HBV**) surface antigen.

Furthermore, the Company has been allowed to extend the use of some kits (including **HIV and HCV**) for the determination of antibodies on blood samples taken from tissue and organ donors.

In 2016, DiaSorin signed **an agreement with Beckman Coulter**, a strong partner in the Chinese market, for the approval and commercialization of **Hepatitis and Retrovirus** tests in the U.S. The two companies will work together to submit the products to the Food and Drug Administration (FDA) for sale in the U.S. and offer U.S. laboratories access to the **full line of Hepatitis and HIV products** that can be run on the LIAISON XL LAS connected to Beckman Coulter's leading automation solution.

DiaSorin will retain the right to commercialize the products on LIAISON XL stand-alone systems and pursue its strategy of penetrating lower volume hospital labs where total laboratory automation is not required.

GASTROINTESTINAL INFECTIONS

In 2016, DiaSorin continued to expand its line of markers to diagnose and monitor infectious and inflammatory gastrointestinal diseases.

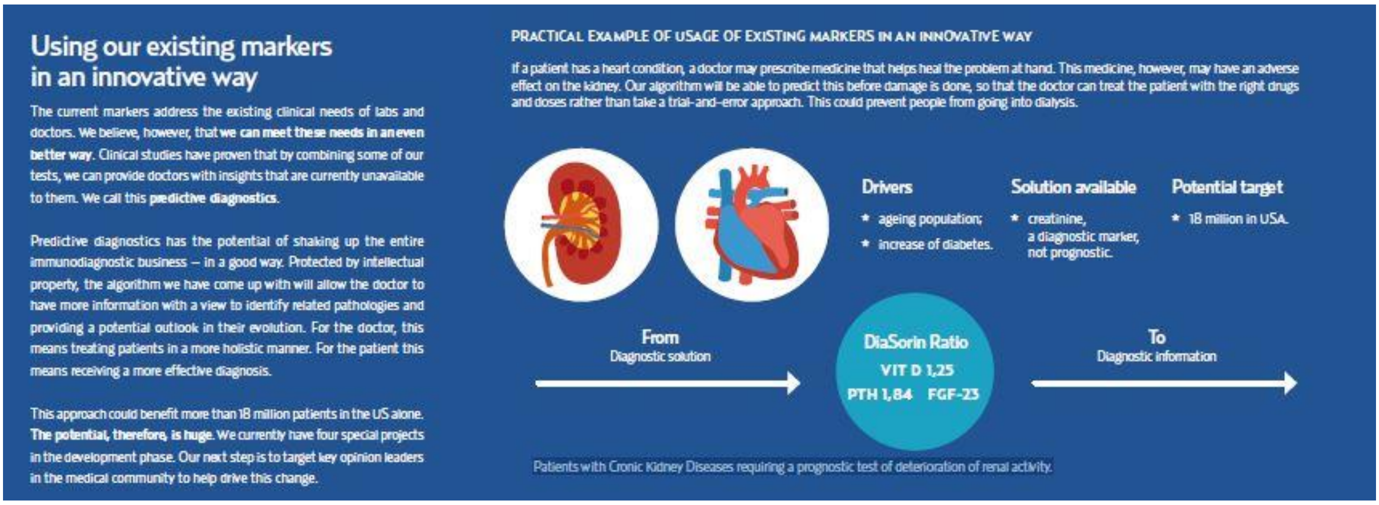
The Company launched a new assay for the qualitative determination of **Helicobacter pylori** in human stool, available in the UK market, and an assay for the quantitative measurement of **Calprotectin** in human stool to be used in the diagnosis of inflammatory bowel diseases (ulcerative colitis and Crohn's disease).
Both assays are available for the market outside the U.S.

BONE AND MINERAL

With regard to the Bone and Mineral clinical area, DiaSorin started selling CLIA **25 (OH) Vitamin D test in Japan,** through an exclusive distribution agreement with Kyowa Medex.

In 2016, the Company launched two new products for the diagnosis of bone and mineral diseases and chronic kidney disease:

- the fully automated LIAISON **FGF 23 test** for the determination of FGF23 protein concentration associated with **kidney diseases and phosphocalcic disorders**
- an assay for the quantitative measurement of **Sclerostin** concentration, a marker used for the diagnosis of bone loss associated with several diseases (i.e. osteoporosis and chronic kidney disease).



FOCUS ON MOLECULAR DIAGNOSTICS

For DiaSorin 2016 was an important year given the major developments related to Molecular Diagnostics.

On the one hand, the Company expanded the number of its diagnostic tools in Onco-hematology, promoting their sale and use. On the other hand, DiaSorin's products have become part of this new technology, following the acquisition of Focus Diagnostics molecular and immunoassay product business, through routine and specialty tests used in the infectious diseases clinical area.

In 2016, DiaSorin completed the acquisition of Focus Diagnostics molecular and immunoassay product business, today called DiaSorin Molecular LLC, an American leading company in molecular diagnostics. Focus, through a strategic partnership with 3M, an American multinational company with a turnover equal to USD 30 billion and undisputed leader in the field of medical technologies, developed an innovative technology to allow quick testing on genetic material not requiring any complex and difficult genetic sample (such as blood, urine, arachidonic acid etc.) manipulation. Thanks to this technology, DiaSorin Molecular developed 6 new products approved by FDA and 52 products commercialized as ASR in the USA and supplied to major U.S. hospitals' laboratories for the development of specialty tests. Today, DiaSorin Molecular's customer portfolio includes some major U.S. hospitals such as Mayo Clinic, Cleveland Clinic, Mont Sinai, etc. using this range of molecular products in their diagnostic routine.

DIASORIN MOLECULAR'S NEW TECHNOLOGY

DiaSorin Molecular's technology is based on two distinctive features: an innovative microfluidic technology disk for the amplification reaction and determination of genetic samples not requiring any complex and difficult manipulations and thermocycler, called LIAISON MDX, providing automated testing and delivering quick and fast results. The disk has two versions, both available on the LIAISON MDX: the DAD (*Direct Amplification Disc*) and the UD (*Universal Disc*). The former runs 8 specimens simultaneously and does not require the extraction of genetic samples. This is its distinguishing feature compared to competitors' instruments that need to perform a purification process before testing the genetic material. The latter, the UD, processes 96 biological samples simultaneously and is designed for daily high-volume testing, in terms of use, requiring high-throughput platforms.

INFECTIOUS DISEASES

In 2016, our Research and Development team in Cypress - California – focused its activities on diagnostic kits for the global market in the infectious disease clinical area, developing qualitative assays that do not require nucleic acids extraction and are run on the DAD (Direct Amplification Disc) disk*:* these are assays are known as 'Direct' as they are performed using directly the patient's primary biological sample.

In 2016, our U.S. Research & Development team completed the development of an assay for the diagnosis of **C. Difficile** gastrointestinal infections on human stool. This assay has been launched on the European market in October 2016 and received FDA approval for commercialization in February 2017.

Over the past year, our team continued to develop a diagnostic test to determine **Bordetella Pertussis** and **Bordetella Pararpertussis** infections. The test will be launched in Europe in 2017.

ONCO-HEMATOLOGY

In 2016, our Research & Development team in Gerenzano and Dublin continued to extend the product menu based on Q-LAMP technology and available on the LIAISON Iam.

Furthermore, we launched the fourth product of Iam AML1-ETO for the diagnosis of a positive Acute Myeloid Leukemia subtype. Through the launch of the test to detect AML1-ETO positive translocation, molecular diagnostic tests available in Onco-hematology clinical area are the following:

- BCR-ABL p210-p190
- PML-RARA detection bcr 1,3
- PML-RARA discrimination bcr2
- AML1-ETO

The outstanding performance of this product line, providing fast results and ease of use have been the subject of scientific studies for scientific congresses organized by *Società Italiana di Ematologia Sperimentale* (SIES) and by National Cancer Research Institute (NCRI).

In Italy where DiaSorin promoted its commercial activities, 30 hematology centers implemented DiaSorin solution in their laboratories, including 80% of the most important Gimema centralized facilities.

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

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

Following the approval of the Italian Patent Office, DiaSorin started the procedure for the international patent application.

RESEARCH & DEVELOPMENT COSTS AND INVESTMENTS

Consistent with the above, in 2016 the Group's research and development costs increased to 37,614 thousand euros from research and development costs of 25,069 thousand euros in 2015.

(in thousands of euros)	**2016**	**2015**
Research and development expensed	32,424	24,032
Annual amortization of capitalized costs	5,294	2,126
Total research and development costs charged through income statement	**37,718**	**26,158**
Development costs capitalized during the year	5,190	1,577
Total research and development costs	***37,614***	***25,609***

In 2016, the Group's Parent Company capitalized development costs for 2,575 thousand euros and charged to income statement research and development costs for 14,547 thousand euros which included 3,950 thousand euros for costs incurred to register products and comply with quality standards and for 1,218 thousand euros amortization charge of previous years capitalized costs and intangible assets acquired with Focus business.

FOCUS ON PEOPLE

DiaSorin operates in the diagnostic sector and is aware of the effect its activities may have on people' quality of life and life expectations. This awareness focusing on people urges DiaSorin to invest on Group's employees and on local communities in which the Company operates.

Every single success the Group achieved is founded on commitment, skills, passion and talent of the single person who will be able to bring solid results to all stakeholders.

TALENT AS RESOURCE FOR BUSINESS DEVELOPMENT

In 2016, DiaSorin continued to invest structurally in developing and valuing the Group's Human Capital.

Every person is unique and, with his/her background and talent, fundamental to create an excellent work environment that meets the needs of a market in continuous evolution.

The Human Resources department, working in close collaboration with management, operates in an international framework, promoting the professional and managerial growth of people, providing training programs, incentive plans, organizational restructuring to support better the management of the company.

In 2016, over a half of managerial positions held were filled through internal promotions on the basis of meritocracy, taking into account both results achieved over the past three years and management skills in line with the leadership position to be held. The remaining positions were held by high qualified employees through external recruitment.

In 2016, consistent with previous year, DiaSorin continued its policy regarding the Group's Human Capital based on the growth and retention of key resources. Furthermore, the Group performed an in-depth analysis on staff turnover to monitor the flows into and out of the company, promote awareness of actual business needs and develop company talents.

Attention has been given to the quality of channels to recruit young people through a steady communication with top universities in some important local areas, such as in Italy, North America, China.

ORGANIZATIONAL DEVELOPMENT AND LEADERSHIP

In organizational terms the Group, in order to promote excellence at all company's processes, continued to strategically align European industrial areas and worldwide commercial area by investing in training programs. Significant examples include managerial development associated with posts of Senior Corporate Vice President & Chief Financial Officer as part of the company's staff and two new top positions in industrial and commercial areas.

The development of strategic coordination in industrial and commercial areas occurred through an in-depth analysis of the main company processes in order to maximize their value.

Following the acquisition of Focus Diagnostics (about 180 employees), the Group started to integrate Cypress subsidiary into the U.S. with European industrial structures (R&D, Operations, Quality) and increase commercial structure's synergy all over the Group.

In Europe, DiaSorin commercial structures continued to be highly stable at managerial and organizational levels, adopting diversified strategies according to market needs and promoting training initiatives to share company values and analyzing turnover management.

In 2016 DiaSorin China celebrated its tenth anniversary and its employees increased by 19% in 2016.

In North America, the Group put strong emphasis on talent nurturing and on the acquisition of skills both in the technical and commercial areas to support business expansion strategy.

DEVELOPMENT OF PEOPLE AND COMPANY CULTURE

In 2016, the Group supported the development of its human resources through 3 main actions:

1. Evaluation culture

End of the 2016 cycle related to the Program to assess Management based on the company Leadership Model and on Performance results. At the end of the Program, the Group carried out an in-depth analysis about management results and highlighting strengths and weaknesses on the basis of which the company will be able to define the future managerial development, coherently with the strategic business plan

2. Training of Management

The Group provided training courses to management to support evaluation culture, share company's values and develop high- quality management of human resources within the Company.

3. Development of Talents

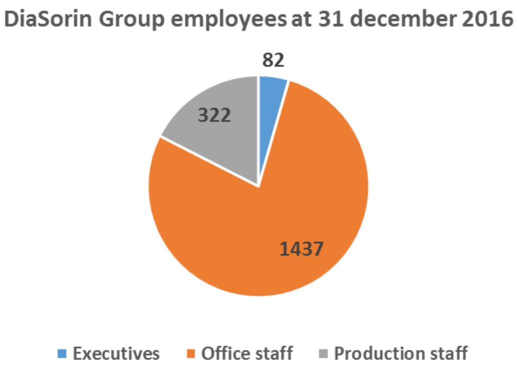
DiaSorin launched individual coaching programs that, starting from talents involved, can promote self-awareness, full professional maturity and personal skill.

In 2016, the Group continued to implement internal communication initiatives to strengthen employees' sense of belonging.

THE GROUP'S HUMAN CAPITAL

At December 31, 2016, the DiaSorin Group had 1,841 employees, up by 11.2% (equal to 186 people) compared with December 31, 2015.

The increase is due to the acquisition of Focus Diagnostics and specific resources invested in the commercial area of some strategic markets and China and Asia.



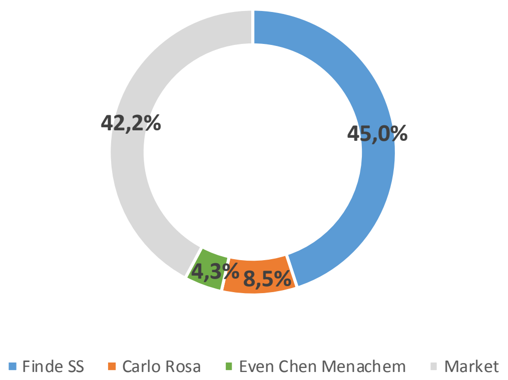
OUR SUSTAINABILITY DRIVERS

In 2016, the Group published its Sustainability Report, available on http://www.diasorin.com, where the company confirms the culture DiaSorin shares within the Group on important issues in terms of economic, environmental and social sustainability.

STOCK OWNERSHIP

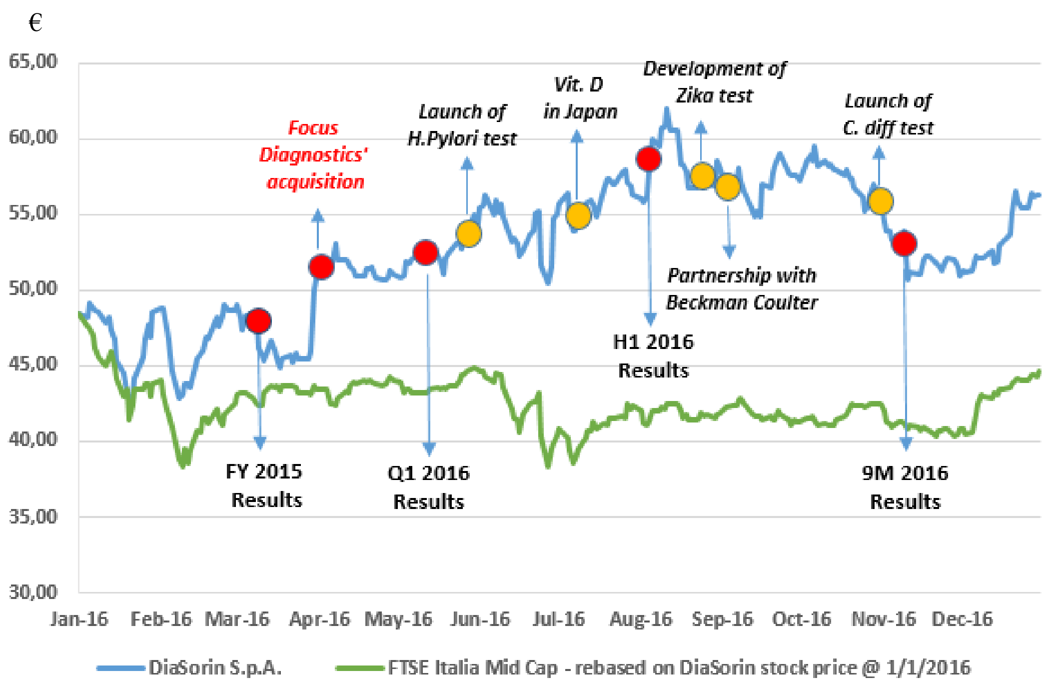
The chart below shows a breakdown of the shareholders of DiaSorin S.p.A., based on information in the Shareholder Register, disclosures received pursuant to law and other available information processed up to December 31, 2016.

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



PERFORMANCE OF THE DIASORIN SHARES IN 2016

In 2016, the DiaSorin stock showed an upward trend, with an increase of +16.1% as against -8% recorded in its reference stock market Index, the FTSE Italia Mid Cap.



FINANCIAL COMMUNICATION AND INVESTOR RELATIONS

In 2016, in order to provide complete and updated information about its objective and the development of its businesses, DiaSorin continued to implement activities to interact and communicate with shareholders, institutional investors, financial analysts and the Italian and International press.

In 2016, the Company met more than 350 analysts and investors in Europe, United States and Canada.

Financial communication is an essential interaction tool, through which DiaSorin can carry out a constant dialog with its stakeholders, in order to provide a clear understanding of corporate developments.

DiaSorin also provides maximum accessibility to any corporate information and ensures utmost transparency involving its stakeholders in corporate decisions also through the Investor Relations section of the company website at www.diasorin.com.

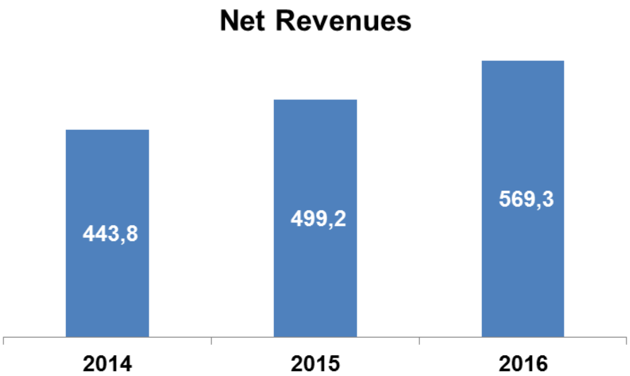
Contact information with the offices responsible for communications and investor relations is provided below:

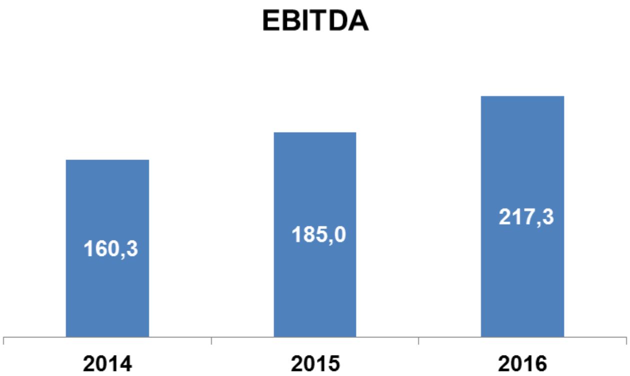
CONTACTS

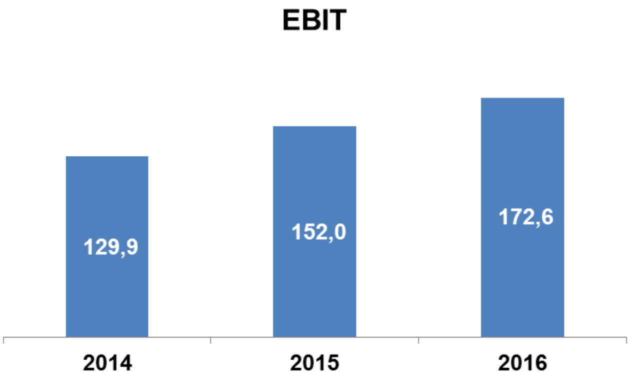
Riccardo Fava
Investor Relations & Corporate Communication Senior Director
Tel: +39 0161/487.988
mail: riccardo.fava@diasorin.it

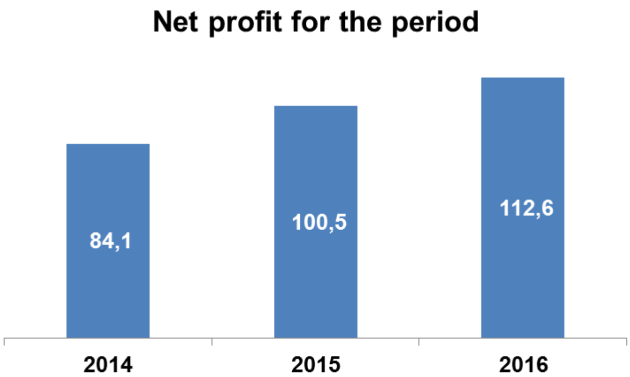
Ines Di Terlizzi
Investor Relator
Tel: +39 0161/487.567
mail: ines.diterlizzi@diasorin.it

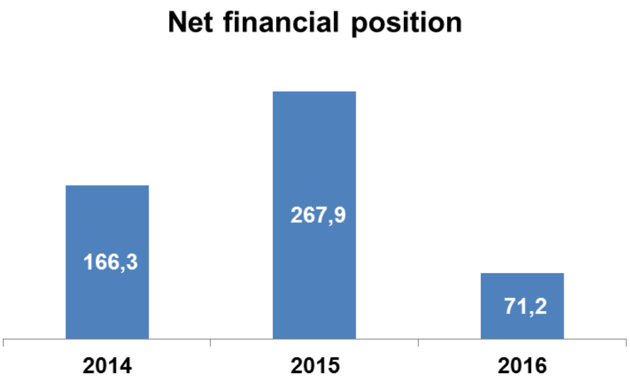
Website: www.diasorin.com

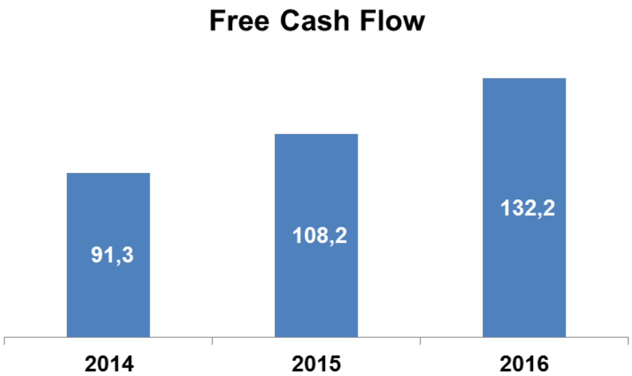

Net Revenues
443,8
499,2
569,3
2014
2015
2016


EBITDA
160,3
185,0
217,3
2014
2015
2016


EBIT
129,9
152,0
172,6
2014
2015
2016


Net profit for the period
84,1
100,5
112,6
2014
2015
2016


Net financial position
166,3
267,9
71,2
2014
2015
2016


Free Cash Flow
91,3
108,2
132,2
2014
2015
2016

CONSOLIDATED FINANCIAL HIGHLIGHTS

Income statement *(in thousands of euros)*	**2016**	**2015**
Net revenues	569,312	499,181
Gross profit	389,152	341,897
EBITDA [(1)]	217,318	184,985
Operating result (EBIT)	172,611	152,001
Net profit for the period	112,618	100,548

Statement of financial position *(in thousands of euros)*	**12/31/2016**	**12/31/2015**
Capital invested in non-current assets	473,235	213,574
Net invested capital	592,224	319,245
Net financial position	71,161	267,913
Shareholders' equity	663,385	587,158

Cash flow statement *(in thousands of euros)*	**2016**	**2015**
Net cash flow for the period	(81,710)	67,323
Free cash flow [(2)]	132,210	108,169
Capital expenditures	37,426	32,048
Number of employees	1,841	1,655

FINANCIAL HIGHLIGHTS OF THE GROUP'S PARENT COMPANY

Income statement *(in thousands of euros)*	**2016**	**2015**
Net revenues	300,014	281,261
Gross profit	141,307	126,028
EBITDA [(1)]	80,411	68,615
Operating result (EBIT)	67,131	56,273
Net profit for the period	60,280	46,004
Statement of financial position *(in thousands of euros)*	**12/31/2016**	**12/31/2015**
Capital invested in non-current assets	254,279	202,839
Net invested capital	308,765	287,456
Net financial position	93,426	102,986
Shareholders' equity	402,191	390,442
Cash flow statement *(in thousands of euros)*	**2016**	**2015**
Net cash flow for the period	(10,861)	14,666
Free cash flow [(2)]	41,742	33,873
Capital expenditures	13,799	12,476
Number of employees	668	650

[(1)] Looking at the data on the Table, the Board of Directors defines EBITDA as the "operating result (EBIT)" before amortization of intangibles and depreciation of property, plant and equipment.
[(2)] Free cash flow is the cash flow from operating activities, counting utilizations for capital expenditures but before interest payments and acquisitions of companies and business operations.

OVERVIEW OF THE GROUP'S PERFORMANCE IN 2016 AND COMPARISON WITH 2015

MACROECONOMIC SCENARIO AND THE FOREIGN EXCHANGE MARKET

In 2016, the global economic growth was stable but still modest and a lack of uniformity was recorded among the different geographical areas.
The U.S. economic growth accelerated in the second half of 2016, while it remained below potential in a number of other advanced economies, especially in the Euro Area. The Chinese economy recorded a stable growth rate compared with 2015, while prospects remained diverse across emerging and developing economies.

In 2017, growth figures are expected to grow, although affected by some elements of uncertainty such as the impact of the economic measures the U.S. announced and the results of the elections in some countries of the Euro Area.

With regards to monetary policy, interest rates should continue to increase in the USA, while monetary policy is likely to continue its accommodative stance in the Euro Area.

In the foreign exchange market, the average exchange rate of the euro gained value against almost all currencies used by the Group compared with al 2015. Specifically:

- Mexican peso +17.3%
- South African rand +14.8%
- British pound +12.9%
- Chinese yuan +5.4%
- Brazilian real +4.2%

The trend of the euro versus the U.S. dollar and the Australian dollar was substantially in line with 2015.
The exchange rate of the euro at December 31, 2016 depreciated by around 3.2 percentage points versus the U.S. dollar compared with December 31, 2015 (decreasing from 1.0887 to 1.0541) and by 20.4% against the Brazilian real and by 14.7% against the South African rand. The euro appreciated vis-à-vis the British pound (around 16.7 percentage points), the Mexican peso (15.1%) and the Chinese yuan (3.7 percentage points).

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	
	2016	2015	12/31/2016	12/31/2015
U.S. dollar	1.1069	1.1095	1.0541	1.0887
Brazilian real	3.8561	3.7004	3.4305	4.3117
British pound	0.8195	0.7258	0.8562	0.7340
Swedish kronor	9.4689	9.3535	9.5525	9.1895
Swiss franc	1.0902	1.0679	1.0739	1.0835
Czech koruna	27.0343	27.2792	27.0210	27.0230
Canadian dollar	1.4659	1.4186	1.4188	1.5116
Mexican peso	20.6673	17.6161	21.7719	18.9145
Israeli shekel	4.2489	4.3122	4.0477	4.2481
Chinese yuan	7.3522	6.9733	7.3202	7.0608
Australian dollar	1.4883	1.4777	1.4596	1.4897
South African rand	16.2645	14.1723	14.4570	16.9530
Norwegian krone	9.2906	8.9496	9.0863	9.6030
Polish Zloty	4.3632	4.1841	4.4103	4.2639

ACQUISITIONS OF COMPANIES AND BUSINESS OPERATIONS

On May 13, 2016, the DiaSorin Group completed the acquisition of Focus Diagnostics' immunodiagnostic and molecular diagnostic products business from Quest Diagnostics, following the binding purchase agreement signed on March 29, 2016. DiaSorin carried out the acquisition also through a newly established US affiliate, DiaSorin Molecular LLC, owned at 100% by DiaSorin Inc.

DiaSorin paid $297.8 million to Quest Diagnostics for all the tangible and intangible assets of Focus used to develop, manufacture and distribute molecular diagnostic and immunoassay ELISA products including, among other, relevant intellectual property, contracts and customer list.

The transaction was carried out mainly through available cash and only partially through a 36-month loan of EUR 60 million the Group's Parent Company received from a main national bank.

Focus Diagnostics, Inc. was a wholly owned company of Quest Diagnostics Incorporated and was founded in 1978. Focus' product lines include the Simplexa™ molecular products, HerpeSelect® HSV serology and the line of IFA and ELISA DxSelect™ assays that will continue to be manufactured from the company's base facility in Cypress, California, USA. Focus Diagnostics has grown its business from specialized laboratory testing to manufacturing its high-quality laboratory tests for hospitals and commercial laboratories worldwide.

As a result of this acquisition, DiaSorin has had access to a new set of molecular products cleared for distribution both in the US and Europe, significantly increasing its presence in the growing market of Infectious Disease molecular testing. From a geographical point of view, DiaSorin will leverage its global commercial infrastructure to help the Focus business expand outside the US. Furthermore, having access to the current Focus customer base in the US, consisting mostly of large hospitals, will allow DiaSorin to speed up the penetration of this market with its current Immunoassay LIAISON® platform.

The Group consolidated revenues from the newly acquired business from the date the transaction was completed. A breakdown of the acquired assets and provisional allocation of the purchase price is provided below:

	in thousands of USD	**Amount in EUR**
Tangible assets	18,378	16,195
Other non-current assets	129	114
Inventories	11,998	10,573
Trade receivables	6,139	5,410
Other current assets	668	589
Trade payables	(2,462)	(2,171)
(a) Total net assets acquired	**34,850**	**30,710**
Concessions, licenses, trademarks and similar rights	50,345	44,365
Development costs	51,797	45,644
Customer relationship	62,670	55,226
(b) Total intangible assets identified (provisionally)	**164,812**	**145,235**
(c) Goodwill (provisionally allocated)	**98,146**	**86,487**
Total amount paid (a + b + c)	**297,808**	**262,432**

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

OVERVIEW OF 2016 FOR THE DIASORIN GROUP

In 2016, the DiaSorin Group's **revenues** totaled **569,312 thousand euros** (499,181 thousand euros in 2015), up by 14% (+6.4% at constant exchange rates and scope of consolidation) compared with 2015. Revenues include sales of Focus products equal to 44,403 thousand euros. The foreign exchange rates had a negative impact on revenues, equal to 6.1 million euros, mainly due to the devaluation of the Chinese yuan, Mexican peso, British pound and Brazilian real.

The 2016 reporting year was characterized by the outstanding performance of CLIA technology, net of Vitamin D, up by 11.3% (+13.1% at constant exchange rates). Vitamin D sales showed a decline (-2.8% at current exchange rates, -2.6% at constant exchange rates); lastly, sales of instruments, consumables and other revenues grew by 8.9% (+11.1% at constant exchange rates).

At the end of 2016, the **gross profit** totaled **389,152 thousand euros**, up 13.8% compared with 341,897 thousand euros in 2015. The ratio of gross profit to revenues decreased from 68.5% in 2015 to 68.4% in 2016. This change was mainly due to different sales mix (geography and product) and the different scope of consolidation of the periods under comparison.

In 2016, **EBITDA** amounted to **217,318 thousand euros** (184,985 thousand euros in 2015), up by 17.5% or 32,333 thousand euros compared with 2015, and equal to 38.2% of revenues (37.1% of revenues in 2015). When excluding the exchange rates impact and on a comparable scope of consolidation, EBITDA grew by 9.7% in absolute value compared with 2015, with an incidence to revenues equal to 38.2 percentage points.

EBIT totaled **172,611 thousand euros** (152,001 thousand euros in 2015), equal to 30.3% of revenues, down 0.2 percentage points compared with 2015; the dilutive effect is entirely due to the amortization of intangible assets acquired from Focus Diagnostics, whose impact is equal to 1.4% of revenues.

In 2016, **net financial expense** amounted to **4,415 thousand euros**, compared with net financial expense of 1,899 thousand euros in the previous year; this change is due to the impact of exchange rates on financial balances and higher charges associated with financial liabilities.

Income taxes amounted to **55,578 thousand euros**, compared with 49,554 thousand euros in 2015. The tax rate amounted to 33.0% (unchanged compared with 2015). When excluding the depreciation of deferred tax assets resulting from a lower tax rate in Italy and taxes paid in the previous years, normalized tax rate is equal to 32.0%. This decrease, when compared with 2015, is the result of the computation of the Group's taxable profits across the different geographical areas in the periods under comparison.

The **net profit** totaled **112,618 thousand euros**, up by 12,070 thousand euros or 12.0% compared with 2015. The net profit was equal to 19.8% of revenues (20.1% of revenues in 2015).

REVIEW OF THE GROUP'S OPERATING PERFORMANCE AND FINANCIAL POSITION

FOREWORD

The 2016 separate financial statements were prepared in accordance with the international accounting principles ("IFRS"), as published by the International Accounting Standards Board ("IASB") and officially approved by the European Union, and are consistent with the regulations enacted to implement Article 9 of Legislative Decree No. 38/2005.

OPERATING PERFORMANCE IN 2016 AND COMPARISON WITH 2015

(in thousands of euros)	**2016**	**as % of revenues**	**2015**	**as % of revenues**
Net revenues	569,312	100.0%	499,181	100.0%
Cost of sales	(180,160)	31.6%	(157,284)	31.5%
Gross profit	**389,152**	**68.4%**	**341,897**	**68.5%**
Sales and marketing expenses	(109,469)	19.2%	(98,047)	19.6%
Research and development costs	(37,718)	6.6%	(26,158)	5.2%
General and administrative expenses	(60,039)	10.5%	(55,494)	11.1%
Total operating expenses	**(207,226)**	**36.4%**	**(179,699)**	**36.0%**
Other operating income (expenses)	(9,315)	1.6%	(10,197)	2.0%
Non-recurring amount	*(5,426)*	*1.0%*	*(2,108)*	*0.4%*
EBIT	**172,611**	**30.3%**	**152,001**	**30.5%**
Financial income (expense)	(4,415)	0.8%	(1,899)	0.4%
Result before taxes	**168,196**	**29.5%**	**150,102**	**30.1%**
Income taxes	(55,578)	9.8%	(49,554)	9.9%
Net result	**112,618**	**19.8%**	**100,548**	**20.1%**
***EBITDA* [(1)]**	**217,318**	**38.2%**	**184,985**	**37.1%**

(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 operating performance, are not recognized as an accounting tool in the IFRSs and, consequently, should not be viewed as an alternative gauge to assess the Group's operating performance. Because the composition of EBITDA is not governed by the reference accounting principles, the computation criterion used by the Group could be different from the criterion used by other operators and/or groups and, consequently, may not be comparable.

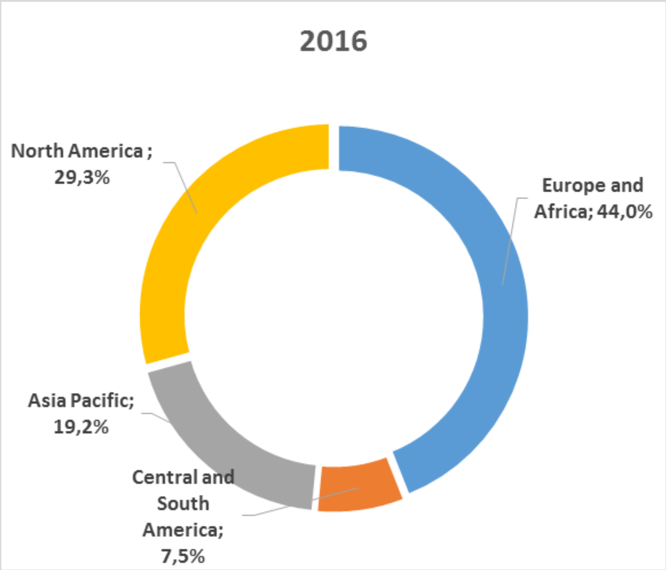
Net revenues

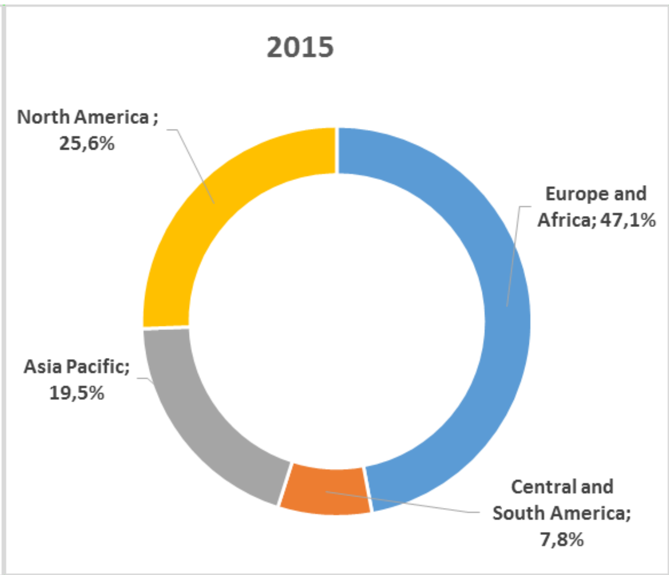
In 2016, the DiaSorin Group generated **revenues** equal to **569,312 thousand euros** (499,181 thousand euros in 2015). A breakdown of revenues by geographic region of destination is as follows:

Breakdown of revenues by geographic region

(in thousands of euros)	**2016**	**2016 Restated***	**2015**	**% Change at current exchange rates**	**% Change at constant exchange rates**
Europe and Africa	250,542	246,007	235,333	4.5%	5.1%
North America	166,880	129,353	127,783	1.2%	1.1%
Asia Pacific	109,331	107,531	97,361	10.4%	13.3%
Central and South America	42,559	42,018	38,704	8.6%	13.9%
Total at constant scope	**569,312**	**524,909**	**499,181**	**5.2%**	**6.4%**
Focus	-	44,403	-	*n.a.*	
Grand total	**569,312**	**569,312**	**499,181**	**14.0%**	

(*) In the tables above, Focus business revenues for 2016 are not allocated to geographic region so as to allow an easier comparison with 2015.





Comments below about net revenues do not include revenues generated from Focus business, equal to 44,403 thousand euros.

Europe and Africa

Europe and Africa sales region generated sales equal to 246,007 thousand euros, up 4.5 percentage points (+5.1% at constant exchange rates) compared with 2015. In detail:

i) Revenues decreased by 4.1 percentage points in Italy compared with last year (local market decreased by 7.5%)[1], with a decline in sales of Tumor Markers, Thyroid tests, Bone Metabolism and Vitamin D. Upward trend in sales of Stool Testing, Hepatitis, Infectious Diseases, PCT and 1,25 Vitamin D;

[1] EDMA latest data available

ii) growth of 6.1% in the German market compared with 2015, mainly as a result of the good performance of 1,25 Vitamin D, Stool Testing, Infectious Diseases panel and Prenatal Diseases. Thanks to the upward trend recorded in these product lines, CLIA tests, net of Vitamin D, grew by 9.5 percentage points compared with 2015;

iii) good performance recorded in the French market, up 5.2% compared with 2015, due to CLIA products, net of Vitamin D, up 12.4%. This trend is even more relevant when compared to a declining local market (-0.3%)[1].

North America

In 2016, the North America sales region reported revenues of 129,353 thousand euros, up 1.2% (+1.1% at constant exchange rates) as against revenues of 127,783 thousand euros in 2015. This upward trend, fully driven by the US market, is attributable to the good performance of CLIA products and specifically 1,25 Vitamin D, Infectious Diseases, Endocrinology and Prenatal Screening panels. Conversely, Vitamin D sales decreased by 3.5% at constant exchange rates.

Asia Pacific

In 2016, revenues of the Asia Pacific sales region amounted to 107,531 thousand euros, up 10.4% (+13.3% at constant exchange rates) compared with 2015.

The change (at constant exchange rates) is the net result of:

i) upward trend in sales generated from the Chinese market, with a growth of 31.4% compared with 2015, due to the good performance of CLIA products (Hepatitis, Prenatal Diseases, Tumor Markers, Thyroid and Infectious Diseases tests) and Murex products;

ii) decline in sales generated from markets where the Group does not have a direct presence (-6.9% at current exchange rates or -7.0% at constant exchange rates): downward trend in Elisa and Ria sales, partially offset by the good performance of CLIA tests.

Central and South America

In 2016, the Latin American sales region recorded revenues of 42,018 thousand euros, up 8.6 percentage points (+13.9% at constant exchange rates) compared with 38,704 thousand euros in 2015.

The increase at constant exchange rates is the net result of:

i) increased sales in the Brazilian market, up by 6.2 percentage points compared with 2015. Noteworthy is the positive performance of CLIA products, net of Vitamin D, up 22.3%, due to the 1,25 Vitamin D, Hepatitis, Infectious Diseases, Endocrinology test panels;

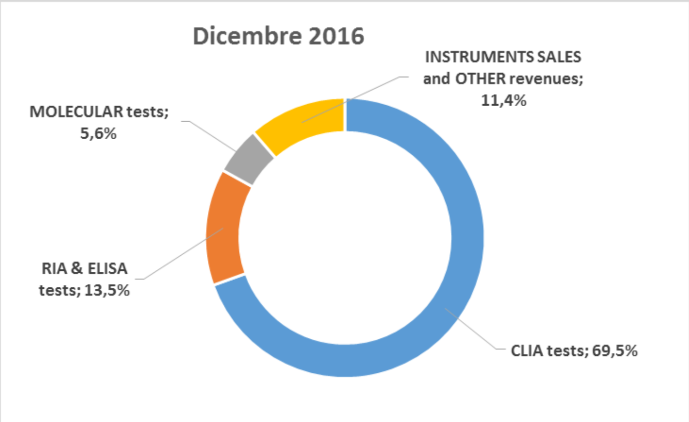
ii) sales generated from the Mexican subsidiary, up 23.6% compared with 2015, driven by revenues generated from Murex products and Hepatitis, Infectious Diseases and Prenatal Screening panels;

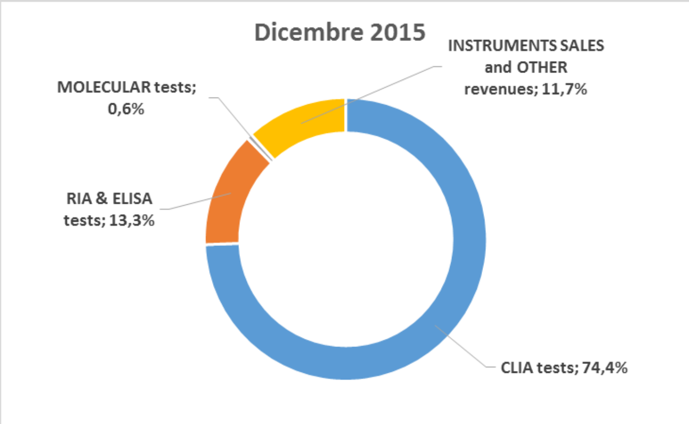
iii) increase in sales generated from distributors as a result of the positive trend both in reagent and instruments sales (+17.9% at constant exchange rates).

Breakdown of revenues by technology and installed base

	2016	2016 Restated*	2016 at constant scope of consolidation	2015
CLIA Tests	69.5%	69.5%	75.4%	74.4%
RIA & ELISA Tests	13.5%	11.0%	11.9%	13.3%
MOLECULAR Tests	5.6%	0.5%	0.6%	0.6%
INSTRUMENT and OTHER SALES	11.4%	11.2%	12.1%	11.7%
FOCUS		7.8%		
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(*) In the tables above, Focus business revenues for 2016 are not allocated to technology so as to allow an easier comparison with 2015.





Comments below about net revenues do not include revenues generated from Focus business.

In 2016, CLIA sales account for 75.4% of the Group's total revenues, as a result of the strong performance of CLIA products, ex Vitamin D.
Steady decline of the contribution provided by RIA and ELISA sales, accounting for around 11.9% of the Group's total revenues. Instruments Sales and Other Revenues amounted to 12.1% of the Group's total revenues.

Lastly, as to the installed base trend, net placements amounted to 526 instruments, for a total of 6,862 installed units. LIAISON XL new installations were equal to 571.

Operating performance

At the end of 2016, the gross profit totaled 389,152 thousand euros, up 13.8% compared with 341,897 thousand euros in 2015; the ratio of gross profit to revenues decreased from 68.5% in 2015 to 68.4% in 2016. This change was mainly due to different sales mix (geography and product) and the different scope of consolidation of the periods under comparison.

Operating expenses totaled 207,226 thousand euros, up 15.3 percentage points compared with the previous year. The ratio of operating expenses to total revenues increased from 36.0% to 36.4%. The 2016 reporting year includes 8,005 thousand euros in amortizations related to intangible assets deriving from the recent acquisition. Net of these amortizations, the ratio of operating expenses decreased by 1 percentage points.

Specifically, sales and marketing expenses, amounting to 109,469 thousand euros, increased by 11,422 thousand euros or 11.6% as against 98,047 thousand euros in 2015. This item consists mainly of costs associated with sale force and costs incurred to launch new products, in addition to costs of the technical support offered together with the Group-owned equipment provided to customers under gratuitous loan contracts. The growth in these expenses, in addition to the increase in the sales volume, is due to the change in the scope of consolidation following the recent acquisition and amortization of intangible assets. The ratio to total revenues decreased to 19.2% from 19.6% in 2015.

Research and development costs, equal to 37,718 thousand euros increased by 11,560 thousand euros or 44.2% compared with 26.158 thousand euros in 2015, mainly as a result of the change in the scope of consolidation and amortization of intangible assets. Their ratio to total revenues was equal to 6.6 percentage points as against 5.2 percentage points in 2015.

General and administrative expenses increased by 8.2 % and amounted to 60.039 thousand euros: their ratio to total revenues was equal to 10.5 percentage points (down compared with 11.1% in 2015).

Other operating expenses, equal to 9,315 thousand euros (10,197 thousand euros in 2015), include 5,426 thousand euros in non-recurring expenses relating to the acquisition completed in the first six months of 2016 and extraordinary consultancy expenses to make the Group's supply chain processes more efficient as well as an extraordinary reorganization of some business functions in Italy.

In 2016, EBITDA amounted to 217,318 thousand euros (184,985 thousand euros in 2015), up by 17.5% or 32,333 thousand euros compared with 2015, and equal to 38.2% of revenues (37.1% of revenues in 2015). When excluding the exchange rates impact and on a comparable scope of consolidation, EBITDA grew by 9.7% in absolute value compared with 2015, with an incidence to revenues equal to 38.2 percentage points.

EBIT totaled 172,611 thousand euros (152,001 thousand euros in 2015), equal to 30.3% of revenues, down 0.2 percentage points compared with 2015.

Financial income and expense

In 2016, net financial expense amounted to 4,415 thousand euros, compared with net financial expense of 1,899 thousand euros in the previous year.

Interest expense and other financial expense amounted to 2,453 thousand euros (1,189 thousand euros in 2015). The increase is due to the financial transactions related to Focus acquisition.

The exchange differences on financial items, which were negative by 1,217 thousand euros (negative by 402 thousand euros in 2015) related to income from changes in subsidiaries' financial balances that use currencies different from the Group's Parent Company currency.

This item includes fees on factoring transactions equal to 652 thousand euros (1,093 thousand euros in 2015), collection of interests accrued on past-due position amounting to 764 thousand euros (1,039 thousand euros in 2015) and 307 thousand euros in interests accrued on bank deposits (739 thousand euros in 2015).

Profit before taxes and net profit

The 2016 reporting year ended with a result before taxes of 168,196 thousand euros, up by 12.1% compared with 150,102 thousand euros in 2015, equal to 29.5% of revenues (30.1% in 2015).
Income taxes amounted to 55,578 thousand euros, compared with 49,554 thousand euros in 2015. The tax rate amounted to 33.0% (unchanged compared with 2015). The 2016 reporting year was negatively affected by income taxes related to previous year amounting to 1,556

thousand euros and by write-down of deferred tax assets following a reduction in the income tax rate in Italy. Excluding these effects, the tax rate is equal to 32.0%, mainly as a result of the computation of the Group's taxable profit across the different geographic areas.

Finally, the consolidated net profit totaled 112,618 thousand euros, up 12.0% compared with 100,548 thousand euros in 2015, equal to 19.8% of revenues, down from 20.1% of revenues in 2015 for the combined effect of the abovementioned elements.

STATEMENT OF FINANCIAL POSITION OF THE GROUP AT DECEMBER 31, 2016

In relation to the Group's statement of financial position, the scope of consolidation changed compared with December 31, 2015, as a result of the acquisition of Focus Diagnostics immunodiagnostic and molecular diagnostic products business. The process of assessing the acquired assets has not yet been completed. Further details are provided in the notes to the Financial Statements (paragraph "Business combinations").

A statement of financial position of the Group at December 31, 2016 is provided below:

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Goodwill and intangible assets	357,086	117,906
Total property, plant and equipment	92,134	74,493
Other non-current assets	24,015	21,175
Net working capital	165,046	143,979
Other non-current liabilities	(46,057)	(38,308)
Net invested capital	**592,224**	**319,245**
Net financial position	**71,161**	**267,913**
Total Shareholders' equity	**663,385**	**587,158**

Non-current assets increased to 473,235 thousand euros at December 31, 2016 compared with 213,574 thousand euros at December 31, 2015, as a result of tangible assets acquired and intangible assets provisionally attributed to the Focus acquisition.

Non-current liabilities amounting to 46,057 thousand euros, up by 7,749 thousand euros compared with December 31, 2015, include employees benefits and provisions for risks and charges.

A breakdown of net working capital is provided below:

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Trade receivables	120,261	105,609
Inventory	128,870	106,193
Trade payables	(47,674)	(40,775)
Other current assets/liabilities [(1)]	(36,411)	(27,048)
Net working capital	**165,046**	**143,979**

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

In 2016, net working capital increased by 21,067 thousand euros, mainly as a result of a change in the scope of consolidation.

At constant scope, net working capital increased by 2.2 million euros, following an increase in inventory and trade payables.
Trade receivables increased by 3,568 thousand euros compared with December 31, 2015 (excluding the contribution of the new business) following a growth in revenues in the last three months of 2016.

At December 31, 2016, the **net consolidated financial position** was **positive by 71,161 thousand euros,** following the financial outlay for the Focus acquisition. Further details are provided in the section on consolidated statement of cash flow.

