DIASORIN S.P.A.

Q4 2009 & Preliminary 2009 Results Conference Call

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MODERATORS: MR. CARLO ROSA, CHIEF EXECUTIVE OFFICER
MR. ANDREA SENALDI, CHIEF FINANCIAL OFFICER.

OPERATOR: Good afternoon this is the Chorus Call Conference operator. Welcome and thank you for joining the Diasorin Fourth Quarter 2009 Results Presentation Conference Call. After the presentation, there will be an opportunity to ask questions. At this time, I would like to turn the conference over to Mr. Carlo Rosa, CEO of Diasorin. Please go ahead, sir.

CARLO ROSA: Yes, thank you. Good afternoon and welcome to the quarter four results. I would like to comment some elements of the quarter four results, summarize the achievements of 2009 and then we'll turn to Andrea Senaldi, who will take you through the numbers.

Starting from revenues, quarter four growth has exceeded 15% inline with the company expectation. In the US, Vitamin D growth has been very strong again. Some of you may have noticed that both Quest and LabCorp have indicated in their conference call that they have experienced a 50% growth in Vitamin D in the last quarter. As they have shown let me remind you that we have decided to use testing penetration as an indicator of the market potential for Vitamin D.

Testing penetration means, what percentage of account or a total population is tested for a certain parameter, in this case Vitamin D. In 2009, Vitamin D penetration in the US has reached 9.5% of the population from 5.68% which was reported in 2008. Even if the growth has been very impressive, penetration in the US is still 20% lower than what experienced in 2009 in other countries like Denmark or Australia. We expect, therefore that the demand for Vitamin D testing in the US can continue to grow, pushed by the awareness of GPs and specialists of the importance of Vitamin D levels in individuals and patients.

In Europe, notwithstanding the Roche competition, we continue to hold market shares that varies from 50% to 90%, depending on the different countries and markets. In the different markets Vitamin D testing continues to grow between 30% to 100% and Italy is a good example where the awareness of Vitamin D is picking up and physicians are ordering more and more testing. Specifically, in this market we've uninitiated a collaboration with a primary pharma company specialized in selling Vitamin D as a treatment for osteoporosis. The aim of the project is to convince GPs and specialists the treatment without testing does not make any sense. The result of the program that we ran in Italy is that Vitamin D sales has doubled in 12 months and we expect the same rate in 2010. A similar project will be started in 2010 in Spain. It is clear that Vitamin D Europe is still an untapped opportunity.

Regarding Vitamin D clinical positioning, it is a DiaSorin's strategy to work with some primary clinical research centers to generate clinical evidence to support proper use of Vitamin D testing. We have agreed to fund two studies; one with the Massachusetts General Hospital intended to link Vitamin D deficiency to elevated blood pressure. The study will take 12 months…12 to 18 months to complete and if successful will provide clear evidence of importance of proper Vitamin D levels to decrease risk of myocardial infarction.

The second study is run with the Jewish Hospital in Denver and it is intended to provide evidence of co-relation between Vitamin D deficiency and the severity of asthma episodes. Both clinical protocols would be shared with the FDA to allow Diasorin to expand it current claims in the US. And this will clearly provide the company a lead in its ability to properly market our test in the US versus competition that may arise in future, so it's a defensive strategy that we set in place.

Going back to the US, in quarter four and in 2009 overall, it was a very strong year in terms of LIAISON placements, over 160 LIAISON has been placed in the country, the majority of which in hospital and satellite labs which are interested now in brining onboard Vitamin D testing. In quarter four, 60% of the installations outside corporate accounts for the big national labs, they carry also infectious disease along with Vitamin D, proving that that Vitamin D can be a perfect hook for the rest remaining (Ph).

Going back to Europe, in Europe we have experienced in quarter four a very strong growth that the constant exchange rate has exceeded 13%. Italy remains a pillar for Europe with the LIAISON installed base that exceeds 700 units in 2009. Let me remind you that in Italy we dominated virology and microbiology market where we have our system installed in over 90% of the microbiology testing labs. This will be key to facilitate the introduction in this country of the new line of HIV and Hepatitis products when they will be available on the LIAISON XL. Germany and France are respectively the first and second largest IVD markets in Europe. They have recorded both in Q4 as well as in 2009 a very strong performance in terms of revenue growth in LIAISON installations. In fact, in quarter four Germany grew 13.9% and France over 24%.

