MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the DiaSorin First Quarter 2010 Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. [Operator Instructions]

At this time, I would like to turn the conference over to Mr. Carlo Rosa, CEO of DiaSorin. Go ahead, sir.

Carlo Rosa, Chief Executive Officer

Thank you. Good morning, good afternoon, and welcome to the quarter one conference call of DiaSorin. I will give you, comment to the results of the quarter, and then Andrea Senaldi, the Chief Financial Officer, will guide you through the presentation.

I want to touch on four different areas – revenue, screening, Liaison installed base, the Murex acquisition, and R&D in Liaison XL. So let me start to talk about the revenue for quarter one. As you have seen, the quarter has been very good for DiaSorin with a 23% like-for-like increase of sales versus quarter one last year. Let me give you a brief comment on different geographies.

Let's start from the U.S. We continue the expansion of the Liaison installed base. In the quarter, we have installed 30 Liaison systems between the U.S. and Canada, and half of which carry mixed menu between infectious disease and vitamin D. So as we have seen consistently, over the last few quarters, we continue to work a strategy where the opportunity is bundled with our Vitamin D on new Liaison installations.

As a note, 30% of the patients have been obtained through Cardinal. So this now is the third quarter in a row where we see that the organization also the direct sales force is placing the majority of the patients in Cardinal. There is a contribution that goes from 20 to 30% depending on quarters.

As a brief comment to the vitamin D market in the U.S., as you have seen from comments reported from the big private labs, LabCorp and Quest, the vitamin D market continues to grow strong. The demand is strong now coming from several different clinical areas, and we are confident that this growth can continue over the foreseeable future.

When we turn to Europe, we have a strong expansion of the Liaison installed base in this geography as well. And we have countries like France and England, where the growth has then reached over 30% and there is strong Liaison installation.

Regarding the Italian domestic market, where clearly DiaSorin enjoys a very high market share, then there has been a slowdown in Q1, the reason being the strong Liaison placement rate and the reason being that a very big tender with 30 some system has been won by the company. Installation has been done in Q1 and we expect the revenue stream to come in quarter – starting from quarter two.

If you go now to Asia/Pacific, as you know, starting from January, we have moved our operation directly from our Chinese office. The company is growing very strongly in China, with a growth of 30%, mainly driven by traditional oncology and thyroid and infectious disease products. Over 20 systems have been placed in the region in the quarter and again, we continue to experience a very strong growth in that area which is strategic for DiaSorin.

Then we have set our organization ready to receive the Murex revenues after closing, and I'm going to comment on the Murex business in a while.

And finally, we come to South America. As we have heard in previous calls, we have established a strong distribution network in countries where the company was not present before. Venezuela is a very good example where our distributor who previously was distributing systems from a very large competitor has moved to DiaSorin, and we have installed in the country over 20 systems, and the projection is to get close to 100 in the next 24 months. So the strategy of developing revenues in areas where the company was not present is providing strong benefits to us.

Finally, Brazil, as you know, this is the last quarter we're comparing quarter-to-quarter. We are comparing a situation where a large tender that was not available to us in 2009-2010 compares with the previous year where, fitting quarter one 2009 we were supplying fresh tender. So quarter-to-quarter Brazil doesn't show a significant growth. However, the company has been awarded with the same tender starting from quarter two, so we will start shipping again on that tender in quarter two. And we expect them to see again a growth coming from Brazil starting from next quarter.

And overall, we've installed 153 systems, the Liaison system in quarter one, which shows how the Liaison program still carries a lot of weight. The placement, as I say, is spread over many geographies, so it's not in one geography that's pushing it, which is showing that the results have been driven by mainly the varying activities to the market.

Let me move to Murex and comment on Murex. Pre-closing activities along with Abbott are going very well and we expect to close by June 1. We are extending the current time available to separate some of the activities that today are conducted by a doctor with their own product line and the Murex product line, especially in U.K. manufacturing site. As far as distribution we have prepared our own network to receive the Murex products as well as we have found agreement with Abbott where in certain geographies where Abbott is profitably strong, Abbott will continue to carry some of these products on DiaSorin reps, which is clearly very relevant for DiaSorin.

Now let me to move research and development in relation with the self program, the proper validation is very continuous. And we have now 35 systems that are installed at the different manufacturing sites of DiaSorin in the U.S., Germany and Italy. So research and development and quality control activities, which are necessary for a launch, which will happen later on in this year. From a differential point of view, HPV, HIV, and STD site has been submitted. For one of these products we have received back from GMA a deficiency letter and the company is working to submit a response by the end of May.