A condensed net financial position schedule is shown below:

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Cash and cash equivalents	130,468	212,178
Liquid assets (a)	**130,468**	**212,178**
Other current financial assets (b)	**-**	**58,179**
Current bank debt	(26,512)	(2,300)
Derivatives financial instruments	(5,502)	(144)
Current financial liabilities (c)	**(32,014)**	**(2,444)**
Net current financial assets (d)=(a)+(b)+(c)	**98,454**	**267,913**
Non-current bank debt	(23,888)	-
Derivatives financial instruments	(3,405)	-
Non-current financial liabilities (e)	**(27,293)**	**-**
Net financial position (f)=(d)+(e)	**71,161**	**267,913**

At December 31, 2016 **shareholders' equity** amounting to **663,385 thousand euros** (587,158 **thousand euros** at December 31, 2015) include n. 1,189,950 treasury shares, equal to 2.13% of the share capital, valued at 38,025 thousand euros, following:

- the purchase of 250,000 Company common shares for the 2016 Stock Option Plan at an average price of 54,2843 euros, totaling 13,571 thousand euros;
- exercise of 30,000 options relating to the 2010 Stock Option Plan at an average price of 24,8928, leading to a consequent reduction in treasury shares equal to 1,005 thousand euros.

The table below shows a reconciliation of the net result and shareholders' equity of the Group's Parent Company to the corresponding consolidated data at December 31, 2016:

(in thousands of euros)	**Net result in 2016**	**Shareholders' equity at 12/31/2016**
Amount in the financial statements of the Parent Company DiaSorin S.p.A	**60,280**	**402,191**
Difference between the carrying amount of equity investments and the value of the underlying shareholders' equity	-	278,042
Profits/(Losses) of consolidated companies	69,739	-
Elimination of unrealized intra-Group profits, net of the applicable tax effect	(3,653)	(16,848)
Elimination of intra-Group dividends	(13,748)	-
Amount in the consolidated financial statements	**112,618**	**663,385**

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 with 2015, is provided below:

(in thousands of euros)	**2016**	**2015**
Cash and cash equivalents at beginning of period	**212,178**	**144,855**
Net cash from operating activities	165,597	138,449
Cash used for investing activities	(34,884)	(30,481)
Cash used from/(for) financing activities	(5,864)	(8,159)
Acquisitions of subsidiaries and business operations	(263,587)	(2,486)
Change in net cash before investments in financial assets	***(138,738)***	***97,323***
Investments in financial assets	57,028	(30,000)
Change in net cash	***(81,710)***	***67,323***
Cash and cash equivalents at end of period	**130,468**	**212,178**

At December 31, 2016, available **liquid assets** held by the Group totaled **130,468 thousand euros**, down by 81,710 thousand euros compared with December 31, 2015, mainly as a result of the acquisition of the Focus business carried out on May 13, 2016. The acquisition entailed the payment of 262,432 thousand euros, fully paid.

The cash flow from operating activities increased to 165,597 thousand euros from 138,449 thousand euros in 2015, resulting from the growth in the operating result offset by a downward trend in working capital compared with 2015. Tax payments amounted to 51,534 thousand euros (51,923 thousand euros in 2015), consisting mainly of the Group's Parent Company and US and German subsidiaries' income taxes.

Net cash used in investing activities totaled 34,884 thousand euros compared with 30,481 thousand euros in 2015. In addition, development costs of 5,190 thousand euros were capitalized in 2016, compared with 1,577 thousand euros in 2015.
Capital expenditures for medical equipment amounted to 18,830 thousand euros (19,374 thousand euro in 2015).

In 2016, the **free cash flow** increased to **132,210 thousand euros** from 24,041 thousand euros in 2015.

The net cash for financing activities totaled 5,864 thousand euros, compared with 8,159 thousand euros in 2015. Furthermore, the Group's Parent Company was granted a loan from a main national bank to finance a portion of the acquisition of Focus business operation (equal to 60 million euros) and the repayment made as per reimbursement plan (12 million euros), the purchase of treasury shares for the 2016 stock Option Plan, amounting to 13,571 thousand euros (sale of treasury shares equal to 17,949 thousand euros in 2015), and distribution of dividends for a total of 35,719 thousand euros (32,936 thousand euros in 2015).

Lastly, in 2016, term deposits exceeding three months opened in 2015 by the Group's Parent Company (amounting to EUR 30 million) and by the US subsidiary (USD 30 million) reached their maturity date, while 2015 investments include a EUR 30 million deposit opened by the Group's Parent Company.

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

Consistent with Consob Communication No. DEM/6064296 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.

Non-recurring material extraordinary events and transactions occurred in the first half of 2016 include the acquisition of Focus Diagnostics immunodiagnostic and molecular diagnostic product business from Quest Diagnostics, whose impact on the Company's financial position is fully described in the paragraph "Acquisitions of companies and business operations" of this Report.

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

Risks related to general economic conditions

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

In the vast majority of the markets where the Group operates, the products distributed by the DiaSorin Group are part of basic medical care coverage, which, generally, is funded by national health services. In 2016, as was the case in the last years, some countries where the Group operates questioned costs of welfare system, in which health care has a central role. This phenomenon can lead to increase pressure to reduce refunds for medical care and, in some cases, the volume of laboratory tests ordered by physicians.

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

Risks related to the Group's international presence and expansion

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

Risks related to funding requirements

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

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

Credit Risk

In some countries, Italy and Spain in particular, the Company's and the Group's liquidity is constrained by the limited funding ability of the national health system and, as a result, the actual time to collection is significantly longer than the contractual payment terms. In order to compensate for this difference between contractual and actual payment terms, the Group enters in Italy into factoring transactions, assigning the corresponding receivables without recourse.

Risks related to fluctuations in foreign exchange and interest rates

The Group operates in countries and markets where the reporting currency is not the euro and, consequently, it is exposed to the risk related to fluctuation in foreign exchange rates. The main currencies exposing the Group to risk of fluctuations in exchange rates are the US Dollar (accounting for about 34% of revenues in 2016), the Chinese yuan (accounting for about 9% of revenues in 2016), and the Brazilian real (accounting for about 3% of revenues in 2016). Future fluctuations of the euro versus other currencies could have a positive/negative impact on the income statement, balance sheet and financial position of the Company and the Group.

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

Commercial risk

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

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2016 AND BUSINESS OUTLOOK

In view of the Group's operating performance after December 31, 2016 and taking into account possible evolutions of the global macroeconomic scenario and the diagnostic sector in particular, management believes that in 2017, including the Focus business, DiaSorin will succeed in reporting:

- Revenues: growth equal to +11% at CER compared with 2016;
- EBITDA: growth equal to +11% at CER compared with 2016.

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

FOREWORD

The 2016 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 2016 AND 2015

(in thousands of euros)	**2016**	**as a % of revenues**	**2015**	**as a% of revenues**
Net revenues	300,014	100.0%	281,261	100.0%
Cost of sales	(158,707)	52.9%	(155,233)	55.2%
Gross profit	**141,307**	**47.1%**	**126,028**	**44.8%**
Sales and marketing expenses	(27,877)	9.3%	(28,655)	10.2%
Research and development costs	(14,547)	4.8%	(13,295)	4.7%
General and administrative expenses	(28,455)	9.5%	(26,761)	9.5%
Total operating expenses	**(70,879)**	**23.6%**	**(68,711)**	**24.4%**
Other operating income (expenses)	(3,297)	1.1%	(1,044)	0.4%
Non-recurring amount	*(2,225)*	*0.7%*	*(945)*	*0.3%*
EBIT	**67,131**	**22.4%**	**56,273**	**20.0%**
Financial income (expense)	15,027	5.0%	6,089	2.2%
Result before taxes	**82,158**	27.4%	**62,362**	22.2%
Income taxes	(21,878)	7.3%	(16,358)	5.8%
Result for the year	**60,280**	**20.1%**	**46,004**	**16.4%**
EBITDA	**80,411**	**26.8%**	**68,615**	**24.4%**

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

Net revenues

In 2016, the Group's Parent Company reported **net revenues** of **300,014 thousand euros** (281,261 thousand euros in 2015), up by 6.7% compared with 2015. The strongest impulse to growth came from increased sales to subsidiaries (+12.3%) together with revenues from third customers (+5.3%). The following table provides a breakdown of the Group's Parent Company's revenues by geographic region of destination.

Breakdown of revenues by geographic region

(in thousands of euros)	**2016**	**2015**	**Change %**
Revenues from third customers – Italy	**67,871**	**70,984**	**-4.4%**
Revenues from third customers – international	**58,665**	**55,731**	**5.3%**
Asia Pacific	28,441	29,349	-3.1%
Europe and Africa	17,386	15,193	14.4%
Central and South America	12,838	11,189	14.7%
Intercompany revenues	**173,478**	**154,546**	**12.3%**
Europe and Africa	86,746	79,013	9.8%
Asia Pacific	46,136	33,962	35.8%
North America	28,626	30,978	-7.6%
Central and South America	11,970	10,593	13.0%
Total	**300,014**	**281,261**	**6.7%**

In 2016, the Group's Parent Company's **revenues from third-party customers amounted to 67,871 thousand euros** in the Italian market, with a decrease of 3,113 thousand euros or -4.4 percentage points. This downward trend is modest compared with the local market trend (-7.5%[2]), and the decrease is mainly attributable to sales of Tumor Markers and Thyroid tests and to shrinking RIA and ELISA sales providing a marginal contribution to the domestic market. This downward trend is partially offset by increased sales of PCT, Stool testing, Hepatitis panel and 1,25 Vitamin D.

Third-party revenues from international customers amounted to **58,665 thousand euros**, up by 2,934 thousand euros, equal to 5.3% compared with 2015. In 2016, the Central and South America market made the strongest contribution to the sales growth (+14.7%), followed by Europe and Africa market (+14.4%). Conversely, sales growth slowed down in Asia Pacific, as a result of a decline in sales to Southern and Western Asia where demands significantly increased in 2015.

Intercompany Revenues, equal to **173,478 thousand euros**, had a significant increase (18,932 thousand euros or +12.3%) compared with 2015. Particularly:

i) steady growth amounting to 12,174 thousand euros or +35.8% in Asian markets, driven by strong results of the Chinese subsidiary for all CLIA sales and MUREX line;

ii) decline of 7.6% in sales generated in North America, primarily due to the downward trend in instrument sales, since placements in 2015 had been strongly influenced by the new contract with Quest. Infectious Diseases and Prenatal Screening sales confirm a year-over-year growth;

[2] EDMA latest data available

iii) growth in the European markets, equal to 7,733 thousand euros (+9,8%), mainly in Germany, France, United Kingdom, and Poland, which has been among the last to benefit from the establishment of the Group's subsidiary;

iv) increased sales in Central and South America (+13%), due both to increased sales to the Mexican subsidiary (+17.5%), and to the recovery of the Brazilian market (+9.9%).

Breakdown of revenues by technology

% of revenues contributed	**2016**	**2015**
CLIA Tests	68.6%	66.7%
RIA & ELISA Tests	9.2%	9.7%
MOLECULAR Tests	0.0%	0.0%
INSTRUMENT SALES AND OTHER REVENUES	22.0%	23.6%
FOCUS	0.2%	0.0%
Total	**100.0%**	**100.0%**

Revenues by technology have been characterized by a growth of 9.2% in CLIA sales which led to an increase in the percentage on total revenues (68.6%). Steady success of LIAISON XL, and particularly: Vitamin D 1,25, TORCH, Infectious Diseases, Hepatitis and Stool testing panels.

Finally, it should be noted the increasing number of LIAISON XL automated analyzer's installed base on the Group's Parent Company's domestic market, equal to 59 units compared with 2015. At December 31, 2016, the overall installed base totaled 937 analyzers, out of which 411 LIAISON XL.

Operating result

The gross profit totaled 141,307 thousand euros, up by 12.1% compared with 126,028 thousand euros in 2015; the ratio of gross profit to revenues was equal to 47.1%, up by 2.3% compared with 2015. This trend is the result of the optimization of industrial processes following increased production volumes.

Operating expenses increased to 70,879 thousand euros. Despite the increase of 2,168 thousand euros, their ratio to revenues decreased from 24.4% to 23.6% in 2015.

Other operating expenses equal to 3,297 thousand euros include translation adjustment on commercial items (positive by 942 thousand euros in 2016, negative by 664 thousand euros in 2015) and 4,218 thousand euros in additions to the allowances for doubtful accounts (1,503 thousand euros in 2015). Significant items include, as was the case in 2015, risk provisions related to the pay-back mechanism to medical devices. Since in 2016 no new update has emerged, nor implementing decrees have been published to specify how to compute the pay-back measure, the Company carried out the best possible estimate increasing risk provisions to 3,000 thousand euros.

Non-recurring expenses amounted to 2,225 thousand euros compared with 945 thousand euros in 2015 for the acquisition completed in the first six months of 2016 and extraordinary consultancy expenses to make the Group's supply chain processes more efficient as well as an extraordinary reorganization of some business functions.

In 2016, EBITDA totaled 80,411 thousand euros, up 17.2% as against 68,615 thousand euros in 2015 and equal to 26.8% of revenues (24.4% of revenues in 2015), up 2.4 percentage points as a result of greater production efficiency and lower operating expenses.

EBIT amounted to 67,131 thousand euros, up 10,858 thousand euros compared with 2015 (+19.3%), and equal to 22.4% of revenues, up 2.4 percentage points compared with 2015.

Financial performance

In 2016, net financial income amounted to 15,027 thousand euros compared with 6,089 thousand euros in 2015. In 2015, in order to adjust the carrying value of equity investments to their recoverable value based on expected cash flows, the equity investments held in DiaSorin Brazil was written down for 7,670 thousand euros while the carrying value of the investment held in DiaSorin Iberia increased by 1,736 thousand euros.
Dividend received from subsidiaries increased to 13,749 thousand euros in 2016 from 12,217 thousand euros in 2015.

Fees on factoring transactions drop to 652 thousand euros (1,093 thousand euros in 2015), the collection of interests accrued on past-due position totaled 694 thousand euros (986 thousand euros in 2015) and interest accrued on bank accounts were equal to Euro 105 thousand euros (339 thousand euros in 2015).

In 2016, net financial expense relating to the loan to acquire Focus amounted to 584 thousand euros. In this respect interest income includes 2,978 thousand euros for intercompany financing disbursed to the U.S. subsidiary.

Net interest income equal to 292 thousand euros (569 thousand euros in 2015) from Group companies are generated from cash pooling and loans provided to subsidiaries.

Foreign exchange differences on other financial balances, which were negative by 732 thousand euros (negative by 911 thousand euros in 2015) include a negative amount of 1,934 thousand euros for the closure of hedging instruments (expense of 1,513 thousand euros in 2015). Positive exchange differences were, instead, on intercompany financing facilities and bank accounts (totaling per 1,437 thousand euros in 2016 (positive by 602 thousand euros in 2015).

Profit before taxes and net profit

In 2016, the Parent Company’s profit before taxes amounted to 82,158 thousand euros, up 27.4% compared with 62,362 thousand euros in 2015, mainly as a result of the operating profit and, to a lesser extent, of higher financial income. Profit before taxes was equal to 27.4% of revenues, up 5.2 percentage points (22.2% in 2015).

The income tax liability for 2016 amounted to 21,878 thousand euros, compared with 16,358 thousand euros in 2015. The tax rate increased to 26.6% from 26.2% in 2015 as a result of the recalculation of deferred taxes stemming from the adjustment of tax rates beginning from 2017 (272 thousand euros) and taxes paid in the previous years for an amount equal to 1,419 thousand euros. Net of these effects, the tax rate was lower and equal to 24.6%.

Lastly, the net profit amounted to 60,280 thousand euros, up 31% as against a net profit of 46,004 thousand euros in 2015, equal to 20.1% of revenues (16.4% in 2015) deriving from the combined effect commented above.

STATEMENT OF FINANCIAL POSITION OF THE GROUP'S PARENT COMPANY AT DECEMBER 31, 2016

The table below shows a breakdown of the financial position of the Group's Parent Company at December 31, 2016:

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Total intangible assets	76,274	59,995
Total property, plant and equipment	30,156	30,027
Equity investments	100,737	100,246
Other non-current assets	5,096	4,836
Net working capital	108,946	100,239
Other non-current liabilities	(12,444)	(7,887)
Net invested capital	**308,765**	**287,456**
Net financial position	**93,426**	**102,986**
Shareholders' equity	**402,191**	**390,442**

Non-current assets increased to 212,263 thousand euros (195,150 thousand euros at December 31, 2015), as a result of tangible assets acquired and intangible assets provisionally attributed to the Focus business acquisition.

Non-current liabilities amounting to 12,444 thousand euros, up by 4,557 thousand euros at December 31, 2015, include employees benefits and provisions for risks and charges.

A breakdown of net working capital is provided below:

(in thousands of euros)	**12/31/2016**	**12/31/2015**	**Change**
Trade receivables	91,042	77,044	13,998
Inventories	74,534	71,005	3,529
Trade payables	(43,337)	(37,100)	(6,237)
Other current assets/liabilities (1)	(13,293)	(10,710)	(2,583)
Net working capital	**108,946**	**100,239**	**8,707**

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

Net working capital increased by 8,707 thousand euros in 2016.
The increase of 3,529 thousand euros, equal to 5%, in inventories compared with December 31, 2015 is due to the growth in manufacturing volumes to support higher revenues, the purchase of raw materials used in strategic projects and the creation of a stock of Focus products and instruments.
Trade receivables increased by 13,998 thousand euros following the growth in revenues. Specifically, receivables from Group companies, amounting to 16,204 thousand euros are partially offset by improved terms of payment and management in the domestic market.
Trade payables increased by 6,237 thousand euros compared with December 31, 2015 (including 2,833 thousand euros for liabilities owed to Group companies).

At December 31, 2016, the Parent Company’s **net financial position** was **positive by 93,426 thousand euros**, down by 9,560 thousand euros compared with December 31, 2015, following the Focus acquisition. Further details are provided in the section on consolidated statement of cash flow of DiaSorin S.p.A.

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

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Cash and cash equivalents	71,838	82,699
Liquid assets (a)	**71,838**	**82,699**
Other current financial assets	-	30,000
Current financial receivables owed by Group companies	62,260	6,371
Other current financial assets (b)	**62,260**	**36,371**
Current bank debt	(23,888)	(213)
Derivatives financial instruments	(5,502)	(144)
Current financial liabilities owed to Group companies	(26,005)	(23,462)
Current financial liabilities (c)	**(55,395)**	**(23,819)**
Net current financial assets (d)=(a)+(b)+(c)	**78,703**	**95,251**
Non-current financial receivables owed by Group companies	42,016	7,735
Other non-current financial receivables (e)	**42,016**	**7,735**
Non-current bank debt	(23,888)	-
Derivatives financial instruments	(3,405)	
Non-current financial liabilities (f)	**(27,293)**	**-**
Net non-current financial assets (g)=(e)+(f)	**14,723**	**7,735**
Net financial position (h)=(d)+(g)	**93,426**	**102,986**

At December 31, 2016, **shareholders’ equity** amounting to **402,191 thousand euros** (390,442 thousand euros at December 31, 2015) include n. 1,189,950 treasury shares, equal to 2.13% of the share capital, valued at 38,025 thousand euros, following:

- the purchase of 250,000 Company common shares for the 2016 Stock Option Plan at an average price of 54,2843 euros, totaling 13,571 thousand euros;
- exercise of 30,000 options relating to the 2010 Stock Option Plan at an average price of 24,8928, leading to a consequent reduction in treasury shares equal to 1,005 thousand euros.

ANALYSIS OF CASH FLOW

A complete statement of cash flow is provided in the financial statements. A schedule showing the statement of cash flow, followed by a review of the main statement items and the changes that occurred compared with 2015, is provided below:

(in thousands of euros)	**2016**	**2015**
Cash and cash equivalents at the beginning of the period	**82,699**	**68,033**
Cash provided by operating activities	57,260	48,339
Cash used in investing activities	(13,153)	(14,620)
Cash provided by financing activities	(66,765)	10,947
Acquisitions of subsidiaries and business operations	(18,203)	-
Net change in cash and cash equivalents	***(40,861)***	***44,666***
Investments in financial assets	30,000	(30,000)
***Net change in* cash**	***(10,861)***	***14,666***
Cash and cash equivalents at the end of the period	**71,838**	**82,699**

At December 31, 2016, **available liquid assets** held by the Group's Parent Company amounted to **71,838 thousand euros**, down by 10,861 thousand euros compared with December 31, 2015.

The cash flow from operating activities amounted to 57,260 thousand euros in 2016, compared with 48,339 thousand euros in 2015. The income stream (net profit plus depreciation and amortization, additions to provisions and other non-cash items) had an increase of 8,919 thousand euros compared with the previous year. Tax payments totaled 15,065 thousand euros (17,183 thousand euros in 2015).

Cash used in investing activities totaled 13,153 thousand euros in 2016 as against 14,620 thousand euros in 2015. Investments in medical equipment totaled 3,065 thousand euros (4,912 thousand euros in 2015), while investments in manufacturing and distribution equipment needed to support the manufacturing operations amounted to 6,127 thousand euros (6,015 thousand euros in 2015). In addition, development costs of 2,575 thousand euros were capitalized in 2016 compared with development costs of 526 thousand euros in 2015.

Free cash flow amounted to **41,742 thousand euros**, up 7,868 thousand euros compared with 33,873 thousand euros in 2015.
Cash used in financing activities totaled 66,765 thousand euros in 2016 as against 10,947 thousand euros in 2015.
In detail:

i) the Group's Parent Company was granted a loan from a main national bank to finance a portion of the acquisition of Focus business operation (equal to 60 million euros) and the repayment made as per reimbursement plan (12 million euros);
ii) disbursement of a loan to the U.S. subsidiary for an amount equal to USD 120 million (equal to 103,493 thousand euros) and the installment collection due as per repayment plan, for an amount equal to USD 20 million (19,146 thousand euros);
iii) purchase of treasury shares for the 2016 stock Option Plan, amounting to 13,571 thousand euros (sale of treasury shares equal to 17,949 thousand euros in 2015);
iv) distribution of dividends for a total of 35,719 thousand euros (32,936 thousand euros in 2015).

In 2016 term deposits, exceeding three months opened by the Group's Parent Company in 2015 reached their maturity date (for an amount equal to 30 million euros.)

RELATED-PARTY TRANSACTIONS

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

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

The "Procedure for Related-Party Transactions" for 2016 can be consulted on the company's website (http://www.diasorin.com).

REPORT ON CORPORATE GOVERNANCE AND THE COMPANY'S OWNERSHIP STRUCTURE

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

(Traditional management and control model)

Issuer: **DIASORIN S.p.A**.
Website: **www.diasorin.com**
Financial year to which the report refers: **2016**
Date of approval of the Report: **March 8, 2017**

GLOSSARY

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

"Civil Code. /c.c.": the Italian Civil Code.

"Board" or "Board of Directors": the Board of Directors of the Issuer.

"Issuer", "Company" or "Diasorin": DiSorin S.p.A., the securities Issuer to which the Report refers.

"Reporting year": the year subject of this Report.

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

"Consob Market Regulations": Regulations issued by Consob with Resolution No.16191 of 2007 (as amended), on the subject of markets.

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

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

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

1. PROFILE OF THE ISSUER

Diasorin S.p.A. was granted permission to trade on the Italian Telematic Stock Market organized and managed by Borsa Italiana S.p.A ("**MTA**"), Star segment, on July 19, 2007.
Subsequently, after the company joined the FTSE MIB index (where it was listed until December 23, 2013), the Issuer submitted a request of voluntary exclusion from the STAR segment, while maintaining the compliance with the Corporate Governance principles, the requirements of communication transparency imposed upon companies in the STAR segment and complying with the procedures and *best practice* till then adopted. The Company is currently listed in the FTSE Italia Mid Cap index.
Diasorin's system of corporate governance, as described in this Report, is consistent with the main recommendations of the Corporate Governance Code, subject to the specifications provided in this Report.
This Report reviews the corporate governance structure as set forth in the Bylaws in force, and as amended by shareholders' resolutions adopted on December 19, 2012 to make Bylaws consistent with the provisions introduced by Law No. 120 of July 12, 2011 concerning gender balance in the management and control bodies of listed companies.
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.", as Deloitte & Touche's nine-year term came to an end. Following a reasoned proposal formulated by the Board of Statutory Auditors, the in depend audit function awarded to PricewaterhouseCoopers S.p.A. will end upon approval of the financial statements as of December 31, 2024.

2. INFORMATION ABOUT SHARE OWNERSHIP (PURSUANT TO ARTICLE 123-BIS, SECTION 1, "TUF") AS AT DECEMBER 31, 2016.

A) SHARE CAPITAL STRUCTURE (PURSUANT TO ART. 123-BIS, SECTION 1, LETTER A), TUF)

As at December 31, 2016, a breakdown of the Company's share capital of 55,948,257.00 (subscribed and fully paid-in) is as follows:

SHARE CAPITAL STRUCTURE [3]				
	N° shares	***% on the share Capital***	***Listed***	***Rights and obligations***
Ordinary share without nominal value	55,948,257*	100%	MTA	Each share gives right to one vote. Rights and obligations are those provided in arts. 2346 et seq. of the Civil Code

As at December 31, 2016, there were no shares for which entitlement to increased voting right has been accrued (See Section. **2** Lett. **d**).

* N. 1,189,950 treasury shares held in the Company's portfolio.

Stock option plan

The terms of the Stock Option Plans in force, specifically "DiaSorin S.p.A. 2010 Stock Option Plan" ("**2010 Plan**") and "DiaSorin S.p.A. 2014 Stock Option Plan" ("**2014 Plan**") and "DiaSorin S.p.A. 2016 Stock Option Plan" ("**2016 Plan**") are available in the Disclosure Memoranda and on the Issuer's website (www.diasorin.com, in the Section "Investors/Information for Shareholders/ Stock Option Plans). Updates are reported in the Compensation Report available on the Issuer's website in the Section "Investors/Information for Shareholders, Shareholders' Meeting and board/2017".

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, 2016, Shareholders holding, directly or indirectly, equity investments exceeding 3% interest in share capital, through pyramid structures and cross-shareholdings, in accordance with communications made pursuant to Art. 120 of the TUF and with information available to the Company, are as follows:

SIGNIFICANT EQUITY INTERESTS			
Reporting party	**Direct Shareholder**	**Number of shares**	**% interest in share capital**
Finde SS	IP Investimenti e Partecipazioni S.r.l.	25,163,454	44.98
Rosa Carlo	Sarago S.r.l.	2,402,532	8.54
	Rosa Carlo	2,376,682	
Even Chen Menachem	-	2,400,000	4.29

D) SECURITIES CONVEYING SPECIAL RIGHTS (PURSUANT TO ART. 123-BIS, SECTION 1, LETTER D), TUF)

As at December 31, 2016, no securities conveying special rights of control have been issued**.** On April 28, 2016, the Shareholders' Meeting approved amendments to the Company Bylaws pursuant to art. 127-*quinquies of* 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).

The list of Shareholders having obtained the registration to the Special List to benefit of increased voting rights for a holding exceeding 3% of the company share capital is available on the Issuer's website (ww.diasorin.com, Section "Investors/Information for shareholders/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 of 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, 2016, 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 to which paragraph **9** below refers. 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 28, 2016, the Shareholders' Meeting approved a motion to authorize purchases and sales of DiaSorin S.p.A. common shares reserved for the implementation of the stock option plan called the "**2016 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 250,000 Company common shares earmarked for implementation of the 2016 Plan. The treasury share purchasing program, carried out in accordance with the terms and the deadline authorized by the Shareholders' Meeting of April 28, 2016, was completed on June 9, 2016.

As of December 31, 2016, DiaSorin holds n. 1,189,950 treasury shares, corresponding to 2.13% of its share capital.

Information about the transactions executed by the Board and all other disclosures required by the applicable regulation is available in the press releases issued pursuant to (EC) Regulation No. 2273/2003 and in the Explanatory Report of the Board of Directors dated March 9, 2016 and published pursuant to law also on the Company website (www.diasorin.com in the Section "Investors/Information for Shareholders/Shareholders' Meeting and board/2016").

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 requested by Article 123-bis, Section 1, Letter i) of the Consolidated Law on Finance (TUF) on *"agreements between the Company and its Directors, Management Board or Supervisory Board members, which envisage indemnities in the event of resignation or dismissal without just cause or if their employment relationship terminates following a public purchase offer"* are illustrated in the Compensation Report drawn up in accordance with Article 123–ter of the TUF and available on the Company's website (*www.diasorin.com* in the Section "Investors/Information for Shareholders, Shareholders' Meeting and board/ 2017").
The information requested under Article 123-bis, Section 1, Letter l) of the Consolidated Law on Finance (TUF) on *"provisions applicable to the appointment and substitution of Directors, Management Board or Supervisory Board members, as well as to the amendment of the Articles of Association, if different from the legislative and regulatory provisions applicable as a supplementary measure"* are illustrated in the section of the Report dedicated to the Board of Directors (paragraph 4.1).

3. COMPLIANCE (EX ART. 123-BIS, SECTION 2, LETTER A), TUF)

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

4. THE BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT (PURSUANT TO ART. 123-BIS, SECTION 1, LETTER L), TUF)

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

The provisions of the Bylaws that govern the composition and election of the Issuer's Board of Directors have been designed to ensure compliance with provisions concerning rights of minority shareholders' rights, independence of Directors and gender balance.
In addition, the ability to serve as a Director is subject to the candidate meeting the requirements set forth in the statutory and regulatory provisions currently in force.
Article 11 of the Bylaws requires that the Board of Directors be elected, in compliance with applicable gender balance laws and regulations, by a voting system based on slates of candidates filed by shareholders who, alone or in combination with others, represent at least 2.5% of the shares that convey the right to vote at Ordinary Shareholders' Meetings, or any other percentage that may apply pursuant to the applicable laws or regulations. As duly established by Art. 144-*septies*, paragraph 1, of the Issuer Regulation and by Consob no. 19856 of January 25, 2017, shareholders' owing a shareholding equal to the shareholding established by Consob, and that corresponds to 1% of the Share Capital are entitled to present the slates of nominees to allocate the Directors to be elected.
Each shareholder, shareholders who are parties to a shareholders' agreement that qualifies as such pursuant to Article 122 of the TUF, the Company's controlling party, its subsidiaries and joint ventures that qualify as such pursuant to Article 93 of the TUF may not file or participate in the filing, directly or through a third party or a nominee, of more than one slate and may not vote for multiple slates. Each candidate can be included on only one slate, on penalty of losing the right to be elected. Votes cast in violation of this provision will not be allocated to any slate.
Notwithstanding additional statutory disclosure and filing requirements, including those set forth in regulations currently in effect, slates filed by shareholders, duly signed by the filers, must be deposited at the Company's registered office, where they must be available to anyone upon request, at least 25 (twenty-five) days prior to the date of the first calling of the Shareholders' Meeting. The slates must be accompanied by the following documents: (i) information identifying the shareholders who are filing the slates and showing the total percentage interest held; (ii) affidavits by which the individual candidates accept their nomination and attest, under their responsibility, that there are no issues that would make them incompatible or unelectable and that they meet the requirements of their respective offices; and (iii) a curriculum vitae setting forth the personal and professional qualifications of each candidate and indicating whether a candidate qualifies as an independent Director. In addition, a special attestation issued by an intermediary qualified pursuant to law certifying the ownership, when the slate of candidates is being filed with the Company, of the number of shares needed to qualify for filing the slate must be filed with the Company within the deadline required by the rules applicable to the publication of slates of candidates by the Company.
The slates which contain a number of candidates equal to or above three shall include candidates belonging to both gender, aimed at ensuring the presence in the Board of Directors of at least one third (rounded to the higher number) of the seats of the less-represented gender.
Slates that are filed without complying with these requirements will be treated as if they have not been filed at all.
The election of Directors is carried out as follows:
(a) All except one of the Directors that need to be elected are taken from the slate that received the highest number of votes, in the sequence in which they are listed on the slate;
(b) The remaining Director is taken from a minority slate that is not connected in any way, directly or indirectly, with the parties who filed or voted for the slate referred to in paragraph a) above and received the second highest number of votes cast by the shareholders, selecting for election the first candidate listed in the slate's numerical sequence. However, should the minority slate referred to in paragraph b) above fail to receive a percentage of the votes equal at least to half the required percentage for filing a slate, as stated above, all of the Directors that need to be elected will be taken from the slate that received the highest number of votes referred to in paragraph a) above.

If the candidates elected in the manner described above do not include a sufficient number of Directors who meet the independence requirements that apply to Statutory Auditors pursuant to

Article 148, Section 3, of the TUF to achieve the minimum statutory percentage of the total number of elected Directors, the non-independent candidate elected last in the sequence listed in the slate that received the highest number of votes, as referred to in paragraph a) above, shall be replaced with the first non-elected independent candidate who is listed next sequentially in the same slate or, alternatively, by the first non-elected candidate listed sequentially on other slates, based on the number of votes received by each slate. This replacement procedure shall be applied repeatedly until the Board of Directors includes a number of Directors who meet the requirements of Article 148, Section 3, of the TUF equal to at least the statutory minimum. As a further alternative, the replacement candidates may be elected by means of a resolution approved by the Shareholder's Meeting with a relative majority, provided candidates have been placed in nomination in accordance with statutory requirements.
If, upon conclusion of voting, the composition of the Board of Directors does not satisfy the gender balance enjoined by applicable laws and regulations, the nominee of the most highly represented gender who was the last to be elected in the sequential order of the slate that received the highest number of votes shall be replaced by the first candidate of the least represented gender who was not elected on the same slate, in the sequential order of that slate. The elected nominees shall be replaced according to the same procedure until the composition of the Board of Directors complies with applicable laws and regulations. If this procedure does not guarantee the final result indicated hereinabove, the Shareholders' Meeting shall make the necessary changes by resolution with the statutory majority of votes, upon submission of candidates belonging to the gender less represented.
If only one slate is filed or if no slate is filed, the Shareholder's Meeting shall approve its resolution with the majorities required by law without being required to comply with the procedure described above, in compliance with the laws currently in force on gender balance.
Lastly, pursuant to Article 11 of the Bylaws, if one or more Directors cease to be in office during the course of the year, provided the majority of Board members are still Directors elected by the Shareholders' Meeting, they shall be replaced in the manner described below, in accordance with the provisions of Article 2386 of the Italian Civil Code: (i) The Board of Directors nominates as replacements candidates taken from the same slate to which the Directors no longer in office belonged and the Shareholders' Meeting votes with the majorities required pursuant to law and in accordance with the principle described above; (ii) Should there be no unelected candidates or eligible candidates left in the abovementioned slate or if the provisions of paragraph (i) above cannot be complied with for any reason, the Board of Directors and the Shareholders' Meeting elect replacements with the majorities required pursuant to law, without using a slate voting system.
In all cases, the Board of Directors and the Shareholders' Meeting shall carry out the election in a manner that will result in (i) the election of a total number of independent Directors equal to at least the minimum number required by the relevant statute provisionally in force and (ii) in compliance with the laws currently in force on gender balance.
If the majority of the Directors elected by the Shareholders' Meeting ceases to be in office, the entire Board of Directors shall be deemed to have resigned and a Shareholders' Meeting must be convened promptly by the Directors still in office to elect a new Board. Additional information about the procedures for the election of the Board of Directors is provided in Article 11 of the Bylaws.

Succession plans of Independent Directors.
In accordance with Art. 5.C.2. of the Code, the Board of Directors, at the meeting held on March 8, 2017, has not adopted a specific succession plan for the independent directors as it was deemed unnecessary in light of the shareholders considering that the Board of Directors has the power to select and promptly elect new Independent Directors when necessary.

4.2. MEMBERSHIP (PURSUANT TO ART. 123-BIS, SECTION 2, LETTER D), TUF)

The Issuer's Board of Directors elected by the Ordinary Shareholders' Meeting on April 22, 2013 remained in office until the Shareholders' Meeting of April 28, 2016. The Board was comprised of the following 13 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 22, 2013
Michele Denegri	Turin, January 7, 1969	Deputy Chairman and Non-Executive Director	April 22, 2013
Carlo Rosa	Turin, January 15, 1966	Chief Executive Officer and Executive Director	April 22, 2013
Chen Menachem Even	Ashkelon (Israel), March 18, 1963	Executive Director	April 22, 2013
Antonio Boniolo	Venice, January 4, 1951	Non-executive Director	April 22, 2013
Enrico Mario Amo	Turin, September 17, 1956	Non-executive Director	April 22, 2013
Stefano Altara	Turin, June 4, 1967	Non-executive Director	April 22, 2014
Giuseppe Alessandria	Novello Monchiero (CN), May 15, 1942	Independent Director	April 22, 2013
Franco Moscetti	Tarquinia (VT), October 9, 1951	Independent Director	April 22, 2013
Maria Paola Landini	Parma, October 15, 1951	Independent Director	April 22, 2013
Roberta Somati	Rivoli (TO), January 9, 1969	Independent Director	April 22, 2013
Eva Desana	Turin, June 13, 1971	Non-executive Director	April 22, 2013
Ezio Garibaldi	Turin, February 2, 1938	Non-executive Director	April 22, 2013

The table that follows summarizes personal and professional characteristics of each Director in office until the Shareholder's Meeting held on 28 April 2016. Additional information is provided in the Directors' professional curricula at the Issuer's registered office.

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 and scientific education	General Management (formerly Research and Development director)
Chen Menachem Even	Executive Director	Economic- management and scientific education	Director of commercial operations at international level
Antonio Boniolo	Non-executive Director	Scientific education	General Management (formerly Research and Development director)
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
Maria Paola Landini	Independent Director	Scientific education	Research and Development Advisor
Roberta Somati	Independent Director	Scientific education	Management Advisor
Eva Desana	Non-executive Director	Law education	Legal and Corporate Affairs Advisor
Ezio Garibaldi	Non-executive Director	Economic-management education	Management 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, 2018 was appointed by the Ordinary Shareholders' Meeting held on April 28, 2016 (except Director Fiorella Altruda who was appointed by cooptation by a Board resolution on December 19, 2016, upon favorable opinion of the Board of Statutory Auditors, following the resignation of Director Maria Paola Landini).
The Board of Directors was appointed on the basis of the only one slate presented by IP Investimenti e Partecipazioni S.r.l., owning 43.799% of the Company's ordinary shares, and all the members of the slate were appointed in the current Board of Directors. The resolution was approved by 77.688% of the Voting Capital.

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

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

* Independent Director Fiorella Altruda was appointed by Board resolution on December 19, 2016, following the resignation of Independent Director Maria Paola Landini (appointed by the Shareholders' Meeting on April 28, 2016).

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

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 and scientific education	General Management (formerly Research and Development director)
Chen Menachem Even	Executive Director	Economic- management and 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

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

Cap on offices held in other companies

With regard to the posts held by Diasorin Directors on management and oversight bodies at other companies, the Board of Directors, during the meeting held as of March 8, 2017, did not believe that it would be appropriate to introduce preset quantitative limits.

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

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

On March 8, 2017, 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 July 2016, the Company organized an induction session for newly appointed Directors (Mr. Boschetti, Mrs.Pasinelli, Mrs.Tardivo, Mrs.Todros, Mr.Squarotti), to provide in-depth analyses on the business sector in which the Issuer operates and describe company dynamics and their evolution, principles of risk management, laws and self-regulatory framework (in particular, as for laws framework, update of Market Abuse Regulations (EU) n. 596/2014 of the European Parliament – the so-called "MAR"-*Market Abuse Regulation* – came into force requiring the adoption of new procedures, as described in Paragraph **5**).
The induction session lasting 5 hours was attended by the Chief Executive Officer and the General Manager, in charge of introducing the purpose of the program. Managers of various departments (Sales, Human Resources, Research and Development, Production, Accounting, Financial and Control, Legal, Investor Relations and Internal Audit) attended the induction session as speakers to illustrate company's organization and activities carried out in the areas of their respective competence.
In February 2017, an induction session was provided to Director Fiorella Altruda (appointed by Board resolution on December 19, 2016).
Consistent with the above, matters defined by Art. 2.C.2 of the Corporate Governance Code have been discussed on a regular basis during the meetings of the Control and Risks Committee and subsequently presented to the Board of Directors. The Company management maintains regular contact with company bodies for opportune information and/or updating flows on subjects of interest.

4.3. FUNCTION OF THE BOARD OF DIRECTORS (PURSUANT TO ART. 123-BIS, SECTION 2, LETTER D), TUF).

The Board of Directors performs a pivotal role within the corporate organization. Its task and responsibilities include setting strategic and organizational guidelines and ensuring that adequate controls to monitor the performance of the Issuer and the other companies of the DiaSorin Group are in place. All members of the Board of Directors are required to make informed and independent decisions, pursuing the goal of creating value for the shareholders, and must be willing to devote to the tasks they perform at the Issuer the time required to discharge diligently their duties, irrespective of the posts held at companies outside the Diasorin Group, being fully cognizant of the responsibilities entailed by the office they hold.
Pursuant to Article 15 of the Bylaws, the Board of Directors enjoys the most ample powers to manage the Issuer. In accordance with the abovementioned article of the Bylaws and pursuant to Article 2365 of the Italian Civil Code, the Board of Directors also has jurisdiction (which may not be delegated to anyone but may be ceded to the Shareholders' Meeting) over the adoption of resolutions concerning the following:

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

The Board of Directors, insofar as it is responsible for the Internal Control and Risks Management system (see section **11),** assesses the adequacy, efficiency and effective implementation of internal control defining the system's guidelines, supported by the members involved in the Company's internal control and risks management: the Control and Risks Committee, the Supervisory Director responsible for the effective implementation of the system of Internal Control and Risk management, the Internal Audit Officer, the Corporate Accounting Documents Officer, the Board of Statutory Auditors and the Oversight Board.
Pursuant to Article 13 of the Bylaws, on the occasion of Board meetings but not less frequently than once a quarter, the governance bodies to whom powers have been delegated inform the Board of Directors and the Board of Statutory Auditors about the performance of the Issuer and

its subsidiaries, its business outlook and transactions that have a material impact on its income statement, balance sheet and financial position, focusing on transactions which Directors may have an interest, directly or through third parties, or which may have been influenced by a party with management and coordination authority.

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

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

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

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

Pursuant to Article 13 of the Bylaws, the Board of Directors meets at the Company's registered office, or elsewhere, whenever the Chairman deems it necessary or when a meeting is requested by the Chief Executive Officer (if one has been appointed) or by at least three Directors, without prejudice to the right of other parties to call a Board meeting pursuant to law. If the Chairman is absent or incapacitated, Board meetings are called by the person who replaces him pursuant to Article 12 of the Bylaws (i.e., the Deputy Chairman or the oldest Director, in that order).

Meetings of the Board of Directors are validly convened when a majority of the Directors in office is in attendance and resolutions are adopted with a majority of the votes cast by the Directors attending the meeting. In the event of a tie, the Chairman has the tie-breaking vote (Article 14 of the Bylaws).

In 2016, the Board of Directors had 7 meetings on March 9, April 1, April 28, August 4, November 10 and December 19. The meetings lasted 2 hours and thirty minutes on average.

In addition to the meeting held on March 8, 2017, three (3) Board meetings have been scheduled for 2017, as detailed in the calendar of Corporate Events, available at the Issuer's website at www.diasorin.com in the Section "Investors/Financial Calendar".

All the required pre-Board information has been sent for the resolutions in agenda, in compliance with the "Procedure of Internal Management and Public Disclosure of Inside Information" (in the document in force up to the review carried out in July 2016, see Section **5** of this Report).

In any case, where the pre-Board information is not provided, the Chairman shall ensure that an in-depth analysis is carried out at the Board meetings in a correct and timely manner.

The Board of Directors' meetings were attended by the CFO, the Manager of the Corporate Legal Affairs Department and the Company's directors qualified to provide in-depth analysis on subjects and/ special projects in agenda. It should therefore be noted that Board meetings convened to present, resolve and approve the annual budget are generally attended by the Top manager of company departments and relevant cost centers including but not limited to the Senior Corporate V.P. Human Resources, Senior Corporate V.P. R&D, Corporate V.P. Sales &

Marketing, Corporate V.P. Finance and Taxation, V.P. European Industrial Operations and Services, Corporate V.P. Industrial Operations and Quality.
Pursuant to the application criteria 1.C.1 Letter g) of the Corporate Governance Code, the Board of Directors carried out a self-assessment process through questionnaires covering several areas and providing the opportunity to submit comments and proposals. The self-assessment process concerned the size, composition (including number and position of the company's members) and activities of the Board and its committees, the results of which were communicated during the meeting held on March 8, 2017.
The self-assessment process was coordinated by Director Giuseppe Alessandria, Lead Independent Director, Chairman of the Compensation Committee and Chairman of the Nominating Committee, with the support of Director Franco Moscetti, in his quality of Chairman of the Control and Risks Committee and Chairman of the Related-party Committee.
The self-assessment process involved all the directors and was performed through questionnaires filled out anonymously, including the following items:

(i) the size and composition of the Board of Directors;
(ii) meetings frequency, participation of Directors, number of Independent Directors, the adequacy of time allocated to debates, attention to conflict of interest situations and completeness of relevant minutes and implementation of adopted resolutions;
(iii) information provided by the Chief Executive Officer, new regulations for listed companies, emerging risks concerning the Company and its subsidiaries;
(iv) committees' support, communication between the Board of Directors and Top Management, the Corporate Governance and risk Governance.

The self-assessment process confirmed a general satisfaction and overall adequacy assessment about functioning and work carried out by the Board of Directors as of December 31, 2016.
As in previous years, excellence areas emerged from the analysis of business dynamics and disclosure of economic-financial situations. The self-assessment process identified some areas, including technical area, where a further improvement is achievable but no critical matters arose.
The Board of Directors, with the support of the Control and Risks Committee, assesses at least once a year the adequacy of the organizational, administrative, and accounting structure and the general performance of the Group and its strategic subsidiaries, including subsidiaries when the carrying amount of the investment in the subsidiary in question represents more than 50% of the assets of a publicly traded issuer, as shown in the latest approved financial statements, specifically with regard to Insider Information; this assessment was carried out during the meeting held on March 8, 2017.
During the Shareholders' meeting held on April 28, 2016, the Board of Directors determined, after considering the proposal of the Compensation Committee and the Board of Statutory Auditors, the compensation of the General Manager and the other directors with special duties. In particular, the Board of Directors shared out the compensation of the Board, and adopted the resolution during the shareholders' meeting held on April 28, 2016 (excluding directors with operating mandate, whose compensation was determined by the Board of Directors, after considering the proposal of the Board of Statutory Auditors). For a more detailed description on compensation policy see the Compensation Report published pursuant to Art. 123-*ter* of TUF on the company website at www.diasorin.com in the Section "Investors/Information for Shareholders and board/ 2017". No compensation is provided for members of the Board of Directors who already receive compensation for their managerial employment relationship with the Issuer.
The Board of Directors evaluates, at least once a year, the general performance of the company management, considering the information obtained from the Chief Executive Officer and periodically compares achieved results with future results. The Board of Directors did not implement the delegation of a range of powers, as those listed in Section **4.4** of the Report.
During the meeting held on November 5, 2010, the Board of Directors approved the procedure to regulate related-party transactions that, revised in 2014, was confirmed by the Board of Directors

in office during the meeting held on March 8, 2017, after having received the opinion of the Independent Directors not to proceed with any changes to the current procedure following the outcomes of its assessment. The procedure is available on the Company's website (www.diasorin.com, Section "Corporate Governance/Corporate Governance System") and related in detail in the following Section **12**.
In 2016, the Related-Party Committee, during the meetings held on March 9, 2016 and December 9, 2016, verified no related-party transactions occurred, except the normal commercial and financial transactions with subsidiaries and salary increases of top management that are exempted from the abovementioned procedure (additional information is provided in Section **12** of this Report).
The Board of Directors did not set general criteria to identify the operations of strategic, economic, patrimony or financial importance for the Company, as the Board assesses the significance of transactions on a case-by-case basis.
The Issuer is required to publish information documents for significant transactions as per art. 70, paragraph 6 and art. 71, paragraph 1 of the Consob Issuers' Regulations as the Issuer did not exercise the right to waive the obligation to publish the above-mentioned information documents.
The Shareholders' meeting did not authorize general and precautionary derogations from the ban of competition set forth in article 2390 of the Italian Civil Code.
No critical situation occurred on the matter.

4.4. DELEGATED BODIES

Chief Executive Officers
By resolution dated April 28, 2016, Diasorin's Board of Directors appointed the Director Carlo Rosa to the post of Chief Executive Officer granting him the power to handle all ordinary and extraordinary business transactions over which the Board of Directors has jurisdiction with the exception of those that are expressly reserved for the Board of Directors pursuant to law, the Bylaws and the abovementioned resolution. Director Carlo Rosa was also appointed to the post of General Manager, assigning him special functions in operating management concerning industrial, commercial and financial areas with the same offices and functions granted during the previous term of office of the board. The following powers, by resolution dated April 28, 2016, are reserved for the Board of Directors and may not be delegated:

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

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

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

The Chairman of the Board of Directors

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

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

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

Pursuant to Article 15 of the Bylaws, the Board of Directors may select some of its members to staff an Executive Committee, to which it may delegate some of its powers, except for those that the law reserves expressly for the Board of Directors, determining the Committee's composition, powers and rules of operation.

As of the date of this report, the Issuer's Board of Directors did not appoint an Executive Committee.

Report to the Board of Directors

In 2016, at all meetings of the Board of Directors and at least every three months, the Chief Executive Officer has reported to the Board of Directors on activities performed in exercise of delegate powers.

4.5. OTHER EXECUTIVE DIRECTORS

Mr. Chen Menachem Even serves as Executive Director (apart from being a Strategic Director) and Senior Corporate Vice President Commercial Operations of the Issuer (Chief Commercial Officer since January 1, 2016).

4.6. INDEPENDENT DIRECTORS

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

The slate-voting system required by Article 11 of the Bylaws is designed to ensure the election of a number of Directors that meet the independence requirements set forth on the joint basis of Article 147-*ter*, Section 4 and Article 148, Section 3 of the TUF, and of Article 3 of the Corporate Governance Code. At the meeting held for the appointment of independent Directors (April 22, 2013), the Board of Directors ascertained that the independent Directors in office until the Shareholders' Meeting of April 28, 2016, met the independence requirements. The Board of Directors assessed the independence requirements on annual basis. In 2016, this assessment was carried out during the Board meeting held on March 9, 2016.