Now going…now from Europe to the rest of the world and commenting some of the most relevant geographies, China and Israel continues the solid expansion that we have registered in the previous quarters. China has grown over 25% and Israel over 60%. It is noteworthy that the LIAISON installed base in China has now reached 180 units, 60 of which have been placed in 2009.

As anticipated last year in quarter four we have completed all the activities necessary to start operating directly in China and in January we initiated to manage directly in Chinese market in some key territories. In fact, until today as you know, China was a Rep office responsible to manage our results with [inaudible].

One more geography I want to comment on is Brazil. Brazil conversely has been very disappointing both for the last quarter where we have lost market share and for the year 2009, where the total growth has been single-digit. This is related to the fact that allows the government the LIAISON tender awarded in 2008 is now being renewed in 2009. However, in 2009 the other installations that continued to be successful and we expect 2010 to start growing again at a double-digit rate, so Brazil is still a strategic geography for us.

Overall in the quarter, 160 LIAISON have been installed worldwide with a total number LIAISON installed in 2009 reaching an impressive number of 450 units. We expect LIAISON to continue to grow strongly also in 2010 that driven by three factors, the steady availability of new products like Parvovirus, the geographical expansion and the strong demand for Vitamin D for certain geographies.

Now, let me now comment on new products. As far as new products are concerned, let me comment on the LIAISON XL program and the development of new products. In December 2009, all clinical centers involved in the new HIV, HCV and HBV products have been concluded on LIAISON XL platform. HIV has been submitted in early favor to G-MED and by the end of March HCV and HBV will follow suit. Approval is expected in June, July timeframe, platform development for the XL and SA (Ph) validation continues to be on schedule. Due to the larger success of the LIAISON, however LIAISON XL continues to be shielded from customers and commercial introduction is really dependent on the viability of the new screening assays on board of the platform. As stated before, 2009 has been a record year in LIAISON placements and we expect the 2010 will still see a very large number of LIAISON installed. And, therefore we do not want to freeze the market with the XL until we see that the market will be ready to take the new system.

In terms of product development, in Q4 we have completed the development of the LIAISON Parvovirus in the new value of PTH and they will be launched after the holidays in all territories with the exception of the US. We are planning to initiate clinical studies to obtain FDA approval for Parvovirus later in 2010. We have no rush since in the US we currently have the only FDA approved test, which I remind you we got when we acquired Biotrin.

Last, for molecular all product development activities now has been moved to Ireland and we continue negotiation with an outside pharma to finalize the decision on the manufacturing, on what we call lamp analyzer which is the close fit formulae for testing.

I will now turn to Andrea and then we will take questions.

ANDREA SENALDI: Thank you Carlo, hello ladies and gentlemen. I will take you through the channel presentation that you should find on the website. And before going through, traditionally I do the full year highlights. Let me just point out that the excellent results we would see today are compared against the quarter for 2008, which in itself was an exceptional quarter with a very strong growth of the top line versus previous quarter ’08.

Now, if you turn to the highlights, Carlo had already pointed out that the revenue grew in the quarter by 15.5%, this was the comparable quarter of the previous year. Let me add this that as you know in the last part of 2009 the dollar has turned to the valuation versus the euro upsetting the consolidation…the consolidated number in euros. If we look at the growth on a constant exchange base, the growth would be 98% versus previous year.

Clearly, the driver remain the US market, which in dollars grew more than 44% and supported at carotene by Vitamin D but also by infectious diseases phase growth, including the strength of the Biotrin products. By the steady enlargement of LIAISION installed base which reached the 2975 instruments by year end with placements in the quarter of 116 instruments and placement in the full year of 465 instruments.

We continue reporting a consistent improvement in our gross margin, if you look at our gross margin it grew by 23% with 70.7% rate on the turnover. And our EBIT grew by 33.5% and last but not least that we had a strong increase in the quarter of our net earnings which grew 56%.

Now, let me turn to the details of the P&L. We already discussed the development of revenues. In the quarter we reported revenues of just above €79 million versus €68.5 of the previous year. The gross profit set at €55.9 million with an incidence about the turnover, as I said €70.7 which is an improvement of the 4.5 basis point versus what we recorded last year.

Our operational expenses had been growing slightly more than proportionally to the turnover in the quarter. And I will comment later on the factors that driven this up. As a consequence, our EBIT, as I said developed by 33% in absolute amount versus last year. And our EBITA moved from 30.7, from €23.9 million to €30.7 in the quarter, with an incident over the rate, the turn over which went up by 4 percentage points. Last but not least, our net results were reported almost €16 million in the quarter versus €10 million last year.