Now I will turn the podium to Andrea, who is going to guide you through the financial details for the quarter and then we're going to take your questions.

Andrea Senaldi, Chief Financial Officer

Thank you, Carlo, good morning or good afternoon, it's a pleasure to be here. I think that Carlo has touched pretty much on all the highlights of the quarter, so my suggestion would be to move straight to slide number two, with the Q1 income statement. As you've seen from Carlo's speech, our net revenues as reported are up versus quarter one 2009 by more than 20%. We have still -- on a quarter-to-quarter comparison we are still slightly suffering from the exchange rate versus the U.S. dollar, in fact the growth rate at constant exchange rate would have been 23.2%.

Now the devaluation quarter-on-quarter of the U.S. dollar has been compensated in part by the uplift of all the other major currencies and in particular, Brazilian reais versus the euro.

When we translated around a little on revenues, as we move down the P&L, you can see that our margin, our gross margins have moved up by 1.5 percentage points up almost 70% to almost the end of quarter one 2009 up to 71.6 with a growth rate in absolute terms of almost 25% year-on-year.

Operational expenses have grown much less than proportionate to the topline. The ratio of OpEx to turnover has gone down from 35.1% to 32.9, so more than two percentage points. In the line allocating expenses which we account in the quarter for 2 million, you have to bear in mind that we have reported here slightly more than €1 million of cost of a non-recurring nature which are associated to the -- mainly to the legal assistance to the acquisition of the Murex business line from Abbott.

All-in-all, as the consequence of the above-mentioned effect our EBIT for the quarter is €31.5 million, up almost 30% versus previous year. And our EBITDA is 36.1, up 27% versus Q1 of 2009. And the relative ratio to the turnover is in both cases up by about two percentage points.

Last, but not least, as we move down to the net results, I have to point out the effects of the change in accounting principles vis-à-vis the exchange rate differences that we recorded in previous years. On the financial debt that we carried in Euros, we have adopted as of 2010 hedge accounting according to IAS 39. And therefore this businesses are earning more with both the total P&L but we are charged directly against the reversal that measure along with in equities. So at the end of the quarter, we do report a net result of €19.5 million versus 13.2 the previous year with an uplift of almost 50%, 5-0%.

As we move through a different analysis of the revenue, I suggest we move to slide number four where you will notice that CLIA as a technology remains a driving force of the top line. CLIA is up versus previous quarter was up versus '09 more than 35%.

This is clearly driven by the enlargement of the installed base, Carlo already mentioned, we have installed in the quarter 153 new instruments, which represents a new record for the DiaSorin group. And yet I remind you we used net placement so already netted off of the instrument group from the market. It is clearly driven by the enlargement of the menu of assets that we offer on the Liaison platform. It is boosted by the new agreement, particularly in third quarter distribution in Latin American that Carlo already mentioned, and of course the continuing lab test or vitamin D test.

If you look at the quarter, our revenue are now weighted for almost 68% of the total turnover, this is with the new method. As mostly united by geography and we'll see that as of this quarter we do report according to the new management structure created in 2009 on original management basis. So we have now divided into four areas, Europe and Africa, North America, Latin America which includes Mexico and Asia-Pacific which includes Korea and China.

Europe – the European and African markets have grown by almost 9% versus previous year. As Carlo mentioned, this is lagging slightly behind previous records because of the slowdown in the initial half of the year of the Italian market. North America continues to remain over 45% every quarter and 54% growth rate at comparable exchange rates.

In Latin America the growth at 18.7% is very much boosted by the exchange rated factor on a comparable basis it would be close to 6% and this is again accounting for the effect of the large tender, the large provision tender that Carlo had mentioned. At Asia Pacific it has continued to contribute into significant growth of the group with a flat 20% over the previous year. If we count down to specific marketed income, as already mentioned France and Israel are close to 30% of the growth rate versus the comparable quarter of 2009.

As we move to the analysis of the profitability indicators, we have some details on slide number seven. Gross margin, I repeat, in absolute terms growing at almost 25%, moving up 1.5 percentage points from 70% to 71.6% of total sales.

EBITDA in absolute terms, flat 27% moving up two percentage points versus previous year. Operational sales, and operating profit 29.2% uplift, moving up from 34.2 to 36.4 of total sales. What is driving out our profitability with and continue to be the structural effects that have underlined improvement in the previous quarters, which are in a summary the improvement in technological mix between the mix material technology like RIA and ELISA into carrying new assays. The strong growth within the CLIA portfolio of specialty assays and particularly increasing the sales and the operational leverage that we are able to achieve on the transfer of our cost.