At the Shareholders' Meeting to appoint the independent Directors (April 28, 2016), the Board of Directors ascertained that the independent Directors currently in office and elected by the Shareholders' Meeting dated April 28, 2016, met the independence requirements. The Board also verified that Director Fiorella Altruda met the independence requirements at the date of her election (December 19, 2016). The results of such assessments were disclosed to the market on the same date by press release available on the company website www.diasorin.com, Section “Investors/Press releases”, pursuant to Art. 144-novies, section 1-bis, of the Consob Regulations for Issuers. Subsequently, the Board of Directors assessed the independence requirements during the Board meetings held on March 8, 2017 for the approval of the financial statements. The Company applied all criteria of Corporate Governance Code recognized as valid and properly enforced by the Board of Statutory Auditors, on March 8, 2017, to verify and assess the independence requirements pursuant to Application Criteria 3.C.5 of Corporate Governance Code.

The Board of Directors whose term of office ended on April 28, 2016 included four (4) Independent Directors: Franco Moscetti, Giuseppe Alessandria, Maria Paola Landini e Roberta Somati.

The Issuers’ Board of Directors currently in office and appointed on April 28, 2016 (except for Director Fiorella Altruda) includes seven (7) Independent Directors :Franco Moscetti, Giuseppe Alessandria, Roberta Somati, Francesca Pasinelli, Monica Tardivo, Tullia Todros e Fiorella Altruda. The number and authoritativeness of the Independent Directors is sufficient to ensure that their opinion has a significant impact on the decision-making process of the Issuer’s Board of Directors. Independent Directors contribute specific professional expertise to Board meetings and help the Board adopt resolutions that are in the Company’s interest.

In 2016, the Independent Directors met on March 9, 2016; as of the date of this Report a meeting was held on March 8, 2017 upon request from the Lead Independent Director, in a separate and dedicated session and in the absence of the other directors, pursuant to Application Criteria 3.C.6. of the Code.

4.7. LEAD INDEPENDENT DIRECTOR

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

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

In 2016, the Lead Independent Director convened the annual meeting (on March 9, 2016) of Independent Directors only and coordinated the assessment process of the Board of Directors.

5. TREATMENT OF INSIDER INFORMATION

Insofar as the issues related to the treatment of insider information are concerned, the Issuer’s Board of Directors has adopted the initiatives and/or procedures summarized below, which are designed to monitor access to and circulation of insider information prior to their disclosure to the public and ensure compliance with statutory and regulatory confidentiality requirements. On July 3, 2016, the Market Abuse Regulation (EU) n. 596/2014 (the so-called “MAR” - *Market Abuse Regulation*) containing “Regulatory technical standards” and ESMA (*European Securities and Markets Authority*) “Implementing technical standards” approved by the European Commission and reflecting the new rules and regulations on Market Abuse within the European Union came into force. The Company has, thus, adopted new procedures – approved by the Board of Directors on August 4, 2016 - to replace existing procedures.

Procedure for the internal management and public disclosure of inside information

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

In 2016, the Board of Directors adopted a new "Procedure for the internal management and public disclosure of inside information", pursuant to art. 17 of MAR and the related implementing rules and regulations of the European Commission, in force as of July 3, 2016. The "Procedure for the internal management and public disclosure of inside information" contains instructions relating to both the internal management and the external disclosure on inside information (as defined by art. 7 of MAR) and confidential information (as defined by the Procedure) regarding the Issuer and the Group's companies; The procedure is aimed at ensuring compliance with the current laws and regulations on the subject and guaranteeing maximum secrecy and confidentiality in handling Inside Information; the Procedure, in particular, is aimed at ensuring greater transparency towards the market and appropriate preventive measures against market abuse and, specifically, against abuse of Inside Information. Public disclosure of Inside Information shall occur through a press release prepared by the Investor Relations Function; prior to its external disclosure, the text of the press release shall be submitted for final approval to the Chief Executive Officer or to the Chairman of the Board of Directors if the Chief Executive Officer is absent or unable to attend and, if deemed appropriate or necessary, to the Board of Directors, subject to the prior attestation by the Corporate Accounting Documents Officer when the text contains accounting information, pursuant to and for the effects of article 154-bis of the TUF. The procedure is available on the Issuer website (www.diasorin.com, Section "Governance/Governance System").

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

Specifically, with regard to the obligation incumbent upon issuers of listed securities, parties linked with them through a control relationship or parties who act in their name or on their behalf to set up the register of parties with access to insider information required pursuant to Article 115-*bis* of the TUF, at a meeting held on February 12, 2007, the Issuer's Board of Directors agreed to adopt a "Procedure to manage the register of persons having access to inside information", subsequently amended during the Board meeting held on May 9, 2014. Pursuant to art. 18 of MAR and the related implementing rules and regulations of the European Commission, in force as of July 3, 2016, issuers and persons acting in their name or on their behalf are required to establish, manage and update a register listing the persons who have access to inside information. In 2016 the Company has, thus, adopted a new "Procedure to manage the register of persons having access to inside information".

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

Procedure to comply with Internal Dealing requirements

On February 12, 2007, in order to address to the disclosure requirements that arise from the new internal dealing regulations set forth in Article 114, Section 7 of the TUF and Articles 152-*sexies*, 152-*septies* and 152-*octies* of the Issuers' Regulations, the Issuer's Board of Directors agreed to adopt a "Procedure to comply with Internal Dealing requirements", subsequently amended during the Board meeting held on May 9, 2014. In 2016, the Board adopted a new "Procedure to comply with Internal Dealing requirements", pursuant to art. 19 of MAR and the related implementing rules and regulations of the European Commission, in force as of July 3, 2016. Pursuant to the Procedure, the Head currently in force of the Corporate Legal Affairs (Corporate Counsel and Corporate Affairs Department) of the Company, performs the functions of Designated Officer. Currently the role of Designated Officer, a function currently performed by Marco Minolfo. The procedure is available on the Issuer website (www.diasorin.com, Section "Governance/Governance System").

6. THE BOARD OF DIRECTORS' INTERNAL COMMITTEES (PURSUANT TO ART. 123-BIS, SECTION 2, LETTER D), TUF)

The Board of Directors appointed internally the following committees:

	In office until April 28, 2016	In office since April 28, 2016
Control and Risks Committee	Franco Moscetti (Chairman) Enrico Mario Amo Roberta Somati	Franco Moscetti (Chairman) Enrico Mario Amo Roberta Somati
Compensation Committee	Giuseppe Alessandria (Chairman) Michele Denegri Roberta Somati	Giuseppe Alessandria (Chairman) Michele Denegri Roberta Somati
Nominating Committee	Franco Moscetti (Chairman) Giuseppe Alessandria Michele Denegri	Giuseppe Alessandria (Chairman) Franco Moscetti Michele Denegri
Committee for Transactions with Related Parties	Franco Moscetti (Coordinator) Giuseppe Alessandria Roberta Somati	Franco Moscetti (Chairman) Giuseppe Alessandria Roberta Somati

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

7. NOMINATING COMMITTEE

The Issuer's Board of Directors, consistent with the provisions of the Corporate Governance Code, established an internal Nominating Committee, the majority of its members being non-executive independent Directors.
The Nominating Committee collaborates with the Compensation Committee for the purpose of monitoring more closely the self-assessment process of the Board of Directors and furthermore, pursuant to art. 2386, first Section of the Italian Civil Code, if an Independent Director has to be replaced, the Nominating Committee submits to the Board of Directors the candidates to be elected as Directors.
The Nominating Committee identifies a list of candidates to submit to the Issuer's shareholders' meeting as independent directors, taking into account shareholders' suggestions; furthermore, the Committee is required to participate also when the Board of Directors submits a list for the renewal of the Committee itself.
Lastly, the Nominating Committee expresses opinions on the size and composition of the Board of Directors and, if necessary, on the professional figures whose presence on the Board would be considered appropriate.

Members and functions of the Nominating Committee (pursuant to Art. 123-bis, Section 2, Letter d), TUF)).
By resolution dated April 28, 2016, the Issuer's Board of Directors confirmed the existing composition of its internal Nominating Committee. The members of the Committee, the majority of whom are non-executive, independent Directors, are: Giuseppe Alessandria (Independent Director), Franco Moscetti (Independent Director) and Michele Denegri (Non-executive Director), originally appointed by a Board resolution dated April 22, 2013; the Board of Directors appointed Mr. Alessandria (post previously held by Mr. Moscetti) as chairman.
Frequencies, the average length, the attendance percentage at Nominating Committee meetings are listed in Table 2 annexed to this Report.

The Nominating Committee's meetings – coordinated by its Chairman – have been regularly recorded and communicated to the first scheduled Board of Directors' meeting by the Chairman of the Nominating Committee.
In 2016, the Nominating Committee held four meetings on March 1, April 4, April 7 and December 15. Specifically, at the meeting of March 1, 2016 to discuss the renewal of the Board of Directors, the Nominating Committee expressed opinions on the size and composition of the Board of Directors (including the number of independent Directors and members belonging to the less represented gender) and on the professional figures whose presence on the Board would be considered appropriate. At the Meeting held on April 4, 2016, the Committee examined slates submitted for the renewal of corporate bodies and assessed list of candidates in compliance with applicable regulatory and law provisions and with the Nominating Committee recommendations.
During the meeting held on April 7, 2017 and pursuant to art. 144-*octies*, Section 2, of the Consob Issuer Regulations, the Nominating Committee examined the minority slate for renewal of the Board of Statutory Auditors, verifying slates are properly submitted and filed in compliance with
applicable regulatory and law provisions and in accordance with the shareholders' interests and associated certificates. Lastly, on December 15, 2016 expressed its opinion to the Board of Directors on the appointment of a new Director, pursuant to art. 11 of the Bylaws and art. 2386 c.c., following the resignation of Director Maria Paola Landini. The Committee assessed the application submitted by Mrs. Fiorella Altruda (also in relation to the candidate's specific competences) and proposed her nomination to the Board of Directors. Lastly, as at the date of this Report a meeting was held on March 2, 2017 during which the Committed expressed its opinion to the Board of Directors concerning the proposal to appoint Director Fiorella Altruda, in office until the next Shareholders' Meeting. As at the date of this report, no further meeting is scheduled for the year 2017.
In performing its functions, the Nominating Committee has free access to the company's areas and information considered important for fulfilling its duties and can avail external consultants, subject to authorization by the Board of Directors.
The Nominating Committee was not provided with financial resources because the Committee uses the Issuer's resources and organization to discharge its duties.

8. COMPENSATION COMMITTEE

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

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

The Compensation Committee will also be expected to participate in managing any future stock option plans that may be approved by the Issuer's relevant corporate governance bodies.
The Compensation Committee advises the Board of Directors on the general remuneration policy to be applied to executive directors, Board members invested with specific tasks and duties, and executives with strategic responsibilities, as well as the proper identification and setting of appropriate performance targets that are to serve as the basis for determining the variable component of their remuneration determining whether or not performance targets have actually been met.

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

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

By a resolution dated April 28, 2016, the Board of Directors confirmed the previous composition of the Compensation Committee, which is composed of the following Directors: Giuseppe Alessandria (Independent Director) who serves also as Chairman, Roberta Somati (Independent Director) and Michele Denegri (Non-Executive Director). The abovementioned directors have been already appointed by a Board of Directors resolution dated April 22, 2013.
Pursuant to principle 6.P.3 of the Corporate Governance Code, Mr. Michele Denegri has proper knowledge and expertise, regarding Finance and Accounting, that have been valued by the Board of Directors at the time of his appointment.
Frequencies, the average length, the attendance percentage at Nominating Committee meetings are listed in Table 2 annexed to this Report; the Chairman of the Board of Statutory Auditors attended the meetings.
In 2016, the Compensation Committee met on January 25, 2016, March 1, 2016 and May 9, 2016; the Compensation Committee provided recommendations about the revision to increase the compensation of General Manager together with the compensation of Executives with Strategic Responsibilities (information are provided in the Compensation Report published pursuant to Art. 123-*ter* of the TUF on the Company website www.diasorin.com in the Section "Investors/Information for Shareholders/Shareholders Meeting and board/2017"), and on stock option plans and their beneficiaries and provided recommendations about non-recurring expenses connected with payment of variable bonuses.
The Compensation Committee's meetings, attended by the Chairman of the Board of Statutory Auditors during which the above activities have been carried out, were regularly recorded. The Compensation Committee's activities – coordinated by its Chairman – have been regularly recorded and communicated to the first scheduled Board of Directors' meeting by the Chairman of the Compensation Committee.
As at the date of this Report a meeting was held on March 2, 2017. No further meetings are scheduled for 2017.
In performing its functions, the Compensation Committee had free access to the company's areas and information considered important for fulfilling its duties and could avail external consultants, subject to authorization by the Board of Directors.
The Compensation Committee was not provided with financial resources because the Committee uses the Issuer's resources and organization to discharge its duties.

9. COMPENSATION OF DIRECTORS

The Company policy for compensation of Directors and Executive with Strategic Responsibilities is reported in the Compensation Report published pursuant to Art. 123-*ter* of TUF on the Company website: www.diasorin.com in the Section "Investors/Information for Shareholders/Shareholders' meeting and board/2017", to which reference is made.

10. CONTROL AND RISKS COMMITTEE

The Board of Directors established a Control and Risks Committee to which it appointed Non-Executive Directors, the majority of whom are Independent. The Chairman of the Board of Statutory Auditors, or another Statutory Auditor designated by the abovementioned Chairman, and including in any case any other Statutory Auditors, attends Control and Risks Committee Meetings. The Supervisory Director and, at the Committee's invitation, the Internal Audit

Officer or other employees whose presence may be deemed useful for the proceedings may also attend Committee meetings.
The Control and Risks Committee recently adopted an internal regulation in compliance with the Corporate Governance Code best practice.

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

On March 9, 2012, the Board of Directors agreed to adopt the new version of the Corporate Governance Code, changing the name and tasks of the Internal Control Committee into the new function of "Control and Risks Committee".
The Control and Risks Committee provides consulting support and makes recommendations to the Board of Directors, and specifically it is required to perform a series of tasks concerning the Issuer's control activity and risks management, as described in the following section.
By a resolution dated April 28, 2016, the Board of Directors confirmed the previous composition the Control and Risks Committee which is composed of the following Directors: Franco Moscetti (Independent director) serving as Chairman, Roberta Somati (Independent Director) and Enrico Mario Amo (Non-executive Director), who has significant expertise in the areas of accounting and finance. The abovementioned directors have already been appointed by a resolution dated April 22, 2013.
The frequency, the average length, the attendance percentage at the Control and Risks Committee meetings are listed in Table 2 annexed to this Report.
In 2016, the Control and Risks Committee met on March 1, July 22 and December 6. As of the date of this Report a meeting was held on February 24, 2017. No further meetings are scheduled for 2017.
The Chairman of the Board of Statutory Auditors, together with his members and the Supervisory Director attended the Control and Risks Committee meetings, as well, by invitation of the Committee, the Internal Audit Officer and other company members whose presence is deemed useful for the meeting to discuss scheduled issue on the agenda.

Functions of the Control and Risks Committee
The Control and Risks Committee has the following functions:

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

the provision of consulting support with regard to related-party transactions.

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

In 2016, the Control and Risks Committee performed its constant control activity, concerning the correct and timely implementation of the guidelines and the proper management of the Internal Control and Risks system of the Issuer and its relevant subsidiaries.

The Committed supported by the Internal Audit Function analyzed strategies and actions implemented in 2014-2016 addressed to the risk management during the activity of Enterprise Risk Assessment carried out in 2013. Following this analysis activity, it emerged that the main risks are managed with clear and documentable strategies and, even if level of risks cannot be reset by definition, the Company's strategies can minimize the negative effects.

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

In 2016, during the meetings held on March 9, and August 4, the Control and Risks Committee reported to the Board of Directors on the activities and audits the Committee carried out, pursuant to Criterion 7.C.2, Letter f) of the Corporate Governance Code, and the effectiveness of the internal control system highlighting how the system proved to be largely in line with the size and organizational and operational structure of the Issuer. Last meeting held to report to the Board of Directors on the activities carried out was on March 8, 2017.

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

On March 8, 2017, the Board of Directors resolved to provide financial resources of 50,000,00 thousand euros to the Control and Risks Committee to perform its activities, confirming the same budget provided in 2016.

11. INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEM

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

On December 19, 2012, the Board of Directors adopted the guidelines of the Internal Control and Risks Management system (“**The Guidelines”)** that have been confirmed by the previous Board of Directors on April 22, 2013 and by the current Board of Directors elected on April 28, 2016.

The Guidelines aim to define the main risks to which the Company is exposed.

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

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

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

- The Board of Directors has the function of directing and evaluating the adequacy of the Internal Control and Risks management, *interalia* identifying an (i) Control and Risks Committee that assists the Board of Directors comprised of non-executive Directors, the majority of whom is Independent, with a proper preliminary investigation and (ii) one or more Directors in charge of the establishment and preservation of an efficient Internal Control and Risks management ("**Supervisory Director"**);

- The Officer of the Internal Audit function, who is appointed by the Board of Directors, and proposed by the Supervisory Director, with the assent of the Control and Risks Committee, has the function to verify the adequacy and efficiency of the Internal Control and Risks management system;
- The Board of Statutory Auditors has the function to verify the efficiency of the Control and Risks Committee;
- The Corporate Accounting Document Officer (the "**Corporate Accounting Documents Officer**"), pursuant to the art. 154-bis TUF;
- The Oversight Board established pursuant D.L. 231/2001.

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

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

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;

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

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

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

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

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

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

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

b) Definition of controls for the mapped risks

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

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

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

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

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

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

The Internal Auditing Officer prepares an Audit Report in which he provides an overview of the assessment of the controls established for the mapped risks. The assessment of controls results in the definition of supplemental controls, corrective actions or improvement plans to address any identified issues. The Audit Reports produced during the year are communicated to the Company's Control and Risks Committee and relevant outcomes are communicated to the Company Board of Statutory Auditors, and the Board of Directors.

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

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

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

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

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

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

The Supervisory Director is responsible for overseeing the effective implementation of the System of Internal Control and Risks Management by the Board of Directors and with the support of the Control and Risks Committee.
The Supervisory Director, working within and in accordance with the guidelines established by the Board of Directors, is responsible for:

- identifying corporate risks, based on the characteristics of the Issuer’s and its subsidiaries businesses and that will be periodically submitted to the attention of the Boards of Directors;
- implementing the guidelines, designing, constructing and managing the system of internal control, constantly verifying its efficiency and adequacy;
- making sure that the system of internal control and risks management changes in the Company’s business and changes in the statutory and regulatory framework;
- promptly reporting to the Control and Risks Committee (or to the Board of Directors) issues and critical situations emerged from its control activity or of which the Committee was informed, so that the Committee (or the Board of Directors) can take measures against these critical situations.
- in performing these tasks, the Supervisory Director can rely on the Internal Audit to carry out controls on both specific business areas and internal laws and procedures concerning corporate operations, so that the Chairman of the Board of Directors, the Chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors will be promptly informed. In 2015, the Supervisory Director did not exercise this power.

On April 28, 2016, the Issuer’s Board of Directors reappointed Carlo Rosa, the Issuer’s Chief Executive Officer and General Manager, to the post of Supervisory Director. Mr. Rosa had been appointed to this post by the previous Board of Directors.
During the course of the year, the Supervisory Director:
• identified the main corporate risks (strategic, operational, financial and compliance related), taking into account the characteristics of the businesses carried out by the Issuer and its subsidiaries, and submitted them to the Board of Directors for review on a regular basis;
• implemented the guidelines defined by the Board of Directors, designing, constructing and managing the system of internal control, monitoring on an on-going basis the system’s overall adequacy, effectiveness and efficiency and the need for any adjustments;
• updated the system in response to changes in operating conditions and in the relevant regulatory framework;
did not deemed it necessary to require intervention of the Internal Audit Officer.

11.2 INTERNAL AUDIT OFFICER

The Board of Directors appointed a person in charge of verifying the constant adequacy, effectiveness and efficiency of the system of Internal Control and Risks management.
During the Board meeting held on April 22, 2013, the Board of Directors in compliance with the provisions of the Corporate Governance Code, appointed Luca de Rosa to the post of Internal Audit Officer, on the input of the Supervisory Director and following the favorable opinion of the Control and Risks Committee and the Statutory Auditors. The Internal Audit Officer was entrusted with tasks and responsibilities contained in the Code and detailed in the Guidelines.
On March 9, 2016, the Board of Directors appointed Giovanni Piovano who succeeded Mr. De Rosa (appointed to another business functions) to the post of Internal Audit Officer; the appointment was confirmed on April 28, 2016 by the Board of Directors appointed on the same date.
The Code requires that the Board of Directors in charge of appointing (and revoking) the Internal Audit Officer provides such Officer with adequate resources to perform his /her tasks and defines his/her compensation, coherently with the company’s policy.
The Internal Audit Officer, who is not in charge of any operating area, reporting through official channels to the Board of Directors, can:

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

Starting from January 1, 2013 the Internal Audit Officer's work-plan is approved on annual basis by the Board of Directors, after receiving a favorable opinion from the Board of Statutory Auditors and the Supervisory Director. In 2016, the 2016 Audit Plan was approved during the meeting held on March 9, 2016. Moreover, at least once a year, the Internal Audit Officer reports and explains the controls carried out to the Board of Directors, the Supervisory Director, and the Control and Risks Committee and the Board of Statutory Auditors. In compliance with his/her duty, in 2016, the Internal Audit Officer carried out his/her tasks drawing up and following an annual plan, that was presented to the Board of Statutory Auditors and Control and Risks Committee to show the results achieved during the year.
In 2016, the Internal Audit Officer carried out all the activities of his/her annual work-plan, reporting to the Control and Risks Committee during the meeting held on March 1, July 22 and December 6 and to the Board of Directors during the meeting held on March 9, 2016. The Internal Audit Officer reported to the Board of Directors again on March 8, 2017.
On April 22, 2013, the Board of Directors in office until April 28, 2016 resolved not to provide the Internal Audit Officer with *ad hoc* compensation, considering to be appropriate the compensation received as employee of the Company and thus consistent with his/her tasks.
The current Board of Directors during the Board meeting held on April 28, 2016 acted in accordance the abovementioned decision.

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

The Group's Code of Conduct

On December 18, 2006, the Issuer approved and implemented a Group Code of Conduct 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, as amended and updated recently by the Board of Directors on December 19, 2013, 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. The Company provided specific training sessions for all DiaSorin Groups' managers (in December 2016 and January 2017) to fully illustrate amendments to the Code of Conduct; at the end of each session attendees received a questionnaire to assess the quality of the training session and kept as document to be used for certification purposes. As at the date of this Report, the new version of the Code is undergoing formal approval by the Group management bodies. The Code of Conduct currently in force is available on the Issuer's website (www.diasorin.com, Section "Investors/Governance/Governance System").

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

As required by the provisions of Article 2.2.3, Section 3, Letter k), of the Stock Exchange Regulations (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 a new Special Section that deals with certain issues listed in Legislative Decree No. 121/2011 concerning environmental crimes, and lastly on, August 1, 2013 the Board of Directors agreed to update Special Section "A" (Offences against the Public Administration) and Special Section "B", and added Special Section "E" (employment of workers from non EU countries) 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.

As at the date of this Report the Oversight Body is performing a regulatory update of the Special Section "C" following the entry into force of Regulation (EU) n. 596/2014 (the so-called "MAR" - *Market Abuse Regulation*), providing new provisions on Market Abuse.

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

- "General Section" includes (i) the description of the regulatory framework, (ii) the governance and organizational structure adopted by DiaSorin for preventing the commission of crimes, (iii) the purposes of the Model, (iv) the requirements and tasks of the Supervisory Body (see below), (v) the disciplinary measures adopted by the Company in case of non-compliance with the measures set out in the Model and (vi) the training and communication plan to ensure an accurate knowledge and awareness of the provisions of the Model by all the persons who must observe them.
- "Special Section A" includes the crimes covered by Articles 24 and 25 of the Decree committed in the course of relations with the Public Administration;

- “Special Section B” covers the so called “Corporate” crimes, including the corruption between private parties;
- “Special Section C” encompasses the crimes set out by the Consolidated Law on Finance (Legislative Decree 58/1998) on “Market Abuse”;
- “Special Section D” includes the unintentional manslaughter and unintentional serious or very serious injuries committed in breach of applicable regulations on health and safety at work set out in the Law 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 the employment of third country citizens set out by Article 22 paragraph 12-bis of the Legislative Decree 286/1998 as contemplated by Article 25-*duodecies* of the said Decree.

In 2016, the Oversight Board currently in office includes the following members: Roberto Bracchetti, Statutory Auditor (former Chairman of the Board of Statutory Auditors until April 28, 2016), Signor Giovanni Piovano, Internal Audit Officer, and Silvia Bonapersona, outside professional responsible for the controls required by occupational and environmental safety regulations. The Oversight Board is responsible for ensuring that the Model is functioning correctly, is effective and is being complied with, and for recommending updates to the model and Company procedures, when appropriate. To this purpose, the Board of Directors on the meeting held on March 8, 2017 resolved to provide the Oversight Board with financial resources amounting to EURO 50,000,000 for the year ended December 31, 2017, confirming the same budget provided in 2016. Once a year, the Oversight Board presents to the Board of Directors the findings of its oversight activity, subsequent to discussing them with the Control and Risks Committee. Last meeting was held on March 8, 2017.

11.4 INDEPENDENT AUDITORS

Pursuant to a resolution approved by the Shareholders’ Meeting of February 12, 2007, the independent auditing function was awarded to Deloitte & Touche S.p.A. whose term of office ended in 2016. The Shareholders’ Meeting held on April 28, 2016, on a reasoned proposal by the Board of Directors, appointed PricewaterhouseCoopers S.p.A. for the period 2016-2024.

11.5 CORPORATE ACCOUNTING DOCUMENTS OFFICER

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

On November 11, 2011, the Issuer’s Board of Directors, after verifying compliance with the requirements of integrity and professional expertise referred to above, appointed Luigi De Angelis, who already serves as Manager of the Issuer’s Accounting, Finance and Control Department, to the post of Accounting Document Officer (the Board of Directors reconfirmed his post on April 22, 2013).

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

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

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

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

The Company has attributed the function of coordination of individuals involved in the Internal Control and Risk Management to the Board of Directors, carried out by the Supervisory Director. This coordination was permanently and effectively carried out in 2016.
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 Control and Risks Committee meetings. The Control and Risks Committee reports to the Board of Directors at least once every six months about the work performed and the adequacy of the system of internal control and risks management. As for the Oversight Board its coordination with other parties involved is fully ensured by the presence of member 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 8, 2017 the Board of Directors, pursuant to Criterion 7.C.1 of the Corporate Governance Code, deemed coordination procedure of parties involved in the internal control and risk management system to be adequate.

12. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

With regard to related-party transactions, the Issuer's Board of Directors adopted a new Procedure and established a Committee for related-party transactions.
The Board of Directors adopted the Procedure on November 5, 2010, in accordance with Consob Regulation on Related Party transactions (as amended). The Procedure went into effect on January 1, 2011 and was assessed by the Independent Directors on March 8, 2017 (as defined in the CONSOB communication no. 10078683 dated September 24, 2010, after the first three years of its application), who confirmed the Procedure compliance with applicable laws and with adequacy and effectiveness of the provisions thereof; the Procedure was published pursuant to the Regulation on the Company website: www.diasorin.com/Governance/Governance System. List of Company's Related Parties, annexed to the Procedure, is updated at any time, if necessary, and revised on an annual basis.
Referring to the abovementioned procedure, Directors who have a vested interest in a transaction must provide in a timely manner full information regarding the existence of a vested interest and the circumstances of the same to the Board, evaluating on a case by case basis the opportunity of leaving the meeting at the time at which the resolution is taken and to abstain from voting on the matter. In case the vested interest is held by a Chief Executive Officer, the same abstains from carrying out the operation. In such cases, the resolutions of the Board of Directors will motivate adequately the reasons and interest of the Company to carry out the operation.
The Board of Directors takes the appropriate decisions in the case that Directors abandoning the meeting when the matter is discussed would result in there no longer being the required quorum.
In 2016, no operations concerning Directors with direct or indirect interest or Related-Party interest have been carried out.

12.1 COMMITTEE FOR RELATED-PARTY TRANSACTIONS

By a resolution dated April 28, 2016, the Issuer's Board of Directors confirmed the previous composition of the Committee for Related-Party Transactions consisting of Independent Directors - Franco Moscetti (serving as Chairman and previously Coordinator), Giuseppe Alessandria and Roberta Somati – appointed by Board resolution on April 22, 2013.
In 2016, the Committee for Related-Party Transactions met on March 9, 2016 (in order to verify the update of the List of Related Parties annexed to the Procedure and receive documentation concerning implementation of transactions qualifying for exemption pursuant to art. 13 and art. 14 of the Consob Regulations on Related-party transactions) and on December 9, 2016 to examine an intra-group transaction concerning distribution rights assignments (this transaction was exempt from the application of the Procedure). Meeting of the Committee for related-party transactions– coordinated by its Chairman – have been regularly recorded and communicated to the first scheduled Board of Directors' meeting by the Chairman of the Committee.

13. ELECTION 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 2016, the Board of Statutory Auditors met on January 22, March 9, April 6, May 25, July 22, October 20 and November 10. The average length of meetings was 2 hours. As at the date of this Report the Board of Statutory Auditors met on January 18, 2017; in addition to the meeting held, four meetings have been scheduled for 2017.
The provisions of the Issuer's Bylaws (Article 18) that govern the composition and the election of the Board of Statutory Auditors effectively ensure compliance with rules and regulations concerning with provisions concerning rights of minority shareholders' rights, independence of Directors and gender balance.
The Board of Statutory Auditors is elected on the basis of slates of candidates filed by shareholders. Each shareholder, shareholders belonging to a shareholders' agreement that meet the requirements of Article 122 of the TUF, the Company's controlling party, its subsidiaries and joint ventures that qualify as such pursuant to Article 93 of the TUF may not file or participate in the filing, directly or through a third party or a nominee, of more than one slate and may not vote for multiple slates. Each candidate can be included on only one slate, on penalty of losing the right to be elected. Votes cast in violation of this requirement will not be attributed to any slate of candidates.
According to the Issuer's Bylaw only shareholders who represent at least 2.5% of the voting shares may file slates of candidates, or any other percentage that may apply pursuant to the provisions or guidelines of laws or regulations. As duly established by Art. 144-*septies*, paragraph 1, of the Issuer Regulation and by Consob no. 19499 of January 25, 2017, shareholders' owing a shareholding equal to the shareholding established by Consob, and that corresponds to 1% of the Share Capital are entitled to present the slates of nominees to allocate the Statutory Auditors to be elected.
Slates filed with a number equal to or with more than 3 candidates shall be composed by candidates belonging to both genders so that the least represented gender is awarded at least one-third of the seats and (rounded up) for being elected as Statutory Auditors and at least one-third (rounded up) of the candidates running for being elected as Alternate.
Slates filed by shareholders must be deposited at the Company's registered office at least 25 (twenty-five) days prior to the date of the first calling of the Shareholders' Meeting, on penalty of becoming invalid, together with the documents required by the Bylaws. The abovementioned documents must include the following:

(i) Information identifying the shareholders who are filing the slates and showing the total percentage interest held;
(ii) An affidavit by the shareholders different from those who hold, jointly or individually, a controlling or relative majority interest attesting that they are not linked with the latter as a result of transactions such as those defined in the relevant laws and regulations currently in force;
(iii) Detailed information about the candidates' backgrounds, affidavits by the candidates attesting that they meet statutory requirements and accept the nomination and listings of any management and control posts held by the candidates at other companies.

In addition, the requisite certification, issued by an intermediary qualified pursuant to law, attesting that, at time that the slate of candidates is filed with the Company, the filer owned the required number of shares, must be deposited within the deadline set forth in the regulations governing 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.

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.

The Board of Statutory Auditors in office until April 28, 2016 and its members are listed below:

First and last name	Place and date of birth	Post held	Domicile for post held
Roberto Bracchetti	Milan, May 23, 1939	Chairman	Saluggia (VC) Via Crescentino snc
Andrea Caretti	Turin, September 14, 1957	Statutory Auditor	Saluggia (VC) Via Crescentino snc
Ottavia Alfano	Milan, May 2, 1971	Statutory Auditor	Saluggia (VC) Via Crescentino snc
Bruno Marchina	Turin, February 11, 1941	Alternate	Saluggia (VC) Via Crescentino snc
Maria Carla Bottini	Legnano (MI), July 7, 1960	Alternate	Saluggia (VC) Via Crescentino snc

The Board of Statutory Auditors in office as of the date of this Report was elected by the Ordinary Shareholders' Meeting of April 8, 2016 (for a term of office that will end with the approval of the financial statements for the year ending December 31, 2018) and its members are listed below:

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

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

14. STATUTORY AUDITORS (PURSUANT TO ART. 123-BIS, SECTION 2, LETTER D), TUF)

The Issuer’s Board of Statutory Auditors was appointed by the Ordinary Shareholders' Meeting held on April 28, 2016 and the Board's term will expire with the Shareholders' Meeting to be called to approve the financial statements for the year ending 31 December 2018. The Board of Statutory Auditors was appointed on the basis of two slates. The first slate has been filed by IP Investimenti e Partecipazioni S.r.l., which certified its ownership of an equity interest equal to about 43.99% of the Company’s common shares. The second slate has been filed as minority list by a number of asset management companies representing their funds which certified their ownership of an overall equity interest equal to 0.767% of common shares. Pursuant to the Company Bylaws, the Statutory Auditor candidate listed first in the slate that received the second highest number of votes (namely the slate filed by minority shareholders and approved by 26.202% of the Voting Capital) has been elected to the post of Chairman of the Board of Statutory Auditor and Statutory Auditor. The candidates listed, respectively, first and second in the slate that received the highest number of votes (specifically slate filed by the main Shareholder approved by 73.390% of the Voting Capital) have been elected to the post of Statutory Auditor. Alternate candidates who are listed first in the slates filed by minority shareholders and by the main shareholder have been elected to the post of Alternate. The members of the Board of Statutory Auditors currently in office are listed in the above Section **13**.

The Board of Statutory Auditors:

- assessed the independence of its own members on April 28, 2016 during the Shareholders’ Meeting held to appoint statutory auditors. This assessment has been disclosed to the public by press release on the same date;
- assessed on March 8, 2017 whether the independence requirement continued to apply to its own members;
- in carrying out these assessments, applied all the criteria set out in the Code relating to the independence of Directors.

The Auditor who, on his own behalf or on behalf of a third party, has an interest in a particular Company transaction, has to promptly provide comprehensive information on the nature, terms, origin and scale of such interest to the other Auditors and the Chairman of the Board.
The Board of Statutory Auditors oversaw the independence of the external auditors, verifying that the relevant legal requirements were met, as well as the nature and extent of the various auditing services carried out for the Company and its subsidiaries by the external auditors and its entities.
The 2015 assessment will be expressed in the report presented to the Shareholders’ meeting that will approve the financial statements for the year ending December 31, 2016.
In performing its duties, the Board of Statutory Auditors coordinates and collaborates with the internal auditing department and with the Control and Risk Committee, through joint meetings and the constant exchange of documentation.

15. INVESTOR RELATIONS

The Issuer’s departments with jurisdiction over this area are actively engaged in an on-going dialog with the shareholders. As part of this process and pursuant to Article 2.2.3, Section 3, Letter j, of the Stock Exchange Regulations, the Company established an internal Investor Relations Office, with responsibility for handling relations with all shareholders, including institutional investors, and may be asked to perform additional tasks in connection with the handling of price sensitive information and relations with the Consob and Borsa Italiana. As of the date of this Report, this office is currently headed by Mr. Riccardo Fava. The disclosure of information to investors will also be accomplished by making the more significant corporate

information available promptly and on a regular basis on the Issuer's website (www.diasorin.com/Investors/Information for Shareholders), to enable investors to exercise their shareholder rights.
For the transmission of the Regulated Information, the Issuer uses e-market SDIR managed by Spafid Connect S.p.A., based in Foro Buonaparte 10, Milan. For the storage of the Regulated Information, DiaSorin S.p.A. has adhered to the mechanism for the central storage named "1INFO", available at the address www.1info.it, managed by Computershare S.p.A. a company of the Computershare LTD Group, with registered office in Via L. Mascheroni, no. 19, Milan. Shareholders can contact directly DiaSorin Investor Relations at riccardo.fava@diasorin.it.

16. SHAREHOLDERS' MEETING (PURSUANT TO ART. 123-BIS, SECTION 2, LETTER C), TUF)

When convened in ordinary session, the Shareholders' Meeting has jurisdiction over the following areas:
(a) it approves the financial statements;
(b) it elects and dismisses the Directors, Statutory Auditors and the Chairman of the Board of Statutory Auditors and the Accounting Document Officer when one is required;
(c) it determines the compensation of Directors and Statutory Auditors;
(d) it votes on resolutions concerning the responsibility of Directors and Statutory Auditors;
(e) it votes on resolutions concerning other matters over which it has jurisdiction pursuant to law and issues any authorizations that the Bylaws may require in connection with activities carried out by Directors, who are responsible for the actions they perform;
(f) it approves regulations governing the handling of Shareholders' Meetings;
(g) it votes on resolutions concerning any other issue over which it has jurisdiction pursuant to law.

The Extraordinary Shareholders' Meeting approves resolutions concerning amendments to the Bylaws, the appointment, replacement and powers of liquidators, and any other issue over which it has specific jurisdiction pursuant to law. The Board of Directors has jurisdiction over the areas listed in Article 15 of the Bylaws, it being understood that it can cede jurisdiction over these issues to the Shareholders' Meeting convened in extraordinary session. The relevant provisions of the law shall be applied to determine whether an Ordinary or Extraordinary Shareholders' Meeting has been validly convened and its resolutions validly adopted.
Pursuant to Article 9 of the Bylaws, only the holders of voting rights may attend the Shareholders' Meeting, in accordance with the regulations in effect at any given time.
At present, the Issuer finds no need to adopt special regulations to govern the handling of Shareholders' Meetings, since it believes that the governance of the Meeting exercised by the Chairman, in accordance with attendance rules summarized by the Chairman at the beginning of each session, is adequate.
The Chairman to ensure an orderly progress of the proceedings, mentioned some of the rules of conduct in reference to speech requests, contents of the speech and voting criteria.
Eleven out of thirteen Executives in office and all the members of the Board of Statutory Auditors attended the Shareholders' meeting held on April 28, 2016. The Board of Directors reported to the Shareholders' Meeting on its past and scheduled activities, and it undertook to provide shareholders with adequate information so that they could take informed decisions on the matters to be resolved by the Shareholders' Meeting.
In 2016, no significant changes occurred in the market capitalization or ownership structure of the Company.

17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (PURSUANT TO ART. 123-BIS, SECTION 2, LETTER A), TUF)

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

18. CHANGES OCCURRING AFTER THE CLOSE OF THE REPORTING YEAR

No changes occurred in the Corporate Governance of the Issuer after December 31, 2016

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE[1]				
	N° shares	***% on the share capital***	***Listed (identify the markets) / not-listed***	***Rights and obligations***
ordinary shares with no indication of their nominal value	55,948,257**	100%	MTA	each share gives right to one vote. rights and obligations are those provided in arts. 2346 et seq. of the civil code

[1] As of December 31, 2016.
** N. 1,189,950 treasury shares held in the company's portfolio.

SIGNIFICANT EQUITY INTERESTS *			
Reporting shareholder	**Direct shareholder**	**No. of shares**	**% interest in share capital**
Finde SS	IP Investimenti e Partecipazioni S.r.l. (IP S.r.l.)	25,163,454	44.98
Rosa Carlo	Sarago S.r.l.	2,402,532	8.54
	Rosa Carlo	2,376,682	
Even Chen Menachem		2,400,000	4.29

***** Shareholders holding, directly or indirectly, shares greater than 3% of the share capital, through pyramid structures or interlocked equity investments, in accordance with communications made pursuant to art. 120 of TUF and information available to the Company as of December 31, 2016.

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

Structure of the Board of Directors in office until April 28, 2016

Board of Directors													Control and Risks Committee		Compensation Committee		Nominating Committee		Related-party Committee	
Post held at DiaSorin	**Members**	**Year of birth**	**Date of first appointment ***	**In office since**	**In office until**	**List ****	**Exec.**	**Non-exec.**	**Indep. Code**	**Indep. TUF**	**Number of other offices**	**(*)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**
Chairman	Gustavo Denegri	1937	3.26.2007	4.22.2013	Approval of Fin. Stat. 2015	M		X			4	7/7								
Deputy Chairman and Director	Michele Denegri	1969	3.26.2007	4.22.2013	Approval of Fin. Stat. 2015	M		X			7	7/7			3/3	M	4/4	M		
CEO • ◊	Carlo Rosa	1966	3.26.2007	4.22.2013	Approval of Fin. Stat. 2015	M	X				2	7/7								
Director	Chen Menachem Even	1963	3.26.2007	4.22.2013	Approval of Fin. Stat. 2015	M	X				2	7/7								
Director	Antonio Boniolo	1951	3.26.2007	4.22.2013	Approval of Fin. Stat. 2015	M		X			1	2/2								
Director	Enrico Mario Amo	1956	3.26.2007	4.22.2013	Approval of Fin. Stat. 2015	M		X			4	7/7	3/3	M						
Director	Stefano Altara	1967	4.23.2014	4.22.2013	Approval of Fin. Stat. 2015	-		X			4	7/7								
Director	Giuseppe Alessandria	1942	3.26.2007	4.22.2013	Approval of Fin. Stat. 2015	M			X	X	2	7/7			3/3	P	4/4	M	2/2	M
Director	Franco Moscetti	1951	3.26.2007	4.22.2013	Approval of Fin. Stat. 2015	M			X	X	6	7/7	3/3	P			4/4	P	2/2	P
Director	Maria Paola Landini	1951	4.22.2013	4.22.2013	Approval of Fin. Stat. 2015	M			X	X	-	5/6								
Director	Roberta Somati	1969	4.22.2013	4.22.2013	Approval of Fin. Stat. 2015	M			X	X	-	7/7	3/3	M	3/3	M			2/2	M
Director	Eva Desana	1971	4.22.2013	4.22.2013	Approval of Fin. Stat. 2015	M		X			1	2/2								
Director	Ezio Garibaldi	1938	3.26.2007	4.22.2013	Approval of Fin. Stat. 2015	M		X			-	2/2								
DIRECTORS CEASED IN THE PERIOD 1.1.2016-4.28.2016																				
none																				
Indicate minimum quorum required for the presentation of lists at the last appointment of the Board: **1%**																				

Number of meetings held in 2016	**Board of Directors**	**Control and Risks Committee**	**Compensation Committee**	**Nominating Committee**	**Related-party Committee**
Financial year at 12.31.2016	7	3	3	4	2
Average length of meetings	2 hours and 30 minutes	2	1	1	1

NOTES

The following symbols shall be placed in the "Post held" column:
• This symbol shows the Director in charge of the internal control and risks management.
◊ This symbol shows the Director who is chiefly responsible for managing the Issuer (Chief Executive Officer or CEO).
○ This symbol shows the Lead Independent Director (LID).
* The date of first appointment shows the date when the Director has been appointed for the first time ever in the Board of Directors of the Issuer.
** This column the list from which each director comes ("M": majority list; "m": minority list; "Board of Directors": list presented by the Board of Directors).
*** This column details the number of offices of Director held in other companies listed either in Italy or abroad, and/or in financial, banking, insurance or large companies. In the Corporate Governance Report these positions are listed in detail.
(*) This column shows the percentage of the meeting of the Board of Directors and the committee(s) attended by each director (show the number of meetings the director attended compared with the overall number of meeting the director could have attended; i.e. 6/8 and 8/8 etc.).
(**). This column shown the post the Director holds inside the Board of Directors: "C": chairman; "M": member (**).

Structure of the Board of Directors in office since April 28, 2016

Board of Directors													Control and Risks Committee		Compensation Committee		Nominating Committee		Related-party Committee	
Post held at DiaSorin	**Members**	**Year of birth**	**Date of first appointment ***	**In office since**	**In office until**	**List ** **	**Exec.**	**Non-exec.**	**Indep. Code**	**Indep. TUF**	**Number of other offices**	**(*)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**
Chairman	Gustavo Denegri	1937	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M		X			4	7/7								
Deputy Chairman and Director	Michele Denegri	1969	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M		X			7	7/7			3/3	M	4/4	M		
CEO • ◊	Carlo Rosa	1966	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M	X				2	7/7								
Director	Chen Menachem Even	1963	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M	X				2	7/7								
Director	Giancarlo Boschetti	1939	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M		X			3	5/5								
Director	Enrico Mario Amo	1956	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M		X			4	7/7	3/3	M						
Director	Stefano Altara	1967	4.23.2014	4.28.2016	Approval of Fin. Stat. 2018	M		X			4	7/7								
Director	Giuseppe Alessandria	1942	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	2	7/7			3/3	P	4/4	P	2/2	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			4/4	M	2/2	P
Director	Roberta Somati	1969	4.22.2013	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	-	7/7	3/3	M	3/3	M			2/2	M
Director	Francesca Pasinelli	1960	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	8	4/5								
Director	Monica Tardivo	1970	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	1	5/5								
Director	Tullia Todros	1948	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	1	5/5								
Director	Vittorio Squarotti	1979	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M		X			-	5/5								
Director	Fiorella Altruda	1952	12.19.2016	12.19.2016	Next shareholder's Meeting	-			X	X	2	-								
DIRECTORS CEASED IN THE PERIOD 4.28.2016-12.31.2016																				
Director	Maria Paola Landini	1951	4.22.2013	4.28.2016	Approval of Fin. Stat. 2018	M			X	X		5/6								

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

Number of meetings held in 2016	**Board of Directors**	**Control and Risks Committee**	**Compensation Committee**	**Nominating Committee**	**Related-party Committee**
Financial year at 12.31.2016	7	3	3	4	2
Average length of meetings	2 hours and 30 minutes	2	1	1	1

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

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

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Structure of the Board of Statutory Auditors in office until April 28, 2016

Board of Statutory Auditors									
Post held at DiaSorin	**Members**	**Year of birth**	**Date of first appointment***	**In office since**	**In office until**	**List ****	**Indep. Code**	**Attendance at the Board of Statutory Auditors' meeting *****	**Number of other offices ******
Chairman	Roberto Bracchetti	1939	4.27.2010	4.22.2013	Approval of Fin. Stat. 2015	M	X	7/7	9
Statutory Auditor	Andrea Caretti	1957	4.27.2010	4.22.2013	Approval of Fin. Stat. 2015	M	X	3/7	9
Statutory Auditor	Ottavia Alfano	1971	4.22.2013	4.22.2013	Approval of Fin. Stat. 2015	M	X	7/7	15
Alternate	Bruno Marchina	1941	3.26.2007	4.22.2013	Approval of Fin. Stat. 2015	M	X	-	2
Alternate	Maria Carla Bottini	1960	3.26.2007	4.22.2013	Approval of Fin. Stat. 2015	M	X	-	15
STATUTORY AUDITORS CEASED IN 2016: 0									
Number of meetings held in 2016: 7									
Average length of meetings: 2 hours									
Indicate minimum *quorum* required for the presentation of lists at the last appointment of the Board: **1%**									

NOTES

* The date of first appointment shows the date when the Statutory Auditor has been appointed for the first time ever in the Issuer's Board of Statutory Auditors.

** This column the list from which each statutory auditor comes ("M" : majority list ; "m" : minority list).

*** This column shows the percentage of the meeting of the Board of Statutory Auditors attended by each member (show the number of meetings the statutory auditors attended compared with the overall number of meeting the statutory auditor could have attended; i.e. 6/8 and 8/8 etc.)

**** This column details the number of posts held in other companies deemed relevant pursuant to Art. 148-*bis* TUF and the implementation of the Consob Issuer's Regulation. A complete list of posts held is published on the Consob's website pursuant to Art. 144-*quinquiesdecies* of Consob Issuers' Regulations.