Now going to the details of the revenue development, clearly the driving force of our top line growth remain the LIAISON platform. LIAISON sales in the quarter went up by 31% year-on-year, quarter-on-quarter, leveraging on the enlargement of the recent past of our product menu, clearly by the Vitamin D sales and leveraging on the enlargement of the instrument installed base.

As a consequence of this increase that's with the other technologies that we carry in our portfolio, the weight of LIAISON sales on the order also now during the quarter were 66% versus 58 last year. If we look at the full year number, LIAISON sales has moved up by more than 6 percentage points from 57.4% to 63.8% of the total turnover. If we look at the revenue development by geography and if we start with Italy, well, we had reported a single-digit growth in quarter three, mainly on the background of very slow orders. Italy has grown in the quarter by more than 13% versus last quarter of 2008, in line with the development of Europe, of the rest of Europe which grew 13% as well.

North America, we already said grew 44% at constant exchange rate and reported a 32.3% and the rest of the world has been decreasing slightly by 3.6% as a consequence of what happened on the Brazilian market that we've already commented. This has been on the other side compensated by the strong growth in the most recent initiatives like Israel for instance which grew by 59.5% in comparable FX and china which continued growing at close to 30% versus previous year.

If we now move to the profitability, we already discussed the growth of gross margins, EBITDA and EBIT. In terms of percentages EBITA, gross margin moved up by more than 4 percentage points, EBITDA by again 4 percentage point and EBIT moved up by almost 5 percentage point.

Now, the improvement at margin level is continuously driven by the change in the mix between the technologies, so CLIA revenues taken over ELISA and RIA sales. There is a strong growth in Vitamin D which carries one of the highest margins in the group and the continuous leverage on the installed base while the depreciation decreased incidence over product sale. And with both of these we had a slight increase in the incident of operational expenses and if you look at the track of Diasorin reported results then you will see that every year, we do report at Q4 which is partially higher than what we reported in the previous part of the year. And this is due to some other factors, this is what at the start I will mention the fact that as we've mentioned several times previously, we continued building our structure and our in-house force following the development of the top line. Therefore, the investments in human resources particularly as far as say in commercial force and after-market assistance keep following the development of sales.

We also have a contemplation of events particularly in marketing and promotional events in the last part of the year. And last but not least, here we have the effect of the strategy of geographical expansion that we implemented in the last few years. This year for instance versus previous year, you will have the full effect of initiatives like the Czech Republic which wasn't existing in Q4 last year and the Canadian subsidiary and the investment we did in China in order to turn the subsidiary from a service company into a trading company. Last but not least, I mentioned before the net results are growing 56% versus previous year, as a rate to turn over they moved from 14.8% to 20% of total sales. In the quarter, we have reported net financial cost of €0.6 million versus the net financial cost of €2.4 million in the quarter for '08, which are as I reminded you at the time of a known cash nature because they are related to the evaluation of our debt in US dollar.

If we now come to the full year preliminary 2009 results and if we start with revenue, we close the year with revenue just above €304 million with a growth of 24.3% at current exchange rate. If we look at constant exchange rate that effect goes down to 23%. We improved the gross profit by 33% moving up the 4.5 percentage point. We continued leveraging the operational expenses structure and the rate to turnover has moved down from 36.1% to 34.7%. As a consequence, our EBIT grew by almost 50% versus previous year, moving from 28.9% to 34.7%, our EBITDA by 43% closing the full year at €122.5 million versus the €85.6 of last year. And last but not least our net results improved by 86% versus previous year closing very near to €70 million versus €37.5 last year. There is one note that I want to make over our net results that should help you understanding the developments between 2009 and 2008 and the future projections.

If you turn to the next Slide, you will notice that we have…as adjusted the net results. According to the item which I believe we already described in the previous conference calls that happened during 2009. In 2009, we had and we enjoyed the provision of a tax release law which allowed us to step up the goodwill that we carry on the balance sheet and to make it taxable and to align IFRS accounting to fiscal accounting. If you add on top of this, the different movement between the two years of exchange rate gain and losses on non-cash items you end with a one-off effect on the 2009 results of about €5 million. And if you adjust the 2009 earnings impact of this, you would end up with €64.8 million equal to a earning per share of €1.18 per share.

In terms of the balance sheet, what I would like to point out is that we end up the year with a net capital employed close to €207 million against which we had total shareholders equity of €218 million and a positive financial position of just about €11 million.