I'd like to remind you that within these operational expenses of the first quarter of 2010, we also find investment that were for serving the geographical expansion in – particularly in countries like the Czech Republic, or Canada or Holland, which had been implemented including – in the course of 2009 and we're not entirely present in 2000 – in the first quarter.

All in all, we've already seen improvement in revenue to debt in terms of percentage to sales, it is moving from 18.4 of revenues to 22.5% and we already commented that these results already discount €1 million of nonrecurring item related to the acquisition of the newest Murex.

As we move to the balance sheet, I'll point your attention to the fact that net capital employed has increased from €207 almost million in – at the end of 2009 to 2012 basically driven by all the assets present on the balance sheet. Net working capital is fully under control. The increase of receivables that we related -- the expansion of the business is partially offset by the increase of the payables to our supplier. The total capital employed is financed by almost €244 million in shareholder's equity and a positive financial position of 31 million.

In quarter one we have both generated an operational cash flow of 25.2 million before capital expenditure of almost 6. In 2009 and in the similar quarter we have generated 18.1 million before capital expenditure of 8.8 million. The difference between the two quarters in terms of CapEx is represented by the intangible assets of -- invested in last year where we bought out the distribution rights for the territory of USA and Czech.

The consequence of the strong cash generation is the fact that at the end of the quarter the company enjoys cash and cash equivalents in the range of more than €59 million. This is as much as I wanted to say so far. So I will now leave the floor to a Q&A session. Thank you.

QUESTION AND ANSWER SECTION

Operator: This is the Chorus Call conference operator. We will now begin the question-and-answer session. [Operator Instructions]. The first question is from Ese Smith of Goldman Sachs. Please go ahead.

<Q>: Good afternoon, gentlemen. Three quick questions for you. First off, now that the Parvovirus and the other two have been added to the menu, beyond HCV, HPV, and HIV, are there any other important products that you have that are coming on to the menu that you have in development for the Liaison XL. I mean I know that there are a number that are coming on for Liaison XL that are in Liaison. But are there any additional tests that you have in development that will be important.

Second, we've heard questions about decline in physician's offices primarily in the U.S., and I'm just wondering if that's having any slowing impact in the growth rate on vitamin D. And third organic growth in excess of 20%, you had a consolidation of Murex you're probably going to get some FX tailwind if exchange rates remain anywhere near where they are currently, for the remainder of the year. And you're saying approximately 15% growth for the full year, it seems a little bit light, so I'm just wondering if you could comment on that? Thank you.

<A – Carlo Rosa>: Okay. Let's start from the easy one, which is from a research and development point of view we have now in the pipeline over 10 different products for development and I remind you that products developed going forward do work both on Liaison and Liaison XL. Okay, very clear, the cap remains the same as the other products and the chemistry is the same.

As far as relevance of these products I see around for two different reasons. First one, let me say there is a group of products like Parvovirus so specialty impression reduced products that would go on the installed base with the installed base so the ability of a customer to use products would be very easy. Let me give an example, we have in development a pneumonia panel which is done by Chlamydia and Mycoplasma that we expect to launch by year end. These are typically products that today are done with older technologies, ELISA technologies, they are done by microbiology labs, which is where Liaison is sitting today and as it could happen in Parvovirus conversion it's fairly simple.

The second class of products has to do with the fact that with the Murex acquisition and the launch that will go, that we're going to extend with HIV, HCV, and HPV, there are companion products that are relevant for that segment of the market and let me give you an example, HTLV, which is a product that's typically used in blood bank screening. Where Murex enjoys with the ELISA technology a leading position worldwide, if it is a product that it is in the pipeline to be launched in 2011. And so I believe that, as I think I commented in the last conference call, once HIV and HCV and HPV development link has been done that has absorbed a lot of resources. We are going back to the usual, our usual rate of over 10 products in product development at any given time.

Now the second question was about a slowdown in the U.S. We have not seen a slowdown in the U.S. as I mentioned during my initial comments on the results. Some of you that understood the business model and do listen to what LabCorp and Quest are saying as far as vitamin D is concerned they posted again a very strong growth, which means that the early adoption of the test continues in the U.S. market. So again we have not seen any slowdown in the U.S.

And your last question is fundamentally is you now enjoy a 23% like-for-like growth of the business and why are you giving a guideline which is only 15%? Then I will give you my usual answer, as you know, the company is very realistic, we want to avoid the financial community build overoptimistic vision for the company going forward.