Structure of the Board of Statutory Auditors since April 28, 2016

Board of Statutory Auditors									
Post held at DiaSorin	**Members**	**Year of birth**	**Date of first appointment***	**In office since**	**In office until**	**List ****	**Indep. Code**	**Attendance at the Board of Statutory Auditors' meeting *****	**Number of other offices ******
Chairman	Monica Mannino	1969	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	m	X	4/7	6
Statutory Auditor	Roberto Bracchetti	1939	4.27.2010	4.28.2016	Approval of Fin. Stat. 2018	M	X	7/7	9
Statutory Auditor	Ottavia Alfano	1971	4.22.2013	4.28.2016	Approval of Fin. Stat. 2018	M	X	7/7	15
Alternate	Salvatore Marco Fiorenza	1950	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	m	X	-	13
Alternate	Maria Carla Bottini	1960	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M	X	-	15
STATUTORY AUDITORS CEASED IN 2016: 0									
Number of meetings held in 2016: 7									
Average length of meetings: 2 hours									
Indicate minimum *quorum* required for the presentation of lists at the last appointment of the Board: **1%**									

NOTES

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

TABLE OF THE POSTS HELD BY THE BOARD OF DIRECTORS

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

POST HELD AT DIASORIN	FIRST AND LAST NAME	OTHER POSTS HELD
Chairman	Gustavo Denegri	Finde S.p.A. (Chairman - Shareholder) IP Investimenti e Partecipazioni S.r.l. Chairman) Aurelia S.r.l. (Chairman) Finde S.S. (Shareholder- Director)
Deputy Chairman and Director	Michele Denegri	Finde S.p.A. (Chief Executive Officer - Shareholder) IP Investimenti e Partecipazioni S.r.l. (Chief Executive Officer) Aurelia S.r.l. (Chief Executive Officer) Finde S.S. (Shareholder- Director) Corin Group PLC (Non-Executive Director) 2IL Orthopaedics Limited (Non-Executive Director) Gastameco S.r.l.(Director)
Chief Executive Officer	Carlo Rosa	Sarago S.r.l. (Shareholder – Sole Director) Istituto Italiano di Tecnologia (Director)
Director	Chen Menachem Even	Diasorin Ltd (Israel) (Director) * Diasorin Ltd (China) (Director) *
Director	Giancarlo Boschetti	Finde S.p.A. (Director) Karsan Automotive (Director) Karsan Europe S.r.l. (Deputy Chairman of the Board of Directors)
Director	Enrico Mario Amo	IP Investimenti e Partecipazioni S.r.l. (Director) Industria & Finanza SGR S.p.A. in liquidazione (Director) Corin Group PLC (Non - Executive Director) 2IL Orthopaedics Limited (Non - Executive Director)
Director	Stefano Altara	Finde S.p.A. (Director) S. Lattes & C. Editori S.p.A. (Director) Esperantia s.s. (Shareholder- Director) IP Investimenti e Partecipazioni S.r.l. (Director)
Director	Giuseppe Alessandria	Euren Intersearch S.r.l. (Director - Shareholder) Lobe S.r.l. (Chairman - Shareholder)
Director	Franco Moscetti	Il Sole 24 Ore S.p.A. (CEO) Axel Glocal Business S.r.l. (Sole Director – Shareholder) Capital for Progress SPAC (Director) Fideuram Investimenti SGR S.p.A. (Director) Ampliare S.r.l. (CEO) Zignago Vetro S.p.A (Director)
Director	Roberta Somati	-
Director	Francesca Pasinelli	Fondazione Telethon (General Manager and Company Director) Friends of Telethon Foundation Italy (Deputy Chairman) Istituto Italiano di Tecnologia (Member of the Executive Committee) Cogentech Scarl (Company Director) Fondazione Telecom Italia (Member of the Scientific Committee) Università degli Studi di Milano (Company Director) Dompè Farmaceutici S.p.A. (Company Director) Anima Holding S.p.A. (Company Director)
Director	Monica Tardivo	T.T.T. S.a.s di Sandro Tardivo & C. (Limited Partner)
Director	Tullia Todros	Corion Biotech S.r.l. (Chairman of the Board of Directors)
Director	Vittorio Squarotti	-
Director	Fiorella Altruda	Bioindustry Park "Silvano Fumero" S.p.A. (Chairman of the Board of Directors) Associazione CentroScienza Onlus (Member of the Board)

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

TABLE OF THE POSTS HELD BY THE BOARD OF STATUTORY AUDITORS

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

POST HELD AT DIASORIN	FIRST AND LAST NAME	OTHER POSTS HELD
Chairman	Monica Mannino	A.D.ES. Acciai S.r.l. (Chairman of the Board of Statutory Auditors) Vittoria Assicurazioni S.p.A. (Alternate) Istituto Stomatologico Italiano Società Cooperativa Sociale Onlus (Statutory Auditor) Crisscross Coomunications (Italy) S.r.l. (Alternate) Casta Diva Group S.p.A. (Chairman of the Board of Statutory Auditors) Milano Ristorazione S.p.A. (Statutory Auditor)
Statutory Auditor	Roberto Bracchetti	Alsco Italia S.r.l. (Chairman of the Board of Statutory Auditors) RRL Immobiliare S.p.A. (Chairman of the Board of Statutory Auditors) Energia Italiana S.p.A. (Chairman of the Board of Statutory Auditors) Fidim S.r.l. (Statutory Auditor) Iniziative Retail S.r.l. in liquidazione (Statutory Auditor) Rottapharm S.p.A. (Statutory Auditor) Sorgenia Power S.p.A. (Statutory Auditor); Iniziative Immobiliari 3 S.r.l. (Statutory Auditor) Parcheggi Bicocca S.r.l. (Statutory Auditor)
Statutory Auditor	Ottavia Alfano	Vodafone Gestioni S.p.A (Chairman of the Board of Statutory Auditors) Genextra S.p.A. (Statutory Auditor) Alba S.p.A. (Statutory Auditor) L&B Capital S.p.A. (Chairman of the Board of Statutory Auditors) Sarago S.r.l. (Statutory Auditor) Evolvere S.p.A. (Chairman of the Board of Statutory Auditors) Toi Uno S.r.l. (Statutory Auditor)* Lem S.p.A. (Chairman of the Board of Statutory Auditors) FSI S.G.R. S.p.A. (Statutory Auditor) N&W Global Vending S.p.A. (Chairman of the Board of Statutory Auditors) Leonardo S.r.l. (Statutory Auditor) Residenza Immobiliare 2004 S.p.A. (Alternate) Manifatture Milano S.p.A. (Statutory Auditor) CDP Investimenti S.p.A. (Statutory Auditor) SGL Italia S.r.l. (Chairman of the Board of Statutory Auditors)
Alternate	Maria Carla Bottini	A. De Mori S.p.A. (Statutory Auditor) Athena S.p.A. (Statutory Auditor) Astraformedic S.r.l. (Sole Auditor) Bestrade S.p.A. (Statutory Auditor) Chimicafine S.r.l. (Sole Auditor) Consorzio Servizi Legno Sughero (Auditor) Del Vallino S.p.A. (Chairman of the Board of Statutory Auditors) Genghini S.p.A. (Statutory Auditor) I.C.G. Impresa Costruzioni Edili Stradali e Fognature S.r.l. (Chairman of the Board of Statutory Auditors) Ideal Standard Holding S.r.l. (Statutory Auditor) Madi Ventura S.p.A. (Statutory Auditor) Milano Bitumi S.p.A. (Statutory Auditor) S.I.C.A.T.E.F. S.r.l. (Statutory Auditor) Urai S.p.A. (Statutory Auditor) Kintetsu World Express Italia S.r.l. (Statutory Auditor)
Statutory Auditor	Salvatore Marco Fiorenza	Fratelli Ingegnoli S.p.A. (Statutory Auditor) Datalogic S.p.A. (Chairman of the Board of Statutory Auditor) Elco E-Trade S.r.l. (Chairman of the Board of Statutory Auditors) Concerto Immobiliare S.p.A. (Chairman of the Board of Statutory Auditors) Beni Reali S.p.A. (Chairman of the Board of Statutory Auditors) Adreani S.p.A. (Chairman of the Board of Statutory Auditors) H. Concorde S.r.l. (Chairman of the Board of Statutory Auditors) CAM S.p.A. (Statutory Auditor) Pellegrini S.p.A. (Statutory Auditor) Eliche Radice S.p.A. (Statutory Auditor) Unifar S.p.A. (Statutory Auditor) Acquanegra S.p.A. (Statutory Auditor) Ceccarelli S.p.A. (Chairman of the Board of Statutory Auditors)

* Post held until 1.27.2017.

MOTION TO APPROVE THE FINANCIAL STATEMENTS AND APPROPRIATE THE 2016 NET PROFIT

Dear Shareholders:

We recommend that you approve the Company's financial statements for the year ended December 31, 2016 and appropriate the net profit of 60,280,111.69 euros as follows:

- taking into account the statutory reserve has met the limited imposed by article 2430 of the Italian Civil Code, the Company will distribute 43,806,645.60 euros as a dividend of 0.80 euros on each common share outstanding on the record date, excluding treasury share, equal to 1,189,950 ordinary shares;
- bring forward as retained earnings the balance of 16,473,466.09 euros.

The dividend will be payable on May 24, 2017, with coupon date on May 22, 2017 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 23, 2017 (record date) will be entitled to a dividend.

Saluggia, March 8, 2017

On behalf of the Board of Directors,

The Chairman

Gustavo Denegri

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

(in thousands of euros)	**Notes**	**2016**	***amount with related parties***	**2015**	***amount with related parties***
Net revenues	(1)	569,312	2,053	499,181	1,312
Cost of sales	(2)	(180,160)		(157,284)	
Gross profit		**389,152**		**341,897**	
Sales and marketing expenses	(3)	(109,469)	(86)	(98,047)	(87)
Research and development costs	(4)	(37,718)		(26,158)	
General and administrative expenses	(5)	(60,039)	(4,706)	(55,494)	(4,211)
Other operating income (expenses)	(6)	(9,315)	(7)	(10,197)	(9)
Non-recurring amounts		*(5,426)*		*(2,108)*	
EBIT		**172,611**		**152,001**	
Net financial income (expense)	(7)	(4,415)		(1,899)	
Result before taxes		**168,196**		**150,102**	
Income taxes	(8)	(55,578)		(49,554)	
Net result		**112,618**		**100,548**	
Including:					
- Parent Company shareholders’ interests in net result		112,383		100,420	
- Minority shareholders’ interests in net result		235		128	
Basic earnings per share	(9)	**2.05**		**1.83**	
Diluted earnings per share	(9)	**2.04**		**1.83**	

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(in thousands of euros)	**2016**	**2015**
Net result (A)	**112,618**	**100,548**
Other comprehensive gains/(losses) that will not be reclassified subsequently to gain/(loss) of the period:		
Gains/(losses) on remeasurement of defined benefit plans	(1,314)	976
Total other comprehensive gains/(losses) that will not be reclassified subsequently to gain/(loss) of the period (B1)	**(1,314)**	**976**
Other comprehensive gains/(losses) that will be reclassified subsequently to gain/loss of the period:		
Gains/(losses) on exchange differences on translating foreign operations	12,096	16,222
Total other comprehensive gains/(losses) that will be reclassified subsequently to gain/(loss) of the period (B2)	**12,096**	**16,222**
TOTAL OTHER COMPREHENSIVE GAINS/(LOSSES), NET OF TAX EFFECT (B1) +(B2)=(B)	**10,782**	**17,198**
TOTAL CONSOLIDATED COMPREHENSIVE GAINS/(LOSSES) (A)+(B)	**123,400**	**117,746**
Including:		
- amount attributable to Parent Company shareholders	123,176	117,606
- amount attributable to minority interests	224	140

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

(in thousands of euros)	**Notes**	**12/31/2016**	***amount with related parties***	**12/31/2015**	***amount with related parties***
ASSETS					
Non-current assets					
Property, plant and equipment	(10)	92,134		74,493	
Goodwill	(11)	163,204		68,502	
Other intangibles	(11)	193,882		49,404	
Equity investments	(12)	27		219	
Deferred-tax assets	(13)	22,989		20,198	
Other non-current assets	(14)	999		758	
Total non-current assets		*473,235*		*213,574*	
Current assets					
Inventories	(15)	128,870		106,193	
Trade receivables	(16)	120,261	1,551	105,609	436
Other current assets	(17)	15,784	-	12,173	16
Other current financial assets		-		58,179	
Cash and cash equivalents	(18)	130,468		212,178	
Total current assets		*395,383*		*494,332*	
TOTAL ASSETS		**868,618**		**707,906**	

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

(in thousands of euros)	**notes**	**12/31/2016**	***Amount with related parties***	**12/31/2015**	***Amount with related parties***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	(19)	55,948		55,948	
Treasury shares	(19)	(38,025)		(25,459)	
Additional paid-in capital	(19)	18,155		18,155	
Statutory reserve	(19)	11,190		11,190	
Other reserves and retained earnings	(19)	503,166		426,560	
Net profit for the year attributable to shareholders of the Parent Company		112,383		100,420	
Equity attributable to shareholders of the Parent Company		*662,817*		*586,814*	
Other reserves and retained earnings attributable to minority interests		333		216	
Net profit for the period attributable to minority interests		235		128	
Equity attributable to minority interests		*568*		*344*	
Total shareholders' equity		**663,385**		**587,158**	
Non-current liabilities					
Non-current financial liabilities	(20)	27,293		-	
Provisions for employee benefits	(21)	33,202		31,334	
Deferred-tax liabilities	(13)	1,401		2,049	
Other non-current liabilities	(22)	11,454		4,925	
Total non-current liabilities		*73,350*		*38,308*	
Current liabilities					
Trade payables	(23)	47,674	5	40,775	
Other payables	(24)	41,870	206	32,837	139
Current tax liabilities	(25)	10,325		6,384	
Current financial liabilities	(20)	32,014		2,444	
Total current liabilities		*131,883*		*82,440*	
Total liabilities		**205,233**		**120,748**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**868,618**		**707,906**	

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

(in thousands of euros)	**2016**	***amount with related parties***	**2015**	***amount with related parties***
Cash flow from operating activities				
Net profit for the year	112,618		100,548	
Adjustments for:				
- Income taxes	55,578		49,554	
- Depreciation and amortization	44,707		32,984	
- Financial expense (income)	4,415		1,899	
- Additions to/(Utilizations of) provisions for risks	4,405		2,329	
- (Gains)/Losses on sales of non-current assets	201		171	
- Additions to/(Reversals of) provisions for employee severance indemnities and other benefits	1,051		964	
- Changes in shareholders' equity reserves:				
- Stock options reserve	1,370		1,209	
- Currency translation reserve on operating activities	3,580		2,892	
- Change in other non-current assets/liabilities	(412)		(1,946)	
Cash flow from operating activities before changes in working capital	**227,513**		**190,604**	
(Increase)/Decrease in trade receivables	(7,357)	(1,115)	4,891	61
(Increase)/Decrease in inventories	(10,837)		(3,289)	
Increase/(Decrease) in trade payables	6,568	5	(222)	-
(Increase)/Decrease in other current items	2,741	83	(1,411)	(184)
Cash from operating activities	**218,628**		**190,573**	
Income taxes paid	(51,534)		(51,923)	
(Paid)/ collected interests	(1,497)		(201)	
Net cash from operating activities	**165,597**		**138,449**	
Investments in intangibles	(7,401)		(4,875)	
Investments in property, plant and equipment	(30,025)		(27,173)	
Equity investments	-		(112)	
Proceeds from disposals of non-current assets	2,542		1,679	
Cash used in regular investing activities	**(34,884)**		**(30,481)**	
Acquisitions of subsidiaries and business operations	(263,587)		(2,486)	
Cash used in investing activities	**(298,471)**		**(32,967)**	
(Repayment of)/ Proceeds from loans and other financial liabilities	47,637		(379)	
(Opening)/ Repayment of term deposits	57,028		(30,000)	
(Purchase)/Sale of treasury shares	(12,824)		17,949	
Dividends paid	(35,719)		(32,936)	
Cash used in financing activities	**56,122**		**(45,366)**	
Foreign exchange translation differences	(4,958)		7,207	
Net change in cash	**(81,710)**		**67,323**	
CASH AND CASH EQUIVALENTS OPENING BALANCE	**212,178**		**144,855**	
CASH AND CASH EQUIVALENTS CLOSING BALANCE	**130,468**		**212,178**	

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in thousands of euros)	**Share capital**	**Treasury shares**	**Additional paid-in capital**	**Statutory reserve**	**Currency translation reserve**	**Stock option reserve**	**Reserve for treasury shares**	**Other reserves and retained earnings**	**Net profit (loss) for the year**	**Group interest in shareholders' equity**	**Minority interest in equity**	**Total interest in shareholders' equity**
Shareholders' equity at 12/31/2014	**55,948**	**(44,045)**	**18,155**	**11,190**	**12,304**	**4,781**	**44,045**	**296,917**	**84,074**	**483,369**	**204**	**483,573**
Appropriation of previous year's profit	-	-	-	-	-	-	-	84,074	(84,074)	-	-	-
Stock options and other changes	-	-	-	-	-	(3,008)	-	3,834	-	**826**	-	**826**
Sale of /(purchase) treasury shares	-	18,586	-	-	-	-	(18,586)	17,949	-	**17,949**	-	**17,949**
Profit for the period	-	-	-	-	-	-	-	-	*100,420*	***100,420***	*128*	*100,548*
Other changes in the comprehensive income statement	-	-	-	-	*16,210*	-	-	*976*	-	***17,186***	*12*	*17,198*
Comprehensive profit for the period	-	-	-	-	16,210	-	-	976	100,420	**117,606**	140	**117,746**
Shareholders' equity at 12/31/2015	**55,948**	**(25,459)**	**18,155**	**11,190**	**28,514**	**1,773**	**25,459**	**370,814**	**100,420**	**586,814**	**344**	**587,158**
Appropriation of previous year's profit	-	-	-	-	-	-	-	100,420	(100,420)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(35,719)	-	**(35,719)**		**(35,719)**
Stock options and other changes	-	-	-	-	-	1,228	-	142	-	**1,370**	-	**1,370**
Sale of /(purchase) treasury shares	-	(12,566)	-	-	-	-	12,566	(12,824)	-	**(12,824)**	**-**	**(12,824)**
Profit for the period	-	-	-	-	-	-	-	-	*112,383*	***112,383***	*235*	*112,618*
Other changes in the comprehensive income statement	-	-	-	-	*12,107*	-	-	*(1,314)*	-	***10,793***	*(11)*	*10,782*
Comprehensive profit for the period	-	-	-	-	12,107	-	-	(1,314)	112,383	**123,176**	224	**123,400**
Shareholders' equity at 12/31/2016	**55,948**	**(38,025)**	**18,155**	**11,190**	**40,621**	**3,001**	**38,025**	**421,519**	**112,383**	**662,817**	**568**	**663,385**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

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 2016 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, 2016.
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.
Changes occurred in the scope of consolidation compared with December 31, 2015 as a result of the establishment of DiaSorin Molecular LLC involved in the acquisition of Focus business operation.
The Company is owned at 100% by DiaSorin Inc.
More detailed information is provided in the paragraph "Business Combinations" below.

Investments in subsidiaries

A list of direct and indirect investments in subsidiaries at December 31, 2016 and December 31, 2015 is provided below:

Company	Country	At December 31, 2016		At December 31, 2015	
		% held by the Group	% minority interest	% held by the Group	% minority interest
Direct investments					
DiaSorin S.A/N.V.	Belgium	100%	-	100%	-
DiaSorin Ltda	Brazil	100%	-	100%	-
DiaSorin S.A.	France	100%	-	100%	-
DiaSorin Iberia S.A.	Spain	100%	-	100%	-
DiaSorin Ltd	UK	100%	-	100%	-
DiaSorin Inc.	USA	100%	-	100%	-
DiaSorin Mexico S.A de C.V.	Mexico	100%	-	100%	-
DiaSorin Deutschland GmbH	Germany	100%	-	100%	-
DiaSorin AB	Sweden	100%	-	100%	-
DiaSorin Ltd	Israel	100%	-	100%	-
DiaSorin Austria GmbH	Austria	100%	-	100%	-
DiaSorin Czech s.r.o.	Czech Republic	100%	-	100%	-
DiaSorin Diagnostics Ireland Limited	Ireland	100%	-	100%	-
DiaSorin South Africa (PTY) Ltd	South Africa	100%	-	100%	-
DiaSorin Australia (Pty) Ltd	Australia	100%	-	100%	-
DiaSorin Ltd	China	80%	20%	80%	20%
DiaSorin Switzerland AG	Switzerland	100%	-	100%	-
DiaSorin Poland sp. z o.o.	Poland	100%	-	100%	-
Indirect investment					
DiaSorin Canada Inc	Canada	100%	-	100%	-
DiaSorin Ireland Limited	Ireland	100%	-	100%	-
DiaSorin I.N.UK Limited	Ireland	100%	-	100%	-
DiaSorin Molecular LLC	USA	100%	-	-	-

A complete list of the investee companies containing information about head office location and the percentage interest held by the Group is provided in Annex I.

Investments in joint ventures

Investments in joint ventures are not significant in the scope of consolidation. The Group holds a single investment that is classified as joint *venture* pursuant to IFRS 11, through the subsidiary

DiaSorin Inc. (USA). Specifically, the Group holds 51% of DiaSorin Trivitron Healthcare Private Limited shares and voting rights, that is located in India. The remaining 49% is held by a single shareholder that distributes diagnostic product and instruments in India. The analysis of the corporate governance structure of the investee company, on the basis of the joint venture agreement as well as the assessment of the two partners' decision making power led to the conclusion that the two shareholders control jointly DiaSorin Trivitron Healthcare Private Limited. The assessment took into account also the potential voting rights that do not provide material rights and, thus, are not relevant to determine the control structure. The investment is consolidated using the equity method.
In 2016, DiaSorin Trivitron Healthcare Private Limited reported net revenues equal to 2,516 thousand euros up, by 394 thousand euros compared with 2015. The loss for the year was equal to 1,089 thousand euros. The shareholders' equity was negative by 752 thousand euros. The value of the equity investment has been fully written off and a provision for risks has been included among current liabilities amounting to 383 thousand euros.

Business Combinations

On May 13, 2016, the DiaSorin Group completed the acquisition of Focus Diagnostics' immunodiagnostic and molecular diagnostic products business from Quest Diagnostics, initiated with a binding purchase agreement signed on March 29, 2016. DiaSorin carried out the acquisition also through a newly established US affiliate, DiaSorin Molecular LLC, owned at 100% by DiaSorin Inc.
DiaSorin paid $297.8 million to Quest Diagnostics for all the tangible and intangible assets of Focus used to develop, manufacture and distribute molecular diagnostic products and immunoassay ELISA products including, among other, relevant intellectual property, contracts and customer list. The Group consolidated revenues from the newly acquired business from the date the transaction was completed, that is May 13, 2016.
As of the date of this Report the process of assessing the fair value of the acquired assets had not yet been completed. Any excess arising from the amount paid for the acquisition and the carrying amounts of the acquired assets and intangibles being provisionally identified was added to "Goodwill. IFRS 3 establishes a one-year period for accounting transactions involving Business Combination (Open Window).

A breakdown of acquired business and provisional purchase price allocation is provided in the following table:

	in thousands of USD	Amount in EUR
Tangible assets	18,378	16,195
Other non-current assets	129	114
Inventories	11,998	10,573
Trade receivables	6,139	5,410
Other current assets	668	589
Trade payables	(2,462)	(2,171)
(a) Total net assets acquired	**34,850**	**30,710**
Concessions, licenses, trademarks and similar rights	50,345	44,365
Development costs	51,797	45,644
Customer relationship	62,670	55,226
(b) Total intangibles assets (provisionally)	**164,812**	**145,235**
(c) Goodwill (provisionally allocated)	**98,146**	**86,487**
Total amount paid (a + b + c)	**297,808**	**262,432**

The amount of trade receivables acquired as of May 13, 2016 (gross amount of 5,538 thousand euros adjusted through a provision for write-down equal to 128 thousand euros) has been collected in full as of December 31, 2016.
Transaction costs to complete the acquisition have been classified in the income statement. Their amount was equal to 2,678 thousand euros.
Between May 13, 2016 and December 31, 2016, the acquired business operation contributed to the Group financial results with revenues amounting to 44,309 thousand euros.
As a result of this acquisition, DiaSorin has had access to a new set of molecular products cleared for distribution both in the US and Europe, significantly increasing its presence in the growing market of Infectious Disease molecular testing. Furthermore, having access to the current Focus customer base in the US, consisting mostly of large hospitals, will allow DiaSorin to speed up the penetration of this market with its current Immunoassay LIAISON® platform.
Lastly, goodwill and intangibles assets deriving from Focus acquisition are fully deductible for tax purposes.

On December 1, 2016, DiaSorin Australia PTY LTD acquired immunodiagnostic and molecular diagnostic products business from a local distributor of Focus Diagnostics.
DiaSorin Australia has already paid AUD 1,097 thousand to the local distributor for acquiring customer list, instruments, spare parts, finished goods and consumables. At December 31, 2016, the residual payable consideration was AUD 543 thousand to be paid in two instalments starting from 2018.

PRINCIPLES OF CONSOLIDATION, VALUATION CRITERIA AND ACCOUNTING PRINCIPLES

Principles of consolidation

The financial statements of subsidiaries and branches are consolidated by the line-by-line consolidation method.
Under this method, assets, liabilities, expenses and revenues are consolidated using their full amount, irrespective of the percentage interest held, and the minority interest in shareholders' equity and net profit is shown in separate line items of the consolidated financial statements.
When preparing the consolidated financial statements, intra-Group balances and transactions, including unrealized intra-Group gains and losses, are eliminated.
All assets and liabilities of foreign companies included in the scope of consolidation that are denominated in foreign currencies are translated into euros at the exchange rates in force on the date of the financial statements.
Revenues and expenses are translated into euros at the average exchange rate for the year. Currency translation differences generated by the use of this method are posted to a shareholders' equity in the "translation reserve" item until the corresponding equity investment is sold.
Upon IFRS first-time adoption, cumulative translation differences generated by the consolidation of foreign companies outside the euro zone were deemed to be zero, as allowed by IFRS 1.
Transactions in foreign currencies are recognized at the exchange rate in force on the transaction date. Cash assets and liabilities denominated in foreign currencies that are outstanding on the date of the financial statements are converted at the exchange rate in force on that date.

Business combinations

The acquisition of subsidiaries is accounted for by the acquisition method. The consideration transferred in a business combination is measured at fair value, computed as the sum of the assets given and liabilities incurred by the Group at the date of acquisition and the equity instruments issued in exchange for control of the acquired company. As a rule, incidental transaction costs are recognized in profit or loss when incurred. Assets, liabilities and identifiable contingent liabilities that satisfy the recognition criteria of IFRS 3 (revised in 2008) are recognized at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5, which are recognized at fair value less cost to sell. Goodwill resulting from a business combination is recognized as an asset and initially measured at cost, which is the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, as a result of a reassessment of the abovementioned amounts, the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss. Initially, the minority interest in the acquired company is valued in accordance with the interest of minority shareholders in the net fair value of the assets, liabilities and contingent liabilities recognized. Business combinations completed before January 1, 2010, were accounted for in accordance with the earlier version of IFRS 3.

Valuation criteria and accounting principles

Property, plant and equipment

The primary components of property, plant and equipment include:
a) Land;
b) Industrial buildings;
c) General purpose and specialized facilities;
d) Machinery;
e) Manufacturing and distribution equipment;
f) Other assets.

These assets are recognized at their acquisition or production cost, plus directly attributable incidental expenses. Items of property, plant and equipment are valued at cost. Their cost is reduced by depreciation (with the exception of land, which is not depreciated) and write-downs for impairment.
Depreciation is computed on a straight-line basis at rates that reflect an asset's decrease in value and wear and tear. Depreciation is computed from the moment an asset is available for use.
Significant components of property, plant and equipment that have different useful lives are recognized separately and each one is depreciated in accordance with its own useful life.
The useful lives and residual values of these assets are reviewed each year upon the closing of the annual financial statements.

The depreciation rates used are as follows:

Industrial buildings	5.5%
General purpose and specialized facilities	10-12.5%
Machinery	12%
Manufacturing and distribution equipment	40%
Equipment held by customers	14-25%
Reconditioned equipment held by customers	20-33%

Costs incurred for regular maintenance and repairs are charged directly to income the year they are incurred. Costs incurred to recondition equipment are capitalized only to the extent that the reconditioned equipment meets the requirements to be recognized separately as an asset or an asset component in accordance with the component approach. Reconditioning costs and any non-depreciated residual values are depreciated over the asset's residual life, which is estimated at three years.
Leasehold improvements that meet the requirements of IAS 16 "Property, Plant and Equipment" are classified as property, plant and equipment and depreciated over the asset's residual life or the remaining length of the lease, whichever is shorter.
If, irrespective of the amount of depreciation already taken, the recoverable value of an asset, computed in accordance with the method provided in IAS 36, is lower than its carrying value, the latter is written down to the assets' recoverable value and the resulting impairment loss is recognized. If in subsequent years the reasons for the original write-down cease to apply, the asset is restored to its original value (net of any depreciation that would have been taken had the asset not been written down) or its recoverable value, whichever is lower.
Gains and losses on the disposal or retirement of assets, which are computed as the difference between the sales proceeds and the asset's net carrying value, are recognized in the income statement for the year.

Intangible assets

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

Intangible assets with an indefinite useful life

Goodwill
Goodwill generated through the acquisition of a subsidiary or another business combination is the portion of the purchase price paid in excess of the Group's interest in the fair value on the date of acquisition of the acquired assets, liabilities and identifiable contingent liabilities. Goodwill is recognized as an intangible asset with an indefinite useful life and is not amortized. However, its carrying amount is tested once a year (or more often if necessary) for impairment, even when there are no indications that its value has been impaired, and to test the indefinite life assumption. Impairment losses are immediately recognized in profit or loss and may not be reversed subsequently. After initial recognition, goodwill is valued at cost, less any accumulated impairment losses. When a subsidiary is sold, the net carrying amount of the goodwill allocated to that subsidiary is included in the computation of the gain or loss generated by the sale.
For impairment test purposes, goodwill is allocated to the cash generating units (CGUs).
The carrying value of goodwill generated by acquisitions completed before January 1, 2005 (date of transition to the IFRS) is maintained at the amount determined in accordance with Italian accounting principles, subject to impairment testing at that date, as allowed under the exemption provided by IFRS 1.

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

Intangible assets with a defined life

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

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

- The expenditures attributable to the asset during its development can be measured reliably.

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

Other intangibles

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

Asset type	Amortization rate
Concessions, licenses and similar rights	6.67% -10% or length of contract
Customer list	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 the most recent financial budget or forecasts that have been approved by company management and on reasonable and supportable assumptions related to the Group's future expected results and macroeconomic conditions.

The discount rate used must reflect the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.
When the recoverable amount of an individual asset cannot be estimated, the Group estimates the recoverable amount of the CGU to which the asset belongs. Particularly, the CGUs identified by the DiaSorin Group coincide with the legal entities of the Group, whose tangibles and intangibles assets are recognized in total assets at the date of the impairment test.
Whenever the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the reduction is recognized as an impairment loss. Subsequently, if an impairment loss for an asset other than goodwill ceases to exist or is reduced, the carrying amount of the asset (or CGU) is increased to the new estimated recoverable amount (but not more than the asset's net carrying amount had no impairment loss been recognized). This reversal is recognized immediately in earnings. Impairment losses recognized on goodwill or intangibles with indefinite useful life are in no way recoverable.

Inventories

Inventories, which consist mainly of raw materials, work-in-progress and finished products, are carried at the lower of cost or net realizable value, determined in accordance with market conditions. Costs include the price paid to suppliers plus the incidental expenses incurred to bring the purchased goods to the warehouse door. Production costs include the costs directly attributable to individual goods or classes of goods, plus a reasonable allocation of the overall outlays incurred for the activities carried out to produce the goods in question (fixed production overhead). The allocation of fixed production overhead is based on the normal capacity of the production facilities.
Cost is determined by the FIFO method.
The carrying amount of the inventory, determined in the manner described above, is reduced by a provision that reflects the impact of obsolete and slow-moving inventory.

Receivables and payables

Trade and other receivables are valued at amortized cost using the effective interest rate, less impairment losses.
Impairment losses on receivables are recognized to the financial statements in case of an objective evidence according to which the Group will not be able to collect the amount due on the basis of contractual terms. The amount of write-down incorporates both the risks related to specific receivables and the overall risk of non- payment inherent in receivables in general, estimated conservatively based on past experience and the known financial condition of the debtors in general.
Trade payables and other payables are initially recognized at fair value, net of directly allocated accessory costs and are subsequently measured at amortized cost, applying the effective interest rate criteria.
Receivables and payables denominated in foreign currencies are translated at the exchange rates in force on the date of the financial statements and any resulting gains or losses are recognized in earnings.

Factoring of receivables

The DiaSorin Group engages in the factoring of its receivables.
The receivables assigned through such transactions are derecognized from the statement of financial position if all of the risks and benefits inherent in the ownership of the receivables are transferred to the factor. If this requirement cannot be met, the Group continues to carry the receivables on its statement of financial position, but recognizes a liability of equal amount under the "Financial liabilities" heading of its consolidated statement of financial position.

Cash and cash equivalents

They consist of cash and cash equivalents, short-term bank deposits, shares in liquidity funds and other money market securities readily converted into cash.

Shareholders' equity

Equity instruments issued by the Group's Parent Company are recognized for the amount of consideration received. Dividends distributed by the Group's Parent Company are recognized as a liability when the distribution resolution is approved. The purchase cost of treasury shares and the proceeds from their sale are recognized directly in equity, with no impact on the income statement.

Treasury shares
When the Group's Parent Company and its subsidiaries purchase Company shares, the consideration paid is deducted from the shareholders' equity attributable to the Company's shareholders, until the shares are retired or sold. No gain or loss is recognized in the income statement when treasury shares are bought, sold, issued or retired. When these shares are subsequently reissued, the consideration received, net of taxes, is added to the shareholders' equity attributable to the Company's shareholders.

Employee benefits

Pension plans
The Group uses different types of defined-contribution and defined-benefit plans, in accordance with the local conditions and practices in the countries in which it operates.
Each year, the Group recognizes in earnings the portion of the premiums paid in connection with defined-contribution plans that accrue that year.
Defined-benefit pension plans, which include the severance benefits payable to employees pursuant to Article 2120 of the Italian Civil Code, are based on the length of the working lives of employees and the wages earned by employees over a predetermined period of service. The liability that represents the benefits owed to employees under defined-benefit plans is recognized at its actuarial value.
The recognition of defined-benefit plans requires the use of actuarial techniques to estimate the amount of the benefits accrued by employees in exchange for the work performed during the current year and in previous years. The resulting benefit must then be discounted to determine the present value of the Group's obligation. The determination of the present value of the Group's obligation is made by an independent actuary, using the projected unit credit method. This method treats each period of service provided by an employee to a company as an individual accrual unit. The actuarial liability must be quantified exclusively on the basis of the seniority achieved as of the date of valuation. Consequently, the total liability is prorated based on a ratio between the years of service accrued as of the valuation reference date and the total seniority that an employee is expected to have achieved when the benefit is paid. Moreover, this method requires taking into account future wage increases due for any reason (inflation, career moves, labor contract renewals, etc.) until the end of the employment relationship.
The cost of defined-benefit plans accrued during the year, which is reflected in the income statement as part of labor costs and financial expense, is equal to the sum of the average present value of the accrued benefits of current employees for service provided during the year and their annual vested interest in the present value of the Group's obligations at the beginning of the year, computed by discounting future outlays by the same rate as that used to estimate the Group's liability at the end of the previous year. The annual discount rate used for these computations was the same as the year-end market rate for zero-coupon bonds with a maturity equal to the average residual duration of the liability. Actuarial gains and losses reflecting changes in the actuarial assumptions or experience adjustments are credited or charged to equity in the statement of comprehensive income for the period in which they arise. If the

amount is recorded on the balance sheet as an asset, it is limited to the present value of economic benefits available in the form of refunds or reductions in future contributions to the plan.
On January 1, 2007, the Italian Budget Law and the related implementation decrees introduced significant changes in the rules that govern the Provision for employee severance indemnities (“PESI”) of companies whose registered office is located in Italy. These changes include the right of employees to decide the destination of future accrued PESI amounts. Specifically, employees can direct new PESI flows to selected pension investments or keep them with the employer company, which will then deposit its PESI contribution in a treasury account at the Italian social security administration (abbreviated as INPS in Italian). In light of these changes, the PESI is now viewed as a defined-benefit plan only insofar as the amounts vested before January 1, 2007 are concerned and as a defined-contribution plan after January 1, 2007.

Equity-based compensation plans

Group companies grant to Group executives and middle managers additional benefits through equity-based plans (stock options). In accordance with IFRS 2 “Share-based Payment,” stock options awarded to employees are measured at their fair value on the grant date, in accordance with models that take into account factors and data (option exercise price, duration of the option, current price of the underlying shares, expected share price volatility, expected dividends and interest rate for zero-risk investments over the life of the option) applicable on the grant date.
If the option becomes exercisable after a certain period and/or certain performance requirements are met (vesting period), the total value of the option is prorated over the vesting period and recognized in earnings, with the offsetting entry posted to a specific shareholders’ equity account called Other reserves.
Because stock options are equity instruments, as defined by IFRS 2, the fair value of each option determined on the grant date is not adjusted at the end of each year. The estimate of the number of options that will reach maturity (and hence the number of employees who will be entitled to exercise their options) is adjusted. The result of any change in estimate is posted as an increase to or a reduction of the abovementioned shareholders’ equity account, with the offsetting entry reflected in the income statement. At the end of the exercise period, the exercised options are reflected in the Company’s share capital by adding an amount obtained by multiplying the number of shares issued by the par value of each share. The portion of “Other reserves” that is attributable to plan costs previously recognized in earnings and the amount obtained by multiplying the number of shares issued by the difference between the exercise price and the par value per share is posted to a shareholders’ equity reserve.

Provisions for risks and charges

Provisions for risks and charges include amounts set aside to fund current obligations (statutory or implied) that arise from a past event, the performance of which will probably require the use of resources and the amount of which can be reasonably estimated. When the use of financial resources is expected to extend for a period of more than one year, the corresponding obligation should be recognized at its present value by discounting expected future cash flows at a rate that takes into account the cost of money and the risks inherent in the liability.
The provisions are updated on each financial statement date to reflect best current estimates. The impact of any change in estimates is reflected in the income statement for the period during which the change occurred.
Risks that are merely reasonably possible of producing a liability are disclosed in the Notes to the financial statements, but no amount is recorded in the financial statements.

Income taxes

Income taxes include both current and deferred taxes.
Current taxes are computed on the basis of the estimated taxable income for the year in accordance with the tax laws in force in the countries in which the Group operates.
Taxable income is different from reported income because it does not include positive and negative components that will be taxable or deductible in subsequent years and those items that will never be taxable or deductible. The liability for current taxes is computed using the tax rates in force on the date of the financial statements or the tax rates that will be in force when the asset is realized or the liability settled, if they are known.
Deferred-tax assets and liabilities are the taxes that the Group expects to pay or recover on temporary differences between the values attributed to assets and liabilities for reporting purposes and the corresponding tax-related values used to compute taxable income, computed in accordance with the balance sheet liability method. As a rule, deferred-tax liabilities are recognized for all taxable temporary differences, while deferred-tax assets are recognized only insofar as the Group deems it probable that, in the future, it will generate sufficient taxable income to use the deductible temporary differences. The tax benefit produced by carrying forward tax losses is recognized if and to the extent that it is probable that, in the future, the Group will have sufficient taxable income to offset these losses. Deferred-tax liabilities or assets are also determined for consolidation adjustments.
The carrying value of deferred-tax assets is updated on each financial statement date and reduced when the existence of future taxable income sufficient to recover all or part of these assets is no longer probable.
Deferred taxes are computed at the tax rate in force on the closing date of the financial statements or at the tax rate that will be in force when the asset is realized or the liability settled. Deferred taxes are charged directly to income, except for those attributable to items recognized directly in equity, in which case the corresponding deferred taxes are also recognized in equity. Deferred-tax assets and liabilities can be offset when the taxpayer has a legally exercisable right to offset current tax assets and liabilities and when they refer to the same taxpayer, are due to the same tax administration and the Group plans to settle current tax assets and liabilities on a net basis. The net balance is recognized as a deferred-tax asset if positive or a deferred-tax liability if negative.

Financial liabilities

Financial liabilities consist of loans payable, including advances for the factoring of receivables, and other financial liabilities as derivatives. Initially, financial liabilities other than derivatives are recognized at their fair value less transaction costs. Subsequently, they are valued at their amortized costs, which is their initial amount, less any principal repayments, adjusted upward or downward to reflect the amortization (by the effective interest rate method) of any differences between the initial value and the value at maturity.

Financial Derivatives

Consistent with the provisions of IAS 39, derivatives qualify for hedge accounting only if they are formally designated as hedging instruments when the hedge is first established, the hedge is highly effective and the effectiveness can be measured reliably.
When financial instruments qualify for hedge accounting, the following accounting treatments are applied:

- Fair value hedges: if a derivative is designated as hedging the exposure to changes in fair value of a recognized asset or liability attributable to a specific risk that could have an impact on the income statement, the gains or losses derived from subsequent fair value measurements of the hedge are recognized in earnings. Gains or losses on the hedged item that are attributable to the hedged risk change the carrying amount of the hedged items and are also recognized in earnings.
- Cash flow hedges: if a derivative is designated as a hedging of the exposure to variability in the future cash flows attributed to a recognized asset or liability or to a highly probable future transaction that could have an impact on the income statement, the effective portion of the gain or loss stemming from changes in the fair value of the hedge is recognized in equity. Accumulated gains or losses are reclassified from shareholders' equity to the income statement in the same period in which the hedged transaction is recognized. Any gains or losses associated with a hedge that has become ineffective are immediately recognized in earnings. If a hedge or a hedging transaction is closed out but the hedged transaction has not yet been executed, all accumulated gains and losses, which until then were recognized in equity, are recognized in the income statement when the corresponding transaction is executed. If the occurrence of the hedged transaction is no longer viewed as probable, unrealized gains and losses suspended in equity are immediately transferred to the income statement.

When hedge accounting cannot be applied, all gains and losses generated by subsequent fair value measurements of derivatives are immediately recognized in profit or loss.

The fair value of financial instruments that are listed on an active market is based on market prices at the balance sheet date. The fair value of financial instruments that are not are listed on an active market is determined using valuation techniques based on a series of methods and assumptions, and market information at the balance sheet date.

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

- Level 1: Fair value is determined on the basis of (unadjusted) quoted prices in active markets for identical assets or liabilities;
- Level 2: Fair value is determined using valuation techniques based on observable inputs on active market;
- Level 3: Fair value is determined using valuation techniques based on market unobservable inputs

Revenue recognition

Sales revenues
Sales revenues are recognized to the extent that economic benefits will flow to the Group and the amount of these benefits can be determined reliably. Revenues are recognized net of discounts, allowances and returns.

Revenues from the sale of goods are recognized when the Group has transferred to the buyer the risks and benefits inherent in the ownership of the goods, the sales price has been agreed upon or can be determined and collection of the price is expected.

Service revenues
Service revenues are generated by technical support contracts, when such support is billed separately. These revenues are recognized in the income statement based on the percentage of completion of each transaction and only when the outcome of the transaction can be estimated reliably.

Royalties
The Group's Parent Company collects royalties from third parties for the use of patents required to manufacture specific products. Royalties, which are generally based on the sales revenues generated by patent users, are recognized on an accrual basis.
Interest income
Interest income is recognized in the income statement at the effective yield rate. It is earned mainly on credit balances in bank accounts.

Dividends

Dividends distributed by the Group's Parent Company are recognized when the right of shareholders to receive their payment is established, which usually coincides with the approval of a Shareholders' Meeting resolution to distribute the dividends. The dividend distribution is thus recognized in the financial statements for the period in which the distribution is approved by the Shareholders' Meeting.

Government grants

Government grants are recognized when there is a reasonable certainty that they will be collected. This occurs when the distributing public entity approves a formal resolution to that effect.
Grants received in connection with the purchase of property, plant and equipment or the capitalization of development costs are recognized among non-current liabilities and recognized in the income statement in equal instalments computed on the basis of the useful lives of the assets for which the grant was received.

Grants received as an interest subsidy upon the occurrence of specific events are recognized in the income statement at the present value of the benefit, when there is a formal commitment to grant the benefit by the distributing public entity. The corresponding liabilities are recognized at their fair value on the date the grant was received. Interest on this liability is recognized in the income statement in accordance with the amortized cost method.

Cost of sales

Cost of sales represents the cost incurred to produce or purchase the goods and merchandise sold by the Group. It includes all of the costs incurred to purchase and process materials and the overhead directly attributable to production.
Overhead includes depreciation of the property, plant and equipment and the amortization of the intangible assets used for production purposes, as well as inventory write-downs. Cost of sales also includes freight paid to deliver products to customers.

Research and development costs

This item includes research and development costs that cannot be capitalized and the amortization of capitalized development costs.

Interest expense

Interest expense is recognized in accordance with the accrual principle, based on the financed amount and the applicable effective interest rate.

Earnings per share

Basic earnings per share are computed by dividing the portion of the net profit or loss attributable to holders of common shares of the Group's Parent Company (the numerator) by the weighted average number of common shares outstanding during the year (the denominator).
Diluted earnings per share are computed by adjusting the portion of the net profit or loss attributable to holders of common shares of the Group's Parent Company (the numerator) and the weighted average number of common shares outstanding during the year (the denominator) to take into account all potential shares with a dilutive effect. A potential share is a financial instrument or other contract that can convey to its holder the right to receive common shares.

Material extraordinary events and transactions – Atypical and/or unusual transactions

Consistent with Consob Communication No. DEM/6064293 of July 28, 2006, the notes to the financial statements provide information about the impact of material extraordinary events and transactions and/or atypical and/or unusual transactions on the Group's balance sheet, financial position and operating performance.
The abovementioned Consob Communication defines as atypical and/or unusual transactions those transactions that, because of their significance/materiality, type of counterparty, purpose, method used to determine the transfer price and timing (close to the end of the year), could give rise to doubts with regard to: the accuracy/completeness of the disclosure provided in the financial statements, conflict of interests, safety of the corporate assets and protection of minority shareholders.

Related parties

Consistent with Consob Communication No. DEM/6064293 of July 28, 2006, the notes to the financial statements provide information about the impact of related-party transactions on the Group's balance sheet, financial position and income statement.

NEW ACCOUNTING STANDARDS

The following are the accounting standards and interpretations which became effective starting from January 1, 2016. It should be noted that the abovementioned accounting standards and interpretations had no effect on the consolidated financial statement as of December 31, 2016.

On May 6, 2014, the IASB issued amendments to **IFRS 11 *Joint Arrangements* – *Accounting for acquisitions of interests in joint operations*”** on accounting for acquisitions of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS3. The amendments establish that the principles in IFRS 3 for the recognition of the effects of business combinations should be applied.

On May 12, 2014, the IASB issued an amendment to IAS 16 – *Property, Plant and Equipment* and to IAS 38 – *Intangible Assets – “Clarification of acceptable methods of depreciation and amortization”.* Amendments to IAS 16 – *Property, Plant and Equipment* establish that a revenue-based amortization method is inappropriate. The IASB has clarified that revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Amendments to IAS 38 introduce a rebuttable presumption to clarify that a revenue-based amortization method is inappropriate for the same reasons established by the amendments as required by IAS 16. This presumption, as for intangible assets, can be rebutted in certain limited circumstances.

On September 25, 2014, the IASB issued “*Annual Improvements to IFRSs: 2012-2014 Cycle*”, a series of amendments to the following four standards: IAS 19 (to clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid), IFRS 5 (to provide specific guidance for cases in which an entity reclassifies an asset or a disposal group from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued), IFRS 7 (to add additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required) and IAS 34 (to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report”).

On December 18, 2014, the IASB issued amendments to IAS 1 - Disclosure Initiative to clarify perceived impediments to preparers exercising their judgment in presenting their financial reports. Specifically:

- it is clarified that the concept of materiality applies to the all parts of the financial statements and that the inclusion of immaterial information can affect the usefulness of the financial reporting;
- it is clarified that the specific items of the separate income statements, the statements of comprehensive income and the statements of financial position can be disaggregated. New requirements for the use of subtotals have also been introduced;
- it is clarified that the companies have a certain degree of flexibility regarding the order of presentation of the notes. In establishing this order, the companies must take into account the requirements of understandability and comparability of the financial statements;
- share of items of Other Comprehensive Income arising from investments in associates and joint ventures accounted for by using the equity method shall be separated into the share that will be reclassified to the separate income statement or into the share that will not be reclassified to the separate income statement.

Accounting standards and amendments not yet applicable and not adopted early by the Group

Below are the international accounting standards, interpretations and amendments to existing accounting standards and interpretations or specific provisions contained in the standards and interpretations approved by IASB, which have been endorsed or have not been endorsed for adoption in Europe as of the date on which this document is approved:

Description	**Endorsed at the date of this document**	**Date of effect envisaged by the standard**
IFRS 9 Financial Instruments	Yes	Financial years as from 1 January 2018
IFRS 15 Revenue from Contracts with customers	Yes	Financial years as from 1 January 2018
IFRS 16 Leases	No	Financial years as from 1 January 2019
Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses	No	Financial years as from 1 January 2017
Amendments to IAS 7: Disclosure Initiative	No	Financial years as from 1 January 2017
Amendments to IFRS 2: Classification and Measurement of Share based Payment Transactions	No	Financial years as from 1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts: Classification and Measurement of Share based Payment Transactions	No	Financial years as from 1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	No	Financial years as from 1 January 2017/2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	No	Financial years as from 1 January 2018

The Group will comply with these new standards, amendments and interpretations when their implementation dates will be effective as 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.

ANALYSIS OF FINANCIAL RISKS

The financial risks to which the Group is exposed include market risks and, to a lesser extent, credit risk and liquidity risk, as previously described in the report on operations.

The table below lists material assets and liabilities in accordance with the requirements of IAS 39:

		12/31/2016			12/31/2015		
(in thousands of euros)	**Notes**	**Carrying value**	**Assets at amortized cost**	**Assets at fair value**	**Carrying value**	**Assets at amortized cost**	**Assets at fair value**
Trade receivables	(16)	120,261	120,261	-	105,609	105,609	-
Other current financial assets	(18)	-	-	-	58,179	58,179	-
Cash and cash equivalents	(18)	130,468	130,468	-	212,178	212,178	-
Total current financial assets		***250,729***	***250,729***	***-***	***375,966***	***375,966***	***-***
Total financial assets		**250,729**	**250,729**	**-**	**375,966**	**375,966**	**-**

		12/31/2016			12/31/2015		
(in thousands of euros)	**Notes**	**Carrying value**	**Liabilities at amortized cost**	**Liabilities at fair value**	**Carrying value**	**Liabilities at amortized cost**	**Liabilities at fair value**
Non-current bank debt	(20)	23,888	23,888	-	-	-	-
Derivative financial instruments	(20)	3,405	-	3,405	-	-	-
Total non-current financial liabilities		***27,293***	***23,888***	***3,405***	***-***	***-***	***-***
Trade payables	(23)	47,674	47,674	-	40,775	40,775	-
Current bank debt	(20)	26,512	26,512	-	2,300	2,300	-
Derivative financial instruments	(20)	5,502	-	5,502	144	-	144
Total current financial liabilities		***79,688***	***74,186***	***5,502***	***43,219***	***43,075***	***144***
Total financial liabilities		**106,981**	**98,074**	**8,907**	**43,219**	**43,075**	**144**

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, 2016 classified at level 2 and registered in other current/non-current financial liabilities amounting to 8,907 thousand euros. The change in the fair value of these instruments is recognized in earnings.