At the end of the period, we hold liquidity for €48 million. This has been really a function of a strong cash generation that DiaSorin has enjoyed in the full year 2009 and in the quarter, in the quarter we had operational cash flow of €17.8 million before CapEx of 6.6 and the operational cash flow on the full year basis is €37.4 million. If you add to that the exceptional payments particularly as far as the substitute tax and the CapEx for distributional rights, you have a cash generation which is well above €40 million per year. Having said this, we said that we had a positive financial position at the year end of just about €11 million. Bear in mind that this occurs having paid out the dividend for €6.6 million and the one-off tax payments of more than 4.

I would like now to leave the floor to you for a Q&A session. Thank you very much.

Q&A

OPERATOR: Excuse me this is the Chorus Call Conference operator. We will now begin the question and answer session. First question is from Massimo Vecchio of Mediobanca. Please go ahead, sir.

MASSIMO VECCHIO: Hi, good afternoon to everybody. I have two questions. First one is on the tax rate. If you can give some indications on what to expect for 2010 and the second one is on your net cash position in terms of financial position. If you can give some indication on what could you do in this case and now any kind of M&A activity could be developing? Thanks.

ANDREA SENALDI: Okay, thank you Massimo. Let me just comment on the tax and I'll then leave Carlo to answer your following question. In terms of tax rate, you should expect…as you have seen in quarter four, the tax rate has realigned to the usual 36%, 37% and you should expect this to progress in the future as well. There is very little we can do on the tax rate and you have to understand that a significant amount of our profit is based in the US where tax rate is actually higher than the average of the Group.

CARLO ROSA: Okay, I'll take your second question, realizing that you keep asking us this questions; it is very obvious that for lots of different reasons we cannot disclose our activities but let me tell you that today we have three arms of the business that we could use this cash flow. We believe that when it comes to Bone & Mineral in Vitamin D, that business does not need cash in terms of M&A activity, it does require cash in terms of funding clinical studies which is what we are doing in the US in order to fortify our position in claims vis-à-vis Vitamin D in the US. Infectious disease which represents over 50% of the business would need, in my opinion, some cash dedicated to M&A activity, especially related to the fact that there are today's the opportunities with certain very large conglomerates that do have the infectious disease business that is not managed or strategic for them. So we continue to explore opportunities to see whether those conglomerates are available to dispose off after that could be a strategic DiaSorin. The third one, the third leg is molecular diagnostic where we haven't invested cash in licensing and today is all internal work and so I don't think any M&A activities that today would make sense vis-à-vis molecular.

MASSIMO VECCHIO: And do you think that big Pharma may be interested in reinforcing their interest in diagnostic?

CARLO ROSA: I don't know. I…it depends…I think first that the question, it should be better answered by the Pharma but also then today there is one Pharma company that really indicated their interest which is Roche, 20 years ago really. Then I think very recently Novartis came up with some announcement saying that they would like to reinforce their diagnostic arm. What does that mean, I have no idea whatsoever. But I don't think that its easy today to assess the strategy of this Pharma companies, for sure is not easy for us.

MASSIMO VECCHIO: Alright, thank you very much.

OPERATOR: The next question is from Giacomo Picchetto of Arkos Capital. Please go ahead, sir.

GIACOMO PICCHETTO: Good afternoon. Just a couple of questions, the first which we have seen in your press release you are communicating some one-off cost in your SG&A due to legal cost and IT cost, I was wondering how much is that in million euros. Second thing, just to understand how much of your 24% growth, top line stated, is it coming from the Vitamin D if you've made the split of it. And did I understood right that basically the starting point for 2010 is that Vitamin D is going still at a strong pace, like in 2009? Thank you.

ANDREA SENALDI: Okay, again I will take your first question about the one-off item and let Carlo to discuss Vitamin D. You're right we indicated this; there is about €0.5 million of cost debts are related to mainly a few things. One is the enlargement of our IT structure, both the…the one existing here on Saluja (Ph) and so they are on the head office and also in the subsidiaries. And by now we had connected also China to the network. We have also some…we have also borne some legal costs, which are associated to again a strategy of geographical expansion where we have to set up some additional subsidiaries to sustain some additional cost for setting up additional subsidiaries. As well, we have borne an investment through full scale (ph) additional compliance requirement in terms of trading policy.

So, all in all, you are looking at items that I would call non-recurring of around €0.5 million.

GIACOMO PICCHETTO: Okay, thank you.