I understand that there could be a very positive impact coming from the Forex but I also would like to remind you that I think a few months ago everybody was saying that the dollar was going to be at

1.60 and not 1.25, so I would not necessarily count on the FX effect. Our 15% by the way, just to clarify does not include the Murex sales. That's like-for-like sales at constant permanent levels.

<Q>: Okay. I guess my question's a bit more why is up from 10%? I mean what does this number represent? Before you were saying it was going to be an excess 10% which at least in my view was quite conservative this was, you did post very good results in the first quarter. You know the installed base increasing by 150 machines was very impressive. Is this a kind of minimum if the installed base does not increase anymore or I'm just trying to understand what the 15 represents, that's different than what in excess of 10%?

<A – Carlo Rosa>: Okay. Let me just give you some rationale behind this. If you remember the quarter four growth was 15.9% and that was in line with what we are saying today, around 15%. I have to – I cannot deny the fact that there are lots of things that are moving very well for the company in all different geographies. As I said, in some of the distribution markets we are enjoying there is open placement at a certain rate was not foreseeable today – foreseeable until today, and simply because some of our large competitors are that are restructuring and consolidating their commercial network are leading a lot of sales to us.

However, I will say that this minimum I think that this 15% is what the outlook that we have today and again without considering exchange rate effects that given could benefit the company if the dollar stays where it is. It is something that the company sees that we can do.

I agree with you that the trend in quarter one would suggest maybe something higher than 15%, but for the time being an outlook of 15 seems reasonable to us without Murex and without positive exchange rate effects.

<Q>: Okay. Thank you very much.

Operator: Next question is from Maria Petakey of UBS. Please go ahead.

<Q>: Yes, good afternoon, gentlemen. I have two questions and I do apologize in advance if you have mentioned that before – but my line is has been really bad. I was wondering if you could give us a bit of a feeling for the installed base of 153 systems. Just to see how it is distributed in U.S. versus Europe and rest of the world. I think you have mentioned it's been pretty fairly distributed, but may be you can give us more information on that. And the second question would be with regards to the Murex deal, timing and as of when do you believe it's going to be contributing to your sales and earnings? Thank you very much.

<A – Carlo Rosa>: Okay, yes you missed it because I think I commented this during my opening speech. On Murex, we expect closing to happen by June 1, so we expect said contribution starting from June.

As far as the Liaison installations; they are really evenly spread. I usually we don't provide exact numbers for countries, but let me give you just a general sense. Half is between Europe and Africa, roughly 30 million is U.S. and Canada, and the rest is Latin America and Pacific.

<Q>: Thank you very much.

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

<Q – Frazer Hall>: Good afternoon gentlemen. Just a couple of follow up questions, if I may. Just on Murex, do you expect any additional costs associated with the acquisition of the Murex products at all? If so, could you give us any indication at this stage? And secondly, just with regard to the planned Liaison XL rollout and Carlo, you've mentioned again about a sort of a more full launch later this year. But can you just give us some sense as to how we should think about that launch in terms of its impact on Liaison itself and what that might mean in terms of how we should be looking at instrument placements going forward across the latter part of this year and into next year?

<A – Carlo Rosa>: Okay. Let me take the XL question. I feel that as far as 2010 is concerned, I think that the impact of Liaison XL is going to be minimal in terms of revenue contribution because we're talking about making it very carefully, as I mentioned 10 times already before commercially available to selected centers starting from right after the summer. We are evaluating whether around July we are going to roll out to some selected customers the Liaison XL with the HIV and HCV products for evaluation. But again, as I said before, we are in a very fortunate situation where the Liaison carries, it still goes very well, and you have seen that in quarter one is a really good quarter for us on Liaison placement. And so we have no interest whatsoever at this stage to make a full blown, all-out with the risk of splitting the Liaison product.

So as I said, as I think we should make the calculation regarding 2010 without the big impact on Liaison XL. We place systems in after the summer and the full revenue contribution of this product remains and clearly will start from next year.

<A – Andrea Senaldi>: Frazer, I'll take the question on the competitor [inaudible], if you're referring to cost associated for the systems of the acquisition process, yes, there will be some additional costs falling onto quarter two, simply because between signing and closing we continue to use the legal teams, we are simply not as efficient without it. Obviously, this cost will be at a much lower level than we had in quarter one. So we do not expect costs in a similar range but rather cost to lower than beginning of the year.

<Q – Frazer Hall>: Okay. Thanks.

<A – Andrea Senaldi>: If you're then referring to a different sort of cost, there will not be any cost associated to seeking for synergies between the two companies or the two business lines in 2010.