Following the Purchase Price Allocation process described in “Business Combinations” paragraph, the Group carried non-financial assets at fair value, such as:

	in thousands of USD	**amount in EUR**
Concessions, licenses, trademarks and similar rights	50,345	44,365
Development costs	51,797	45,644
Customer relationship	62,670	55,226
Goodwill (provisionally)	98,146	86,487
Property, plant and equipment	18,378	16,195
Other non-current assets	129	114
Inventories	11,998	10,573
Trade receivables	6,139	5,410
Other current assets	668	589
Other non-current assets	129	114

Risks related to fluctuations in foreign exchange and interest rates

The Group is exposed to market risk deriving from currency and interest rate fluctuations as it operates in an international framework in which transactions are made in different currencies and interest rates.
Because the Group did not establish hedges specifically for this purpose, it is exposed to the interest rate risk in connection with variable-rate financial liabilities. As of December 31, 2016, borrowings totalled 50,400 thousand euros. Assuming a fluctuation of 2 percentage points in interest rates on medium- and long-term borrowings, the resulting impact on the financial expense recognized in the income statement would not be significant, since borrowing from Intesa Sanpaolo accrued two months' interests. The same analysis was performed for the receivables assigned without recourse to the factoring company, which totaled 31,333 thousand euros in 2016. This computation was made because the factoring company charges a variable fee tied in part to the Euribor. An increase of 2 percentage points would result in an increase in financial expense of 0.3 million euros. The Group's exposure to currency risk arises both in connection with the geographical distribution of the Group's industrial activities compared to the markets in which it sells its products, and in relation to the use of external borrowing denominated in foreign currencies. As to borrowings denominated in foreign currencies, a fluctuation of 5 percentage points in exchange rates would have an impact of 0.2 million euros on the exchange differences recognized in the income statement. Some Group subsidiaries are located in countries that are not members of the European Monetary Union. Since the Group's reporting currency is the euro, the income statements of these companies are translated into euros at the average exchange rate for the year. Consequently, even if revenues and margins were to remain equal when stated in the local currency, fluctuations in exchange rates could have an impact on the euro amount of revenues, expenses and operating results due to the translation into the consolidation currency. An analysis of the changes affecting the main currencies used by the Group has shown that a 5% change in the exchange rates of all of the currencies used by the Group would have an impact on the income statement of about 4.2 million euros. The euro amount attributed to assets and liabilities of consolidated companies that use reporting currencies different from the euro could vary as a result of changes in exchange rates. As required by the accounting principles adopted by DiaSorin, these changes are recognized directly in equity by posting them to the currency translation reserve. A 5% change in all foreign exchange rates would have an impact of about 13.8 million euros on the currency translation reserve. In 2016, in order to mitigate the foreign exchange risk related to the currency fluctuations, the Group's Parent Company executed currency forward sales requiring the recognition of a negative fair value of 8,907 thousand euros at December 31, 2016 (144 thousand euros at December 31, 2015).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, 2016 classified at level 2 and registered in other current/non-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, for which the risk of non-collection is not significant.
At December 31, 2016, past-due trade receivables were equal to about 6.5% of revenues. These receivables were held mainly by the Group's Parent Company and by the Brazilian, Chinese, French and Spanish subsidiaries. These past-due receivables were covered by an allowance for doubtful accounts amounting to 10,615 thousand euros. In addition, in order to bridge the gap between contractual payment terms and actual collection times, the Group assigns its receivables to factors without recourse.

(in thousands of euros)	**Amounts not yet due**	**Past-due amounts**	**Total receivables from third-party**
Gross amount	92,375	36,950	129,325
Allowance for doubtful accounts	-	(10,615)	(10,615)
Net amount	**92,375**	**26,335**	**118,710**

The gross amount of receivables due within 60 days was equal to 18,181 thousand euros, the amount between 60 and 120 days past due amounted to 4,718 thousand euros, and the amount with over 120 days past due totaled 14,051 thousand years.

Liquidity risk

A prudent cash management strategy includes maintaining sufficient cash or readily available assets and credit lines, to meet immediate liquidity needs. Cash flows, funding requirements and liquidity levels are monitored centrally to ensure promptly and effectively the availability of financial resources and invest appropriately any excess liquidity.
Management believes that the funds and credit lines currently available, when combined with the resources generated by operating and financing activities, will enable the Group to meet the obligations resulting from its capital investment programs, working capital requirements and the need to repay its indebtedness upon maturity.
Bank loans amount to 50,400 thousand euros at December 31, 2016, out of which 26,512 thousand euros due within the next year and 23,888 thousand euros due within 2 years. There are no amounts with a due date of more than 5 years.
Cash and cash equivalent totaled 130,468 thousand euros.

ITEMS THAT INVOLVE THE USE OF SIGNIFICANT ASSUMPTIONS AND ESTIMATES

The preparation of financial statements in accordance with the IFRSs requires the use of estimates for some material amounts. In addition, the Group's management is required to make judgments and assumptions as to how the Group's accounting policies should be applied in certain areas.
The process of drafting financial statements involves the use of estimates and assumptions about future events. These estimates represent the best assessment possible on the date of the financial statements. However, because of their very nature, they could produce material changes in balance sheet amounts in future years.
Estimates are updated on an on-going basis by the Group's management and are based on past experience, all other known factors and the occurrence of future events that are reasonably expected to take place. Special care is used in this area in view of the high level of uncertainty that characterizes the macroeconomic context.
The main items affected by estimates are reviewed below.

Allowance for doubtful accounts
The Allowance for doubtful accounts reflects management's estimates about losses that could be incurred in the portfolio of accounts receivable from end customers and from the indirect distribution network (independent distributors). The estimate of the amount by which receivables should be written down is based on the Group's loss expectations, determined on the basis of past experience for similar receivables, the current and historical past due percentages, losses and collections, and the careful monitoring of credit quality.

Provision for inventory write-downs
The Provision for inventory write-downs reflects management's estimates of the Group's loss expectations, determined on the basis of past experience and historical and projected trends in the market for in vitro diagnostics.

Useful life of development costs
Development costs that meet the requirements for capitalization are recognized as intangible assets. The Group's management has estimated the average useful life of these projects at 10 years, which corresponds to the average life cycle of LIAISON products and the length of time during which the assets associated with these products are expected to generate a cash inflow for the Group. The estimated useful life of capitalized development costs incurred to develop the LIAISON XL system is also 10 years.

Impairment of non-current assets
Non-current assets include property, plant and equipment, intangible assets (including goodwill), equity investments and other financial assets. Management reviews the carrying amounts of non-current assets held and in use and available-for-sale assets on a regular basis and whenever events or circumstances make such review necessary. The recoverable value of property, plant and equipment and intangible assets (including goodwill and know how) is verified using criteria that are consistent with the requirements of IAS 36, which are explained in the section of these Notes entitled "Impairment of assets."

Pension plans and other post-employment benefits
The companies of the Group are parties to pension and health benefit plans in different countries. The Group's largest pension plans are in Sweden, Germany and Italy. Management uses different statistical assumptions and evaluation factors to project future events and compute the costs, liabilities and assets related to these plans. Assumptions are made with regard to the discount rate, the expected yield of plan assets, the rates of future increases in employee compensation and trends in health care costs. The

actuaries who provide the Group with consulting support also use subjective parameters, such as employee mortality and termination rates.

Stock option plans

The measurement of stock option plans at fair value requires the formulation of specific assumptions, the most significant of which include the following:

- the value of the underlying shares on the valuation date;
- the expected volatility of the price/value of the underlying shares;
- the dividend yield of the underlying shares.

Contingent liabilities

The Group is a party to legal and tax disputes that are under the jurisdiction of various countries. Given the uncertainty inherent in such situations, it is difficult to predict with certainty any expense that may result from these disputes. In the normal course of business, management relies on the support of its legal counsel and of experts on legal and taxation issues. The Group recognizes a liability in connection with these disputes when it believes that the occurrence of a cash outlay is probable and the amount of the resulting loss can be reasonably estimated. When a cash outlay becomes probable, but the amount cannot be determined, this fact is disclosed in the notes to the financial statements.

SEGMENT INFORMATION AT DECEMBER 31, 2016 AND DECEMBER 31, 2015

In accordance with IFRS 8, the Group designated the geographic regions where it operates as its operating segments.

The Group's organization and internal management structure and its reporting system are segmented as follows: Italy and U.K. Branch, Europe (Germany, France, Belgium and the Netherlands, Spain and Portugal, Ireland, Austria, Great Britain, Scandinavia, Czech Republic, Switzerland and Poland), North America (United States and Canada) and Rest of the World (Brazil, Mexico, Israel, China, Australia and South Africa).

The Group is characterized by an organization of its commercial structure by geographic regions, which was adopted to accommodate the Group's geographic expansion and strategic initiatives. The logic of this new organization reflects the destination of the Group's sales, dividing the sales areas into four regions: Europe and Africa, North America, Central and South America, Asia Pacific and China.

As a result, the communication of the financial data of the DiaSorin Group to the financial markets and the investing public is being changed to show revenue data aligned with its organization by regions.

The tables on the following pages show the Group's operating and financial data broken down by geographic region. A listing of revenues by customer location is provided in the table included in the corresponding Note that shows a breakdown of sales and service revenues by geographic region.
The table that follows shows no unallocated common costs. This is because each country (hence, each segment) has a complete organization (commercial, technical support and administrative) capable of operating independently. In addition, the Italy segment charges quarterly the other segments for costs the Corporate division faces at the central level for assets in favor of the Group's companies.

Eliminations refer primarily to inter-segment margins that are eliminated at consolidation. Specifically, the elimination of the margin earned by the Italy segment through the sale of equipment to other segments is carried out both at the result and investment levels. The margin generated by products sold by the manufacturing locations to the commercial branches but not yet sold to outsiders is eliminated only at the result level.

Segment assets include all operating items (non-current assets, receivables and inventory) but not tax-related items (deferred-tax assets) and financial assets, which are shown at the Group level.
The same approach was used for segment liabilities, which include operating items (mainly trade payables and amounts owed to employees) but do not include financial and tax liabilities or shareholders' equity, which are shown at the Group level.

(in thousands of euros)	**ITALY**		**EUROPE**		**NORTH AMERICA**		**REST OF THE WORLD**		**ELIMINATIONS**		**CONSOLIDATED**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
INCOME STATEMENT												
Revenues from customers	126,536	126,715	154,138	143,056	179,297	133,334	109,341	96,076	-	-	569,312	499,181
Inter-segment revenues	173,478	154,545	25,973	25,634	41,360	39,418	3,317	3,230	(244,128)	(222,827)	-	-
Total revenues	**300,014**	**281,260**	**180,111**	**168,690**	**220,657**	**172,752**	**112,658**	**99,306**	**(244,128)**	**(222,827)**	**569,312**	**499,181**
Segment EBIT	**67,132**	**56,273**	**16,200**	**18,782**	**82,521**	**76,839**	**9,666**	**2,187**	**(2,908)**	**(2,080)**	**172,611**	**152,001**
Financial income (expense)	-	-	-	-	-	-	-	-	-	-	(4,415)	(1,899)
Result before taxes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**168,196**	**150,102**
Income taxes	-	-	-	-	-	-	-	-	-	-	(55,578)	(49,554)
Net result	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**112,618**	**100,548**
OTHER INFORMATION												
Investments in intangibles	3,809	3,231	646	581	2,291	651	655	412	-	-	7,401	4,875
Invest. in prop. plant and equip.	9,990	9,243	7,211	7,634	8,026	7,867	6,932	6,586	(2,134)	(4,157)	30,025	27,173
Total investments	**13,799**	**12,474**	**7,857**	**8,215**	**10,317**	**8,518**	**7,587**	**6,998**	**(2,134)**	**(4,157)**	**37,426**	**32,048**
Amortization of intangibles	(4,805)	(3,872)	(4,430)	(3,191)	(7,842)	(582)	(663)	(638)	174	174	(17,566)	(8,109)
Depreciation of prop. plant and equip.	(8,474)	(8,470)	(7,870)	(8,017)	(8,993)	(6,886)	(5,409)	(5,136)	3,605	3,634	(27,141)	(24,875)
Total amortization and depreciation	**(13,279)**	**(12,342)**	**(12,300)**	**(11,208)**	**(16,835)**	**(7,468)**	**(6,072)**	**(5,774)**	**3,779**	**3,808**	**(44,707)**	**(32,984)**

(in thousands of euros)	**ITALY**		**EUROPE**		**NORTH AMERICA**		**REST OF THE WORLD**		**ELIMINATIONS**		**CONSOLIDATED**	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**
STATEMENT OF FINANCIAL POSITION												
Segment assets	269,455	233,485	142,633	141,606	367,595	98,238	64,211	50,523	(128,760)	(106,720)	715,134	417,132
Unallocated assets	-	-	-	-	-	-	-	-	-	-	153,484	290,774
Total assets	**269,455**	**233,485**	**142,633**	**141,606**	**367,595**	**98,238**	**64,211**	**50,523**	**(128,760)**	**(106,720)**	**868,618**	**707,906**
Segment liabilities	71,326	59,971	69,742	63,419	31,346	16,717	34,628	23,906	(72,842)	(54,142)	134,200	109,871
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	71,033	10,877
Shareholders’ equity	-	-	-	-	-	-	-	-	-	-	663,385	587,158
Total liabilities and shareholders’ equity	**71,326**	**59,971**	**69,742**	**63,419**	**31,346**	**16,717**	**34,628**	**23,906**	**(72,842)**	**(54,142)**	**868,618**	**707,906**

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 44,707 thousand euros in 2016 (32,984 thousand euros in 2015) broken down as follows:

(in thousands of euros)	**2016**	**2015**
Depreciation of property, plant and equipment	27,141	24,875
Amortization of intangibles	17,566	8,109
Total	**44,707**	**32,984**

Depreciation of property, plant and equipment includes 18,472 thousand euros attributable to equipment held by customers (17,653 thousand euros in 2015), which in the income statement by destination is part of the cost of sales. An additional 5,793 thousand euros representing depreciation of plant and machinery and manufacturing and distribution equipment is included among production expenses (5,129 thousand euros in 2015).

The amortization of intangible assets is recognized mainly as part of research and development costs (6,199 thousand euros), sale and marketing expenses (5,319 thousand euros), general and administrative expenses (3,265 thousand euros) and production expenses (1,873 thousand euros). In 2016, this item includes amortization of intangible assets related to the acquisition of Focus, for an amount equal to 8,005 thousand euros.

Labor costs amounted to 146,157 thousand euros (127,016 thousand euros in 2015).
A breakdown is as follows:

(in thousands of euros)	**2016**	**2015**
Wages and salaries	111,367	96,022
Social security contributions	19,027	17,876
Severance indemnities and other benefits paid	4,648	3,405
Cost of stock option plan	1,370	1,209
Other labor costs	9,745	8,504
Total	**146,157**	**127,016**

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

	2016	**2015**
Factory staff	328	280
Office staff	1,444	1,291
Managers	82	71
Total	**1,854**	**1,642**

1. Net revenues

In 2016, net revenues, which are generated mainly through the sale of diagnostic kits, totaled 569,312 thousand euros (499,181 thousand euros in 2015), up by 14% compared with 2015 (+6.4% at constant exchange rates and scope of consolidation). This item includes sales generated from Focus products, amounting to 44,403 thousand euros and 10,202 thousand euros for equipment rentals and technical support (9,184 thousand euros in 2015).
A breakdown of revenues by geographic region is provided below:

(in thousands of euros)	**2016**	**2015**	**% Change at current exchange rates**
Europe and Africa	250,542	235,333	4.5%
North America	166,880	127,783	1.2%
Asia Pacific	109,331	97,361	10.4%
Central and South America	42,559	38,704	8.6%
Group Total	**569,312**	**499,181**	**14.0%**

Sales to public institutions and universities totaled 204,666 thousand euros (191,620 thousand euros in 2015).

2. Cost of sales

In 2016, the cost of sales amounted to 180,160 thousand euros, as against 157,284 thousand euros in 2015. This item includes 11,686 thousand euros for royalties paid for the use of patents applied to manufacture products (8,030 thousand euros in 2015), and 8,961 thousand euros in costs incurred to distribute products to end customers (8,834 thousand euros in 2015) and 18,472 thousand euros for depreciation of equipment held by customers (17,653 thousand euros in 2015).

3. Sales and marketing expenses

In 2016, sales and marketing expenses amounted to 109,469 thousand euros, as against 98,047 thousand euros in 2015. 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 37,718 thousand euros in 2016 (26,158 thousand euros in 2015), include all of the research and development outlays that were not capitalized equal to 18,735 thousand euros (14,631 thousand euros in 2015), costs incurred to register the products offered for sale and meet quality requirements totaling 13,689 thousand euros (9,401 thousand euros in 2015) and the amortization of capitalized development costs equal to 5,294 thousand euros (2,126 thousand euros in 2015). In 2016, the Group capitalized new development costs amounting to 5,190 thousand euros compared with 1,577 thousand euros in 2015.

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 60,039 thousand euros in 2016 (55,494 thousand euros in 2015). The item includes 4,706 thousand euros in costs attributable to Directors and strategic executives (4,204 thousand euros in 2015).

6. Other operating income (expenses)

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

(in thousands of euros)	**2016**	**2015**
Trade-related foreign exchange gains/(losses)	97	(1,962)
Tax liabilities	(596)	(1,987)
Provisions for bad debts and provisions for risks and charges	(4,741)	(3,846)
Other (expense)/ income	1,351	(294)
Non-recurring expenses	(5,426)	(2,108)
Other operating income (expense)	**(9,315)**	**(10,197)**

The item includes income and expenses from operations that cannot be allocated to specific functional areas (such as gains and losses on asset sales, government grants, insurance settlements, reversals of unused provisions, additions to provisions for risks, incidental taxes and fees).

As regards provisions for risks and charges Law n. 125 of 08/06/2015 extended the pay-back mechanism to medical devices on the basis of which any amount exceeding the ceiling on public expenditure for the purchase of medical devices must be paid by the supplying companies. In virtue of the lack of implementing decrees to specify how to compute the payback measure, the Company carried out the best possible estimate allocating 3 million euros in risk provision in 2016.

In 2016, non-recurring expenses related to activities for the acquisition carried out in the first half of 2016 in addition to extraordinary consulting expenses in order to make the Group's supply chain processes more efficient and to a functional development of some company areas in Italy.

7. Financial income (expenses)

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

(in thousands of euros)	**2016**	**2015**
Factoring transactions fees	(652)	(1,093)
Interest and other financial expenses	(2,453)	(1,189)
Interest on provisions for pensions	(609)	(562)
Share of the profit/(loss) of equity method investees	(555)	(431)
Interest and other financial income	1,071	1,778
Foreign exchange differences and financial instruments	(1,217)	(402)
Net financial income (expense)	**(4,415)**	**(1,899)**

In 2016, interest and other financial expenses include interests and amortized cost of bank loans equal to 619 thousand euros (353 thousand euros in 2015) and interest expense on derivative financial instruments closed in the year totaling 707 thousand euros (110 thousand euros in 2015). The increase of the item derives from the financial transactions carried out for the Focus acquisition.

Financial income includes collection of past-due positions owed by public entities amounting to 764 thousand euros in 2016 (1,039 thousand euros in 2015) and 307 thousand euros of interest accrued on bank accounts (739 thousand euros in 2015).

Foreign exchange differences include 713 thousand euros in income from changes in subsidiaries' financial balances that use currencies different from the Group's Parent Company currency (852 thousand euros in 2015) and a loss of 1,931 thousand euros for the closure of financial instruments (expenses of 1,254 thousand euros in 2015).

8. Income taxes

The income tax expense recognized in the income statement amounted to 55,578 thousand euros (49,554 thousand euros in 2015) broken down as follows:

(in thousands of euros)	**2016**	**2015**
Current income taxes:		
- Regional taxes (IRAP)	2,524	1,962
- Other income taxes	52,923	48,152
- Other taxes (non-deductible tax withholdings/prior-period taxes)	2,110	348
Deferred taxes	(1,979)	(908)
IRAP amount	*(52)*	*83*
Total income taxes for the year	**55,578**	**49,554**

Other taxes include 1,556 thousand euros in taxes paid in previous years and foreign non-deductible taxes withheld on dividends received by the Group's Parent Company from subsidiaries (439 thousand euros in 2016 compared with 452 thousand euros in 2015).

A reconciliation of the theoretical tax rate to the effective tax rate, without taking into account the IRAP liability and withholding taxes on dividends, is provided below:

(in thousands of euros)	**2016**	**2015**
Profit before taxes	168,196	150,102
Theoretical tax rate	*27.5%*	*27.5%*
Theoretical income taxes	46,254	41,278
Tax effect of permanent differences	(4,374)	(2,938)
Effect of unrecognized deferred-tax liabilities/assets	1,213	2,331
Effect of foreign tax rates that are different from statutory Italian tax rates	7,369	6,247
Other differences	534	243
Total income taxes	**50,996**	**47,161**
Effective tax rate	**30.3%**	**31.4%**

The 2016 effective tax rate of 30.3%, reflects primarily the different tax rates applied in other countries where the Group operates, particularly with regard to the United States.

The tax effect on unrealized translation differences on indebtedness in foreign currencies borrowed by the Group's Parent Company to hedge its equity investment in the UK branch (equal to 396 thousand euros) and on net losses of the period related to the actuarial assessment of the Group's defined-benefit plans (484 thousand euros) and recognized in a specific reserve in shareholders' equity.

9. Earnings per share

Basic earnings per share amounted to 2.05 euros in 2016 (1.83 euros in 2015). Diluted earnings per share totaled 2.04 euros (1.83 euros in 2015). 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 (54,849,893 in 2016 and 54,883,529 in 2015).
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 during 2016.

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 2016 and 2015:

(in thousands of euros)	At December 31, 2015	Additions	Business combinations	Divestments	Translation differences	Reclassifications and other changes	At December 31, 2016
Land	2,375	-	-	-	10	-	2,385
Buildings	20,024	417	-	(61)	217	-	20,597
Plant and machinery	29,494	2,154	250	(425)	(15)	925	32,383
Manufacturing and distribution equipment	154,050	20,959	9,808	(14,675)	3,782	(1,655)	172,269
Other assets	17,495	2,181	4,949	(1,127)	102	473	24,073
Advances and tangible in progress	3,918	4,314	1,302	(104)	74	(2,435)	7,069
Total property, plant and equipment	**227,356**	**30,025**	**16,309**	**(16,392)**	**4,170**	**(2,692)**	**258,776**

(in thousands of euros)	At December 31, 2014	Additions	Business combinations	Divestments	Translation differences	Reclassifications and other changes	At December 31, 2015
Land	2,345	-	-	-	30	-	2,375
Buildings	19,026	303	-	-	686	9	20,024
Plant and machinery	24,166	1,894	-	(425)	128	3,731	29,494
Manufacturing and distribution equipment	144,341	22,134	859	(12,393)	797	(1,688)	154,050
Other assets	16,841	1,284	-	(350)	116	(396)	17,495
Advances and tangible in progress	6,611	1,558	-	(155)	76	(4,172)	3,918
Total property, plant and equipment	**213,330**	**27,173**	**859**	**(13,323)**	**1,833**	**(2,516)**	**227,356**

The following changes occurred in the corresponding accumulated depreciation accounts in 2016 and 2015:

(in thousands of euros)	At December 31, 2015	Depreciation for the year	Divestments	Translation differences	Reclassifications and other changes	At December 31, 2016
Buildings	15,487	578	(35)	176	-	16,206
Plant and machinery	17,491	2,256	(327)	(105)	23	19,338
Manufacturing and distribution equipment	109,428	22,009	(12,240)	2,654	(2,461)	119,390
Other assets	10,457	2,298	(1,064)	79	(62)	11,708
Total property, plant and equipment	**152,863**	**27,141**	**(13,666)**	**2,804**	**(2,500)**	**166,642**

(in thousands of euros)	At December 31, 2014	Depreciation for the year	Divestments	Translation differences	Reclassifications and other changes	At December 31, 2015
Buildings	14,450	568	-	469	-	15,487
Plant and machinery	15,185	1,996	(406)	76	640	17,491
Manufacturing and distribution equipment	101,837	20,786	(10,735)	5	(2,465)	109,428
Other assets	9,651	1,525	(332)	(31)	(356)	10,457
Total property, plant and equipment	**141,123**	**24,875**	**(11,473)**	**519**	**(2,181)**	**152,863**

A breakdown of the net carrying value of property, plant and equipment at December 31, 2016 and 2015 is provided below:

(in thousands of euros)	**At December 31, 2015**	**Additions**	**Business combinations**	**Depreciation**	**Divestments**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2016**
Land	2,375	-	-	-	-	10	-	2,385
Buildings	4,537	417	-	(578)	(26)	41	-	4,391
Plant and machinery	12,003	2,154	250	(2,256)	(98)	90	902	13,045
Manufacturing and distribution equipment	44,622	20,959	9,808	(22,009)	(2,435)	1,128	806	52,879
Other assets	7,038	2,181	4,949	(2,298)	(63)	23	535	12,365
Advances and tangible in progress	3,918	4,314	1,302	-	(104)	74	(2,435)	7,069
Total property, plant and equipment	**74,493**	**30,025**	**16,309**	**(27,141)**	**(2,726)**	**1,366**	**(192)**	**92,134**

(in thousands of euros)	**At December 31, 2014**	**Additions**	**Business combinations**	**Depreciation**	**Divestment**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2015**
Land	2,345	-	-	-	-	30	-	2,375
Buildings	4,576	303	-	(568)	-	217	9	4,537
Plant and machinery	8,981	1,894	-	(1,996)	(19)	52	3,091	12,003
Manufacturing and distribution equipment	42,504	22,134	859	(20,786)	(1,658)	792	777	44,622
Other assets	7,190	1,284	-	(1,525)	(18)	147	(40)	7,038
Advances and tangible in progress	6,611	1,558	-	-	(155)	76	(4,172)	3,918
Total property, plant and equipment	**72,207**	**27,173**	**859**	**(24,875)**	**(1,850)**	**1,314**	**(335)**	**74,493**

The change in the scope of consolidation relates to the acquisition of Focus business. Further details are provided in the above paragraph “Business combinations”.
Additions to manufacturing and distribution equipment include purchases of medical equipment amounting to 18,830 thousand euros in 2016 (19.374 thousand euros in 2015).
Depreciation for the period totaled 18,472 thousand euros (17,653 thousand euros in 2015).

Depreciation charged in the period was calculated to reflect the actual physical deterioration and related economic-technical obsolescence of the assets.

11. Goodwill and other intangible assets

Goodwill totaled 163,204 thousand euros at December 31, 2016 (68,502 thousand euros at December 31, 2015). The change compared with December 31, 2015 reflects the difference between the purchase price paid and the value of the net assets acquired and intangibles provisionally attributed to Focus acquisition, for an amount equal to 86,487 thousand euros, in addition to the translation effect of the period.

As of the date of this Report the process of assessing the fair value of the acquired assets had not yet been completed. Any excess arising from the amount paid for the acquisition and the carrying amounts of the acquired assets and intangibles being provisionally identified was added to “Goodwill. IFRS 3 establishes a one-year period for accounting transactions involving Business Combination (Open Window). More detailed information is provided in the paragraph “Business Combinations”.

As explained in the “Accounting Standards” section of this Report, goodwill is not amortized: it is tested for impairment and, if necessary, it is written down when impairment losses occur. The Group assesses the recoverability of goodwill and other intangibles with an indefinite life at least once a year by testing for impairment each cash generating unit (CGU).

The CGUs identified by the Group coincide with the “Legal Entities” or, where more relevant, with homogeneous aggregations. Goodwill has been allocated to the CGU’S that the time of their purchase benefit from the synergies generated by the respective business combinations generating goodwill.

A breakdown of how goodwill was recognized and/or allocated to the different CGUs for impairment test purposes is as follows:

- 765 thousand euros to the DiaSorin Benelux CGU,
- 3,546 thousand euros to the DiaSorin Brazil CGU,
- 6,840 thousand euros to the DiaSorin Germany CGU,
- 22,056 thousand euros to the DiaSorin Italy CGU,
- 113,339 thousand euros to the DiaSorin USA (North America) CGU,
- 15,155 thousand euros to the DiaSorin Ireland CGU,
- 1,503 thousand euros to the DiaSorin South Africa CGU.

The table below provides a breakdown by individual CGU of the changes in goodwill that occurred in 2016:

(in thousands of euros)	**At December 31, 2015**	**Business combinations**	**Translation differences**	**At December 31,2016**
DiaSorin Benelux	765	-	-	765
DiaSorin Brazil	2,822	-	724	3,546
DiaSorin Germany	6,840	-	-	6,840
DiaSorin Italy	22,056	-	-	22,056
DiaSorin USA (North America)	19,582	86,487	7,270	113,339
DiaSorin Ireland	15,155	-	-	15,155
DiaSorin South Africa	1,282	-	221	1,503
Total goodwill	**68,502**	**86,487**	**8,215**	**163,204**

Insofar as the knowhow acquired with the Murex transaction in 2010 is specifically concerned, this intangible asset with an indefinite useful life was tested for impairment as part of the CGU formed by the homogeneous aggregation of DiaSorin Italy and UK Branch legal entities.

The impairment test is based on the most recent projections of economic results and cash flows for future years (2017-2019). These projections have been prepared on the basis of 2017 budget and the most recent financial budget or forecasts that have been approved by 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 value). The value in use 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 value 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.	7.96%
DiaSorin S.A. (France)	4.50%
DiaSorin Iberia S.A.	5.36%
DiaSorin S.A/N.V (Benelux)	4.43%
DiaSorin I.N.UK Limited	5.41%
DiaSorin Diagnostics Ireland Limited	6.84%
DiaSorin Deutschland GmbH	4.21%
DiaSorin Austria GmbH	4.49%
DiaSorin Czech s.r.o.	4.49%
DiaSorin Inc.(North America)	5.99%
DiaSorin Ltda (Brazil)	15.50%
DiaSorin Mexico S.A de C.V.	9.77%
DiaSorin Ltd (Israel)	5.81%
DiaSorin Ltd (China)	6.73%
DiaSorin Australia (Pty) Ltd	6.22%
DiaSorin South Africa (PTY) Ltd	12.69%
DiaSorin Switzerland AG	4.15%
DiaSorin Poland sp. z.o.o.	6.91%

The time horizon used for cash flows projections is 3 years for all the CGUs, except for Brazil for which the time horizon was extended to 5 years due to the overall macroeconomic crisis 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 193,882 thousand euros at December 31, 2016 (49,404 thousand euros at December 31, 2015).

The tables that follow show the changes that occurred in the original cost of goodwill and other intangibles in 2016 and 2015:

(in thousands of euros)	**At December 31, 2015**	**Additions**	**Business combinations**	**Translation differences**	**Disposals and other changes**	**At December 31, 2016**
Goodwill	68,502	-	86,487	8,215	-	163,204
Development costs	27,852	5,190	45,644	3,833	175	82,694
Concessions, licenses and trademarks	56,295	1,288	44,998	1,713	20	104,314
Customer relationship	-	-	55,226	4,762	-	59,988
Industrial patents and intellectual property rights	27,249	362	-	389	129	28,129
Advances and other intangibles	5,093	561	-	(10)	(1,327)	4,317
Total intangible assets	**184,991**	**7,401**	**232,355**	**18,902**	**(1,003)**	**442,646**

(in thousands of euros)	**At December 31, 2014**	**Additions**	**Business combinations**	**Translation differences**	**Disposals and other changes**	**At December 31, 2015**
Goodwill	67,703	-	-	799	-	68,502
Development costs	25,590	1,577	-	685	-	27,852
Concessions, licenses and trademarks	51,773	1,473	2,818	(52)	283	56,295
Industrial patents and intellectual property rights	27,032	442	-	(260)	35	27,249
Advances and other intangibles	3,703	1,383	-	7	-	5,093
Total intangible assets	**175,801**	**4,875**	**2,818**	**1,179**	**318**	**184,991**

The following changes occurred in the corresponding accumulated amortization accounts in 2016 and 2015:

(in thousands of euros)	**At December 31, 2015**	**Amortization**	**Translation differences**	**Disposals and other changes**	**At December 31, 2016**
Development costs	14,202	5,294	242	-	19,738
Concessions, licenses and trademarks	29,096	5,892	265	(25)	35,228
Customer relationship	-	3,807	191	-	3,998
Industrial patents and intellectual property rights	20,245	2,478	309	-	23,032
Advances and other intangibles	3,542	95	(20)	(53)	3,564
Total intangible assets	**67,085**	**17,566**	**987**	**(78)**	**85,560**

(in thousands of euros)	**At December 31, 2014**	**Amortization**	**Translation differences**	**Disposals and other changes**	**At December 31, 2015**
Development costs	11,765	2,126	311	-	14,202
Concessions, licenses and trademarks	25,598	3,468	47	(17)	29,096
Industrial patents and intellectual property rights	18,004	2,456	(215)	-	20,245
Advances and other intangibles	3,484	59	(1)	-	3,542
Total intangible assets	**58,851**	**8,109**	**142**	**(17)**	**67,085**

A breakdown of the net carrying value of goodwill and other intangibles at December 31, 2016 and 2015 is provided below:

(in thousands of euros)	**At December 31, 2015**	**Additions**	**Business combinations**	**Amortization**	**Translation differences**	**Disposals and other changes**	**At December 31, 2016**
Goodwill	68,502	-	86,487	-	8,215	-	163,204
Development costs	13,650	5,190	45,644	(5,294)	3,591	175	62,956
Concessions, licenses and trademarks	27,199	1,288	44,998	(5,892)	1,448	45	69,086
Customer relationship	-	-	55,226	(3,807)	4,571	-	55,990
Industrial patents and intellectual property rights	7,004	362	-	(2,478)	80	129	5,097
Advances and other intangibles	1,551	561	-	(95)	10	(1,274)	753
Total intangible assets	**117,906**	**7,401**	**232,355**	**(17,566)**	**17,915**	**(925)**	**357,086**

(in thousands of euros)	**At December 31, 2014**	**Additions**	**Business combinations**	**Amortization**	**Translation differences**	**Disposals and other changes**	**At December 31, 2015**
Goodwill	67,703	-	-	-	799	-	68,502
Development costs	13,825	1,577	-	(2,126)	374	-	13,650
Concessions, licenses and trademarks	26,175	1,473	2,818	(3,468)	(99)	300	27,199
Industrial patents and intellectual property rights	9,028	442	-	(2,456)	(45)	35	7,004
Advances and other intangibles	219	1,383	-	(59)	8	-	1,551
Total intangible assets	**116,950**	**4,875**	**2,818**	**(8,109)**	**1,037**	**335**	**117,906**

The business combination refers to the acquisition of Focus business.
More detailed information is provided in the paragraph “Business Combinations”.

In 2016, amortization includes 8,005 thousand euros in intangible assets related to the recent acquisition.

Capitalized development costs, which totaled 5,190 thousand euros (1,577 thousand euros in 2015) mainly reflect the investments on molecular diagnostics and new specialty tests.
These costs are amortized on a straight-line basis over their useful life, which management estimates at 10 years.
A test of the recoverability of the net carrying amount of capitalized development costs was performed by determining the recoverable value of the CGU to which they were attributed and testing it for impairment. No write-downs were required as a result of this test.

12. Equity investments

Equity investments totaled 27 thousand euros at December 31, 2016 (219 thousand euros at December 31, 2015). A breakdown of equity investments is provided below:

(in thousands of euros)	**At December 31, 2015**	**Additions**	**Share of the profit/(loss) of investees accounted for using the equity method**	**Translation differences**	**At December 31, 2016**
Equity investment valued using the equity method:					
DiaSorin Trivitron Healthcare Private Limited	192	-	(249)	57	-
Equity investment valued at cost:					
DiaSorin Deutschland Unterstuetzungskasse GmbH	26	-	-	-	26
Consorzio Sobedia	1	-	-	-	1
Total equity investments	**219**	**-**	**(249)**	**57**	**27**

Equity investments valued at cost are not consolidated because they are not operational. Their impact on the Group's total assets and liabilities, financial position and profit or loss is not material. Moreover, the valuation of these investments by the equity method would not have an effect materially different from that produced by the cost approach.

13. Deferred-tax assets and deferred-tax liabilities

Deferred-tax assets amounted to 22,989 thousand euros at December 31, 2016 (20,198 thousand euros at December 31, 2015). They relate to consolidated companies that have deferred-tax assets in excess of deferred-tax liabilities and to consolidation adjustments. Deferred-tax liabilities, which totaled 1,401 thousand euros (2,049 thousand euros at December 31, 2015) relate to consolidated companies that have deferred-tax liabilities in excess of deferred-tax assets. They are shown on the liabilities side of the statement of financial position.

The balance reflects the net deferred-tax assets computed on the consolidation adjustments (mainly from the elimination of unrealized gains on intra-Group transactions) and on temporary differences between the asset and liabilities amounts used to prepare the consolidated financial statements and the corresponding amounts used by the consolidated companies for tax purposes.

Deferred-tax assets were recognized in the financial statements when their future use was deemed to be probable. The same approach was used to recognize the benefit provided by the use of tax loss carryforwards, most of which, under current laws, can be brought forward indefinitely.

Based on the multi-year plans prepared by the Group's management, the Group is expected to generate sufficient taxable income in future years to allow for the full recovery of the abovementioned amounts.

An analysis of deferred-tax assets, net of offsettable deferred-tax liabilities, is provided below:

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Deferred-tax assets	22,989	20,198
Deferred-tax liabilities	(1,401)	(2,049)
Total net deferred-tax assets	**21,588**	**18,149**

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

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Positive changes:		
Amortization/Write-down of goodwill/ intangible assets	203	811
Provisions for risks and charges	4,117	4,329
Provision for employees benefits	5,166	4,269
Intra-Group profits and other consolidation adjustment	8,536	7,782
Other charges deductible in future years	3,810	2,246
Losses carried forward	1,296	1,361
Total	**23,128**	**20,798**
Negative changes:		
Depreciation and amortization	322	(948)
DiaSorin Ireland Goodwill	(319)	(446)
Capitalization of development costs	(1,543)	(1,255)
Total	**(1,540)**	**(2,649)**
Net deferred taxes	**21,588**	**18,149**

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

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Previous tax losses	4,710	4,969
Deferred tax assets recognized on tax losses	**1,296**	**1,361**

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Previous tax losses	6,400	4,991
Unrecognized deferred tax assets recognized	**2,176**	**1,697**

14. Other non-current assets

Other non-current assets amounted to 999 thousand euros (758 thousand euros at December 31, 2015). They consist mainly of receivables from the Brazilian and Chinese subsidiaries due beyond 12 months.

15. Inventories

A breakdown of inventories, which totaled 128,870 thousand euros, is provided below:

(in thousands of euros)	**12/31/2016**			**12/31/2015**		
	Gross amount	**Write-down provisions**	**Net amount**	**Gross amount**	**Write-down provisions**	**Net amount**
Raw materials and supplies	40,169	(2,860)	37,309	34,715	(2,174)	32,541
Work in progress	44,816	(2,536)	42,280	40,798	(3,134)	37,664
Finished goods	51,755	(2,474)	49,281	37,250	(1,262)	35,988
Total	**136,740**	**(7,870)**	**128,870**	**112,763**	**(6,570)**	**106,193**

The increase of 22,677 thousand euros in inventory is mainly due to the change in the scope of consolidation and the effect of the fluctuations in foreign exchange rates.

The table below shows the changes that occurred in the provisions for inventory write-downs:

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Opening balance	**6,570**	**6,142**
Additions for the year	1,651	1,726
Utilizations/Reversals for the year	(1,310)	(1,500)
Exchange differences and other changes	959	202
Ending balance	**7,870**	**6,570**

16. Trade receivables

Trade receivables totaled 120,261 thousand euros at December 31, 2016 (105,609 thousand euros at December 31, 2015). The increase in trade receivables compared with December 31, 2015 is due to the change in the scope of consolidation as well as to the upward trend in revenues in the last quarter of 2016. Receivables from public sector and universities amounted to 38,746 thousand euros (38,903 thousand euros at December 31, 2015).
The table that follows shows the changes that occurred in the allowance for doubtful accounts, which amounted to 10,615 thousand euros compared with December 31, 2015:

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Opening balance	**9,821**	**8,882**
Additions for the period	385	2,826
Utilizations/Reversals for the period	(640)	(986)
Translation differences and other changes	1,049	(901)
Ending balance	**10,615**	**9,821**

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 2016, the receivables assigned by the Group's Parent Company amounted to 31,333 thousand euros (36,826 thousand euros in 2015).

17. Other current assets

Other current assets amounted to 15,784 thousand euros (12,173 thousand euros at December 31, 2015). They consist of accrued income and prepaid expenses for insurance, interest, rentals and government grants equal to 2,441 thousand euros (2,379 thousand euros at December 31, 2015) and tax credits for tax prepayments and for foreign taxes withheld amounting to 7,222 thousand euros (6,241 thousand euros at December 31, 2015).

18. Cash and current financial assets

Cash and cash equivalents amounted to 130,468 thousand euros at December 31, 2016 (212,178 thousand euros at December 31, 2015). They consist of balances in banks accounts. More detailed information is provided in the Statement of Cash Flows above.

19. Shareholders' equity

Share capital

At December 31, 2016, the fully paid-in share capital consisted of 55,948,257 million common shares, par value of 1 euro each. No changes occurred compared with December 31, 2015.

Treasury shares

At December 31, 2016, the amount of treasury shares was 1,189,950 (2.13% of the share capital, totaling 38,025 thousand euros (25,459 thousand euros at December 31, 2015).
The change equal to 12,566 thousand euros compared with December 31, 2015 is the result of:

- the purchase of 250,000 Company common shares for the 2016 Stock Option Plan at an average price of 54,2843 euros, totaling 13,571 thousand euros;
- the exercise of 30,000 options held by the Group's Parent company's employees and by its subsidiaries relating to the 2010 Stock Option Plan at an average price of 24,8928 euros, leading to a consequent reduction in treasury shares equal to 1,005 thousand euros.

Additional paid-in capital

This reserve amounted to 18,155 thousand euros at December 31, 2016 and no changes occurred compared with December 31, 2015.

Statutory reserve

This reserve amounted to 11,190 thousand euros and no changes occurred compared with December 31, 2015.

Other reserves and retained earnings

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

(in thousands of euros)	**12/31/2016**	**12/31/2015**	**Change**
Currency translation reserve	40,640	28,544	12,096
Reserve for treasury shares	38,025	25,459	12,566
Stock option reserve	3,001	1,773	1,228
Gains/Losses on remeasurements of defined benefit plans	(7,875)	(6,561)	(1,314)
Retained earnings	432,339	380,192	52,147
IFRS transition reserve	(2,973)	(2,973)	-
Other reserves	342	342	-
Total other reserves and retained earnings	**503,499**	**426,776**	**76,723**
of which minority interest	***333***	***216***	***117***

Currency translation reserve
This item amounted to 40,640 thousand euros (28,544 thousand euros at December 31, 2015) and reflects the foreign exchange differences resulting from the translation at year-end exchange rates of the shareholders' equities of consolidated companies with financial statements denominated in foreign currencies. The increase of 12,096 thousand euros, is due to the fluctuation of the exchange rate of the US dollar and the Brazilian real vis-à-vis the Euro.

Reserve for treasury shares
At December 31, 2016, the reserve for treasury shares amounted to 38,025 thousand euros (25,459 thousand euros at December 31, 2015). This reserve was established pursuant to law (Article 2357 *ter* of the Italian Civil Code). The change of 12,566 thousand euros compared with December 31, 2015 is due to the purchase of 250,000 common shares and to the exercise of some tranches of the 2010 Stock Option Plan, as commented above.

Stock option reserve
The balance in the stock option reserve, which amounted to 3,001 thousand euros (1,773 thousand euros at December 31, 2015) refers to the stock option plans in effect at December 31, 2016 (see Note 27). The changes in the reserve that occurred in 2015 included an increase due to the recognition of the overall cost of the stock option Plans (1,370 thousand euros) that was posted and recognized in the income statement as a labor costs included in general and administrative expenses, and a decrease of 142 thousand euros as a result of the options exercised.

Gains/Losses on remeasurement of defined-benefit plans
At December 31, 2016 this item, negative by 7,875 thousand euros (6,561 thousand euros at December 31, 2015) includes net losses of the period related to the actuarial assessment of the Group's defined-benefit plans amounting to 1,314 thousand euros, net of tax effect (484 thousand euros).

Retained earnings
Retained earnings amounted to 432,339 thousand euros (380,192 thousand euros at December 31, 2015). The increase of 52,147 thousand euros compared with December 31, 2015, is the net result of:

- the appropriation of the consolidated net profit earned by the Group in 2015 (100,548 thousand euros);
- the dividend distribution to the shareholders, amounting to 35,719 thousand euros, and approved in the ordinary Shareholders' Meeting held on April 28, 2016 (equal to 0.65 euros per share);
- the exercise of some tranches of the 2010 Stock Option Plan, which resulted in a positive change of 889 thousand euros and in the sale of treasure shares;
- the establishment of a treasury share reserve (13,571 thousand euros) following the purchases of the period.

IFRS transition reserve
The IFRS transition reserve was established on January 1, 2005, upon first-time adoption of the IFRSs as an offset to the adjustments recognized to make the financial statements prepared in accordance with Italian accounting principles consistent with IFRS requirements, net of the applicable tax effect (as required by and in accordance with IFRS 1). This reserve has not changed since it was first established.

Other reserves
This item includes the consolidation reserve equal to 904 thousand euros, net of the discounted repurchase price of the Chinese subsidiary's minority interest together with the put option right granted to the minority shareholder amounting to 562 thousand euros. No changes occurred compared with December 31, 2015.

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, 2016:

(in thousands of euros)	**Net result in 2016**	**Shareholders' equity at 12/31/2016**
Amount in the financial statements of the Parent Company DiaSorin S.p.A.	**60,280**	**402,191**
Difference between the carrying amount of equity investments and the value of the underlying shareholders' equity	-	278,042
Profits/(Losses) of consolidated companies	69,739	-
Elimination of unrealized intra-Group profits, net of the applicable tax effect	(3,653)	(16,848)
Elimination of intra-Group dividends	(13,748)	-
Amount in the consolidated financial statements	**112,618**	**663,385**

20. Borrowings and other financial liabilities

Borrowings and other financial liabilities amounted to 50,400 thousand euros at December 31, 2016. A breakdown of borrowings and other financial liabilities is as follows (amounts in thousands of euros):

Lender	**Currency**	**Current portion**	**Non-current portion**	**Total**
Intesa Sanpaolo	€	23,888	23,888	47,776
Santander	BRL	9,000	-	9,000
	Amount in €	2,624	-	2,624
Total owed to financial institutions		**26,512**	**23,888**	**50,400**

The table below lists the changes that occurred in the financing facilities that were outstanding at December 31, 2016 compared with 2015 (amounts in thousands of euros):

Lender	**Balance at 12/31/2015**	**Disbursements**	**Repayments**	**Translation differences**	**Amortized cost effect**	**Balance at 12/31/2016**
Intesa Sanpaolo	-	60,000	(12,000)	-	(224)	47,776
Santander	2,087	-	-	537	-	2,624
IMI MIUR	213	-	(213)	-	-	-
Total owed to financial institutions	**2,300**	**60,000**	**(12,213)**	**537**	**(224)**	**50,400**

In 2016, the loan was repaid to IMI-MIUR as per repayment plan. The Group's Parent Company was granted a financial loan with Intesa Sanpaolo to finance a portion of the acquisition of Focus Diagnostics, Inc.'s immunodiagnostic and molecular diagnostic products business.

The loan agreement with Intesa Sanpaolo provides for:

- capital repayment in 5 constant half-yearly instalments, from 12/31/2016 until 12/31/2018;
- option of partial or total early repayment without penalties;
- deferred half-yearly interests calculated at the Euribor 6-month floating rate plus a 0.45% spread.

The loan agreement envisages certain disclosures, rescission cases and compulsory early repayment, in line with the market policy in force on the day the loan was contracted.

Terms concerning the rescission of the agreement include the failure to comply, over the period of the loan, with the following financial parameter:

- Net financial indebtedness / EBITDA ≤ 2

As of the date of this Report this ratio computed on consolidated data was met.

In 2016, the Brazilian subsidiary extended its local currency loan to 12 months (for an amount equal to BRL 9,0 million) guaranteed by the Group's Parent Company.

In 2016, in order to mitigate the foreign exchange risk related to the currency fluctuations, the Group's Parent Company executed currency forward sales requiring the recognition of a negative fair value of 8,907 thousand euros at December 31, 2016 (144 thousand euros at December 31, 2015). The amount mainly relates to forward contracts in USD currency ($100 million), signed in order to mitigate the exchange risk on intercompany financial loan issued by DiaSorin S.p.A. to DiaSorin Inc. for the same amount to cover Focus acquisition. The derivates have the same duration and deadlines of the loan (from 12/31/2016 to 12/31/2018 each six months).

21. 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 2016, this cost amounted to 4,834 thousand euros.

Defined-benefit plans

The Group's pension plans that qualify as defined-benefit plans include the provisions for employee severance indemnities in Italy, the Alecta system in Sweden and the U-Kasse pension plan and Direct Covenant system in Germany.
The liability owed under these plans is recognized at its actuarial value using the projected unit credit method; actuarial gains and losses resulting from the determination of these liabilities are credited or charged to equity in the statement of comprehensive income in the year in which they arise.

Other employee benefits

The Group also provides its employees with additional long-term benefits, which are paid when employees reach a predetermined length of service. In these cases, the value of the liability recognized in the financial statements reflects the probability that these benefits will be paid and the length of time for which they will be paid. The liability owed under this plan is recognized at its actuarial value using the projected unit credit method. Actuarial gains and losses resulting from the determination of these items are recognized in the income statement; gains of 89 thousand euros were recognized in the income statement in 2016 (losses of 4 thousand euros in 2015).

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

(in thousands of euros)	**12/31/2016**	**12/31/2015**	**Change**
Employee benefits			
provided in:			
- Italy	5,393	5,660	(267)
- Germany	24,561	22,622	1,939
- Sweden	2,636	2,469	167
- Other countries	612	583	29
Total employee benefits	**33,202**	**31,334**	**1,868**
broken down as follows:			
- Defined-benefit plans			
Provision for employee severance indemnities	*3,954*	*4,336*	*(382)*
Other defined-benefit plans	*27,197*	*25,091*	*2,106*
	31,151	29,427	1,724
- Other long-term benefits	2,051	1,907	144
Total employee benefits	**33,202**	**31,334**	**1,868**

The table below shows the main changes that occurred in the Group's employee benefit plans compared with December 31, 2015 (amounts in thousands of euros):

(in thousands of euros)	**Defined-benefit plans**	**Other benefits**	**Total employee benefits**
Balance at 12/31/2015	**29,427**	**1,907**	**31,334**
Interest expenses	608	1	609
Actuarial Losses/(Gains) recognized in income statement	-	89	89
Actuarial Losses/(Gains) arising from financial assumptions	2,218	-	2,218
Actuarial Losses/(Gains) generated by experience	(419)	-	(419)
Current service cost	816	146	962
Benefits paid	(1,403)	(82)	(1,485)
Currency translation differences and other changes	(96)	(10)	(106)
Balance at 12/31/2016	**31,151**	**2,051**	**33,202**

The main changes that occurred in 2016 with regard to provision for employee benefit include actuarial gains recognized in Shareholders' equity (1,799 thousand euros) and contributions paid (1,485 thousand euros). The net amount recognized in the 2016 income statement for employee benefits was an expense of 1,660 thousand euros (1,526 thousand euros in 2015).