CARLO ROSA: When it comes to your first question, we don't disclose Vitamin D because we consider that as a as an information that is proprietary for the company and can be used by our competitors. I think that overall I can tell you growth of this company comes from…its fuelled by three activities Vitamin D for sure in certain territories geographical expansion is the second one and third one is on infectious disease side.

GIACOMO PICCHETTO: But did I understand right that Vitamin D is still going strongly as in 2009 this was your beginning comment is that was right?

CARLO ROSA: Vitamin D grew strongly in the US market in 2009 because of increasing demand, and the US is one example. In Europe Vitamin D it is growing between 30% to100% depending on the different geographies mainly the penetration of Vitamin D testing in Europe is below the US, which does represent further opportunity of growth for Vitamin D testing in Europe and I gave the example of Italy which is the third largest IVD market in Europe. The penetration of Vitamin D testing is less than 1% then there is lots of opportunities to grow that market for Vitamin D where today we enjoy a 90% market share.

GIACOMO PICCHETTO: And penetration is…in US is 9.5 right?

CARLO ROSA: The penetration in the US is 9…was 9.5 at the end of 2009 that's going from 5.68% end of 2008.

GIACOMO PICCHETTO: Thank you.

OPERATOR: Next question is from Frazer Hall of Berenberg. Please go ahead sir.

FRAZER HALL: Thank you. Good afternoon gentlemen. Just a couple of further questions if I may. Just firstly with regard to the issue in Brazil the non-renewal of that contract, are there any other major contracts that is due up for renewal this year that we might need to be aware of? And secondly, you mentioned the Parvovirus test again just interested in terms of your plans for further developing the test menu over the next perhaps 12, 18 months if there is anything more that you can say about that. You alluded to the non-recurring cost in Q4, but it would just be useful to know whether there is a possibility of any further non-recurring costs if I compare it that way that time that might creep into this year? And then just lastly, I think I heard you say that with regard to negotiations with potential partner for the MDx molecular diagnostics instruments discussions are still ongoing there, it seems to me that that's taking a quite a long time and I am wondering if you can give any senses to what, the sort of the gauging factors are and when we might expect further developments with regard to MDx and LM (Ph) technology? Thank you.

CARLO ROSA: Okay. Let me…I took more than three questions, I would say…here the non-recurring which one….

ANDREA SENALDI: Cost.

CARLO ROSA: Cost, okay. First one on tenders no we don't have any significant piece of the business which is attached to a single tender. The Brazilian case is very different because we participated along with Bremerier (Ph) to tender in Brazil based on the laser technology and that tender was started I think in the second part of 2008 and went through the first half of 2009. And Brazilian…Brazil is a fairly hectic market when it comes to public tenders, that tender has been completed and surprisingly completed in June 2009 and then it was very significant it was several million euros that was split between us and Bremerier (Ph) and then since then the government there has been some issues in Brazil and they have not started the tender process again. So, all of a sudden we have lost a significant portion of business in Brazil remember is a business in that case with a lower profitability LIAISON, so on one side we have the LIAISON business growing in Brazil on the other side you have a sudden loss of this…of these revenues and so the net effect is…that in the second half you would see the overall sales decreasing but the underlying LIAISON business is increasing. So once that effect is gone for Brazil we expect double-digit growth will start again in 2010.

Second question has to do with menu development, if I remember correctly and then new…launch of new products. Once let me say HIV, HCV and HBV those projects has been now completed and under filing we reverted to be that as usual in terms of product development and we have initiated the development of 12 products that will…are starting from now through June in the three manufacturing site. We have not disclosed yet our R&D final and we plan to do so early in the next couple of months, okay. But let me tell you that there are products that feel that continue our traditional strategy in terms of specialties in infectious disease areas and bio-mineral specialties.

When it comes to molecular and the delay of that system that is important that if that in order to speed up the process we spent a very significant amount of time putting together comprehensive we call it TDR product development requisite and based on that we first went through our company and ask them for a quotation and once we got the quotation we got puzzled in terms of certain aspect of this, so we decided then to move to our second company and proceed with benchmark. And this is why it's taking longer because we want to be…we want to make sure of that we select the right one for this project. Let me remind you though what I said many times in the past that molecular diagnostic is a lag that we are building and we expect it to contribute to the growth of this company two three years from now. And so, this is why usually we keep…we keep it very low key and we does give for some brief information about it.