<Q – Frazer Hall>: Okay. Thank you. And just if I may chance my arm, just one further question, just in terms of the vitamin D landscape. Are you aware of any new competitors or planned launches at all, and I guess any relatively recent new competitors, a relatively small UK company but has there been any impact in the marketplace at all from their presence over the last six to nine months?

<A – Carlo Rosa>: I understand that this a question that comes every time, and unfortunately I will keep giving you the same answer. When it comes to IDS, we don't see IDS, honestly. I know they're doing good, I know because I see the numbers. Clearly they're placing systems in much smaller accounts, so we don't go head to head with them. When it comes to the Liaison placements, they are not in the U.S. and so we don't see them there.

As far as everybody else. I think that if you look into the R&D pipeline of any diagnostic company with some brain left you will find a vitamin D development effort. But you know I don't follow honestly rumors of the market until I start to get facts and I start to see product, and I understand how the product is and I keep giving these events. Well three years ago all of a sudden Roche showed up, and you would have expected that Roche would have been some formidable competitor for DiaSorin; well, it didn't go that way.

And so I keep saying we go straight with our own strategy. We are again spending lots of time to increase the installed base in the U.S., fortify the presence in the U.S., and spending time in clinical studies. Because I always do believe that the fact of competitors showing up, I think that the biggest risk for vitamin D is related to the fact that the clinical community has to continue to buy and to be provided with data to support large and larger use of vitamin D, and there is where our money goes and should go. Okay.

So our strategy today is directed towards generating, simply generating clinical data to support certain applications for vitamin D and looking in areas like cardiac or asthma studies. And by the same token, it is going towards helping the payer to make educated decision in terms of reimbursement and supporting vitamin D plans.

<Q – Frazer Hall>: Okay. Thanks, Carlo, I appreciate it. Thank you.

<A – Carlo Rosa>: Yeah.

Operator: Next question is from David Babitt of Fred Nicholls. Go ahead.

<Q>: Hi, Carlo. I just wanted to confirm, post the Murex acquisition, you'll be more or less, there's what still net cash effectively and if so, if there are any plans for any further acquisitions, or you think that post that deal you'll need some time to bed it in, and so it will be a while before you think of something similar again?

<A – Carlo Rosa>: As you've seen from our conservative approach on numbers, and sometimes it is almost ludicrous, I understand, but we are a conservative company. So I think that now is the time to make sure that the Murex acquisition is done properly. Our customers will get from us the same kind of service that they've been getting from Abbott. We need to streamline our distribution and making sure that this very relevant product line is brought seamless in DiaSorin.

We really start to see working with Abbott out there that the market for ELISA EMBASA and for this application is still very big. There are very large centers where we can participate on. So I would like this company today to focus on the Murex acquisition and do it right. And this is going to take our time throughout 2010, and then going forward as Andrea pointed out, we are very centered on cash generation and as we did before, we will put this – we will make this one available to strengthen the content and know-how of the organization, and we know that there are other opportunities out there to do so, but slowly, slowly.

<Q>: Thank you.

Operator: [Operator Instructions] Next question is from Ese Smith of Goldman Sachs. Go ahead.

<Q>: Hi, gentlemen. Just a quick follow-up question on molecular diagnostics. I'm just wondering if you talked about it a little bit on the call and in the Q&A last quarter, just the fact you were still looking for a supplier. I'm just wondering if you had any update on that program? Thank you.

<A – Carlo Rosa>: No, I don't. Again, we continue to work evaluating our course. You need to understand that, let me just give you a principle here why this is difficult. Today the molecular diagnostic market and all the suppliers do really benefit from a situation that in my opinion cannot stand for long where customers are paying 100, $115 for an assay. Systems can cost $100,000 and the market accepts this.

As you know our point of view is completely different. Our view is that this has to become a commodity and becoming a commodity is to increasing especially in volume, but to be a commodity you need to work with commodity prices and price structure, which we are able to do with technology, the lab technology that we confirmed is a very strong and cheap alternative. However, talking to these guys that today are used to making systems that they sell to diagnostic companies for $100,000 apiece, it is difficult to make them switch their mentality from small volume high price to high volume of boxes, but a different cost structure.

And that's the difficulty that we are encountering and I'm not available to change my mind because I believe that this is the future. So we continue with the discussions until we find a partner that understands the business model, otherwise you know being working with the gene transfer models 20 years later is not going to work.

<Q>: Okay. That's helpful. Thank you.

Operator: [Operator Instructions] Gentlemen, there are no more questions registered.

Carlo Rosa, Chief Executive Officer

That's it. Thank you very much.

Operator: Ladies and gentlemen, thank you for joining. The conference is now over. You may disconnect your telephones.