MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the DiaSorin First Quarter 2011 Financial Results Conference Call. [Operator Instructions] At this time, I would like to turn the conference over to Mr. Carlo Rosa, CEO of DiaSorin. Please go ahead, sir.

Carlo Rosa, Chief Executive Officer

Yes. Thank you, operator. Good afternoon, and welcome to the quarter one 2011 results. As we go, I will go through some initial general comments about the quarter and then I will turn to Andrea, who will drive all of us through the numbers.

We had a good quarter. We have a strong revenue growth of 17.3% at constant exchange rate and excluding the Murex business that, as you know, we acquired in June last year. I would like to go through the different geographies discussing with you the performance of the company in these geographies.

As far as U.S. is concerned, sales in the U.S. are up 11% versus last year. Vitamin D volume is growing. In quarter one, Vitamin D volume grew 2% versus Q4 last year. So, we are now comparing quarter one to quarter four last year. And this is a side effect that because of snowfalls in the East Coast, volumes have been lower than expected. And this has been reported by both [ph] Kuwait and [indiscernible] (1:53).

We expect then that volume will recover in quarter – starting from quarter two. And in 2011, the Vitamin D volume will still grow double digit in the U.S. compared to last year. In Europe, we had strong result in key countries. As you have seen, Germany and France grew respectively 24% and 33%. Supporting another growth of the region, that reached almost 14%.

Emerging countries continued to contribute strongly to the growth of the Group, thanks to the success of the Liaison Program especially in China and South America as you know in what we call emerging countries are representing the majority of the business. In both geographies, business has grown from close and over 50%.

In the quarter, we placed [indiscernible] (2:58), which is in line with the company's projection for quarter one. Please note that we suffered from short [ph] late order from [indiscernible] (3:07) that pushed the delivery offer through the system in quarter two.

Finally, we have excelled. As you know, we have decided that for the initial two or three quarters, we are not going to disclose extra placement and this is because, we believe this is a very sensitive information. These are the competition. However, there are certain placements that continue as planned. In quarter one, we have completed the launch phase in Italy and Iran. And in quarter two, we are then planning to place systems in the European countries and Australia, and this is happening as we speak.

Let me comment then on two other events. One is the LabCorp agreement and the other one is PSS agreement.

DiaSorin LabCorp have enjoyed a strong partnership over the last five years. LabCorp has been a good partner to launch the vitamin D in the U.S. initially. And today, it represents almost 25% of the Vitamin D revenues in the United States. This agreement clearly strengthens the relationship and protects a very important customer from competition. And moreover, it allows DiaSorin to extend its business on the Liaison XL to include other products in special disease area.

We are planning to start evaluation of the XL at the end of quarter two, beginning of quarter three in some of the LabCorp facilities with a plan to complete installations within the following 12 months.

Last but not the least, PSS. PSS is a key pillar of our molecular strategy since it will provide us with a platform to run our upcoming molecular products that we had discussed our plan for the second half of 2012. PSS is a key player in this area and is the current supplier of some of the major molecular companies. Fundamentally, they are making platform for all the players in this field.

We expect to complete the development of the platform by the end of 2011, so prototypes will be provided to our molecular diagnostics group in Ireland to start with validation. And again, we have seen an initial launch with products in the area of infectious disease and possibly on hematology in 2012.

Now, I will leave the microphone to Andrea Senaldi, the Chief Financial Officer, who will drive you through the – with key financials, and then we start the Q&A session. Thank you.

Andrea Senaldi, Senior Corporate Vice President and Chief Financial Officer

Thank you, Carlo. Good morning – good afternoon, ladies and gentlemen. In the Europe session, what I'm going to do, I'm going to take you through the presentation. So if we start from the first slide of Q1 highlights, I believe that Carlo has already touched on many of these items. I would simply add to his remarks, the fact that together with the strong revenue growth, which I remind you, is around 28% or more than 28% including the Murex turnover.

We have registered a significant and consistent improvement at operating margins level. In fact, our EBITDA has grown by 38%, so much more than proportional to the growth of the top line. And we are now having a ratio to sales of EBITDA, which is just shy of 45%, and EBIT has grown by almost 38%, again with the ratio to sales, which is 39%. As a combined factor, the net result of the quarter has grown by 46% versus the similar quarter of previous year.

Now, on top of the two – if we move to the second slide, on top of the two items that Carlo mentioned, so PSS agreement and LabCorp agreement, I would just like to remind you two other major events in quarter one. The first one was the clearance from the Food and Drug Administration of the LIAISON XL, which opens the door for the system to be available in the U.S. as of June, July this year. And the second one is the signature of another long-term supply agreement with Sonic Healthcare, which is [ph] another operation about 300 (8:36).

So if we then move back to the P&Ls and the financials, on slide number three, I would invite you to go through all the key elements of our profit and loss statement. I believe we already commented net revenues, and just to recap the performance, 28.5% is the growth as we reported. Murex has account for about 10 percentage points versus quarter one, where it was not consolidated. And we have a slight favorable exchange rate effect, which accounts for about 1 percentage point. So all-in-all on a like-for-like basis, we are looking at a growth rate which is close to 18%.