ANDREA SENALDI: Okay Frazer as far as non-recurring are concerned you're right in thinking that I may have used the same thing totally my points about that is it is just that these are costs which has to do with the way we manage the business but just on take the quarter [indiscernible] because this can't…and we say that related in to for instance the…our IT structure and we don't change service provider as a quarter as well as we don't open a new subsidiary at the quarter. We didn't make a mystery of the fact that in 2010 we are going to go direct in Australia and therefore you will find in the future costs which are associated with that operation but is not a recurring event.

FRAZER HALL: Understood that's correct. Thank you.

OPERATOR: Next question is from Fitz Peters of Goldman Sachs. Please go ahead sir.

FITZ PETERS: Hi, it's Fitz Peters, Goldman Sachs. Most of my questions have already been asked, but a few more one is about the…what you seem (Ph) the trajectory for the existing RIA and a laser business is going to be now that Biotrin acquisition has fully worked its way through you know on a year-on-year basis? Also the US growth of comparable FX for North America and for rest of the world I'm wondering what it is for rest of Europe just because I know there are some UK and that as well? And finally, if you got some guidance for CapEx spending for next year including the LIAISON equipment that will be purchased and then placed with customers?

CARLO ROSA: Good.

ANDREA SENALDI: Okay. As far as…let me start me from Europe we do not report a figure in cost of exchange rate in Europe for a simple reason that the affect is fairly marginal. You're right in thinking that the UK pound has devalued through this year but our turnover in the UK market is fairly limited as compare to the total turnover of Europe. So I would expect that the fact to be totally marginal.

I couldn't not remember your other…in terms of CapEx, we do believe although you know we don't need…we don't provide a number guidance but we do believe that is…that if capital expenditure as seen in our level as we experienced this year will there on 2010 as well and in terms of the development of the technologies we believe that RIA in the future, if you discount the fact that Vitamin D is one form present under RIA technology. We continue to decrease slightly whereas ELISA will probably remain less. This year if you discount the effect of the Brazilian center which again was in LIAISON and the change in the consolidation area regarding the Biotrin products that would be the result.

FITZ PETERS: Okay, thank you very much.

OPERATOR: Next question is from Luca Orsini of One Investments. Please go ahead sir.

FITZ PETERS: Good afternoon. It's actually [indiscernible] I've got a couple of questions. The first one relates to the LIASON installed base, if you can give us the annualized revenue per box according to your calculation. And the second question refers to your P&L, in particular to the OpEx increase that you experienced in the fourth quarter and I was wondering the 29 solatia 30 million per quarter can be a guideline for the next fourth quarter of 2010. Thank you.

COMPANY REPRESENTATIVE: Okay I will take this question. First of all in terms of installed based. Our revenue so much in you look at full year phase of LIASON and the full year installed base, went up from about €61,000 in 2008 to just above €70,000 million per machine in 2009. As far as OpEx are concerned I think mentioned already the fact of the...its variable nonrecurring events as I call them and I think that if you look at the current rate of operational expenses that is on average…I repeat on average representative of what we expect to happen or to be our budget in 2010 at the level that we experience in Q4. So we don't expect that level to increase on average in 2010 much further.

ANALYST: Thank you.

ANALYST: Thank you. I am allowed to follow up if you can now, just looking at your guidance and looking at what one can call in form consensus, the market is going through a 15% growth and you talk about 10% growth and you've been guiding pretty tight in the past and you know and as the consensus is very aligned on this set of numbers, can you shed some light on that?

COMPANY REPRESENTATIVE: I think that if you read carefully, the guidance, it says "a growth above 10%."

ANALYST: Okay. You don't go further than that?

COMPANY REPRESENTATIVE: As a policy we don't. I think that if you look at…there are now several analysts that follow the company and I think they have a very good understanding by now for what the potential of the company is in the market it's playing and they have a very good understanding of our strategy. So you can go revert to the analysts in my opinion to get an understanding of what you could expect from this company in 2010.

ANALYST: Yes again since you are on the guidance can you confirm that the gross margin you expect it to increase in this year 2010.

COMPANY REPRESENTATIVE: Based on the structural events that we continue seeing there is no reason why it shouldn't improve.

ANALYST: Thank you.

OPERATOR: Next question is from Jan Luca Pedicone (Ph) of Gruppo Banca Leonardo. Please go ahead sir.

ANALYST: Good afternoon gentlemen and most of questions has been already asked, but just one clarification. Did I properly understand your planning maybe to delay the launch of the XL LIASON in order not to jeopardize the current machine and related to this what I meant so that is if you could elaborate on what is European you know the potential sales of the XL LIASON in a couple of years, yes. So, that would be really, really helpful. Thank you very much.