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	
	12/31/2016	**12/31/2015**
Discount rate	1.58%	2.18%
Projected wage increases	2.75%	2.75%
Inflation rate	1.58%	1.67%
Average employee turnover rate	5.08%	5.12%

A sensitivity analysis of the defined-benefit obligation to changes in main assumptions is set out below:

(in thousands of euros)		**Provision of employee severance indemnities**	**Other defined-benefit plans**
Discount rate			
	Increase 0.8%	(145)	(4,760)
	Decrease 0.8%	154	5,298
Projected wage increases		-	-
	Increase 0.8%	-	-
	Decrease 0.8%	-	-
Inflation rate		-	-
	Increase 0.8%	94	3,226
	Decrease 0.8%	(91)	(2,676)
Average employee turnover rate		-	-
	Increase 10%	-	-
	Decrease 10%	(1)	-

22. Other non-current liabilities

Other non-current liabilities, which totaled 11,454 thousand euros at December 31, 2016 (4,925 thousand euros at December 31, 2015) include provisions for risks and charges established in connection with pending or contingent legal disputes and for supplemental severance benefits owed to sales agents.
The table that follows shows the changes that occurred in these provisions:

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Opening balance	**3,687**	**3,679**
Additions for the period	4,824	1,497
Utilizations/Reversals for the period	(505)	(1,234)
Translation differences and other changes	376	(255)
Ending balance	**8,382**	**3,687**

As regards additions for the period, Law n. 125 of 08/06/2015 extended the pay-back mechanism to medical devices on the basis of which any amount exceeding the ceiling on public expenditure for the purchase of medical devices must be paid partly by the supplying. In virtue of the lack of implementing decrees to specify how to compute the payback measure, the Company carried out the best possible estimate allocating 3 million euros in risk provision.

Reversals for the period concern disputes ended successfully.

The provision for supplemental severance benefits owed to sales agents, which amounted to 236 thousand euros at December 31 2016, 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 47,674 thousand euros (40,775 thousand euros at December 31, 2015) represent amounts owed to external suppliers for the purchase of goods and services. There are no amounts due after one year.

24. Other current liabilities

Other current liabilities of 41,870 thousand euros at December 31, 2016 (32,837 thousand euros at December 31, 2015) consist mainly of amounts owed to employees for additional monthly payments to be paid equal to 28,361 thousand euros (22,544 thousand euros at December 31, 2015), contributions payable to social security and health benefit institutions amounting to 2,872 thousand euros (2,914 thousand euros at December 31, 2015) and accruals and deferred charges for a total of 2,100 thousand euros (1,386 thousand euros at December 31, 2015).

25. Income taxes payable

The balance of 10,324 thousand euros at December 31, 2016 (6,384 thousand euros at December 31, 2015) represents the income tax liability for the profit earned in the period, net of estimated payments made equal to 14,314 thousand euros, and amounts owed for other indirect taxes and fees. The analysis of income taxes is provided in Note 8.

26. Commitment and contingent liabilities

Guarantees provided

The guarantees that the Group provided to third parties totaled 28,646 thousand euros and include bank sureties in connection with the submission of bids in response to public calls for tenders, outstanding financing facilities (19,754 thousand euros). These guarantees were established to secure lines of credit provided to Group companies (in the amount of 5,997 thousand euros, including 1,833 thousand euros to the Indian Joint Venture) and in connection with defined-contribution pension plans of some subsidiaries (in the amount of 2,636 thousand euros).

Significant commitments and contractual obligations

Significant contractual obligations include the agreements executed by DiaSorin S.p.A., the Group's Parent Company, and Stratec in connection with the development and production of new chemiluminescent diagnostic system LIAISON XL and LIAISON XS. The supply contract signed by DiaSorin and Stratec calls for the latter to manufacture and supply exclusively to DiaSorin the analyzers. The Group has agreed to purchase a minimum number of systems. However, the projected commitment is deemed to be significantly lower than the normal level of capital investment that would be required for current or future equipment production. As a result, net invested capital is not expected to undergo significant structural changes in the future as a result of this commitment.

Contingent liabilities

The DiaSorin Group operates globally. As a result, it is exposed to the risks that arise from the complex laws and regulations that apply to its commercial and manufacturing activities. The Group believes that, overall, the amounts set aside, for pending legal disputes, in the corresponding provision for risks are adequate.

27. Stock option plans

2010 Plan

On April 27, 2010, the Ordinary Shareholders' Meeting approved the 2010 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries.

The Board of Directors approved an initial tranche of beneficiaries with a grant of 515,000 options by a resolution dated February 14, 2011, a second tranche with a grant of 40,000 options by a resolution dated August 3, 2011, a third tranche with a grant of 50,000 options by a resolution dated November 11, 2011, a fourth tranche with a grant of 70,000 options by a resolution dated December 21, 2011, a fifth tranche with a grant of 60,000 options by a resolution dated March 9, 2012, a sixth tranche with a grant of 10,000 options by a resolution dated November 7, 2012, a seventh tranche with a grant of 5,000 options by a resolution dated March 8, 2013, an eighth tranche with a grant of 5,000 options by a resolution dated May 10, 2013 and a ninth tranche with a grant of 15,000 options by a resolution dated November 8, 2013. Please note that, due some "good leaver" and "bad leaver" events 137,835 options from the abovementioned grants were automatically cancelled and, pursuant to the Plan Regulations, became null and void for the previous beneficiaries.

These free option grants convey to the beneficiaries the right to acquire up to 750,000 common shares at the exercised price, based on a ratio of 1 share for each option granted and exercised, in accordance with the terms and conditions of the 2010 Plan.

The implementation of the program to purchase treasury shares for use in connection with the Company's stock option plan began on January 17, 2011, in accordance with the terms and conditions authorized by the Shareholders' Meeting of April 27, 2010.
The program was completed on February 15, 2011, resulting in the purchase of 750,000 common shares. The shares were purchased at unit prices that were never lower by more than 15% or higher by more than 15% compared with the closing price of the DiaSorin common shares for the stock market trading session preceding each purchase.

As of December 31, 2016, stock options granted were equal to 2,115.
Between January 5 and December 28, 2016, 30,000 stock options have been exercised at an average exercise price of 24,8928 per share.
During the abovementioned period, the average price of the DiaSorin shares was 52,77 euros.

A breakdown of the option grants is as follows:

2010 Plan	**Grant date**	**Number of options**	**Year of exercise**
IV Tranche	December 21, 2011	20,000	2016
VIII Tranche	May 10, 2013	2,115	
IX Tranche	November 8, 2013	10,000	2016
Total		**32,115**	

2014 Plan

On April 23, 2014, the Ordinary Shareholders' Meeting approved the 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 and a seventh tranche with a grant of 5,000 options by a resolution dated November 10, 2016. Please note that, due some "bad leaver" and "good leaver" events 71,057 options from the abovementioned grants were automatically cancelled and, pursuant to the Plan Regulations, became null and void for the previous beneficiaries.
These free option grants convey to the beneficiaries the right to acquire up to 750,000 common shares at the exercised price, based on a ratio of 1 share for each option granted and exercised, in accordance with the terms and conditions of the 2014 Plan.
As at December 31, 2016 stock options amounted to 733,943.

A breakdown of the option grants is as follows:

2014 Plan	Grant date	Number of options
I Tranche	August 1, 2014	658,943
II Tranche	November 14, 2014	5,000
IV Tranche	July 30, 2015	10,000
V Tranche	March 9, 2016	15,000
VI Tranche	May 9, 2016	40,000
VII Tranche	November 10, 2016	5,000
Total		**733,943**

2016 Plan

On April 28, 2016, the Ordinary Shareholders' Meeting approved the 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.
Please note that, due some "bad leaver" and "good leaver" events, 58,782 options from the abovementioned grants were automatically cancelled and, pursuant to the Plan Regulations, became null and void for the previous beneficiaries.
These free option grants convey to the beneficiaries the right to acquire up to 250,000 common shares at the exercised price, based on a ratio of 1 share (of the value of 1 Euro) for each option granted and exercised, in accordance with the terms and conditions of the 2016 Plan.

The implementation of the program to purchase treasury shares for use in connection with the Company's new stock option plan began on May 12, 2016, in accordance with the terms and conditions authorized by the Shareholders' Meeting of April 28, 2016.
The program was completed on June 9, 2016, resulting in the purchase of 250,000 common shares (equal to 0.44% of the share capital). The shares were purchased at unit prices that were never lower by more than 15% or higher by more than 15% compared with the closing price of the DiaSorin common shares for the stock market trading session preceding each purchase.

As at December 31, 2016 stock options amounted to 131,218.
A breakdown of the option grants is as follows:

2016 Plan	Grant date	Number of options
I Tranche	May 16, 2016	71,218
II Tranche	August 4, 2016	20,000
III Tranche	December 19, 2016	40,000
Total		**131,218**

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:

2010 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
IV Tranche	2.065753425	€ 20.59	€32.30	€ 1.00	30.00%	0.00%	0.6540%	1.700%	12/19/2013	01/12/2015
VIII Tranche	3.490410959	€ 28.12	€32.30	€ 1.00	30.00%	0.00%	0.9150%	1.700%	12/19/2013	06/15/2016
IX Tranche	3.906849315	€ 33.50	€32.30	€ 1.00	30.00%	0.00%	1.2310%	1.700%	12/19/2013	11/14/2016

2014 Plan	Vesting period (in years)	Exercise Price	Stock Price	Per value per share	Volatility	Employee Exit Rate	Risk Free Rate	Dividend Yield	Stock price reference date	Vesting date
I Tranche	3.005479452	€ 30.74	€29.50	€ 1.00	30.00%	0.00%	0.6408%	1.700%	08/01/2014	08/02/2017
II Tranche	3.002739726	€ 29.67	€31.20	€ 1.00	30.00%	0.00%	0.4198%	1.700%	11/14/2014	11/14/2017
IV Tranche	3.008219178	€ 41.43	€41.56	€ 1.00	30.00%	0.00%	0.5142%	1.700%	07/30/2015	08/01/2018
V Tranche	3.005479452	€ 46.86	€46.21	€ 1.00	30.00%	0.00%	0.2840%	1.700%	03/09/2016	03/11/2019
VI Tranche	3.002739726	€ 51.29	€52.50	€ 1.00	30.00%	0.00%	0.1500%	1.700%	05/09/2016	05/10/2019
VII Tranche	3.000000000	€ 56.20	€50.75	€ 1.00	30.00%	0.00%	0.1062%	1.700%	11/10/2016	11/10/2019

2016 Plan	Vesting period (in years)	Exercise Price	Stock Price	Per value per share	Volatility	Employee Exit Rate	Risk Free Rate	Dividend Yield	Stock price reference date	Vesting date
I Tranche	3.000000000	€ 52.54	€52.25	€ 1.00	30.00%	0.00%	0.4550%	1.700%	05/16/2016	05/16/2019
II Tranche	3.000000000	€ 56.31	€57.80	€ 1.00	30.00%	0.00%	0.1413%	1.700%	08/04/2016	08/05/2019
III Tranche	3.000000000	€ 51.84	€53.65	€ 1.00	30.00%	0.00%	0.3800%	1.700%	12/19/2016	12/20/2019

On December 19, 2013, the Board of Directors voted to extend the exercise terms of all the options that have been granted pursuant to the 2010 Plan to 365 days. All the other conditions remain unchanged. Pursuant to these changes and as required by IFRS 2, the incremental fair value deriving from the change in the 2010 Plan amounted to 24 thousand euros. The incremental fair value is recognized in the income statement over the Plan's residual vesting period together with the fair value on the grant date.
Based on the assumptions described above, the fair value of the 2010 Plan is equal to 12 thousand euros, with a vesting period that goes from February 14, 2011 to November 14, 2016. The fair value per option is as follows (amounts in euros):

2010 PLAN	Number of options on the vesting date	Fair Value per option
VIII Tranche	2,115	5.642632

Based on the assumptions described above, the fair value of the 2014 Plan is equal to 3,935 thousand euros with a vesting period that goes from August 1, 2014 to November 10, 2019. The fair value per option is as follows (amounts in euros):

2014 PLAN	Number of options on the vesting date	Fair Value per option
I Tranche	658,943	4.972722
II Tranche	5,000	6.237949
IV Tranche	10,000	7.631389
V Tranche	15,000	8.084891
VI Tranche	40,000	9.825548
VII Tranche	5,000	7.228593

Based on the assumptions described above, the fair value of the 2016 Plan is equal to 1,302 thousand euros with a vesting period that goes from May 16, 2016 to December 20, 2019. The fair value per option is as follows (amounts in euros):

PLAN 2016	Number of options on the vesting date	Fair Value per option
I Tranche	71,218	9.380147
II Tranche	20,000	10.878929
III Tranche	40,000	10.414678

The cost attributable to 2016, which amounted to 1,370 thousand euros, was recognized in the income statement as part of labor costs and general and administrative expenses, with the offsetting entries posted to shareholder's equity.

The exercise of some tranches under the 2010 Plan during 2015 caused the stock option reserve to decrease by 142 thousand euros.

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.
These transactions are eliminated in the consolidation process and, consequently, are not discussed in this section of the Report.

The incidence of related-party transactions on the single items of the balance sheet, income statement and cash flows is not material.

The total amount owed to directors and strategic executives recognized in the income statement amounted to 4,706 thousand euros (4,204 thousand euros in 2015), broken down as follows:

First and Last name	Post held	Fixed compensation	Bonus and other incentives	Non-monetary benefits	Other compensation	Stock option	Total	End of service or termination of employment indemnity
Carlo Rosa	General Manager	801	443	3	-	132	1,379	3,614
Chen M. Even	Strategic Executive	386	213	3	50	100	752	1,163
Other Directors	-	826	341	10	100	328	1,605	500
Others	Directors	970	-	-	-	-	970	-
Total		**2,983**	**997**	**16**	**150**	**560**	**4,706**	**5,277**

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.

29. Significant events occurring after December 31, 2016 and business outlook

In view of the Group's operating performance after December 31, 2016 and taking into account possible evolutions of the global macroeconomic scenario and the diagnostic sector in particular, management believes that in 2017, including the Focus business, DiaSorin will succeed in reporting:

- Revenues: growth equal to +11% at CER compared with 2016;
- EBITDA: growth equal to +11% at CER compared with 2016.

30. Non-recurring material extraordinary events and transactions

Non-recurring material extraordinary events and transactions occurred in 2016 include the acquisition of Focus Diagnostics' immunodiagnostic and molecular diagnostic products business ("Focus") from Quest Diagnostics, fully described in these consolidated financial statements.

31. 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 2016, 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.

32. Translation of financial statements of foreign companies

The table below lists the main exchange rates used to translate into euros the 2016 financial statements of foreign companies:

Currency	Average exchange rate for the year		Exchange rate at	
	2016	2015	12/31/2016	12/31/2015
U.S. dollar	1.1069	1.1095	1.0541	1.0887
Brazilian real	3.8561	3.7004	3.4305	4.3117
British pound	0.8195	0.7258	0.8562	0.7340
Swedish kronor	9.4689	9.3535	9.5525	9.1895
Swiss Franc	1.0902	1.0679	1.0739	1.0835
Czech koruna	27.0343	27.2792	27.0210	27.0230
Canadian dollar	1.4659	1.4186	1.4188	1.5116
Mexican peso	20.6673	17.6161	21.7719	18.9145
Israeli shekel	4.2489	4.3122	4.0477	4.2481
Chinese yuan	7.3522	6.9733	7.3202	7.0608
Australian dollar	1.4883	1.4777	1.4596	1.4897
South African rand	16.2645	14.1723	14.4570	16.9530
Norwegian kroner	9.2906	8.9496	9.0863	9.6030
Polish zloty	4.3632	4.1841	4.4103	4.2639

Annex I: List of equity investments with the supplemental disclosures required by CONSOB Communication no. DEM/6064293

	Head office location	Currency	Share Capital (*)	Net profit/loss for the year (*)	Shareholders' equity in latest approved financial statements (*)	Per value per share or partner-ship interest	% interest held directly	No. of shares or partnership interest held
Equity investments consolidated line by line								
DiaSorin S.A/N.V.	Bruxelles (Belgium)	**EUR**	1,674,000	2,574,874	4,871,476	6,696	99.99%	249
DiaSorin Ltda	Sao Paolo (Brazil)	**BRL**	65,547,409	(7,318,025)	9,849,482	1	99.99%	65,547,408
DiaSorin S.A.	Antony (France)	**EUR**	960,000	606,566	9,852,146	15.3	99.99%	62,492
DiaSorin Iberia S.A.	Madrid (Spain)	**EUR**	1,453,687	428,708	2,484,681	6.01	99.99%	241,877
DiaSorin Ltd	Oldbury (UK)	**GBP**	500	200,650	974,709	1	100.00%	500
DiaSorin Inc.	Stillwater (USA)	**USD**	1	58,947,700	281,408,300	0.01	100.00%	100
DiaSorin Canada Inc	Mississauga (Canada)	**CAD**	200,000	106,500	919,100	N/A	-	100 Class A common shares
DiaSorin Molecular LLC	Cypress (USA)	**USD**	100,000	(992,300)	(892,300)	100,000	-	1
DiaSorin Mexico S.A de C.V.	Mexico City (Mexico)	**MXP**	63,768,473	359,287	43,139,032	1	99.99%	49,999
DiaSorin Deutschland GmbH	Dietzenbach (Germany)	**EUR**	275,000	2,619,696	8,058,275	275,000	100.00%	1
DiaSorin AB	Solna (Sweden)	**SEK**	5,000,000	2,134,547	15,980,879	100	100.00%	50,000
DiaSorin Ltd	Rosh Haayin (Israel)	**ILS**	100	2,136,000	21,799,000	1	100.00%	100
DiaSorin Austria GmbH	Wien (Austria)	**EUR**	35,000	324,813	1,698,400	35,000	100.00%	1
DiaSorin Czech s.r.o.	Prague (Czech Republic)	**CZK**	200,000	6,566,000	49,286,000	200,000	100.00%	1
DiaSorin Diagnostics Ireland Limited	Dublin (Ireland)	**EUR**	3,923	(42)	4,515,523	0.01	100.00%	392,282
DiaSorin Ireland Limited	Dublin (Ireland)	**EUR**	163,202	3,440,218	35,162,971	1.20	-	136,002
DiaSorin I.N.UK Limited	Dublin (Ireland)	**EUR**	7,826,072	729,400	14,593,205	0.01	-	782,607,110
DiaSorin South Africa (PTY) Ltd	Johannesburg (South Africa)	**ZAR**	101	33,507,436	112,002,521	1	100.00%	101
DiaSorin Australia (Pty) Ltd	Sydney (Australia)	**AUD**	3,300,000	773,186	3,364,263	33,000	100.00%	100
DiaSorin Ltd	Shanghai (China)	**RMB**	1,211,417	37,297,134	50,885,520	1	80.00%	96,000
DiaSorin Switzerland AG	Risch (Switzerland)	**CHF**	100,000	160,883	750,130	100	100.00%	1,000
DiaSorin Poland sp. z o.o.	Warsaw (Poland)	**PLN**	550,000	(486,599)	10,751,392	50	100.00%	11,000

Company	Head office location	Currency	Share Capital (*)	Per value per share or partner-ship interest)	Net profit/loss for the year (*)	Shareholders' equity in latest approved financial statements (*)	% interest held directly	No. of shares or partnership interest held
Equity investment valued using the equity method								
DiaSorin Trivitron Healthcare Private Limited	Chennai (India)	**INR**	212,295,610	10	(56,970,379)	13,009,405	-	10,827,076
Equity investment valued at cost								
DiaSorin Deutschland Unterstuetzungskasse GmbH	Dietzenbach (Germany)	**EUR**	25,565	1	244,469	4,117,727	-	1
Consorzio Sobedia	Saluggia (Italy)	**EUR**	5,000	N/A	(781)	4,219	20.00%	1

(*) Amounts stated in the local currency

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

(in thousands of euros)	Party providing the service	Client	Fee attributable to 2016
Independent Auditing	PricewaterhouseCoopers S.p.A.	Parent Company- Diasorin S.p.A.	155
	PwC Network	Subsidiaries	575
Other services	PwC Network	Subsidiaries	55
Total			**785**

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 2016 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, 2016:

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 8, 2017

Signed:

Carlo Rosa	Piergiorgio Pedron
Chief Executive Officer	Corporate Accounting Documents Officer

INCOME STATEMENT

(in euros)	**2016**	**2015**
Net revenues	300,013,808	281,261,148
Cost of sales	(158,706,731)	(155,233,498)
Gross Profit	**141,307,077**	**126,027,650**
Sales and marketing expenses	(27,877,239)	(28,655,694)
Research and development costs	(14,547,190)	(13,295,345)
General and administrative expenses	(28,453,476)	(26,760,267)
Other operating income /(expenses)	(3,297,381)	(1,043,679)
Non-recurring amount	*(2,225,366)*	*(944,961)*
Operating result (EBIT)	**67,131,791**	**56,272,665**
Net financial income /(expense)	15,026,680	6,088,982
Result before taxes	**82,158,471**	**62,361,647**
Income taxes	(21,878,360)	(16,357,940)
Net Result	**60,280,111**	**46,003,707**

Pursuant to Consob Resolution No. 15519 of July 27, 2006, the impact of related-party transactions on the income statement of DiaSorin S.p.A. is shown in a separate income statement schedule provided later in this Report.

COMPREHENSIVE INCOME STATEMENT

(in thousands of euros)	**2016**	**2015**
Net profit for the year (A)	**60,280**	**46,004**
Other comprehensive gains/(losses) that will not be reclassified in gain/loss of the period:		
Gains/(losses) on remeasurement of defined-benefit plans	(142)	136
Total comprehensive gains/losses that will not be reclassified in gain/loss of the period (B1)	**(142)**	**136**
Other comprehensive gains/(losses) that will be reclassified in gain/loss of the period:		
Gains/(losses) from translation of financial statements of foreign branches	(1,216)	430
Total comprehensive gains/(losses) that will be reclassified in gain/loss of the period (B2)	**(1,216)**	**430**
TOTAL COMPREHENSIVE GAINS/(LOSSES), NET OF TAX EFFECT (B1)+(B2)=(B)	**(1,358)**	**566**
TOTAL COMPREHENSIVE GAINS/(LOSSES) (A)+(B)	**58,922**	**46,570**

STATEMENT OF FINANCIAL POSITION

(in euros)	**12/31/2016**	**12/31/2015**
ASSETS		
Non-current assets		
Property, plant and equipment	30,156,424	30,026,869
Goodwill	31,851,695	31,851,695
Other intangibles	44,423,265	28,143,735
Equity investments	100,736,822	100,245,972
Deferred-tax assets	4,987,416	4,835,888
Other non-current assets	109,165	46,063
Other non-current financial assets	42,015,998	7,688,995
Total non-current assets	**254,280,785**	**202,839,217**
Current assets		
Inventories	74,534,439	71,005,221
Trade receivables	41,636,522	43,843,069
Trade receivables from Group companies	49,404,804	33,200,542
Financial receivables from Group companies	62,260,179	6,370,981
Other current assets	7,134,835	5,163,084
Other current financial assets	-	30,000,000
Cash and cash equivalents	71,838,247	82,698,733
Total current assets	**306,809,026**	**272,281,630**
TOTAL ASSETS	**561,089,811**	**475,120,847**

Pursuant to Consob Resolution No. 15519 of July 27, 2006, the impact of related-party transactions on the statement of financial position of DiaSorin S.p.A. is shown in a separate statement of financial position schedule provided later in this Report.

STATEMENT OF FINANCIAL POSITION

(continued)

(in euros)	**12/31/2016**	**12/31/2015**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	55,948,257	55,948,257
Treasury shares	(38,025,109)	(25,458,577)
Additional paid-in capital	18,155,103	18,155,103
Statutory reserve	11,189,651	11,189,651
Other reserves and retained earnings	294,642,890	284,604,193
Net profit for the year	60,280,111	46,003,707
Total shareholders' equity	**402,190,903**	**390,442,334**
Non-current liabilities		
Long-term borrowings	27,292,737	-
Provisions for employee benefits	5,392,789	5,660,258
Other non-current liabilities	7,051,584	2,226,928
Total non-current liabilities	**39,737,110**	**7,887,186**
Current liabilities		
Trade payables	30,703,203	27,299,218
Trade payables due to Group companies	12,634,383	9,801,047
Current financial liabilities	29,391,037	356,516
Payables due to Group companies	26,004,957	23,461,589
Other liabilities	15,543,928	14,983,615
Current tax liabilities	4,884,290	889,342
Total current liabilities	**119,161,798**	**76,791,327**
TOTAL LIABILITIES	**158,898,908**	**84,678,513**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**561,089,811**	**475,120,847**

Pursuant to Consob Resolution No, 15519 of July 27, 2006, the impact of related-party transactions on the statement of financial position of DiaSorin S.p.A. is shown in a separate statement of financial position schedule provided later in this Report.

STATEMENT OF CASH FLOWS

(in thousands of euros)	**2016**	**2015**
Cash flow from operating activities		
Net profit for the year	60,280	46,004
Adjustments for:		
- Income taxes	21,878	16,358
- Depreciation and amortization	13,278	12,342
- Financial expense (income)	(15,027)	(6,089)
- Additions to/Utilizations of provisions for risks	4,322	(487)
- (Gains)/Losses on sales of non-current assets	(64)	(33)
- Additions to/(Reversals of) provisions for employee severance indemnities and other employee benefits	86	70
- Changes in shareholders' equity reserves:		
- Stock options reserve	1,370	1,209
- Cumulative translation adjustment from operating activities	759	2
- Change in other non-current assets/liabilities	(56)	(375)
Cash flow from operating activities before changes in working capital	**86,826**	**69,001**
(Increase)/Decrease in current receivables	(14,222)	2,235
(Increase)/Decrease in inventories	(5,011)	(718)
Increase/(Decrease) in trade payables	6,558	(2,815)
(Increase)/Decrease in other current items	(4,193)	(2,027)
Cash from operating activities	**69,958**	**65,676**
Income taxes paid	(15,065)	(17,183)
Paid/ collected interests	2,365	(154)
Net cash from operating activities	**57,258**	**48,339**
Investments in intangibles	(3,809)	(3,233)
Investments in property, plant and equipment	(9,990)	(9,243)
Equity investments	-	(2,854)
Proceeds from disposals of non-current assets	647	710
Cash used in ordinary investing activities	**(13,152)**	**(14,620)**
Acquisitions of subsidiaries and business operations	(18,203)	-
Cash used in investing activities	**(31,355)**	**(14,620)**
(Repayment of)/ Proceeds from loans and other liabilities	47,637	(376)
(Opening)/ Repayment of term deposit	30,000	(30,000)
(Increase/(Decrease) in financial items from Group companies	(78,996)	15,021
(Purchase)/Sale of treasury shares	(12,824)	17,949
Dividend distribution	(35,719)	(32,936)
Dividend received from Group companies	13,749	12,217
Cash from financing activities	**(36,153)**	**(18,125)**
Foreign exchange translation differences	(611)	(928)
Net change in cash and cash equivalents	**(10,861)**	**14,666**
CASH AND CASH EQUIVALENTS OPENING BALANCE	**82,699**	**68,033**
CASH AND CASH EQUIVALENTS CLOSING BALANCE	**71,838**	**82,699**

Pursuant to Consob Resolution No, 15519 of July 27, 2006, the impact of related-party transactions on the statement of cash flows of DiaSorin S.p.A. is shown in a separate statement of statement of cash flows schedule provided later in this Report.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of euros)	**Share capital**	**Treasury shares**	**Additional paid-in capital**	**Statutory reserve**	**Stock option reserve**	**Reserve for treasury shares**	**Currency translation reserve**	**Other reserves and retained earnings**	**Net profit for the year**	**Group interest in Shareholder's equity**
Shareholders' equity at 12/31/2014	**55,948**	**(44,045)**	**18,155**	**11,190**	**4,781**	**44,045**	**345**	**210,609**	**56,622**	**357,650**
Appropriation of previous year's profit	-	-	-	-	-	-	-	56,622	(56,622)	**-**
Dividend distribution	-	-	-	-	-	-	-	(32,936)	-	**(32,936)**
Stock options and other changes	-	-	-	-	(3,008)	-	-	4,217	-	**1,209**
Sale of /(purchase) treasury shares	-	18,586	-	-	-	(18,586)	-	17,949	-	**17,949**
Profit for the year	-	-	-	-	-	-	-	-	*46,004*	***46,004***
Other changes in the comprehensive income statement	-	-	-	-	-	-	*430*	*136*	-	***566***
Comprehensive profit	-	-	-	-	-	-	430	136	46,004	**46,570**
Shareholders' equity at 12/31/2015	**55,948**	**(25,459)**	**18,155**	**11,190**	**1,773**	**25,459**	**775**	**256,597**	**46,004**	**390,442**
Appropriation of previous year's profit	-	-	-	-	-	-	-	46,004	(46,004)	**-**
Dividend distribution	-	-	-	-	-	-	-	(35,719)	-	**(35,719)**
Stock options and other changes	-	-	-	-	1,228	-	-	142	-	**1,370**
Sale of /(purchase) treasury shares	-	(12,566)	-	-	-	12,566	-	(12,824)	-	**(12,824)**
Profit for the year	-	-	-	-	-	-	-	-	*60,280*	***60,280***
Other changes in the comprehensive income statement	-	-	-	-	-	-	*(1,216)*	*(142)*	-	***(1,358)***
Comprehensive profit	-	-	-	-	-	-	(1,216)	(142)	60,280	**58,922**
Shareholders' equity at 12/31/2016	**55,948**	**(38,025)**	**18,155**	**11,190**	**3,001**	**38,025**	**(441)**	**254,058**	**60,280**	**402,191**

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

(in thousands of euros	**Notes**	**2016**	***amount with related parties***	**2015**	***amount with related parties***
Net Revenues	(1)	300,014	173,478	281,261	154,546
Cost of sales	(2)	(158,707)	(42,375)	(155,233)	(42,360)
Gross profit		**141,307**		**126,028**	
Sales and marketing expenses	(3)	(27,877)	(2,266)	(28,655)	(2,414)
Research and development costs	(4)	(14,547)	20	(13,295)	78
General and administrative expenses	(5)	(28,455)	(4,888)	(26,761)	(4,322)
Other operating income (expense)	(6)	(3,297)	2,054	(1,044)	1,943
Non-recurring amount		(2,225)			
Operating result (EBIT)		**67,131**		**56,273**	
Net financial income (expense)	(7)	15,027	17,018	6,089	6,852
Result before taxes		**82,158**		**62,362**	
Income taxes	(8)	(21,878)		(16,358)	
Net Result		**60,280**		**46,004**	

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

(in thousands of euros)	**Notes**	**12/31/2016**	***amount with related parties***	**12/31/2015**	***amount with related parties***
ASSETS					
Non-current assets					
Property, plant and equipment	(10)	30,156		30,027	
Goodwill	(11)	31,851		31,851	
Other intangibles	(11)	44,423		28,144	
Equity investments	(12)	100,737		100,246	
Deferred-tax assets	(13)	4,987		4,836	
Other non-current assets	(17)	109		46	
Other non-current financial assets	(16)	42,016	42,016	7,689	7,689
Total non-current assets		*254,279*		*202,839*	
Current assets					
Inventories	(14)	74,534		71,005	
Trade receivables	(15)	91,042	49,405	77,044	33,201
Financial receivables	(16)	62,260	62,260	6,371	6,371
Other current assets	(17)	7,137		5,163	
Other current financial assets	(20)	-		30,000	
Cash and cash equivalents	(18)	71,838		82,699	
Total current assets		*306,811*		*272,282*	
TOTAL ASSETS		**561,090**		**475,121**	

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

(in thousands of euros)	**Notes**	**12/31/2016**	***amount with related parties***	**12/31/2015**	***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)	294,643		284,604	
Treasury shares	(19)	(38,025)		(25,459)	
Net profit for the year		60,280		46,004	
Total shareholders' equity		**402,191**		**390,442**	
Non-current liabilities					
Non-current financial liabilities	(20)	27,293		-	
Provisions for employee severance indemnities and other employee benefits	(21)	5,393		5,660	
Other non-current liabilities	(22)	7,051		2,227	
Total non-current liabilities		*39,737*		*7,887*	
Current liabilities					
Trade payables	(23)	43,337	12,634	37,100	9,801
Current financial liabilities	(20)	55,395	26,005	23,819	23,462
Other liabilities	(24)	15,546	167	14,984	124
Current tax liabilities	(25)	4,884		889	
Total current liabilities		*119,162*		*76,792*	
TOTAL LIABILITIES		**158,899**		**84,679**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**561,090**		**475,121**	

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

(in thousands of euros)	**2016**	***amount with related parties***	**2015**	***amount with related parties***
Cash flow from operating activities				
Net profit for the year	60,280		46,004	
Adjustments for:				
- Income taxes	21,878		16,358	
- Depreciation and amortization	13,279		12,342	
- Financial expense (income)	(15,027)		(6,089)	
- Additions to/Utilizations of provisions for risks	4,322		(487)	
- (Gains)/Losses on sales of non-current assets	(64)		(33)	
- Additions to/(Reversals of) provisions for employee severance indemnities and other employee benefits	86		70	
- Changes in shareholders' equity reserves:				
- Stock options reserve	1,370		1,209	
- Cumulative translation adjustment from operating activities	759		2	
- Change in other non-current assets/liabilities	(56)		(375)	
Cash flow from operating activities before changes in working capital	**86,827**		**69,001**	
(Increase)/Decrease in current receivables	(14,222)	(16,204)	2,235	4,558
(Increase)/Decrease in inventories	(5,011)		(718)	
Increase/(Decrease) in trade payables	6,558	2,833	(2,815)	(224)
(Increase)/Decrease in other current items	(4,192)	43	(2,027)	
Cash from operating activities	**69,960**		**65,676**	
Income taxes paid	(15,065)		(17,183)	
Paid/ collected interests	2,365		(154)	
Net cash from operating activities	**57,260**		**48,339**	
Investments in intangibles	(3,809)		(3,233)	
Investments in property, plant and equipment	(9,990)		(9,243)	
Equity investments	-		(2,854)	
Proceeds from disposals of non-current assets	646		710	
Cash used in ordinary investing activities	**(13,153)**		**(14,620)**	
Acquisitions of subsidiaries and business operations	(18,203)		-	
Cash used in investing activities	**(31,356)**		**(14,620)**	
(Repayment of)/Proceeds from loans and other financial liabilities	47,637		(376)	
(Opening)/ Repayment of term deposit	30,000		(30,000)	
Increase/(Decrease) in financial items from Group companies	(78,996)	(78,996)	15,021	15,021
(Purchase)/Sale of treasury shares	(12,824)		17,949	
Dividends paid	(35,719)		(32,936)	
Dividends received from Group companies	13,749	13,749	12,217	12,217
Cash from financing activities	**(36,153)**		**(18,125)**	
Foreign exchange translation differences	(612)		(928)	
Change in net cash and cash equivalents	**(10,861)**		**14,666**	
CASH AND CASH EQUIVALENTS OPENING BALANCE	**82,699**		**68,033**	
CASH AND CASH EQUIVALENTS CLOSING BALANCE	**71,838**		**82,699**	

NOTES TO THE FINANCIAL STATEMENTS OF DIASORIN S.P.A. AT DECEMBER 31, 2016 AND DECEMBER 31, 2015

GENERAL INFORMATION

Background information

The DiaSorin Group is specialized in the development, manufacture and distribution of products in the immunodiagnostics and molecular diagnostics. DiaSorin S.p.A., the Group's Parent Company, has its headquarters in Via Crescentino (no building No.), Saluggia (VC).

The Company owns controlling interests in other companies, which it carried at cost in its financial statements and, consequently, also prepared consolidated financial statements, which provide exhaustive additional information about the balance sheet, financial position and income statement of the Company and the Group.

The income statement and the statement of financial position are presented in euros, while the statement of cash flows, the statements of changes in shareholders' equity and the breakdown of total profit (loss) are presented in thousands of euros. The amounts that appear in the notes to the financial statements are also in thousands of euros.

Principles for the preparation of the statutory financial statements

The 2016 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.

VALUATION CRITERIA AND ACCOUNTING PRINCIPLES

Property, plant and equipment

The primary components of property, plant and equipment include:
a) Land;
b) Industrial buildings;
c) General purpose and specialized facilities;
d) Machinery;
e) Manufacturing and distribution equipment;
f) Other assets

These assets are recognized at their acquisition or subscription cost, plus directly attributable incidental expenses. Items of property, plant and equipment are valued at cost. Their cost is reduced by depreciation (with the exception of land, which is not depreciated) and write-downs for impairment.
Depreciation is computed on a straight-line basis at rates that reflect an asset's decrease in value and wear and tear. Depreciation is computed from the moment an asset is available for use.

Significant components of property, plant and equipment that have different useful lives are recognized separately and each one is depreciated in accordance with its own useful life.
The useful lives and residual values of these assets are reviewed each year upon the closing of the annual financial statements.
The depreciation rates used are as follows:

Industrial buildings	5.5%
General purpose and specialized facilities	10-12%
Machinery	12%
Manufacturing and distribution equipment	40%
Equipment held by customers	14-25%
Reconditioned equipment held by customers	20-33%

Costs incurred for regular maintenance and repairs are charged directly to income the year they are incurred. Costs incurred to recondition equipment are capitalized only to the extent that the reconditioned equipment meets the requirements to be recognized separately as an asset or an asset component in accordance with the component approach. Reconditioning costs and any non-depreciated residual values are depreciated over the asset's residual life, which is estimated at three years.

Leasehold improvements that meet the requirements of IAS 16 "Property, Plant and Equipment" are classified as property, plant and equipment and depreciated over the asset's residual life or the remaining length of the lease, whichever is shorter.

If, irrespective of the amount of depreciation already taken, the recoverable value of an asset, computed in accordance with the method provided in IAS 36, is lower than its carrying value, the latter is written down to the assets' recoverable value and the resulting impairment loss is recognized. If in subsequent years the reasons for the original write-down cease to apply, the asset is restored to its original value (net of any depreciation that would have been taken had the asset not been written down) or its recoverable value, whichever is lower.

Gains and losses on the disposal or retirement of assets, which are computed as the difference between the sales proceeds and the asset's net carrying value, are recognized in the income statement for the year.

Intangible assets

Intangible assets are recognized in the statement of financial position only if they are identifiable, controllable, there is an expectation that it will produce future economic benefits and its cost can be measured reliably.
Intangible assets with a finite useful life are valued at their acquisition or production cost, 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 Company'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) or groups of CGUs that are expected to benefit from the synergies resulting from such aggregation.

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

Intangible assets with a finite 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 Company 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 Company 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 Company. The estimated useful life of capitalized development costs incurred to develop the LIAISON XL system is also 10 years.

Research and development costs that do not satisfy the requirements listed above are charged to income immediately and may not be capitalized in subsequent years.

Other intangibles

Other intangibles are recognized in the statement of financial position only it is probable that their use will generate future economic benefits and if their cost can be measured reliably. If these conditions are met, these intangible assets are recognized at cost, which is their purchase price plus incidental expenses.

The gross carrying amount of intangible assets with a finite useful life is amortized on a straight-line basis based on the assets' estimated useful lives. Amortization begins when an asset is put into use. In the first year, amortization is computed based on the length of time during which the asset is effectively in use. The Company uses the following amortization rates:

Asset type	Amortization rate
Concessions, licenses, trademarks and similar rights	6.67% - 10% or length of contract
Trademarks	5% - 20%
Industrial patents and intellectual property rights	Length of contract

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 Company tests its property, plant and equipment and its intangible assets once a year to determine whether the value of these assets has been impaired. If evidence of impairment is detected, the recoverable value of the affected assets is determined. Intangibles with an indefinite useful life, intangibles that are not yet ready for use and goodwill generated through a business combination are tested for impairment at least once a year, even when there are no indications that the value of the assets has been impaired, or more often if there is an indication that their value may have been impaired, as required.

An asset's recoverable amount is the higher of its fair value, less cost to sell, and its value in use, computed as the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Expected future cash flows reflect assumptions that are consistent with the criteria applied to determine the discount rate. Cash flow projections are based on the most recent financial budget or forecasts that have been approved by company management and on reasonable and supportable assumptions related to the Group's future expected results and macroeconomic conditions.

The discount rate used must reflect the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

When the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the CGU to which the asset belongs.

Whenever the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the reduction is recognized as an impairment loss. Subsequently, if an impairment loss for an asset other than goodwill ceases to exist or is reduced, the carrying amount of the asset (or CGU) is increased to the new estimated recoverable amount (but not more than the asset's net carrying amount had no impairment loss been recognized). This reversal is recognized immediately in earnings. Impairment losses recognized on goodwill or intangibles with indefinite useful life are not recoverable under any circumstances.

Equity investments in subsidiaries

As required by IFRS 5, equity investments in subsidiaries, joint ventures and affiliated companies that are not classified as held-for-sale assets (or included in discontinuing operations classified as held-for-sale assets) are recognized in accordance with the historical cost method. Specifically, the Company recognizes income on equity investments only if it receives from the investee company dividends generated subsequent to acquisition and only for the amount of the dividends. Dividends received in excess of the earnings generated subsequent to acquisition are treated as proceeds from the sale of equity investments and are deducted from the cost of the equity investment.

Whenever financial statements are prepared, the Company determines whether there are indications that the value of these investments may have been impaired. If such indications exist, an impairment

test is carried out to determine if the carrying amount of the investments corresponds to their fair value.
Any impairment loss is recognized only to the extent that the recoverable value is lower than the carrying amount of the asset. If, subsequent to the recognition of the impairment loss, there are indications that the loss no longer exists or has decreased, the value of the investment is reinstated to reflect the loss reduction.
Once the carrying amount of an equity investment has been written off, any additional losses suffered by the investee company are recognized as a liability if the Parent Company has a legal or implied obligation to cover such additional losses of the investee company.

The book value of equity investments is increased to take into account stock options awarded to subsidiaries employees and, in accordance with IFRS 2, it is treated as a capital contribution to the subsidiaries in question.

Inventories

Inventories, which consist mainly of raw materials, work-in-progress and finished products, are carried at the lower of cost and net realizable value, determined in accordance with market conditions. Costs include the price paid to suppliers plus the incidental expenses incurred to bring the purchased goods to the warehouse door, net of discounts and rebates. Production costs include the costs directly attributable to individual goods or classes of goods, plus a reasonable allocation of the overall outlays incurred for the activities carried out to produce the goods in question (fixed production overhead). The allocation of fixed production overhead is based on the normal capacity of the production facilities.
Cost is determined by the FIFO method.
The carrying amount of inventories, determined in the manner described above, is reduced by a provision that reflects the impact of obsolete and slow-moving inventory items.

Receivables and payables

Trade receivables and other receivables are valued at amortized cost, using the effective interest rate, net of any loss in value. Impairment of receivables is recognized when there is objective evidence that the Group will not be able to recover the receivable owed by the counterparty under the terms of the related contract.
The amount of the impairment is based on both the risks related to specific receivables and the overall risk of non-payment inherent in receivables in general, estimated conservatively based on past experience and the known financial condition of the debtors in general.
Trade and other payables are initially recognized at fair value, net of directly allocated accessory costs and are subsequently valued at amortized cost, using the effective interest rate.
Receivables and payables denominated in foreign currencies are translated at the exchange rates in force on the date of the financial statements and any resulting gains or losses are recognized in earnings.

Cash and cash equivalents

They consist of cash and cash equivalents, short-term bank deposits, shares in liquidity funds and other money market securities converted into cash.

Factoring of receivables

The Company engages in the factoring of its receivables.

The receivables assigned through such transactions are removed from the statement of financial position if all of the risks and benefits inherent in the ownership of the receivables are transferred to the factor.

Shareholders' equity

Equity instruments issued by the Company are recognized for the amount of consideration received. Dividends distributed by the Company are recognized as a liability when the distribution resolution is approved. The purchase cost of treasury shares and the proceeds from their sale are recognized directly in equity, with no impact on the income statement.

Treasury shares
When the Company and its subsidiaries purchase Company shares, the consideration paid is deducted from the shareholders' equity attributable to the Company's shareholders, until the shares are retired or sold. No gain or loss is recognized in the income statement when treasury shares are bought, sold, issued or retired. When these shares are subsequently reissued, the consideration received, net of taxes, is added to the shareholders' equity attributable to the Company's shareholders.

Employee benefits

Pension plans
Defined-benefit pension plans, which include the severance benefits payable to employees pursuant to Article 2120 of the Italian Civil Code, are based on the length of the working lives of employees and the wages earned by employees over a predetermined period of service. The liability that represents the benefits owed to employees under defined-benefit plans is recognized at its actuarial value.
The recognition of defined-benefit plans requires the use of actuarial techniques to estimate the amount of the benefits accrued by employees in exchange for the work performed during the current year and in previous years. The resulting benefit must then be discounted to determine the present value of the Company's obligation. The determination of the present value of the Company's obligation is made by an independent actuary, using the projected unit credit method. This method treats each period of service provided by an employee to a company as an individual accrual unit. The actuarial liability must be quantified exclusively on the basis of the seniority achieved as of the date of valuation. Consequently, the total liability is prorated based on a ratio between the years of service accrued as of the valuation reference date and the total seniority that an employee is expected to have achieved when the benefit is paid. Moreover, this method requires taking into account future wage increases due for any reason (inflation, career moves, labor contract renewals, etc.) until the end of the employment relationship.
The cost of defined-benefit plans accrued during the year, which is reflected in the income statement as part of labor costs, is equal to the sum of the average present value of the accrued benefits of current employees for service provided during the year and their annual vested interest in the present value of the Company's obligations at the beginning of the year, computed by discounting future outlays by the same rate as that used to estimate the Company's liability at the end of the previous year. The annual discount rate used for these computations was the same as the year-end market rate for zero-coupon bonds with a maturity equal to the average residual duration of the liability. Actuarial gains and losses reflecting changes in the actuarial assumptions or experience adjustments are credited or charged to equity in the statement of comprehensive income for the period in which they arise. If the amount is recorded on the balance sheet as an asset, it is limited to the present value of economic benefits available in the form of refunds or reductions in future contributions to the plan.
Starting on January 1, 2007, the Italian Budget Law and the related implementation decrees introduced significant changes to the rules that govern the Provision for employee severance indemnities ("PESI"), which include the right of employees to decide the destination of future

accrued PESI amounts. Specifically, new PESI flows may be directed to selected pension investments or retained at the employer company, which will then deposit its PESI contribution in a treasury account at the Italian social security administration (abbreviated as INPS in Italian).
In light of these changes, the PESI should now be viewed as a defined-benefit plan only insofar as the amounts vested before January 1, 2007 are concerned and as a defined-contribution plan after January 1, 2007. The accounting impact of implementing the new rules is described in Note 21.

Equity-based compensation plans

The Company grants to Group executives and middle managers' additional benefits through equity-based plans (stock options). In accordance with IFRS 2 "Share-based Payment," stock options awarded to employees are measured at their fair value on the grant date, in accordance with models that take into account factors and data (option exercise price, duration of the option, current price of the underlying shares, expected share price volatility, expected dividends and interest rate for zero-risk investments over the life of the option) applicable on the grant date.
If the option is exercised after a certain period or when certain performance requirements are met (vesting period), the total value of the option is prorated over the vesting period and recognized in earnings, with the offsetting entry posted to a specific shareholders' equity account called "Other reserves".
Because stock options are equity instruments, as defined by IFRS 2, the fair value of each option determined on the grant date is not adjusted. The estimate of the number of options that will reach maturity (and hence the number of employees who will be entitled to exercise their options) is adjusted. The result of any change in estimate is posted as an increase to or a reduction of the abovementioned shareholders' equity account, with the offsetting entry reflected in the income statement. At the end of the exercise period, the exercised options are reflected in the Company's share capital by adding an amount obtained by multiplying the number of shares issued by the par value of each share. The portion of "Other reserves" that is attributable to plan costs previously recognized in earnings and the amount obtained by multiplying the number of shares issued by the difference between the exercise price and the par value per share is posted to a shareholders' equity reserve.

Provisions for risks and charges

Provisions for risks and charges include amounts set aside to fund current obligations (statutory or implied) that arise from a past event, the performance of which will probably require the use of resources and the amount of which can be reasonably estimated. When the use of financial resources is expected to extend for a period of more than one year, the corresponding obligation should be recognized at its present value by discounting expected future cash flows at a rate that takes into account the cost of money and the risks inherent in the liability.

The provisions are updated on each financial statement date to reflect best current estimates. The impact of any changes in estimates is reflected in the income statement for the period during which the change occurred.
Risks that are merely reasonably possible of producing a liability are disclosed in the Notes to the financial statements, but no amount is recorded in the financial statements.

Income taxes

Income taxes include both current and deferred taxes.

Current taxes are computed on the basis of the estimated taxable income for the year in accordance with the tax laws in force in the countries in which the Group operates.

Taxable income is different from reported income because it does not include positive and negative components that will be taxable or deductible in subsequent years and those items that will never be taxable or deductible. The liability for current taxes is computed using the tax rates in force on the date of the financial statements or the tax rates that will be in force when the asset is realized or the liability settled, if they are known.

Deferred-tax assets and liabilities are the taxes that the Group expects to pay or recover on temporary differences between the values attributed to assets and liabilities for reporting purposes and the corresponding tax-related values used to compute taxable income, computed in accordance with the balance sheet liability method. As a rule, deferred-tax liabilities are recognized for all taxable temporary differences, while deferred-tax assets are recognized only insofar as the Group deems it probable that, in the future, it will generate sufficient taxable income to use the deductible temporary differences. The tax benefit produced by carrying forward tax losses is recognized if and to the extent that it is probable that, in the future, the Group will have sufficient taxable income to offset these losses. Deferred-tax liabilities or assets are also determined for consolidation adjustments.
The carrying value of deferred-tax assets is updated on each financial statement date and reduced when the existence of future taxable income sufficient to recover all or part of these assets is no longer probable.

Deferred taxes are computed at the tax rate in force on the closing date of the financial statements or at the tax rate that will be in force when the asset is realized or the liability settled. Deferred taxes are charged directly to income, except for those attributable to items recognized directly in equity, in which case the corresponding deferred taxes are also recognized in equity.

Financial liabilities

Financial liabilities consist of loans payable, including advances for the factoring of receivables, and other financial liabilities as derivatives and liabilities that correspond to assets acquired under finance leases.
Initially, financial liabilities other than derivatives are recognized at their fair value less transaction costs. Subsequently, they are valued at their amortized costs, which is their initial amount, less any principal repayments, adjusted upward or downward to reflect the amortization (by the effective interest rate method) of any differences between the initial value and the value at maturity.