COMPANY REPRESENTATIVE: I think I can take first question, the first part of the question and give you I hope a little correct answer but not on the second one obviously. When it comes the LIASON XL you know, we have a conundrum over here because the current LIASON is growing so well and growing so strong that we are very careful in terms of the LIASON XL because as we stated in the past the day we announced via LIAISON XL we will immediately freeze the current LIAISON and therefore we are working on products that addition on the XL we are working on product development and as I stated we filed already one of the three assays according to the request of G-MED and we will be filing the other two very soon. We expect the viability of these three products by June, July and we are favorably considering what the strategy should be. It is very clear that whatever strategy we device for the XL is going to be driven by geographies. So we will have a strategy initiative to certain geographies. Europe is the obvious one and then we will move it and making sure that we don't interfere with the trajectory of current the LIAISON which is again is growing I would say top of the industry.

ANALYST: Just a follow up if I may. If I…I probably understand and that means that you are more focused on the cash flow coming from the current LIAISON rather than maybe an increase on the profitability thanks to the new machine. Is that correct that your focus is more on the cash flow that is still generating, the current one so maybe even a flat rate would be to the potential high profitability of the new one. Is that correct sir, as just as a rationale?

COMPANY REPRESENTATIVE: No it is not, I am sorry. We are focused…clearly cash is relevant but when it comes to our company, today is growth of topline that is very important as well as the profitability. The profitability of the company with an EBITDA of 40% is…is a very good profitability and that is generated by the LIAISON but will be generated as well by the LIAISON XL. So we don't expect an improvement in profitability because of the LIAISON XL.

In terms of the topline growth the interest, the customers do show still in the LIAISON is tremendous and therefore we want to use the LIAISON as much as possible before which is a new platform because again as soon as we announce the LIAISON XL, the LIAISON will freeze automatically and it would be real pity in my opinion to freeze a technology, an instrument that today is performing so well. So that's a conundrum that we have but meanwhile we are working internally in the company to prepare the launch.

ANALYST: Ricardo (Ph) you were very clear. Thank you.

OPERATOR: Next question is from Mr. Gaitone Wells of Rasa (Ph). Please go ahead sir.

ANALYST: Hi and good afternoon and just a follow up to the previous question again sorry. Is there a chance then in your current thinking that you may not launch the LIAISON XL till until next year? Thank you.

COMPANY REPRESENTATIVE: No I think that there is a chance that we will limit the launch of the LIAISON XL to very specific geographies and we very specific customers. That's a possibility. Because again, you need to understand that HIV, HCV and HBB the new product lines do carry this company inside a market that today has is touched by the current LIAISON because we don't offer those products on the current LIAISON. So if we tie the launch of the LIAISON XL to the viability of these three products then we would limit and some specific geographies, we would clearly limit the risk of praising the LIAISON and the cannibalization of LIAISON, because this is an untapped opportunity where the Diasorin doesn't carry any specific weight. So, what we are developing is a strategy, if something that is exploiting new opportunities without necessarily squeezing the LIAISON.

ANALYST: Okay, that's clear thank you.

OPERATOR: Next question is from Roberto Casoni of Otus Capital. Please go ahead sir.

ROBERTO CASONI: Hello hi and good afternoon. I just want to touch a bit on the previous questions, you have been receiving, regarding your 2010 target and it's…I want, just to put the question differently from I think it was Orsini. Is there any risk, you can see at the moment, whereby you will not able…you will not be able to reach your 10% plus sales growth or your improving gross margin in 2010?

COMPANY REPRESENTATIVE: It's a little early, but to say…but let me make a comment. I think the fundamental of the business, as you know have been good quarter to quarter…

ROBERTO CASONI: Yeah.

COMPANY REPRESENTATIVE: ...and if you do an extrapolation of our current rate, quarter raising revenues, you can see that the company is doing…is performing above the 10%.

ROBERTO CASONI: Yes.

COMPANY REPRESENTATIVE: So, I…from what I see today, in my crystal ball, I don't think that there is a big risk that we would be missing on what analysts consider as by consensus, a target for revenues.

ROBERTO CASONI: Okay.

COMPANY REPRESENTATIVE: If is had the crystal ball, I would play the lotto.

ROBERTO CASONI: Me too.

COMPANY REPRESENTATIVE: Okay.

ROBERTO CASONI: So, you don't think the current situation, circumstances in certain countries possibilities of a cut in or reduction in reimbursements could somehow, going forward, track your growth?