Financial Derivatives

Consistent with the provisions of IAS 39, derivatives qualify for hedge accounting only if they are formally designated as hedging instruments when the hedge is first established, the hedge is highly effective and the effectiveness can be measured reliably.

When financial instruments qualify for hedge accounting, the following accounting treatments are applied:
- Fair value hedges: if a derivative is designated as hedging the exposure to changes in fair value of a recognized asset or liability attributable to a specific risk that could have an impact on the income statement, the gains or losses derived from subsequent fair value measurements of the hedge are recognized in earnings. Gains or losses on the hedged item that are attributable to the hedged risk change the carrying amount of the hedged items and are also recognized in earnings.
- Cash flow hedges: if a derivative is designated as a hedging of the exposure to variability in the future cash flows attributed to a recognized asset or liability or to a highly probable future transaction that could have an impact on the income statement, the effective portion of the gain or loss stemming from changes in the fair value of the hedge is recognized in equity. Accumulated gains or losses are reclassified from shareholders' equity to the income statement in the same period in which the hedged transaction is recognized. Any gains or losses associated with a hedge that has become ineffective are immediately recognized in earnings. If a hedge or a hedging transaction is closed out but the hedged transaction has not yet been executed, all accumulated gains and losses, which until then were recognized in equity, are recognized in the income statement when the corresponding transaction is executed. If the occurrence of the hedged transaction is no longer viewed as probable, unrealized gains and losses suspended in equity are immediately transferred to the income statement.

When hedge accounting cannot be applied, all gains and losses generated by subsequent fair value measurements of derivatives are immediately recognized in earnings.

The fair value of financial instruments that are listed on an active market is based on market prices at the balance sheet date. The fair value of financial instruments that are not are listed on an active market is determined using valuation techniques based on a series of methods and assumptions, and market information at the balance sheet date.

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

- Level 1: Fair value is determined on the basis of (unadjusted) quoted prices in active markets for identical assets or liabilities;
- Level 2: Fair value is determined using valuation techniques based on observable inputs on active market;
- Level 3: Fair value is determined using valuation techniques based on market unobservable inputs.

Revenue recognition

Sales Revenues

Sales revenues are recognized to the extent that economic benefits will flow to the Company and the amount of these benefits can be determined reliably. Revenues are recognized net of discounts, allowances and returns.

Revenues from the sale of goods are recognized when the Group has transferred to the buyer the risks and benefits inherent in the ownership of the goods, the sales price has been agreed upon or can be determined and collection of the price is expected.

Service revenues
Service revenues are generated by technical support contracts, when such support is billed separately. These revenues are recognized in the income statement based on the percentage of completion of each transaction and only when the outcome of the transaction can be estimated reliably.
Royalties
The Company collects royalties from third parties for the use of patents required to manufacture specific products. Royalties, which are generally based on the sales revenues generated by patent users, are recognized on an accrual basis.

Interest income
Interest income is recognized in the income statement at the effective yield rate. It is earned mainly on credit balances in bank accounts.

Dividends

Dividends received from investee companies are recognized in the income statement when the right to receive payment is established and only if they are derived from the distribution of earnings generated subsequent to the acquisition of the investee company.

Dividend distributions are recognized when the right of the Company's shareholders to receive payment is established, which generally occurs when the Shareholders' Meeting approves the dividend distribution resolution. The dividend distribution is recognized as a liability in the financial statements for the period during which the dividend distribution is approved by the Shareholders' Meeting.

Government grants

Government grants are recognized when there is a reasonable certainty that they will be collected. This occurs when the distributing public entity approves a formal resolution to that effect.
Grants received in connection with the purchase of property, plant and equipment or the capitalization of development costs are recognized among non-current liabilities and recognized in the income statement in equal instalments computed on the basis of the useful lives of the assets for which the grant was received.

Grants received as an interest subsidy upon the occurrence of specific events are recognized in the income statement at the present value of the benefit, when there is a formal commitment to grant the benefit by the distributing public entity. The corresponding liabilities are recognized at their fair value on the date the grant was received. Interest on this liability is recognized in the income statement in accordance with the amortized cost method.

Cost of sales

Cost of sales represents the cost incurred to produce or purchase the goods and merchandise sold by the Company. It includes all of the costs incurred to purchase and process materials and the overhead directly attributable to production.

Overhead includes depreciation of the property, plant and equipment and the amortization of the intangible assets used for production purposes, as well as inventory write-downs. Cost of sales also includes freight paid to deliver products to customers.

Research and development costs

This item includes research and development costs that cannot be capitalized and the amortization of capitalized development costs.

Interest expense

Interest expense is recognized in accordance with the accrual principles, based on the financed amount and the applicable effective interest rate.

Material extraordinary events and transactions – Atypical and/or unusual transactions

Consistent with Consob Communication No. DEM/6064293 of July 28, 2006, the notes to the financial statements provide information about the impact of material extraordinary events and transactions and/or atypical and/or unusual transactions on the Company's balance sheet, financial position and operating performance.

Related parties

Consistent with Consob Communication No. DEM/6064293 of July 28, 2006, the notes to the financial statements provide information about the impact of related-party transactions on the Company's balance sheet, financial position and income statement.

NEW ACCOUNTING STANDARDS

The following are the accounting standards and interpretations which became effective starting from January 1, 2016. It should be noted that the abovementioned accounting standards and interpretations had no effect on the consolidated financial statement as of December 31, 2016.

On May 6, 2014, the IASB issued amendments to **IFRS 11** ***Joint Arrangements*** – ***Accounting for acquisitions of interests in joint operations***" on accounting for acquisitions of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS3. The amendments establish that the principles in IFRS 3 for the recognition of the effects of business combinations should be applied.

On May 12, 2014, the IASB issued an amendment to IAS 16 – *Property, Plant and Equipment* and to IAS 38 – *Intangible Assets – "Clarification of acceptable methods of depreciation and amortization"*. Amendments to IAS 16 – *Property, Plant and Equipment* establish that a revenue-based amortization method is inappropriate. The IASB has clarified that revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Amendments to IAS 38 introduce a rebuttable presumption to clarify that a revenue-based amortization method is inappropriate for the same reasons established by the amendments as required by IAS 16. This presumption, as for intangible assets, can be rebutted in certain limited circumstances.

On August 12, 2014, the IASB issued amendments to IAS 27 - *Equity Method in Separate Financial Statements*. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

On September 25, 2014, the IASB issued "*Annual Improvements to IFRSs: 2012-2014 Cycle*", a series of amendments to the following four standards: IAS 19 (to clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid), IFRS 5 (to provide specific guidance for cases in which an entity reclassifies an asset or a disposal group from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued) IFRS 7 (to add additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required) and IAS 34 (to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report").

On December 18, 2014, the IASB issued amendments to IAS 1 - Disclosure Initiative to clarify perceived impediments to preparers exercising their judgment in presenting their financial reports. Specifically:

- it is clarified that the concept of materiality applies to the all parts of the financial statements and that the inclusion of immaterial information can affect the usefulness of the financial reporting;
- it is clarified that the specific items of the separate income statements, the statements of comprehensive income and the statements of financial position can be disaggregated. New requirements for the use of subtotals have also been introduced;
- it is clarified that the companies have a certain degree of flexibility regarding the order of presentation of the notes. In establishing this order, the companies must take into account the requirements of understandability and comparability of the financial statements;
- share of items of Other Comprehensive Income arising from investments in associates and joint ventures accounted for by using the equity method shall be separated into the share that will be reclassified to the separate income statement or into the share that will not be reclassified to the separate income statement.

Accounting standards and amendments not yet applicable and not adopted early by the Group

Below are the international accounting standards, interpretations and amendments to existing accounting standards and interpretations or specific provisions contained in the standards and interpretations approved by IASB, which have been endorsed or have not been endorsed for adoption in Europe as of the date on which this document is approved:

Description	Endorsed at the date of this document	Date of effect envisaged by the standard
IFRS 9 Financial Instruments	Yes	Financial years as from 1 January 2018
IFRS 15 Revenue from Contracts with customers	Yes	Financial years as from 1 January 2018
IFRS 16 Leases	No	Financial years as from 1 January 2019
Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses	No	Financial years as from 1 January 2017
Amendments to IAS 7: Disclosure Initiative	No	Financial years as from 1 January 2017
Amendments to IFRS 2: Classification and Measurement of Share based Payment Transactions	No	Financial years as from 1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts: Classification and Measurement of Share based Payment Transactions	No	Financial years as from 1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	No	Financial years as from 1 January 2017/2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	No	Financial years as from 1 January 2018

The Group’s Parent Company will comply with these new standards, amendments and interpretations based on their relevant effective dates, when endorsed by the European Union. An assessment is being carried out to analyze the potential effects of introducing these amendments in the consolidated financial statements.

ANALYSIS OF FINANCIAL RISKS

The table below lists material assets and liabilities in accordance with the requirements of IAS 39.

		12/31/2016			12/31/2015		
(in thousands of euros)	Notes	**Carrying value**	**Assets at amortized cost**	**Assets at fair value**	**Carrying value**	**Assets at amortized cost**	**Assets at fair value**
Other non-current financial assets	(16)	42,016	42,016	-	7,735	7,735	-
Total non- current financial assets		***42,016***	***42,016***	***-***	***7,735***	***7,735***	***-***
Trade receivables	(15)	41,637	41,637	-	43,843	43,843	-
Accounts receivable from Group companies	(15)	49,405	49,405	-	33,201	33,201	-
Other current assets	(17)	7,137	7,137	-	5,163	5,163	-
Other current financial assets	(20)	-	-	-	30,000	30,000	-
Intercompany financial receivables	(16)	62,260	62,260	-	6,371	6,371	-
Cash and cash equivalents	(18)	71,838	71,838	-	82,699	82,699	-
Total current financial assets		***232,277***	***232,277***	***-***	***201,277***	***201,277***	***-***
Total financial assets		**274,293**	**274,293**	**-**	**209,012**	**209,012**	**-**

		12/31/2016			12/31/2015		
(in thousands of euros)	Notes	**Carrying value**	**Liabilities at amortized cost**	**Liabilities at fair value**	**Carrying value**	**Liabilities at amortized cost**	**Liabilities at fair value**
Non-current bank debt	(20)	23,888	23,888	-	-	-	-
Derivative financial instruments	(20)	3,405	-	3,405	-	-	-
Total non-current financial liabilities		***27,293***	***23,888***	***3,405***	***-***	***-***	***-***
Trade payables	(23)	30,703	30,703	-	27,299	27,299	-
Trade payables due to Group companies	(23)	12,634	12,634	-	9,801	9,801	-
Financial payables due to Group companies	(20)	26,005	26,005	-	23,462	23,462	-
Current bank debt	(20)	23,888	23,888	-	213	213	-
Derivative financial instruments	(20)	5,502	-	5,502	144	-	144
Total current financial liabilities		***98,732***	***93,230***	***5,502***	***60,919***	***60,775***	***144***
Total financial liabilities		**126,025**	**117,118**	**8,907**	**60,919**	**60,775**	**144**

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, 2016 classified at level 2 and registered in other current/non-current financial liabilities amounting to 8,907 thousand euros. The change in the fair value of these instruments is recognized in earnings.

Risks related to fluctuations in foreign exchange and interest rates

The Group's Parent Company is exposed to the market risk caused by fluctuations in foreign exchange rates because it operates at the international level and executes transactions involving different foreign exchange and interest rates. A fluctuation of 5 percentage points in foreign currencies other that the euro would have an impact on the income statement equal to about 0.1 million euros.

With regard to the trend in interest rates, a fluctuation of 5% could have an impact of 0.2 million euros on the income statement.

Credit risk

The Parent Company's receivables present a low level of risk since most of these receivables are owed by public institutions for which the risk of non-collection is not significant. An analysis of trade receivables shows that about 61% is not overdue.
Past due receivables are covered by an allowance for doubtful accounts amounting to 4,277 thousand euros. In addition, in order to bridge the gap between contractual payment terms and actual collection times, the Company assigns its receivables to factors without recourse.

(in thousands of euros)	**Amount not yet due**	**Past-due amount**	**Total receivables from third-parties**
Gross amount	27,957	17,957	45,914
Allowance for doubtful account	-	(4,277)	(4,277)
Net amount	**27,957**	**13,680**	**41,637**

The gross amount of receivables due within 60 days was equal to 7,621 thousand euros, the amount between 60 and 120 days past due amounted to 1,696 thousand euros, and the amount over 120 days past due totaled 8,640 thousand euros.

Liquidity risk

A prudent cash management strategy includes maintaining sufficient cash or readily available assets and credit lines, to meet immediate liquidity needs. Cash flows, funding requirements and liquidity levels are monitored centrally to ensure promptly and effectively the availability of financial resources and invest appropriately any excess liquidity.
Management believes that the funds and credit lines currently available, when combined with the resources generated by operating and financing activities, will enable the Group's Parent Company to meet the obligations resulting from its capital investment programs, working capital requirements and the need to repay its indebtedness upon maturity.
Bank loans amount to 47,776 thousand euros at December 31, 2016, out of which 23,888 thousand euros due within the next year and 23,888 thousand euros due within 2 years. There are no amounts with a due date of more than 5 years. Cash and cash equivalent totaled 71,838 thousand euros.

ITEMS THAT INVOLVE THE USE OF SIGNIFICANT ASSUMPTIONS AND ESTIMATES

The preparation of financial statements in accordance with the IFRS requires the use of estimates for some material amounts. In addition, management is required to make judgments and assumptions as to how accounting policies should be applied in certain areas.
The process of drafting financial statements involves the use of estimates and assumptions about future events. These estimates represent the best assessment possible on the date of the financial statements. However, because of their very nature, they could produce material changes in balance sheet amounts in future years.
Estimates are updated on an on-going basis and are based on past experience, all other known factors and the occurrence of future events that are reasonably expected to take place. The main items affected by estimates are reviewed below.

Allowance for doubtful accounts

The Allowance for doubtful accounts reflects management's estimates about losses that could be incurred in the portfolio of accounts receivable from end customers and from the indirect distribution network (independent distributors). The estimate of the amount by which receivables should be written down is based on the Company's loss expectations, determined on the basis of past experience for similar receivables, the current and historical past due percentages, losses and collections, and the careful monitoring of credit quality.

Provision for inventory write-downs

The Provision for inventory write-downs reflects management's estimates of the Company's loss expectations, determined on the basis of past experience and historical and projected trends in the market for in vitro diagnostics.

Useful life of development costs

Development costs that meet the requirements for capitalization are recognized as intangible assets. The Company's management has estimated the average useful life of these projects at 10 years, which corresponds to the average life cycle of LIAISON products and the length of time during which the assets associated with these products are expected to generate a cash inflow for the Company.

Impairment of non-current assets

Non-current assets include property, plant and equipment, intangible assets (including goodwill), equity investments and other financial assets. Management reviews the carrying amounts of non-current assets held and in use and available-for-sale assets on a regular basis and whenever events or circumstances make such review necessary. The recoverable value of property, plant and equipment and intangible assets (including goodwill) is verified using criteria that are consistent with the requirements of IAS 36, which are explained in the section of these Notes entitled "Impairment of assets."

Pension plans and other post-employment benefits

Management uses different statistical assumptions and evaluation factors to project future events and compute the costs, liabilities and assets related to these plans. Assumptions are made with regard to the discount rate, the expected yield of plan assets, the rates of future increases in employee compensation and trends in health care costs. The actuaries who provide the Company with consulting support also use subjective parameters, such as employee mortality and termination rates.

Stock option plans

The measurement of stock option plans at fair value requires the formulation of specific assumptions, the most significant of which include the following:
- the value of the underlying shares on the valuation date;
- the expected volatility of the price/value of the underlying shares;
- the dividend yield of the underlying shares.

Contingent liabilities

The Group's Parent Company is a party to legal and tax disputes that are under the jurisdiction of various countries. Given the uncertainty inherent in such situations, it is difficult to predict with certainty any expense that may result from these disputes. In the normal course of business, management relies on the support of its legal counsel and of experts on legal and taxation issues. The Group's Parent Company recognizes a liability in connection with these disputes when it believes that the occurrence of a cash outlay is probable and the amount of the resulting loss can be reasonably estimated. When a cash outlay becomes probable, but the amount cannot be determined, this fact is disclosed in the notes to the financial statements.

DESCRIPTION AND MAIN CHANGES

Income statement

In the consolidated income statement, costs are classified by function. This income statement format, also known as "cost of sales" income statement, is more representative of the Group's business than a presentation with expenses classified by nature.

Insofar as a classification of expenses by nature is concerned, depreciation and amortization totaled 13,279 thousand euros (12,342 thousand euros in 2015), broken down as follows:

(in thousands of euros)	**2016**	**2015**
Depreciation of property, plant and equipment	8,475	8,470
Amortization of intangibles	4,804	3,872
Total	**13,279**	**12,342**

Depreciation of property, plant and equipment includes 4,709 thousand euros attributable to equipment held by customers (4,963 thousand euros in 2015), which in the income statement by destination is part of the cost of sales. An additional 3,228 thousand euros representing depreciation of plant and machinery and manufacturing and distribution equipment is included among production expenses.

The amortization of intangible assets is recognized mainly as part of general and administrative expenses (1,389 thousand euros) and research and development costs (2,196 thousand euros).
Amortization of intangibles was allocated as follows:

(in thousands of euros)	**2016**	**2015**
Cost of sales	551	449
Sales and marketing expenses	668	658
Research and development costs	2,196	1,380
General and administrative expenses	1,389	1,385
Total	**4,804**	**3,872**

Labor costs amounted to 49,871 thousand euros (45,752 thousand euros in 2015).
A breakdown is as follows:

(in thousands of euros)	**2016**	**2015**
Wages and salaries	36,033	32,471
Social security contributions	9,436	9,040
Severance indemnities paid	2,261	2,076
Cost of stock option plan	879	856
Other labor costs	1,262	1,309
Total	**49,871**	**45,752**

The table below shows the average number of employees of DiaSorin S.p.A. in each category:

	2016	**2015**
Factory staff	79	81
Office staff	561	553
Executives	32	30
Total	**672**	**664**

1. Net revenues

Net revenues, which are generated mainly through the sale of diagnostic kits, totaled 300,014 thousand euros in 2016, up 6.7% compared with 2015. This item includes 2,634 thousand euros for equipment rental fees and technical support (2,440 thousand euros in 2015). A breakdown of revenues by geographic region is provided below:

(in thousands of euros)	**2016**	**2015**
Revenues from third customers – Italy	**67,871**	**70,984**
Revenues from third customers – International	**58,665**	**55,731**
Asia Pacific	28,441	29,349
Europe and Africa	17,386	15,193
Central and South America	12,838	11,189
Intercompany revenues	**173,478**	**154,546**
Europe and Africa	86,746	79,013
Asia Pacific	46,136	33,962
North America	28,626	30,978
Central and South America	11,970	10,593
Total	**300,014**	**281,261**

Revenues from sales to public institutions and universities amounted to 50,716 thousand euros (52,145 thousand euros in 2015).

2. Cost of sales

In 2016, the cost of sales amounted to 158,707 thousand euros (42,375 thousand euros from related - party transactions), as against 155,233 thousand euros in 2015. The cost of sales includes 4,819 thousand euros for royalties paid for the use of patents applied to manufacture products (4,650 thousand euros in 2015) and 2,352 thousand euros for distributing products to end customers (2,581 thousand euros in 2015). An amount of 4,709 thousand euros relates to depreciation of equipment held by customers (4,963 thousand euros in 2015).

3. Sales and marketing expenses

Sales and marketing expenses amounted to 27,877 thousand euros, as against 28,655 thousand euros in 2015. This item consists mainly of marketing costs incurred to promote and distribute DiaSorin products costs attributable to the direct and indirect sales force and the cost of the technical support offered together with the Company-owned equipment provided to customers under gratuitous loan contracts. The total includes 2,266 thousand euros generated by related-party transactions (2,414 thousand euros in 2015).

4. Research and development costs

In 2016, research and development costs totaled 14,547 thousand euros (13,295 thousand euros in 2015), 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 1,218 thousand euros (1,227 thousand euros in 2015).

In 2016, the Group’s Parent Company capitalized development costs amounting to 2,575 thousand euros, compared with 526 thousand euros in 2015.

5. General and administrative expenses

General and administrative expenses, which totaled 28,455 thousand euros (26,761 thousand euros in 2015) reflect costs incurred for corporate management activities, Group administration, finance and control, information technology, corporate organization, and insurance. The total amount includes 4,888 thousand euros from related-party transactions (4,322 thousand euros in 2015). The remuneration of the Board of Directors, excluding the Company's employees, amounted to 970 thousand euros (895 thousand euros in 2015). The remuneration of competence of the Statutory Auditors amounted to 100 thousand euros (100 thousand euros in 2015).

6. Other operating income (expenses)

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

(in thousands of euros)	**2016**	**2015**
Intra-Group services	2,054	1,943
Trade-related foreign exchange losses and gains	942	(664)
Tax charges	(87)	(137)
Additions to the allowances for doubtful accounts and provisions for risks and charges	(4,135)	(1,253)
Other (expense) and income	154	12
Non-recurring expenses	(2,225)	(945)
Other operating income (expenses)	**(3,297)**	**(1,044)**

The item includes income and expenses from operations that cannot be allocated to specific functional areas (such as gains and losses on asset sales, government grants, insurance settlements, reversals of unused provisions, additions to provisions for risks, incidental taxes and fees).

As regards provisions for risks and charges Law n. 125 of 08/06/2015 extended the pay-back mechanism to medical devices on the basis of which any amount exceeding the ceiling on public expenditure for the purchase of medical devices must be paid partly by the supplying. In virtue of the lack of implementing decrees to specify how to compute the payback measure, the Company carried out the best possible estimate allocating 3 million euros in risk provision.

In 2016, non-recurring expenses equal to 2,225 thousand euros (945 thousand euros in 2015) related to activities for the acquisition carried out in the first half of 2016, extraordinary consultancy expenses to make the Group's supply chain processes more efficient and extraordinary reorganization of some company functions.

7. Financial income (expenses)

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

(in thousands of euros)	**2016**	**2015**
Interest and other financial expenses	(2,062)	(1,437)
- amount with related parties	*(4)*	*(2)*
Fair value measurement of financial instruments	(8,801)	259
Interest and other financial income	4,073	1,895
- amount with related parties	*3,273*	*571*
Dividends received from subsidiaries	13,749	12,217
Write-downs/revaluation of investments in subsidiaries	-	*(5,934)*
Foreign exchange differences	8,068	(911)
Net financial income (expense)	**15,027**	**6,089**

In 2016, net financial income totaled 15,027 thousand euros, compared with net financial income of 6,089 thousand euros in 2015. The change is mainly due to the management of equity investments. Dividends received from subsidiaries increased to 13,749 thousand euros from 12,217 thousand euros in 2015.
A breakdown of dividends received form subsidiaries is as follows:

(in thousands of euros)	**2016**	**2015**
Diasorin South Africa (PTY) Ltd	2,774	1,679
Diasorin Deutschland GmbH	4,624	3,784
Diasorin S.A/N.V. (Belgium)	2,300	2,750
Diasorin Ltd (Israel)	700	1,800
Diasorin Ltd (China)	2,456	2,022
Diasorin S.A. (France)	400	-
Diasorin Austria GmbH (Austria)	495	182
Total dividends received	**13,749**	**12,217**

Fees on factoring transactions amounted to 652 thousand euros (1,093 thousand euros in 2015), the collection of interests accrued on past-due position totaled 694 thousand euros (986 thousand euros in 2015) and interest accrued on bank accounts were equal to 105 thousand euros (339 thousand euros in 2015).

In 2016, net financial expense relating to the loan to acquire Focus amounted to 584 thousand euros. In this respect interest income of 2,978 thousand euros relating to intercompany financing disbursed to the U.S. subsidiary.

Net interest income equal to 292 thousand euros (569 thousand euros in 2015) from Group companies derived from cash pooling and loans provided to subsidiaries.

Foreign exchange differences on other financial balances, which were negative by 732 thousand euros (negative by 911 thousand euros in 2015) include a negative amount of 1,934 thousand euros for the closure of hedging instruments (expense of 1,513 thousand euros in 2015). Positive exchange differences were, instead, on intercompany financing facilities and bank accounts (totaling per 1,437 thousand euros in 2016 (positive by 602 thousand euros in 2015).

8. Income taxes

The income tax expense recognized in the income statement amounted to 21,878 thousand euros, compared with 16,358 thousand euros in 2015.

(in thousands of euros)	**2016**	**2015**
Current income taxes:		
- Local taxes (IRAP)	2,524	1,962
- Corporate income taxes (IRES)	17,084	12,919
Other income taxes (non-deductible taxes/ taxes of previous years)	1,973	348
Deferred taxes	297	1,129
Local taxes IRAP amount	*(52)*	*83*
Total income taxes	**21,878**	**16,358**

Other income taxes include taxes paid in the previous years, amounting to 1,419 thousand euros and not deductible withholding taxes incurred abroad on dividends received from subsidiaries (439 thousand euros in 2016 as against 452 thousand euros in 2015).

A reconciliation of the theoretical tax rate to the effective tax rate, without taking into account the IRAP liability and withholding taxes on dividends, is provided below:

(in thousands of euros)	**2016**	**2015**
Profit before taxes	82,158	62,362
Theoretical tax rate	*27.5%*	*27.5%*
Theoretical income taxes	22,594	17,150
Tax effect of permanent differences	(5,560)	(3,527)
Other differences	399	342
Total income taxes	**17,433**	**13,965**
Effective tax rate	**21.2%**	**22.4%**

In 2016, the effective tax rate was 21.2% compared with a tax rate of 22.4% in 2015 due to deferred taxes being recalculated following the reduction in tax rates starting from 2017 (272 thousand euros) and taxes paid in the previous years, totaling 1,419 thousand euros.

The tax effect on unrealized translation differences on indebtedness in foreign currencies borrowed by the Group's Parent Company to hedge its equity investment in the UK branch (equal to 396 thousand euros) and on net losses of the period related to the actuarial assessment of the Group's defined-benefit plans (44 thousand euros) and recognized in a specific reserve in shareholders' equity.

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 2016 and 2015:

(in thousands of euros)	**At December 31, 2015**	**Additions**	**Disposals**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2016**
Land	659	-	-	-	-	659
Buildings	6,375	44	-	-	-	6,419
Plant and machinery	21,343	1,093	(204)	(352)	925	22,805
Manufacturing and distribution equipment	59,976	4,389	(2,047)	(188)	(1,632)	60,498
Other assets	6,100	754	(194)	(520)	536	6,676
Advances and tangible in progress	3,551	3,710	-	(56)	(2,437)	4,768
Total property, plant and equipment	**98,004**	**9,990**	**(2,445)**	**(1,116)**	**(2,608)**	**101,825**

(in thousands of euros)	**At December 31, 2014**	**Additions**	**Disposals**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2015**
Land	659	-	-	-	-	659
Buildings	6,355	11	-	-	9	6,375
Plant and machinery	16,505	1,103	(115)	119	3,731	21,343
Manufacturing and distribution equipment	57,881	5,960	(1,903)	63	(2,025)	59,976
Other assets	5,615	305	(19)	199	-	6,100
Advances and tangible in progress	5,857	1,864	(56)	14	(4,128)	3,551
Total property, plant and equipment	**92,872**	**9,243**	**(2,093)**	**395**	**(2,413)**	**98,004**

The following changes occurred in the corresponding accumulated depreciation accounts in 2016 and 2015:

(in thousands of euros)	**At December 31, 2015**	**Depreciation**	**Disposals**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2016**
Buildings	4,894	84	-	-	-	4,978
Plant and machinery	12,497	1,561	(203)	(246)	24	13,633
Manufacturing and distribution equipment	47,545	6,376	(1,488)	(89)	(2,438)	49,906
Other assets	3,041	454	(194)	(149)	-	3,152
Total property, plant and equipment	**67,977**	**8,475**	**(1,885)**	**(484)**	**(2,414)**	**71,669**

(in thousands of euros)	**At December 31, 2014**	**Depreciation**	**Disposals**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2015**
Buildings	4,810	84	-	-	-	4,894
Plant and machinery	10,489	1,390	(114)	92	640	12,497
Manufacturing and distribution equipment	44,959	6,567	(1,288)	25	(2,718)	47,545
Other assets	2,587	429	(19)	44	-	3,041
Total property, plant and equipment	**62,845**	**8,470**	**(1,421)**	**161**	**(2,078)**	**67,977**

A breakdown of the net carrying value of property, plant and equipment at December 31, 2016 and 2015 is provided below:

(in thousands of euros)	**At December 31, 2015**	**Additions**	**Depreciation**	**Disposals**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2016**
Land	659	-	-	-	-	-	659
Buildings	1,481	44	84	-	-	-	1,441
Plant and machinery	8,846	1,093	1,561	(1)	(106)	901	9,172
Manufacturing and distribution equipment	12,431	4,389	6,376	(559)	(99)	806	10,592
Other assets	3,059	754	454	-	(371)	536	3,524
Advances and tangible in progress	3,551	3,710	-	-	(56)	(2,437)	4,768
Total property, plant and equipment	**30,027**	**9,990**	**8,475**	**(560)**	**(632)**	**(194)**	**30,156**

(in thousands of euros)	**At December 31, 2014**	**Additions**	**Depreciation**	**Disposals**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2015**
Land	659	-	-	-	-	-	659
Buildings	1,545	11	(84)	-	-	9	1,481
Plant and machinery	6,016	1,103	(1,390)	(1)	27	3,091	8,846
Manufacturing and distribution equipment	12,922	5,960	(6,567)	(615)	38	693	12,431
Other assets	3,028	305	(429)	-	155	-	3,059
Advances and tangible in progress	5,857	1,864	-	(56)	14	(4,128)	3,551
Total property, plant and equipment	**30,027**	**9,243**	**(8,470)**	**(672)**	**234**	**(335)**	**30,027**

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 4,709 thousand euros (4,963 thousand euros in 2015).

11. Goodwill and other intangibles

The tables that follow show how the original cost of the intangible assets changed in 2016 and 2015:

(in thousands of euros)	**At December 31, 2015**	**Additions**	**Business combination**	**Disposals and other changes**	**At December 31, 2016**
Goodwill	37,061	-	-	-	37,061
Development costs	16,123	2,575	-	176	18,874
Concessions, licenses and trademarks	35,221	943	18,203	21	54,388
Industrial patents and intellectual property rights	9,721	210	-	129	10,060
Advances and other intangibles	1,380	81	-	(1,287)	174
Total intangibles	**99,506**	**3,809**	**18,203**	**(961)**	**120,557**

(in thousands of euros)	**At December 31, 2014**	**Additions**	**Disposals and other changes**	**At December 31, 2015**
Goodwill	37,061	-	-	37,061
Development costs	15,597	526	-	16,123
Concessions, licenses and trademarks	33,807	1,119	295	35,221
Industrial patents and intellectual property rights	9,375	311	35	9,721
Advances and other intangibles	104	1,277	(1)	1,380
Total intangibles	**95,944**	**3,233**	**329**	**99,506**

The following changes occurred in the corresponding accumulated amortization accounts in 2016 and 2015:

(in thousands of euros)	**At December 31, 2015**	**Amortization**	**Disposals and other changes**	**At December 31, 2016**
Goodwill	5,210	-	-	5,210
Development costs	9,504	1,218	-	10,722
Concessions, licenses and trademarks	17,356	2,925	(23)	20,258
Industrial patents and intellectual property rights	7,361	649	-	8,010
Advances and other intangibles	81	12	(10)	83
Total intangibles	**39,512**	**4,804**	**(33)**	**44,283**

(in thousands of euros)	**At December 31, 2014**	**Amortization**	**Disposals and other changes**	**At December 31, 2015**
Goodwill	5,210	-	-	5,210
Development costs	8,277	1,227	-	9,504
Concessions, licenses and trademarks	15,355	2,004	(3)	17,356
Industrial patents and intellectual property rights	6,737	624	-	7,361
Advances and other intangibles	62	17	2	81
Total intangibles	**35,641**	**3,872**	**(1)**	**39,512**

A breakdown of the net carrying value of intangible assets at December 31, 2016 and 2015 is provided below:

(in thousands of euros)	**At December 31, 2015**	**Additions**	**Business combination**	**Amortization**	**Disposals and other changes**	**At December 31, 2016**
Goodwill	31,851	-	-	-	-	31,851
Development costs	6,619	2,575	-	1,218	176	8,152
Concessions, licenses and trademarks	17,865	943	18,203	2,925	44	34,130
Industrial patents and intellectual property rights	2,360	210	-	649	129	2,050
Advances and other intangibles	1,299	81	-	12	(1,277)	91
Total intangibles	**59,994**	**3,809**	**18,203**	**4,804**	**(928)**	**76,274**

(in thousands of euros)	**At December 31, 2014**	**Additions**	**Amortization**	**Disposals and other changes**	**At December 31, 2015**
Goodwill	31,851	-	-	-	31,851
Development costs	7,320	526	(1,227)	-	6,619
Concessions, licenses and trademarks	18,452	1,119	(2,004)	298	17,865
Industrial patents and intellectual property rights	2,638	311	(624)	35	2,360
Advances and other intangibles	42	1,277	(17)	(3)	1,299
Total intangibles	**60,303**	**3,233**	**(3,872)**	**330**	**59,994**

Goodwill

Goodwill totaled 31,851 thousand euros at December 31, 2016. 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.

The goodwill recognized in the financial statements is the goodwill attributed upon absorption to Byk Diagnostica S.r.l. and the value of the goodwill generated upon the merger of DiaSorin S.p.A. into

Biofort S.p.A., net of the allocation of research and development costs carried out upon first-time adoption of the IFRSs, and the acquisition of the Murex business operations in 2010.
The balance in this account did not change in 2016.

As explained in the "Accounting Principles" section of this Report, goodwill is not amortized. Instead, its value is written down when impairment losses occur. The Company assesses the recoverability of goodwill and of other intangibles with indefinite useful lives annually through impairment tests.

The recoverability of the recognized amounts was tested by comparing the net carrying amount of the individual CGUs (Carrying Amount) with their recoverable value (value in use). The recoverable amount is the present value of future cash flows that are expected to arise from the continuing use of the assets belonging to each Cash Generating Unit, both for the period of explicit flows, and at the end of the time horizon of the forecast (under so-called method of perpetuity).

The impairment test is based on the most recent projections of economic results and cash flows for future years (2017-2019). These projections have been prepared on the basis of 2017 budget and the most recent financial budget or forecasts that have been approved by 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 7.96%.

The planning time horizon used was 3 years. For subsequent years, a terminal value (perpetual return) has been applied, using a growth rate (the "g" rate) of 2%, representative of what management believes may represent an average rate of growth projected for the sector.

In addition, the Company performed a sensitivity analysis for changes in the basic assumptions of the impairment test, WACC and the g rate. More specifically the discount rate WACC increased to 1 percentage point and the growth rate "g" decreased to 0.5%.

The impairment tests performed showed that there was no need to adjust the carrying value of goodwill and other intangibles in the financial statements of DiaSorin S.p.A.

Development costs

At December 31, 2016, capitalized development costs amounted to 8,152 thousand euros (6,619 thousand euros at December 31, 2015). In 2016, additions totaled 2,575 thousand euros and refer to the development of LIAISON XL technology products. They are amortized on a straight-line basis over the length of their useful life, which management estimates at 10 years.
The recoverability of the net carrying amount of capitalized development projects was tested by determining the recoverable value of the CGUs to which they were allocated and testing the CGUs for impairment. The impairment tests performed showed that no write-down was required.

Concessions, licenses and trademarks

At December 31, 2016, this item totaled 34,130 thousand euros (17,865 thousand euros at December 31, 2015), with an increase of 18,203 thousand euros following the acquisition of Focus business.

12. Equity investments

Equity investments totaled 100,737 thousand euros at December 31, 2016 (100,246 thousand euros at December 31, 2015). The table that follows lists the Company's equity investments and shows the changes that occurred in 2016:

Company	Head office location	12/31/2015	Change	12/31/2016
Diasorin S.A/N.V.	Bruxelles (Belgium)	1,145	-	1,145
Diasorin Ltda	San Paolo (Brazil)	10,845	11	10,856
Diasorin S.A.	Antony (France)	2,113	61	2,174
Diasorin Iberia S.A.	Madrid (Spain)	5,331	-	5,331
Diasorin Ltd	Oldbury (UK)	572	-	572
Diasorin Inc.	Stillwater (USA)	31,935	306	32,241
Diasorin Mexico S.A de C.V.	Mexico City (Mexico)	3,296	-	3,296
Diasorin Deutschland GmbH	Dietzenbach (Germany)	5,174	49	5,223
Diasorin AB	Solna (Sweden)	4,819	-	4,819
Diasorin Ltd	Rosh Haayin (Israel)	-	-	-
Diasorin Austria GmbH	Vienna (Austria)	1,035	-	1,035
DiaSorin Poland sp. Z.o.o.	Warsaw (Poland)	2,854	-	2,854
Diasorin Czech s.r.o.	Prague (Czech Republic)	2,126	-	2,126
Diasorin Diagnostics Ireland Limited	Dublin (Ireland)	22,579	41	22,620
Diasorin South Africa (PTY) Ltd	Johannesburg (South Africa)	3,807	15	3,822
Diasorin Australia (Pty) Ltd	Sydney (Australia)	2,275	-	2,275
Diasorin Ltd	Shanghai (China)	96	8	104
DiaSorin Switzerland AG	Risch (Switzerland)	243	-	243
Consorzio Sobedia	Saluggia (Italy)	1	-	1
Total equity investments		**100,246**	**491**	**100,737**

The increase in equity investments value in DiaSorin S.A., DiaSorin Inc., DiaSorin Deutschland GmbH, DiaSorin Diagnostics Ireland Limited, DiaSorin South Africa (PTY) Ltd, DiaSorin Ltda and DiaSorin Ltd, equal to 491 thousand euros represents the expense for the period recognized in equity and related to stock options awarded to subsidiaries employees.

The carrying amount of the equity investments has been tested for impairment. To determine the value in use the Company based on the most recent projections of economic results and cash flows for future years (2017-2019, except for Brazil for which the time horizon was extended to 5 years due to the overall macroeconomic crisis affecting the country). These projections have been prepared on the basis of 2017 budget and the most recent financial budget or forecasts that have been approved by 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.

The comparison between the recoverable value and the carrying amount showed no impairment occurred.

Later on, results have been tested for sensitivity analysis to assess the recoverability assuming a worsening of assumption in the impairment test. Specifically, the discount rate was up to one percentage point and terminal growth rate decreased to 0.5%.

The comparison between the recoverable value and the carrying amount showed no impairment occurred even assuming a worsening of WACC and g rate variables.

A list of the equity investments held by the Group's Parent Company is provided below.

Company	Head Office location	Currency	Share capital (*)	Net profit/(loss) for the year	Shareholders' equity in latest approved financial statements (*)	Value per share or partnership interest	% interest held directly	no. of shares held	Equity investment in EURO
Equity investments consolidated line by line									
DiaSorin S.A/N.V.	Bruxelles (Belgium)	**EUR**	1,674,000	2,574,874	4,871,476	6,696	99.99%	249	1,145,001
DiaSorin Ltda	Sao Paolo (Brazil)	**BRL**	65,547,409	(7,318,025)	9,849,482	1	99.99%	65,547,408	10,856,113
DiaSorin S.A.	Antony (France)	**EUR**	960,000	606,566	9,852,146	15,3	99.99%	62,492	2,173,873
DiaSorin Iberia S.A.	Madrid (Spain)	**EUR**	1,453,687	428,708	2,484,681	6,01	99.99%	241,877	5,330,802
DiaSorin Ltd	Oldbury (UK)	**GBP**	500	200,650	974,709	1	100.00%	500	572,500
DiaSorin Inc.	Stillwater (USA)	**USD**	1	58,947,700	281,408,300	0,01	100.00%	100	32,240,964
DiaSorin Mexico S.A de C.V.	Mexico City (Mexico)	**MXP**	63,768,473	359,287	43,139,032	1	99.99%	49,999	3,295,932
DiaSorin Deutschland GmbH	Dietzenbach (Germany)	**EUR**	275,000	2,619,696	8,058,275	275,000	100.00%	1	5,222,351
DiaSorin AB	Solna (Sweden)	**SEK**	5,000,000	2,134,547	15,980,879	100	100.00%	50,000	4,818,667
DiaSorin Ltd	Rosh Haayin (Israel)	**ILS**	100	2,136,000	21,799,000	1	100.00%	100	18
DiaSorin Austria GmbH	Wien (Austria)	**EUR**	35,000	324,813	1,698,400	35,000	100.00%	1	1,035,000
DiaSorin Czech s.r.o.	Prague (Czech Republic)	**CZK**	200,000	6,566,000	49,286,000	200,000	100.00%	1	2,125,931
DiaSorin Diagnostics Ireland Limited	Dublin (Ireland)	**EUR**	3,923	(42)	4,515,523	0,01	100.00%	392,282	22,620,005
DiaSorin South Africa (PTY) Ltd	Johannesburg (South Africa)	**ZAR**	101	33,507,436	112,002,521	1	100.00%	101	3,822,843
DiaSorin Australia (Pty) Ltd	Sydney (Australia)	**AUD**	3,300,000	773,186	3,364,263	33,000	100.00%	100	2,274,990
DiaSorin Ltd	Shanghai (China)	**RMB**	1,211,417	37,297,134	50,885,520	1	80.00%	96,000	103,594
DiaSorin Switzerland AG	Risch (Switzerland)	**CHF**	100,000	160,883	750,130	100	100.00%	1,000	243,415
DiaSorin Poland sp. z o.o.	Warsaw (Poland)	**PLN**	550,000	(486,599)	10,751,392	50	100.00%	11,000	2,853,823
Investments in other companies									
Consorzio Sobedia	Saluggia (Italia)	**Euro**	5,000	(781)	4,219	N/A	20,00%	1	1,000

(*) Amounts stated in local currencies

13. Deferred-tax assets

Deferred-tax assets amounted to 4,987 thousand euros (4,836 thousand euros at December 31, 2015). They are recognized in the financial statements when their future use is deemed probable. The balance reflects the deferred-tax assets computed on the temporary differences between the asset and liabilities amounts used to prepare the consolidated financial statements and the corresponding amounts used by the consolidated companies for tax purposes. A more detailed description of the temporary differences tax effect that generates deferred-tax assets is provided below:

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Positive changes:		
Goodwill amortization/intangible assets	1,829	2,541
Provisions for risks	3,134	2,247
Adjustment to pension funds	499	427
Unrealized exchange differences	436	612
Other charges deductible in future years	563	729
Total	**6,461**	**6,556**
Negative changes:		
Amortization	(1,078)	(924)
Unrealized exchange differences	(396)	(796)
Total	(1,474)	(1,720)
Net deferred-tax assets	**4,987**	**4,836**

14. Inventories

A breakdown of inventories, which totaled 74,534 thousand euros, is as follows:

(in thousands of euros)	**12/31/2016**			**12/31/2015**		
	Gross amount	**Provisions for write-down**	**Net amount**	**Gross amount**	**Provisions for write-down**	**Net amount**
Raw materials and supplies	18,179	(1,244)	16,935	18,421	(1,072)	17,349
Work in progress	36,125	(1,315)	34,810	32,599	(1,091)	31,508
Finished goods	23,763	(974)	22,789	22,963	(815)	22,148
Total	**78,067**	**(3,533)**	**74,534**	**73,983**	**(2,978)**	**71,005**

Inventories increased by 3,529 thousand euros compared with December 31, 2015, due to the growth in manufacturing volumes to support increased revenues, the purchase of raw material to be used in strategic projects and the creation of a stock of Focus products and instruments.

The table below shows the changes that occurred in the provisions for inventory write-downs:

(in thousands of euros)	**2016**	**2015**
Opening balance	**2,978**	**3,093**
Additions for the year	871	985
Utilizations for the year	(281)	(1,129)
Translation differences	(35)	29
Ending balance	**3,533**	**2,978**

15. Trade receivables

Trade receivables of 91,042 thousand euros at December 31, 2016 (including 49,405 thousand euros from related-party transactions). The increase of 13,998 thousand euros compared with December 31, 2015 (77,044 thousand euros), and specifically 16,204 thousand euros relate to receivables due from Group companies, partially offset by improved terms of payment and management in the domestic market.
Trade receivables owed by public institutions amounted to 11,809 thousand euros at December 31, 2016.
The allowance for doubtful accounts amounted to 4,278 thousand euros. A comparison with December 31, 2015 is provided below:

(in thousands of euros)	**12/31/2016**	**12/31/2015**
Opening balance	**4,417**	**4,971**
Additions for the year	137	253
Utilizations for the year	(276)	(807)
Ending balance	**4,278**	**4,417**

In order to bridge the gap between contractual payment terms and actual collection terms, the Group uses factoring transactions to assign its receivables without recourse. In 2016, the receivables assigned by the Group's Parent Company amounted to 31,333 thousand euros (36,826 thousand euros in 2015).

16. Financial receivables and other non-current financial assets

The balance of 104,276 thousand euros refers to the current portion (42,016 thousand euros) and the non-current portion (59,125 thousand euros) of loans provided to Group companies and to transactions executed within the context of the centralized cash management system managed by the Group's Parent Company (3,135 thousand euros).
The change in loans provided to Group companies is provided below (amount stated in thousands of euros):

Subsidiary	**Balance at 12/31/2015**	**Disbursement**	**Repayments**	**Currency translation differences and other changes**	**Balance at 12/31/2016**
Diasorin Czech sro	1,039	-	(1,039)	-	-
DiaSorin Ireland Ltd	3,835	-	(3,835)	-	-
DiaSorin Iberia sa	2,036	-	(34)	17	2,019
DiaSorin Australia Pty	3,247	-	(727)	128	2,648
DiaSorin Sa de CV (Mexico)	509	1,282	(130)	(96)	1,565
DiaSorin Inc. (USA)	-	103,493	(19,146)	10,562	94,909
Total	**10,666**	**104,775**	**(24,911)**	**10,611**	**101,141**

In 2016, a loan of USD 120 million (equal to 103,493 thousand euros) was issued to the US subsidiary and the collection of the first instalment due as per repayment plan equal to USD 20 million (19,146 thousand euros) for the acquisition of Focus business.

As of December 31, 2016, all existing loans have variable interest rates (benchmark: six-months interbank rates for currencies in which loans are expressed) with a spread in line with market conditions applicable to the lending operation.

17. Other current assets

Other current assets amounted to 7,137 thousand euros (5,163 thousand euros at December 31, 2015). They consist of tax credits for additions to research and development (1,100 thousand euros), accrued income and prepaid expenses, for insurance and rentals and taxes withheld on dividends the Group's Parent Company received from foreign subsidiaries.
Other non-current assets totaled 109 thousand euros (46 thousand euros at December 31, 2015) and consist of accrued income and long-term prepaid expense.

18. Cash and cash equivalents

Cash and cash equivalents amounted to 71,838 thousand euros at December 31, 2016 (82,699 thousand euros at December 31, 2015). They consist of balances in banks accounts and short-term bank deposits. More detailed information is provided in the Statement of Cash Flows above.

19. Shareholders' equity

Share capital

At December 31, 2016, the fully paid-in share capital consisted of a 55,948,257 million common shares, par value of 1 euro each. No changes occurred compared with December 31, 2015.

Treasury shares

At December 31, 2016, the amount of treasury shares was 1,189,950 (2.13% of the share capital) totaling 38,025 thousand euros (25,459 thousand euros at December 31, 2015).
The change equal to 12.566 thousand euros compared with December 31, 2015 is due to:

- the purchase of 250,000 Company common shares for the 2016 Stock Option Plan at an average price of 54,2843 euros, totaling 13,571 thousand euros;
- the exercise of 30,000 options held by the Group's Parent company's employees and by its subsidiaries relating to the 2010 Stock Option Plan at an average price of 24,8928 euros, leading to a consequent reduction in treasury shares equal to 1,005 thousand euros.

Additional paid-in capital

This reserve amounted to 18,155 thousand euros at December 31, 2016 and no changes occurred compared with December 31, 2015.

Other reserves and retained earnings

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

(in thousands of euros)	**12/31/2016**	**12/31/2015**	**Change**
Currency translation reserve	(441)	775	(1,216)
Reserve for treasury shares	38,025	25,459	12,566
Stock option reserve	3,001	1,773	1,228
Gains/(losses) on remeasurement of defined benefit plans	(1,062)	(920)	(142)
Reserve for equity investments revaluation	1,639	1,496	143
Retained earnings	252,475	255,015	(2,540)
IFRS transition reserve	1,006	1,006	-
Total Other reserves and retained earnings	**294,643**	**284,604**	**10,039**

Currency translation reserve
The change of 1,216 thousand euros shown in the currency translation reserve at December 31, 2016 is due to the translation into euros of the U.K. Branch balances and to unrealized foreign exchange differences on the indebtedness denominated in foreign currencies held by the Parent Company to hedge its equity investment in the U.K. Branch, which were negative by 1,253 thousand euros, net of the tax effect (equal to 396 thousand euros).

Reserve for treasury shares
At December 31, 2016, the reserve for treasury shares amounted to 38,025 thousand euros (25,459 thousand euros at December 31, 2015). This reserve was established pursuant to law (Article 2357 ter of the Italian Civil Code). The change of 12,566 thousand euros compared with December 31, 2015 is due to the purchase of 250,000 common shares and to the exercise of some tranches of the 2010 Stock Option Plan, as commented above.

Stock option reserve
The balance in the stock option reserve, which amounted to 3,001 thousand euros (1,773 thousand euros at December 31, 2015), refers to the stock option plans in effect at December 31, 2016 (detailed in Note 27). The changes in the reserve that occurred at December 31, 2016 included both an increase due to the recognition of the overall cost of the stock option Plans (879 thousand euros) that was posted and recognized in the income statement as a labor costs included in general and administrative expenses, and a decrease of 142 thousand euros as a result of the options awarded to subsidiaries employees and recognized as increase in equity investments value (491 thousand euros).

Gains/Losses on remeasurement of defined-benefit plans
At December 31, 2016, this item, negative by 1,061 thousand euros includes net losses of the period related to the actuarial assessment of the Group’s defined-benefit plans amounting to 142 thousand euros, net of tax effect (44 thousand euros).

Retained earnings
Retained earnings amounted to 252,475 thousand euros (255,015 thousand euros at December 31, 2015). The decrease of 2,540 thousand euros compared with December 31, 2015, is due to:

- the appropriation of the net profit earned in 2015 (46,004 thousand euros);
- the distribution of dividends, equal to 35,719 thousand euros, to shareholders approved on April 28, 2016 from the Ordinary Shareholders’ Meeting (equal to 0.65 euros per share);
- the exercise of some tranches of the 2010 Stock Option Plan, which resulted in a positive change of 746 thousand euros and in the sale of treasure shares;
- the establishment of a treasury share reserve (13,571 thousand euros) following the purchases of the period.

IFRS transition reserve
The IFRS transition reserve was established on January 1, 2006, upon first-time adoption of the IFRSs as an offset to the adjustments recognized to make the financial statements prepared in accordance with Italian accounting principles consistent with IFRS requirements, net of the applicable tax effect (as required by and in accordance with IFRS 1). This reserve has not changed since it was first established.

The table below, which complements the disclosures provided above, shows which components of shareholders' equity are available for other uses and the applicable utilization options:

(in thousands of euros)		
Description	**Amount**	**Utilization options (*)**
Share capital	55,948	
Additional paid-in capital	18,155	A,B
Statutory reserve	11,190	B
Reserve for treasury shares	38,025	
Other reserves	4,143	A,B
Retained earnings	252,475	A,B,C

(*) Utilization options

A: to increase share capital

B: to cover losses

C: to distribute dividends to shareholders

20. Borrowings

Borrowing include negative balances arising from the context of the centralized cash management system managed by the Group's Parent Company (26,005 thousand euros) and amounts owed to financial institutes (47,776 thousand euros).

A breakdown of borrowings is as follows (amount stated in thousands of euros):

Lender	Currency	Current portion	Non-current portion	Over 5 years	Total
Intesa San Paolo	€	23,888	23,888		47,776
IMI MIUR	€	-	-	-	-
Total owed to financial institution		**23,888**	**23,888**	**-**	**47,776**
Group's centralized cash management system /intra-group financing facilities	€	26,005	-	-	26,005
TOTAL		**49,893**	**23,888**	**-**	**73,781**

The table below lists the financing facilities owed to outside lenders that were outstanding at December 31, 2016 and the changes that occurred during the year:

Lender	At December 31, 2015	Disbursements	Repayments	Amortized cost effect	At December 31, 2016
Intesa San Paolo	-	60,000	(12,000)	(224)	47,776
IMI MIUR	213	-	(213)	-	-
Total owed to financial institutions	**213**	**60,000**	**(12,213)**	**(224)**	**47,776**

In 2016, the loan was repaid to IMI-MIUR as per repayment plan. The Group's Parent Company was granted a financial loan with Intesa Sanpaolo to finance a portion of the acquisition of Focus Diagnostics, Inc.'s immunodiagnostic and molecular diagnostic products business.

The loan agreement with Intesa Sanpaolo provides for:

- capital repayment in 5 constant half-yearly instalments, from 12/31/2016 until 12/31/2018;
- option of partial or total early repayment without penalties;

- deferred half-yearly interests calculated at the Euribor 6-month floating rate plus a 0.45% spread.

The loan agreement envisages certain disclosures, rescission cases and compulsory early repayment, in line with the market policy in force on the day the loan was contracted.
Terms concerning the rescission of the agreement include the failure to comply, over the period of the loan, with the following financial parameter:

- Net financial indebtedness / EBITDA ≤ 2

As of the date of this Report this ratio computed on consolidated data was met.

In 2016, in order to mitigate the foreign exchange risk related to the currency fluctuations, the Group's Parent Company executed currency forward sales requiring the recognition of a negative fair value of 8,907 thousand euros at December 31, 2016 (144 thousand euros at December 31, 2015). The amount mainly relates to forward contracts in USD currency ($100 million), signed in order to mitigate the exchange risk on intercompany financial loan issued by DiaSorin S.p.A. to DiaSorin Inc for the same amount to cover Focus acquisition. The derivatives have the same duration and deadlines of the loan (from 12/31/2016 to 12/31/2018 each six months) and an exchange rate of 1.1595.

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 2016, this cost amounted to 2,429 thousand euros.

Defined-benefit plans

The Company's pension plan that qualifies as a defined-benefit plan is the plan covered by the provision for employee severance indemnities accrued until December 31, 2006. The liability is recognized at its actuarial value using the projected unit credit method. Any resulting actuarial gains or losses are credited or charged to equity in the statement of comprehensive income in the period in which they arise.

Other employee benefits

The Company also provides its employees with additional long-term benefits, which are paid when employees reach a predetermined length of service. In these cases, the value of the liability recognized in the financial statements reflects the probability that these benefits will be paid and the length of time for which they will be paid. The liability owed under this plan is recognized at its actuarial value using the projected unit credit method. Please note that any resulting actuarial gains or losses recorded on the basis of these employees' benefits are recognized in the income statement. The amount recognized in 2016 was 86 thousand euros (loss of 4 thousand euros in 2015).

The table that follows summarizes the Company's main employee benefit plans that are currently in effect:

(in thousands of euros)	**12/31/2016**	**12/31/2015**	**Change**
Employees severance indemnities	3,954	4,336	(382)
Other long-term benefits	1,439	1,324	115
Total employee benefits	**5,393**	**5,660**	**(267)**

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, 2016, 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 2016:

(in thousands of euros)	**Defined-benefit plans**	**Other benefits**	**Total employee benefits**
Balance at 12/31/2015	**4,336**	**1,324**	**5,660**
Interest cost	2	-	2
Actuarial Losses/(Gains) recognized in income statement	-	86	86
Actuarial Losses/(Gains) arising from financial assumptions	190	-	190
Actuarial Losses/(Gains) arising from experience adjust.	(4)	-	(4)
Current service cost	58	88	146
Benefits paid	(628)	(59)	(687)
Balance at 12/31/2016	**3,954**	**1,439**	**5,393**

The main changes in provisions for employee benefits encompass actuarial losses (190 thousand euros) charged to equity and contribution paid (687 thousand euros). The net amount recognized in the 2016 income statement for employee benefits was an expense of 234 thousand euros (78 thousand euros in 2015).

Actuarial losses/(gains) relating to other benefits and current service cost are recognized in the income statement as part of Labor costs, allocated to the area to which they correspond. Interest expense is recognized in the income statement as part of net financial income (expense) (see Note 7). Actuarial losses/(gains) relating to defined-benefit plan that are credited or charged to equity in the statement of comprehensive income in the period in which they arise.

The table below lists the main assumptions used for actuarial computation purposes for the defined-benefit plans:

	Pension plans	
	12/31/2016	**12/31/2015**
Discount rate	0.45%	0.92%
Projected wage increases	3.50%	3.50%
Inflation rate	1.50%	1.50%
Average employee turnover rate	6.49%	6.73%

A sensitivity analysis on the change of main assumptions is set out below:

(in thousands of euros)		**Employee severance indemnities**
Discount rate		
	0.5% Increase	(145)
	0.5% Decrease	154
Projected wage increases		-
	0.5% Increase	-
	0.5% Decrease	-
Inflation rate		-
	0.5% Increase	94
	0.5% Decrease	(91)
Average employee turnover rate		-
	10% Increase	-
	10% Decrease	(1)

22. Other non-current liabilities

Other non-current liabilities of 7,051 thousand euros (2,227 at December 31, 2015) include provisions for risks and charges established in connection with pending or contingent legal disputes, and a provision for supplemental severance benefits owed to sales agents.

The table below lists the provisions for risks and charges and shows the changes that occurred in 2016:

	12/31/2016			**12/31/2015**		
(in thousands of euros)	**Provision for risks on legal disputes**	**Provision for supplemental severance benefits to sales agents**	**Total**	**Provision for risks on legal disputes**	**Provision for supplemental severance benefits to sales agents**	**Total**
Balance at the beginning of the year	**2,045**	**182**	**2,227**	**1,640**	**378**	**2,018**
Additions for the year	4,268	106	**4,374**	1,250	191	**1,441**
Utilizations/Reversals for the year	(450)	(52)	**(502)**	(845)	(387)	**(1,232)**
Balance at the end of the year	**5,863**	**236**	**6,099**	**2,045**	**182**	**2,227**

The provision for supplemental severance benefits owed to sales agents, which amounted to 236 thousand euros at December 31 2016, was computed in accordance with the provisions of IAS 37, according to which the amount of the provision must be an estimate of the present value of the amounts that will be paid upon termination of the agency relationship to the sales agents entitled to receive these benefits.

As regards additions for the period, Law n. 125 of 08/06/2015 extended the pay-back mechanism to medical devices on the basis of which any amount exceeding the ceiling on public expenditure for the purchase of medical devices must be paid partly by the supplying. In virtue of the lack of implementing decrees to specify how to compute the payback measure, the Company carried out the best possible estimate allocating 3 million euros in risk provision.

23. Trade payables

Trade payables, which totaled 43,337 thousand euros (37,100 thousand euros at December 31, 2015), include 12,634 thousand euros owed to related parties. There are no amounts due after December 31, 2017.

24. Other current liabilities

Other current liabilities of 15,546 thousand euros at December 31, 2016 (14,984 thousand euros at December 31, 2015) consist mainly of amounts owed to employees for additional monthly payments to be paid, contributions payable to social security and health benefit institutions.

25. Taxes payable

The balance of 4,884 thousand euros at December 31, 2016 (889 thousand euros at December 31, 2015) represents the liability for the year for income taxes (net of estimated payments made in 2016 equal to 14,798 thousand euros) and other direct and indirect taxes (mainly the amount for deferred VAT payable, amounting to 208 thousand euros).

26. Commitments and contingent liabilities

Guarantees provided and received

The guarantees that the Group provided to third parties totaled 28,386 thousand euros and include bank sureties in connection with the submission of bids in response to public calls for tenders, pending tax procedures and outstanding amounts due to financial institutions (19,754 thousand euros). These guarantees were established to secure lines of credit provided to Group companies (in the amount of 5,997 thousand euros) and in connection with defined-contribution pension plans of some subsidiaries (in the amount of 2,636 thousand euros).

Significant commitments and contractual obligations

Significant contractual obligations include the agreements executed by DiaSorin S.p.A., the Group’s Parent Company, and Stratec in connection with the development and production of new chemiluminescent diagnostic system LIAISON XL and LIAISON XS. The supply contract signed by DiaSorin and Stratec calls for the latter to manufacture and supply exclusively to DiaSorin the analyzers. The Group has agreed to purchase a minimum number of systems. However, the projected commitment is deemed to be significantly lower than the normal level of capital investment that would be required for current or future equipment production. As a result, net invested capital is not expected to undergo significant structural changes in the future as a result of this commitment.

Contingent liabilities

The Group's Parent Company operates globally. As a result, it is exposed to the risks that arise from the complex laws and regulations that apply to its commercial and manufacturing activities. The Group believes that, overall, the amounts set aside, for pending legal disputes, in the corresponding provision for risks are adequate.

27. Stock option plans

2010 Plan

On April 27, 2010, the Ordinary Shareholders' Meeting approved the new 2010 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries.
The Board of Directors approved an initial tranche of beneficiaries with a grant of 515,000 options by a resolution dated February 14, 2011, a second tranche with a grant of 40,000 options by a resolution dated August 3, 2011, a third tranche with a grant of 50,000 options by a resolution dated November 11, 2011, a fourth tranche with a grant of 70,000 options by a resolution dated December 21, 2011, a fifth tranche with a grant of 60,000 options by a resolution dated March 9, 2012, a sixth tranche with a grant of 10,000 options by a resolution dated November 7, 2012, a seventh tranche with a grant of 5,000 options by a resolution dated March 8, 2013, an eighth tranche with a grant of 5,000 options by a resolution dated May 10, 2013 and a ninth tranche with a grant of 15,000 options by a resolution dated November 8, 2013. Please note that, due some "good leaver" and "bad leaver" events 137,835 options from the abovementioned grants were automatically cancelled and, pursuant to the Plan Regulations, became null and void for the previous beneficiaries.

These free option grants convey to the beneficiaries the right to acquire up to 750,000 common shares at the exercised price, based on a ratio of 1 share for each option granted and exercised, in accordance with the terms and conditions of the 2010 Plan.

The implementation of the program to purchase treasury shares for use in connection with the Company's stock option plan began on January 17, 2011, in accordance with the terms and conditions authorized by the Shareholders' Meeting of April 27, 2010.
The program was completed on February 15, 2011, resulting in the purchase of 750,000 common shares. The shares were purchased at unit prices that were never lower by more than 15% or higher by more than 15% compared with the closing price of the DiaSorin common shares for the stock market trading session preceding each purchase.

As of December 31, 2016, stock options granted were equal to 2,115.
Between January 5 and December 28, 2016, 30,000 stock options have been exercised at an average exercise price of 24,8928 per share.
During the abovementioned period, the average price of the DiaSorin shares was 52,77 euros.

A breakdown of the option grants is as follows:

2010 Plan	Grant date	Number of options	Parent Company's option	Year of exercise
IV Tranche	December 21, 2011	20,000	-	2016
VIII Tranche	May 10, 2013	2,115	-	
IX Tranche	November 8, 2013	10,000	-	2016
Total		**32,115**	**-**	

2014 Plan

On April 23, 2014, the Ordinary Shareholders' Meeting approved the 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 and a seventh tranche with a grant of 5,000 options by a resolution dated November 10, 2016. Please note that, due some "bad leaver" and "good leaver" events 71,057 options from the abovementioned grants were automatically cancelled and, pursuant to the Plan Regulations, became null and void for the previous beneficiaries.
These free option grants convey to the beneficiaries the right to acquire up to 750,000 common shares at the exercised price, based on a ratio of 1 share for each option granted and exercised, in accordance with the terms and conditions of the 2014 Plan.

As at December 31, 2016, stock options amounted to 733,943.
A breakdown of the option grants is as follows:

2014 Plan	**Grant date**	**Number of options**	**Parent Company's options**
I Tranche	August 1, 2014	658,943	489,098
II Tranche	November 14, 2014	5,000	-
IV Tranche	July 30, 2015	10,000	10,000
V Tranche	March 9, 2016	15,000	15,000
VI Tranche	May 9, 2016	40,000	30,000
VII Tranche	November 10, 2016	5,000	-
Total		**733,943**	**544,098**

2016 Plan

On April 28, 2016, the Ordinary Shareholders' Meeting approved the 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.
Please note that, due some "bad leaver" and "good leaver" events 58,782 options from the abovementioned grants were automatically cancelled and, pursuant to the Plan Regulations, became null and void for the previous beneficiaries.
These free option grants convey to the beneficiaries the right to acquire up to 250,000 common shares at the exercised price, based on a ratio of 1 share for each option granted and exercised, in accordance with the terms and conditions of the 2016 Plan.

The implementation of the program to purchase treasury shares for use in connection with the Company's new stock option plan began on May 12, 2016, in accordance with the terms and conditions authorized by the Shareholders' Meeting of April 28, 2016.
The program was completed on June 9, 2016, resulting in the purchase of 250,000 common shares (equal to 0.44% of the share capital). The shares were purchased at unit prices that were never lower by more than 15% or higher by more than 15% compared with the closing price of the DiaSorin common shares for the stock market trading session preceding each purchase.

As at December 31, 2016 stock options amounted to 131,218.
A breakdown of the option grants is as follows:

2016 Plan	Grant date	Number of options	Parent Company's options
I Tranche	May 16, 2016	71,218	-
II Tranche	August 4, 2016	20,000	-
III Tranche	December 19, 2016	40,000	-
Total		**131,218**	**-**

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.

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:

2010 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
IV Tranche	2.065753425	€ 20.59	€32.30	€ 1.00	30.00%	0.00%	0.6540%	1.700%	12/19/2013	01/12/2015
VIII Tranche	3.490410959	€ 28.12	€32.30	€ 1.00	30.00%	0.00%	0.9150%	1.700%	12/19/2013	06/15/2016
IX Tranche	3.906849315	€ 33.50	€32.30	€ 1.00	30.00%	0.00%	1.2310%	1.700%	12/19/2013	11/14/2016

2014 Plan	Vesting period (in years)	Exercise Price	Stock Price	Per value per share	Volatility	Employee Exit Rate	Risk Free Rate	Dividend Yield	Stock price reference date	Vesting date
I Tranche	3.005479452	€ 30.74	€29.50	€ 1.00	30.00%	0.00%	0.6408%	1.700%	08/01/2014	08/02/2017
II Tranche	3.002739726	€ 29.67	€31.20	€ 1.00	30.00%	0.00%	0.4198%	1.700%	11/14/2014	11/14/2017
IV Tranche	3.008219178	€ 41.43	€41.56	€ 1.00	30.00%	0.00%	0.5142%	1.700%	07/30/2015	08/01/2018
V Tranche	3.005479452	€ 46.86	€46.21	€ 1.00	30.00%	0.00%	0.2840%	1.700%	03/09/2016	03/11/2019
VI Tranche	3.002739726	€ 51.29	€52.50	€ 1.00	30.00%	0.00%	0.1500%	1.700%	05/09/2016	05/10/2019
VII Tranche	3.000000000	€ 56.20	€50.75	€ 1.00	30.00%	0.00%	0.1062%	1.700%	11/10/2016	11/10/2019

2016 Plan	Vesting period (in years)	Exercise Price	Stock Price	Per value per share	Volatility	Employee Exit Rate	Risk Free Rate	Dividend Yield	Stock price reference date	Vesting date
I Tranche	3.000000000	€ 52.54	€52.25	€ 1.00	30.00%	0.00%	0.4550%	1.700%	05/16/2016	05/16/2019
II Tranche	3.000000000	€ 56.31	€57.80	€ 1.00	30.00%	0.00%	0.1413%	1.700%	08/04/2016	08/05/2019
III Tranche	3.000000000	€ 51.84	€53.65	€ 1.00	30.00%	0.00%	0.3800%	1.700%	12/19/2016	12/20/2019

On December 19, 2013, the Board of Directors voted to extend the exercise terms of all the options that have been granted pursuant to the 2010 Plan to 365 days. All the other conditions remain unchanged. Pursuant to these changes and as required by IFRS 2, the incremental fair value deriving from the change in the 2010 Plan amounted to 24 thousand euros. The incremental fair value is recognized in the income statement over the Plan's residual vesting period together with the fair value on the grant date.

Based on the assumptions described above, the fair value of the 2010 Plan is equal to 12 thousand euros, with a vesting period that goes from February 14, 2011 to November 14, 2016. The fair value per option is as follows (amounts in euros):

2010 PLAN	Number of options on the vesting date	Parent Company's options	Fair Value per option
VIII Tranche	2,115	-	5.642632

Based on the assumptions described above, the fair value of the 2014 Plan is equal to 3,935 thousand euros with a vesting period that goes from August 1, 2014 to November 10, 2019. The fair value per option is as follows (amounts in euros):

2014 PLAN	Number of options on the vesting date	Parent Company's options	Fair Value per option
I Tranche	658,943	489,098	4.972722
II Tranche	5,000	-	6.237949
IV Tranche	10,000	10,000	7.631389
V Tranche	15,000	15,000	8.084891
VI Tranche	40,000	30,000	9.825548
VII Tranche	5,000	-	7.228593

Based on the assumptions described above, the fair value of the 2016 Plan is equal to 1,302 thousand euros with a vesting period that goes from May 16, 2016 to December 20, 2019. The fair value per option is as follows (amounts in euros):

PLAN 2016	Number of options on the vesting date	Parent Company's options	Fair Value per option
I Tranche	71,218	-	9.380147
II Tranche	20,000	-	10.878929
III Tranche	40,000	-	10.414678

The cost attributable to 2016, which amounted to 879 thousand euros, was recognized in the income statement as part of labor costs and general and administrative expenses, with the offsetting entries posted to shareholder's equity.
The 2016 expense for stock options awarded to subsidiaries employees, equal to 491 thousand euros, is recognized as in increase in equity investments value with the offsetting entries posted to shareholder's equity.
The exercise of some tranches under the 2010 Plan during 2016 caused the stock option reserve to decrease by 142 thousand euros.

28. Related-party transactions

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

The impact of these transactions on the individual components of financial statements, which was already disclosed in separate income statement and statement of financial position schedules provided for this purpose, is summarized in the tables that follow.

(in thousands of euros)	**Net revenues**		**Cost of sales**		**General & Administrative**		**Sales and marketing**		**Research & Development**		**Other operating income/(expense)**		**Financial income/(expense)**	
Counterparty	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
DiaSorin S.A. - France	13,934	12,732	269	271	-	1	(315)	(168)	-	-	361	249	399	-
Diasorin Iberia S.A.	8,169	7,473	228	255	(155)	(178)	(5)	1	-	-	256	209	55	1,842
DiaSorin S.A./N.V - Benelux	10,704	10,031	209	225	4	-	(7)	15	-	-	283	255	2,300	2,750
DiaSorin Ltd - UK	-	-	-	-	40	-	-	44	-	-	-	-	-	-
DiaSorin Diagnostics Ireland Limited	2,479	2,467	(335)	(402)	52	16	100	129	-	26	466	469	26	95
DiaSorin IN.UK Ltd	8,563	7,588	383	369	-	-	-	1	-	-	280	296	6	96
DiaSorin GmbH - Germany	30,057	27,353	(13,785)	(13,946)	(13)	(6)	(6)	25	(10)	-	(3,617)	(3,343)	4,623	3,783
DiaSorin GmbH - Austria	3,414	3,351	73	113	-	-	-	1	-	-	82	71	495	182
DiaSorin AG - Switzerland	2,307	1,552	67	67	-	-	-	-	-	-	75	26	-	-
DiaSorin Poland sp. Z .o.o.	1,874	1,158	44	11	-	-	-	-	-	-	46	9	14	-
DiaSorin AB - Sweden	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DiaSorin Czech s.r.o.	2,699	2,480	102	109	-	-	-	-	-	-	88	77	18	33
DiaSorin Inc. - USA	28,127	30,978	(29,117)	(29,607)	(10)	21	17	1	30	52	2,707	2,510	2,977	2
DiaSorin Ltda - Brazil	6,871	6,252	(274)	(340)	-	-	(13)	-	-	-	52	40	700	(7,603)
DiaSorin SA de CV - Mexico	5,099	4,341	(72)	-	-	-	(746)	(893)	-	-	126	75	39	20
DiaSorin Ltd - Israel	2,189	2,435	(26)	(14)	-	-	(1)	-	-	-	110	98	-	1,800
DiaSorin Ltd - China	40,636	29,959	(107)	(96)	-	-	(1,237)	(1,515)	-	-	9	(6)	2,456	2,022
DiaSorin Trivitron Healthcare Private Limited	1,426	887	-	(3)	(69)	(7)	(77)	(87)	-	-	(7)	(9)	-	-
DiaSorin Ltd - South Africa	358	393	484	640	(31)	35	24	51	-	-	603	789	2,774	1,679
DiaSorin Ltd - Australia	4,073	3,116	(8)	(12)	-	-	-	(19)	-	-	134	128	136	151
DiaSorin Molecular LLC	499	-	(510)	-	-	-	-	-	-	-	-	-	-	-
Total Group companies	**173,478**	**154,546**	**(42,375)**	**(42,360)**	**(182)**	**(118)**	**(2,266)**	**(2,414)**	**20**	**78**	**2,054**	**1,943**	**17,018**	**6,852**
Executives with strategic responsibilities	-	-	-	-	(3,736)	(3,318)	-	-	-	-	-	-	-	-
Directors	-	-	-	-	(970)	(886)	-	-	-	-	-	-	-	-
Other related parties	-	-	-	-	(4,706)	(4,204)	-	-	-	-	-	-	-	-
Total Group companies and other related parties	**173,478**	**154,546**	**(42,375)**	**(42,360)**	**(4,888)**	**(4,322)**	**(2,266)**	**(2,414)**	**20**	**78**	**2,054**	**1,943**	**17,018**	**6,852**
As a percentage on line item	*57.8%*	*54.9%*	*26.7%*	*27.3%*	*17.2%*	*16.2%*	*8.1%*	*8.4%*	*0.1%*	*0.6%*	*62.3%*	*186.1%*	*113.2%*	*112.5%*

(in thousands of euros)	**Trade receivables**		**Current financial receivables**		**Non-current financial receivables**		**Trade payables**		**Current financial payables**		**Other current liabilities**	
Counterparty	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
DiaSorin S.A. - France	2,785	2,299	-	-	-	-	(129)	(226)	(5,595)	(5,111)	-	-
Diasorin Iberia S.A.	1,746	1,376	1,426	2,291	1,300	2,000	(155)	(178)	-	-	-	-
DiaSorin S.A./N.V - Benelux	2,733	2,153	-	-	-	-	-	-	(4,935)	(4,318)	-	-
DiaSorin Ltd - UK	14	12	-	-	-	-	-	-	(869)	(962)	-	-
DiaSorin Diagnostics Ireland Limited	767	586	-	1,624	-	2,280	(91)	(201)	(4,021)	(1,461)	-	-
DiaSorin IN.UK Ltd	1,780	1,764	1,058	949	-	-	4	-	(283)	(383)	-	-
DiaSorin GmbH - Germany	4,522	4,075	-	-	-	-	(3,590)	(2,467)	(5,349)	(7,068)	-	-
DiaSorin GmbH - Austria	789	655	-	-	-	-	4	(3)	(1,420)	(1,164)	-	-
DiaSorin AG - Switzerland	526	245	-	-	-	-	-	(1)	(963)	(432)	-	-
DiaSorin Poland sp. Z .o.o.	564	668	1,370	122	-	-	-	-	-	-	-	-
DiaSorin AB - Sweden	-	(3)	-	-	-	-	-	-	(2,390)	(2,390)	-	-
DiaSorin Czech s.r.o.	818	448	-	151	-	888	-	(3)	(180)	(173)	-	-
DiaSorin Inc. - USA	10,708	5,731	56,962	-	37,947	-	(6,270)	(5,891)	-	-	-	-
DiaSorin Ltda - Brazil	3,655	1,307	-	-	-	-	(69)	(148)	-	-	-	-
DiaSorin SA de CV - Mexico	1,709	1,773	411	203	1,154	306	(207)	(91)	-	-	-	-
DiaSorin Ltd - Israel	257	46	-	-	-	-	-	-	-	-	-	-
DiaSorin Ltd - China	11,864	8,303	-	-	-	-	(496)	(538)	-	-	-	-
DiaSorin Trivitron Healthcare Private Limited	1,291	229	-	-	-	-	(39)	(14)	-	-	-	-
DiaSorin Ltd - South Africa	331	559	-	-	1,615	-	(14)	(28)	-	-	-	-
DiaSorin Ltd - Australia	1,479	975	1,033	1,031	-	2,215	(12)	(12)	-	-	-	-
DiaSorin Molecular LLC	1,067	-	-	-	-	-	(1,570)	-	-	-	-	-
Total Group companies	**49,405**	**33,201**	**62,260**	**6,371**	**42,016**	**7,689**	**(12,634)**	**(9,801)**	**(26,005)**	**(23,462)**	**-**	**-**
Executives with strategic responsibilities	-	-	-	-	-	-	-	-	-	-	-	-
Directors	-	-	-	-	-	-	-	-	-	-	(167)	(124)
Other related parties	-	-	-	-	-	-	-	-	-	-	**(167)**	**(124)**
Total Group companies and other related parties	**49,405**	**33,201**	**62,260**	**6,371**	**42,016**	**7,689**	**(12,634)**	**(9,801)**	**(26,005)**	**(23,462)**	**(167)**	**(124)**
As a percentage on line item	*54.3%*	*43.1%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*29.2%*	*26.4%*	*46.9%*	*98.5%*	*1.1%*	*0.8%*

(in thousands of euros)	**Increase/Decrease in current receivables**		**Increase/(Decrease) in trade payables**		**Increase/(Decrease) in financial items**		**Dividends**		**Increase/(Decrease) in other current items**	
Counterparty	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
DiaSorin S.A. - France	(486)	(43)	(97)	204	484	1,827	400	-	-	-
Diasorin Iberia S.A.	(370)	(249)	(23)	11	1,582	978	-	-	-	-
DiaSorin S.A./N.V - Benelux	(580)	(604)	-	(1)	617	37	2,300	2,750	-	-
DiaSorin Ltd - UK	(2)	-	-	-	(93)	850	-	-	-	-
DiaSorin Diagnostics Ireland Limited	(181)	99	(110)	(24)	6,464	4,384	-	-	-	-
DiaSorin IN.UK Ltd	(16)	(654)	(4)	(1)	(209)	2.347	-	-	-	-
DiaSorin GmbH - Germany	(447)	(678)	1,123	(1,252)	(1,719)	3,416	4,624	3,784	-	-
DiaSorin GmbH - Austria	(134)	(90)	(7)	3	256	685	495	182	-	-
DiaSorin AG - Switzerland	(281)	135	(1)	1	531	320	-	-	-	-
DiaSorin Poland sp. Z .o.o.	104	(668)	-	-	(1,248)	(122)	-	-	-	-
DiaSorin AB - Sweden	(3)	4	-	-	-	-	-	-	-	-
DiaSorin Czech s.r.o.	(370)	80	(3)	3	1,046	576	-	-	-	-
DiaSorin Inc. - USA	(4,977)	303	379	1,448	(86,281)	-	-	-	-	-
DiaSorin Ltda - Brazil	(2.348)	7.531	(79)	(211)	-	-	-	-	-	-
DiaSorin SA de CV - Mexico	64	178	116	(326)	(1,152)	(509)	-	-	-	-
DiaSorin Ltd - Israel	(211)	(45)	-	-	-	-	700	1,800	-	-
DiaSorin Ltd - China	(3,561)	(951)	(42)	132	-	-	2,456	2,022	-	-
DiaSorin Trivitron Healthcare Private Limited	(1,062)	118	25	(112)	-	-	-	-	-	-
DiaSorin Ltd - South Africa	228	(214)	(14)	(13)	(1,615)	-	2,774	1,679	-	-
DiaSorin Ltd - Australia	(504)	306	-	(86)	2,341	232	-	-	-	-
DiaSorin Molecular LLC	(1,067)	-	1,570	-	-		-	-	-	-
Total Group companies	**(16,204)**	**4,558**	**2,833**	**(224)**	**(78,996)**	**15,021**	**13,749**	**12,217**	**-**	**-**
Executives with strategic responsibilities	-	-	-	-	-	-	-	-	-	-
Directors	-	-	-	-	-	-	-	-	43	-
Other related parties	-	-	-	-	-	-	-	-	43	-
Total Group companies and other related parties	**(16,204)**	**4,558**	**2.833**	**(224)**	**(78,996)**	**15,021**	**13,749**	**12,217**	**43**	**-**
As a percentage on the cash flow	*114%*	*204%*	*43%*	*100%*	*100%*	*100%*	*100%*	*100%*	*1%*	*ns*

29. Transactions resulting from atypical and/or unusual activities

In 2016, there were no transactions resulting from atypical and/or unusual activities, as defined in the Consob Communication dated July 28, 2006 (see the definition provided in the Financial Statement Presentation Format section of this Report).

ANNEX III: DISCLOSURE REQUIRED PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB'S ISSUERS' REGULATIONS

(in thousands of euros)	Party providing the service	Fee attributable to 2016
Independent Auditing	PricewaterhouseCoopers S.p.A.	155
Other services	PricewaterhouseCoopers S.p.A.	-
Total		**155**

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 2016 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, 2016:

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 8, 2017

Signed:

Carlo Rosa	Piergiorgio Pedron
Chief Executive Officer	Corporate Accounting Documents Officer

REPORT OF THE BOARD OF STATUTORY AUDITORS
ON THE FINANCIAL YEAR ENDED DECEMBER 31, 2016
TO THE SHAREHOLDERS' MEETING OF DIASORIN S.p.A pursuant to Article 153 of Legislative Decree No. 58/98 and Article 2429, Section 3, of the Italian Civil Code

Dear Shareholders:

preliminarily, it should be noted that the Board of Statutory Auditors was appointed by the Shareholders' Meeting of April 28, 2016 – until the date of the approval of the financial statements as at December 31, 2018 - in the persons of Monica Mannino, as Chairman, Roberto Bracchetti and Ottavia Alfano as Statutory Auditors.

In the financial year ended December 31, 2016 and consistent with the requirements of Article 149 of Legislative Decree no. 58/98 (Uniform Financial Code) and pursuant to Article 2403 of the Italian Civil Code, the Board of Statutory Auditors performed its oversight activities taking into account the principles of conduct recommended by the National Board of Certified Public Accountants and Accounting Experts and the Consob communications concerning corporate controls and the activities of the Board of Statutory Auditors (particularly CONSOB communication no. DAC/RM 97001574 of February 20, 1997 and communication No DEM 1025564 of April 6, 2001, subsequently integrated with communication No DEM/3021582 of April 4, 2003 and communication No DEM/6031329 of April 7, 2006) and on the basis of the indications contained in the Corporate Governance Code.

Activities

The Board of Statutory Auditors acquired information necessary to carry out its task by attending the meetings held by the Board of Directors, the Control and Risks Committee, the Nominating Committee, the Compensation Committee and the Committee for Transactions with Related Parties, hearings with the Company's management, meeting with independent auditors and with the Group's companies management, analyses of information flows provided by the relevant departments of the company, and other inspection and control activities.

The Board of Statutory Auditors received information from the Board of Directors on a quarterly basis regarding activities carried out and the most significant economic, financial and balance sheet operations as well as any atypical or unusual transactions and all other activities the Board of Directors deemed it appropriate to bring to the attention of the recipient of the disclosure.

Consistent with the requirements of Article 149 of the Uniform Financial Code and pursuant to Article 2403 of the Italian Civil Code, the activities of the Board of Statutory Auditors were organized so as to monitor the following:

- Compliance with the law and the Company's Articles of Incorporation;
- Compliance with the principles of sound management;
- Effectiveness and functioning of the Company's organization;
- Effectiveness and functioning of the Company's internal control system;
- Effectiveness and functioning of the accounting system and its reliability in presenting fairly the results from operations;
- With regard to the financial statements, the consolidated financial statements and the report on operation;
- Manner in which the Corporate Governance Code that the Company has agreed to abide by is being concretely implemented;
- The adequacy and organic nature of the instructions provided to Group companies.

The Board of Statutory Auditors also verified that the Company was in compliance with the requirements of the regulations concerning "Market Abuse", the handling of insider information and the procedure adopted by the company.

In the financial year ended December 31, 2016, the Board of Statutory Auditors held seven meetings on an ongoing basis. Minutes of the meetings recording the oversight and control activities performed were drawn up on each occasion.

In addition, the Board of Statutory Auditors attended all the meetings held by the Board of Directors, the Control and Risks Committee and the Shareholders' Meeting of April 28, 2016.

At the Shareholder' Meeting of April 28, 2016 the independent audit assignment for the years from 2016 to 2024 was awarded to PricewaterhouseCoopers S.p.A., with whom the Board of Statutory Auditors exchanged data and information on an ongoing basis.

****

Compliance with the law and the Company's Articles of Incorporation

The Board of Statutory Auditors has verified through its attendance at meetings held by the Board of Directors and by relevant committees that the Company is operating in compliance with laws and in accordance with its Bylaws, the principles of sound management of company operations, verifying that these were not manifestly imprudent, did not involve an excessive amount of risk, were not in potential conflict of interest and in contrast with resolutions taken or such as to compromise the integrity of the Company's assets.

Specifically, the provisions that govern the activities of the corporate governance bodies, the Company's operations and the recommendations of regulatory authorities are constantly monitored by Company officials, with adequate professional skills in each area, providing guidance for the correct implementation of these provisions, using if necessary the support of expert professionals.

Compliance with the principles of sound management

In 2016 and subsequent to the closing of the financial year, the Board of Statutory Auditors did not detect any atypical and/or unusual operation carried out with third parties, related parties or Group companies.

The conduct of the Company's operations, which is monitored on an ongoing basis, is designed to protect and safeguard the Company's assets and create value.

At its meetings, the Board of Directors analyses in- depth and discusses in detail the following issues:

- Operating performance;
- Operating and financial results for each reporting period and forecast data;
- Material transactions and any investment, acquisition and divestiture proposals, assessing the risks involved and carrying out in-depth reviews of competitive scenarios, target markets, cost fairness, impact of the transactions on the Group and consistency and compatibility of the transactions with the Company's available resources and assets;
- Any transactions with related parties, consistent with the procedure adopted by the Company;
- Significant transactions with subsidiaries including their performance and financial structures, taking into account particular market context in which the subsidiaries operate.

The Board of Statutory Auditors is not aware of transactions that are egregiously imprudent, reckless or in conflict with the resolutions of the Shareholders' Meeting or detrimental to the interest of the Company and its Shareholders.

The Company's senior management and the administrative bodies, commercial and production structures implement the resolutions of the Board of Directors in a consistent manner.

The Board of Statutory Auditors in performing its activities obtained information, requested relevant documents and met with the Accounting Documents Officer, the Head of Finance and Taxation Department, the Independent Auditors, the Internal Auditing Department, the Head of Corporate Legal Affairs Department and the Oversight Board established pursuant to Legislative Decree No. 231/2011. 6 D.Lgs. 231/2001.

Effectiveness of the Company's organization

The Board of Statutory Auditors reviewed organization charts, the proxy system, levels of responsibility, and the flow of management instructions in order to assess the overall ability of the organization to provide effective strategic and management guidance and exercise the required technical, technological, commercial and accounting control over the Group's operations. The Board of Statutory Auditors found the Company's organization to be effective.

The Board of Statutory Auditors was able to ascertain that the offices responsible for this function obtain useful information promptly and reliably, both from the Parent Company and the subsidiaries, and respond with adequate and effective actions.

Effectiveness of the Company's system of internal control

The oversight activities performed to assess the effectiveness of the Company's organization and its compliance with the principles of sound management enabled the Board of Statutory Auditors to form an opinion about the system of internal control adopted by the Company and the Group.

The Control and Risks Committee, composed of two independent directors and a non-Executive Director, met three times in 2016. The Board of Statutory Auditors attended these meetings.

Without prejudice to the central control role assigned to the Board of Statutory Auditors by the Uniform Code on Statutory Independent Auditing, it is worth noting that the Board of Statutory Auditors and the Control and Risks Committee concluded that the coordination with the control entity is being achieved through the attendance of Risks and Control Committee meeting by the Board of Statutory Auditors.

With regard to the above, the Board of Statutory Auditors and the Control and Risks Committee in the financial year 2016 addressed jointly the following issues: the financial disclosure process, the effectiveness of the internal control system, the internal auditing process and risks management, the independent statutory auditing of the financial statements and the independence of the Independent Auditors and compliance with the main standards and regulations applicable to the company.

The internal control system is constantly and continuously updated.

The Internal Audit Officer presented regularly scheduled activities and carried out the required audits. All the Audit Reports are made known to the Control and Risks Committee, the Board of Statutory Auditors, the Board of Directors and the Oversight Board.

In view of the activities carried out and the company's structure, the Board of Statutory Auditors found the Company's internal control system to be effective.

Your Company adopted the Organization and Management Model required by Legislative Decree No. 231/2001 with regard to the administrative liability of legal entities and appointed the Oversight Board with the task to monitor and supervise the correct functioning and compliance with the Model following its updating.

The information flow from the Board of Statutory Auditors to the Oversight Board and vice-versa is carried out on an ongoing basis under the presence of Mr Roberto Bracchetti as Statutory Auditor (former Chairman of the Board of Statutory Auditors until the Shareholders' Meeting held on April 28, 2016 upon renewal of the Board of Statutory Auditors) and as Chairman of the Oversight Board. The Oversight Board has not reported problems and/or particular issues and promptly arranged its reports pursuant to the Model.

Reliability of the accounting system in presenting fairly the results from operations

Relying in part on the support of outside specialists, the Accounting Documents Officer prepared a manual of the accounting and financial procedures necessary to ensure a fair presentation of the results of the Company's operations.

Insofar as the accounting system is concerned, which was reviewed to assess its ability to present fairly the results of the Company's operations, ensure that the accounting records are updated in a timely fashion and are accurately maintained and produce official supporting documents showing compliance with tax and social security requirements, the Independent Auditors raised no issues either in special-purpose reports or at regular meetings with the Board of Statutory Auditors.

Compensation of Directors performing special functions and incentive plan for the Chief Executive Officer, General Manager and executives with strategic responsibilities

In the financial year ended on December 31,2016, the Board of Statutory Auditors, taking into account the attendance of the Chairman of the Board of Statutory Auditors or of any other member appointed by the said Chairman, and insofar as issues under its jurisdiction are concerned, reviewed the proposals made, based on the input of the Compensation Committee, with regard to the structure of the compensation of Directors who perform special functions.

In reference to Strategic Executives, the Board of Statutory Auditors, set in accordance with recommendations by the Compensation Committee, noted that the current compensation system is based on the award of compensation that includes a fixed component and a variable component tied to the economic results achieved at the Group level in connection with the attainment of specific targets, in addition to the Company’s stock options plans granted to employees.

According to the Compensation Committee, the remuneration is in line with market value.

Manner in which the Corporate Governance Code that the Company has agreed to abide by is being concretely implemented

The Company adheres to the Corporate Governance Code drafted by the Corporate Governance Committee of Borsa Italiana, as amended.

The Board of Statutory Auditors monitored compliance with requirements and proper application of independence criteria for Directors and verified the existence of independence requirements among its members, pursuant to Article 148, Section 3, of Legislative Decree no. 58/1998.

For further information about the Company’s Corporate Governance approved by the Board of Directors on March 8, 2017, refer to specific “Report on Corporate Governance and ownership’s structure” section, to which reference is made.

The Board of Statutory Auditors monitored that the aforementioned Report provides detailed information about manner according to which the Company adopted and implemented the recommendations of the Corporate Governance Code.

Furthermore, the Board of Statutory Auditors verified the Compensation Report pursuant to Article 123-*ter* of Legislative Decree no. 58/1998 and approved by the Board of Directors has been drafted in accordance with regulatory requirements and provides adequate information on Company’s compensation policy and compensation provided in 2016.

Instructions provided to Group companies

The Statutory Auditors ascertained that the Parent Company's departments provide appropriate instructions to Group companies with regard to the public disclosures that must be provided pursuant to Article 114 of Legislative Decree No. 58/98, in compliance with the requirements of Article 36 of Consob Resolution No. 16191/2007 ("Market Regulations").

Statutory financial statements and Report on Operations

The financial statements of DiaSorin S.p.A. for the year ended December 31, 2016 that are being submitted for your approval were prepared in accordance with the IAS/IFRS accounting principles. They show a net profit of 60,280 thousand euros.

The Board of Directors provided us on a timely basis with the financial statements for the year ended December 31, 2016, consisting of the statement of financial position, an income statement, a statement of cash flows, additional statements, reconciliation and notes to the financial statements.

The financial statements include the Report on operations, the Report on Corporate Governance and the Company's Ownership Structure.

The Chief Executive Officer and the Accounting Documents Officer issued the certifications required by Art. 154-bis of the Uniform Financial Code and by article 81-ter of CONSOB regulation 11971 of May 14, 1999 and subsequent amendments and additions.

The Board of Statutory Auditors met with the Independent Auditors for the specific purpose of obtaining information about the preparation of the statutory financial statements for the year ended December 31, 2016 and examining the Report pursuant to Art. 19, Section 3, of Legislative Decree n. 39/2010.

It was acknowledged that:

- The internal control system is reliable regarding the financial disclosure process including audits carried out by independent auditors in order to express an opinion on these financial statements;
- No significant deficiencies have been found in the Internal Control System over financial reporting;
- The financial statements include all the disclosures recommended by the CONSOB.

The Independent Auditors provided the Board of Statutory Auditors with their report, which contains no qualifications or requests for additional disclosures and includes an assessment of the consistency of the Report on Operations for the year ended December 31, 2015 with the statutory

financial statements, as required by Article 14, Section 2, Letter e), of Legislative Decree No. 39/2010.
The Report on Operations is exhaustive and complies with the requirements of Article 2428 of the Italian Civil Code and provides all the disclosures specifically recommended by the CONSOB.

As regards infra-group operations and operations with related parties, the Directors in the Explanatory Notes describe and explain exchanges of good and services between your Company and its subsidiaries attesting that the same are ordinary transactions carried out at market conditions.

The Board of Statutory Auditors verified the reasonableness of the valuation processes applied and their consistency with the approach of the international accounting principles, specifically with regard to Goodwill, other Intangible Assets and Equity Investments. In this area, it is worth mentioning that, as required by the Banca d'Italia/Consob/Isvap Joint Document No. 4 of March 3, 2010, the compliance of the impairment test procedure with the requirements of IAS 36 was formally and autonomously approved by the Board of Directors, following a review of the principles used (using the same method as the previous year), by the Board of statutory Auditors, the Control and Risks Committee and in agreement with the Independent Auditors.

The Board of Statutory Auditors specifies that the process to calculate the recoverability of the amounts relating to goodwill and its assumptions are described in detail in the notes to the financial statements, as required by the accounting principles.

Consolidated financial statements

The consolidated financial statements of DiaSorin Group were prepared in accordance with the IAS/IFRS international accounting principles, as published by the International Accounting Standards Board (IASB) and officially approved by the European Union, in effect at December 31, 2015, and are consistent with the regulations enacted to implement Article 9 of Legislative Decree No. 38/2005.
Impairment tests are carried out on goodwill and other intangible assets with an indefinite useful life recognized in consolidated financial statements, confirming values entered in the draft of the annual financial statements. At its meetings with the Independent Auditors, the Board of Statutory Auditors reviewed a detailed list of the companies subject to audit, obtained information about the different level of controls and asked whether there were any events requiring mention, irregularities or misstatements that needed correction.

The Independent Auditors indicated that no facts, observations or restatements worthy of mention were uncovered in the course of the audit. The Independent Auditors provided the Board of

Statutory Auditors with their report, which contains no qualifications or requests for additional disclosures.

Based on the opinion of the Independent Auditors and on the findings of the Board of Statutory Auditors, the presentation of the consolidated financial statements and the Report on Operations comply with the applicable statutes.

Other information

1. Any major operating, financial or asset transactions, carried out by the company are analyzed in detail in the Report on Operations; In the financial year ended December 31, 2016, no atypical and/or unusual transactions were executed with outsiders, Group companies or related parties.
2. As for material transactions, the Board of Statutory Auditors highlights that in May 2016 DiaSorin S.p.A. completed the acquisition of Focus' Diagnostics Molecular and Immunoassay product business initiated with a binding purchase agreement signed on March 29, 2016. This acquisition was carried out through DiaSorin Molecular LLC, a newly created US affiliate fully owned by DiaSorin Inc.
3. During the year ended December 31, 2016 and until the date of drawing up these financial statements the Board of Statutory Auditors was not informed of any complaints or statements by third parties, pursuant to Article 2408 of the Italian Civil Code.
4. The Board of Statutory Auditors finds that the disclosures provided by the Board of Directors in its Report on Operations are adequate.
5. The Board of Statutory Auditors verified that the Independent Auditors met the applicable independence qualifications, as required by Article 17, Section 9, of Legislative Decree No. 39/2010. In addition, it received periodic reports of the assignments, other than independent auditing services, that the Company entrusted (or planned to entrust, pursuant to specific regulations) to the Independent Auditors. In this area, it also reviewed and discussed the specific procedures adopted by the Statutory Independent Auditors to limit risks that their independence may be jeopardized, and received assurances that the Statutory Independent Auditors were indeed currently and effectively independent. The Board of Statutory Auditors took note that other services provided by PricewaterhouseCoopers network to the Group subsidiaries, for a total of 60,000 thousand euros, refers to services provided for certifications of royalties, dividends and tax compliance.

6. During the year ended December 31, 2016, the Board of Statutory Auditors provided, when necessary, the opinions and observations required pursuant to law. Specifically, the Board of Statutory Auditors expressed its opinion to the Board of Directors in favor of the appointment of Piergiorgio Pedron as Accounting Document Officer and the appointment by cooptation of Fiorella Altruda as Director.
7. In the course of the oversight activity it carried out during the year, the Board of Statutory Auditors did not uncover any omissions, objectionable actions or serious irregularities. Consequently, no report and proposal to the Shareholders' Meeting pursuant to Article 153 of Legislative Decree No.58/98 is required.
8. The Board of Statutory Auditors considers it appropriate to point out that no facts and/or events occurred after the end of the financial year.

The Board of Statutory Auditors, based on the considerations set forth above and limited to the issues under its jurisdiction, has no objection to the approval of the financial statements for the year December 31, 2016 and concurs with the motion to appropriate the year's net profit formulated by the Board of Directors.

Pursuant to Article 144-*quinquiesdecies* of the Issuers' Regulations, approved by the Consob with Resolution No. 11971/99, as amended, a list of the posts held by members of the Board of Statutory Auditors at companies such as those listed in Volume V, Title V, Chapters V, VI and VII, of the Italian Civil Code, has been published by the Consob on its website (www.consob.it) and is available at other locations.

Milan, April 5, 2017

The Board of Statutory Auditors

Monica Mannino - Chairman

Ottavia Alfano – Statutory Auditor

Roberto Bracchetti - Statutory Auditor

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
DiaSorin SpA

Report on the financial statements

We have audited the accompanying financial statements of DiaSorin SpA, which comprise the statement of financial position as of 31 December 2016, the income statement, the comprehensive income statement, statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of DiaSorin SpA are responsible for the preparation of financial statements that give a true and fair view in compliance 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. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of DiaSorin SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance 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. 38/2005.

Other aspects

The financial statements as of and for the year ended 31 December 2015 was audited by an other auditor, who on 4 April 2016 expressed an unqualified opinion on the financial statements.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of DiaSorin SpA, with the financial statements of DiaSorin SpA as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of DiaSorin SpA as of 31 December 2016.

Milan, 5 April 2017

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

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
DiaSorin SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the DiaSorin Group, which comprise the consolidated statement of financial position as of 31 December 2016, the consolidated income statement, the consolidated comprehensive income statement, statement of changes in consolidated shareholders' equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of DiaSorin SpA. are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance 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. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the DiaSorin Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance 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. 38/2005.

Other aspects

The consolidated financial statements as of and for the year ended 31 December 2015 was audited by an other auditor, who on 4 April 2016 expressed an unqualified opinion on the consolidated financial statements.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of DiaSorin SpA., with the consolidated financial statements of the DiaSorin Group as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the DiaSorin Group as of 31 December 2016.

Milan, 5 April 2017

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