COMPANY REPRESENTATIVE: No, I don't honestly, I don't see at the horizon, from a regulatory perspective and a reimbursement perspective, anything that can affect the business more that of Diasorin. As I commented in previous conference calls, the biggest fright would have been in the US, if what they tried to do last year, with Vitamin, with curving Vitamin D testing, would have been successful, but it's very clear that the clinical evidence is so relevant today, when it comes to Vitamin D, that didn't succeed, so there is nothing else on the horizon, as I can see today, from that perspective, that can create an issue for Diasorin.

ROBERTO CASONI: Fantastic, thank you very much.

OPERATOR: Next question is a follow up from Luca Orsini of One Investments. Please go ahead Sir.

LUCA ORSINI: Yes. Hello, thanks for taking the follow up. It's again on this XL machine. I…my understanding was, that you were trying to launch this machine with the three new products, so to create additional sales, as opposed to just replace a machine with a wider spectrum of tests available, am I right?

COMPANY REPRESENTATIVE: Yes, you're correct. You are correct, but there is a…let me say. There are two aspects of this, there is one which is we launch it with HIV, HCV and HBV. Okay, it is very clear though that what we learn in the past is that especially in the market segment, where we play, which are not the large blood banks where effort is king, so is more than hospital, diagnostic market, it is very clear that, you would need to cut all those with infectious…all the other infectious disease products that we already have especially if you want to leverage on the existing positioning of Diasorin in certain countries with the LIAISON infectious disease. I made an example, before, where I stated at that Italy is a great example, where we have 700 LIAISONs, where we have a LIAISON pretty much placed in every virology or microbiology lab and it would be very clear, that we could step into that base, aiding the LIAISON XL, but that would require, the LIAISON XL to and also their act of the infectious disease on board and once we do that, which clearly is there, because your existing assays that are in validation with LIAISON XL. When we do that, it is difficult then, to limit all into HBB and HBsAg and HBV, you would be immediately taken by the market to, also the infectious disease customers. So, it's not as easy, in my opinion to decouple new sales with LIAISON XL and the old products. Okay, so when you introduce the LIAISON there, you have to offer on LIAISON, the whole infectious disease, so not only the new products and by definition, you would then freeze the LIAISON for just infectious disease. Is it, as we…I think we have discussed when we met, is a very complicated scenario, other companies have been there in the past and other…some have been successful, some made a lot of mistakes and we would to be very careful to make sure, that we will be ranked among the successful ones. Okay.

LUCA ORSINI: In managing the process of the migration.

COMPANY REPRESENTATIVE: In managing the migration, absolutely.

LUCA ORSINI: Okay, thank you.

COMPANY REPRESENTATIVE: You know, sorry if I made a last comment, the real problem here is that, if LIAISON was lingering and suffering, it would be a very easy decision, you know, you stop it and move on, but when you have fun in safety system placed in one year, you see the rates crawl, you have this ability in 2010 and you still see a very high demand, it becomes…it becomes a touchy situation.

LUCA ORSINI: You know I can see that. Thank you.

OPERATOR: Once again, if you wish to ask a question, please press "*" and "1", on your telephone. Next question is from David Robinson of Dalton Strategic Partnership. Please go ahead Sir.

DAVID ROBINSON: Good afternoon. I was wondering, if you could just, draw any light on any competing products in the Vitamin D area, whether you're seeing any merging in the US or in Europe. Thank you.

COMPANY REPRESENTATIVE: I don't think that the landscape has changed from the last time we talked, let me remind you that when it comes to the US, we do have, already a very strong competitor to a point that is 50% mark, we only enjoy a 50% mark, a share in the US. The rest is in the hands of the mass pack (Ph). When it comes to Europe, Roche has been there for now two years, I mean, not only Europe, but the rest of the world then we will be in competing with Roche and IDS, I think recently they launched their small system with Vitamin D, IDS is a fairly direct fright to Diasorin, because they direct their sales towards smaller accounts, so quite often, we don't see them…we don't compete with them on the account. Now, if you listen to the other companies, it is very clear that Vitamin D, is on the front page of our major newspapers in the US and in Europe and I believe there is an honest effort to develop Vitamin D, but we will see. I don't think, to be honest with you, that competition will never arise, I think competition will arise and this is why we are spending our resources today, to build brand around our Vitamin D, in terms of clinical value, because competition will show up.

DAVID ROBINSON: Thank you.

OPERATOR: Mr. Rosa, there are no more questions at this time.

CARLO ROSA: Thank you, thanks a lot.

ANDREA SENALDI: Thank you.