As far as gross margin is concerned, the gross margin is fairly in line with what we recorded in quarter one of 2010 with a significant improvement versus last quarter 2010. And today, it's around 72% of sales. Operating expenses grew versus previous year, but much less than proportionally to the extent that our ratio on sales – the ratio on sales of operating expenses is down by 2 percentage points. And if you coupled this with the fact that operating income or expenses had been incrementally flat versus previous year. You realize the drivers of the growth of the EBIT margin which went up from €31 million to €43.5 million with an improvement of more than 2.5 percentage points. And the same thing is true or to the larger extent is true for EBITDA, which grew by 38.5% with an improvement of more than 3 percentage points.

Net financial expenses are favorable – sorry – income or expenses are favorable in the quarter, this is mainly due to favorable exchange rate on the currency stocks of the group and on the favorable effect of the exchange rate cover policy that we adopted as of the beginning of 2010. All-in-all, as we commented before, the net result is €28.5 million which compares with €19.5 million of the previous quarter of 2010.

As we move into a deeper analysis of the revenues. In Q1, CLIA sales grew by almost 27% versus previous year. ChemiLuminescent remains the driver of the growth of the DiaSorin Group and in fact if you compare on a like-for-like basis, the portfolio of our revenues today ChemiLuminescent accounts for about 72% of the total sales so whereas in the similar quarter of last year is accounted for almost 68%. And this is clearly done at the expenses of more mature technologies like RIA and ELISA.

In the following slide you have, again, a revenue breakdown by geography and Carlo has already touched on a number of performance issues we could see that, indeed, Europe and Africa as a region grew by 14% versus quarter one 2010, with particularly strong performance in France and Germany, France above 30% and Germany around 24%.

The U.S. has contributed with a growth of 12.1% as reported. As we commented before, there has been a favorable exchange rate effect, so on a like-for-like basis the growth is 1 percentage point lower, so 11%. Very strong growth in both region, both which are represented by emerging markets, so Latin America is growing 54%, and Asia Pacific is growing almost 50%, with particularly strong performances in China, where the growth again is above 45% versus similar quarter of 2010.

Alongside the increase at top line levels, as we said before, we continue to improve our profitability against a fairly stable gross margin versus Q1 2010. Very significant leverage on the structural costs of the company, EBITDA as we saw moved up by 3 percentage points. EBIT grew – moved up by 2.5 percentage points.

I have to remind you that in Q1 of 2010, there were some exceptional items related – or extraordinary cost related to the assistance to the Murex acquisition. So if you take out and adjust the EBIT and EBITDA of 2010 for these items, you would find an improvement of EBITDA and EBIT ratio in excess of 2 percentage points. And again, net results moved from 22.5% of turnover to 25.6%.

As we move into the next slide to the balance sheet and the cash flow, the net financial position has slightly worsened versus the end of 2010. It remains positive by €31 million, and the reason why it has worsened has entirely to do with the fact that in quarter one, we executed a buyback plan for about 750,000 shares at a cost of more than €25 million.

The cash flow – the operating cash flow that has been generated during the quarter one is 27.6% before CapEx of €4 million. I have to remind you that within this operating cash flow, we also allowed for the payment of the second installment of the distribution of rights for the Australian territory and some [indiscernible] (15:02) to the payment for the Murex acquisition. And last but not the least; at the end of the quarter, we enjoyed cash and cash equivalent instrument for €58 million. The last thing I would like to comment is about the guidance that we already provided the financial community as we commented quarter four results.

In light of what we achieved in quarter one, the management believes that we can confirm the guidance we previously provided. So with revenues in the range between €465 million and €575 million, which represents a growth in excess of 15%; a number of instrument placements for the full year in excess of 600 units and EBITDA for the full year in the range of €200 million.

That's all I wanted to say as far as implementation is concerned. Now, I would like to leave the floor to the usual Q&A session. Thank you very much.

FACTSET: callstreet

corrected transcript

QUESTION AND ANSWER SECTION

Operator: Excuse me. This is the Chorus Call conference operator. We will now begin the question-and-answer session. [Operator Instructions] The first question is from Romain Zana from Exane BNP Paribas. Please go ahead.

<Q – Romain Zana>: Yes. Good afternoon, gentlemen. Thanks for taking my question. I have three question actually. The first one regarding your supply agreements signed with LabCorp. I was just wondering if it's an exclusive agreement or do the future provider of Vitamin D test will be allowed to help LabCorp as well during the five-year project?

Second question was actually regarding the launch LIAISON XL and I was wondering if it will have an impact on the gross margin on the remaining part of the year. And lastly, on Vitamin D, I'm sorry I missed the details you gave at the beginning of the call. So if you could just come back on this and the trend expected looking forward. Thank you.

<A – Carlo Rosa>: Okay. I will start from the last question. We said that the Vitamin D volumes are still growing in the U.S. We said that in quarter one, Vitamin D volume grew 2% versus Q4 last year, so it's quarter-on-quarter. And the 2% is notwithstanding the fact that there has been a very strong winter in the East Coast and volumes have been lower than expected, and this has been reported by both Quest and LabCorp. So based on the growth notwithstanding that we saw in the quarter in volume, notwithstanding this, we continue to believe that volumes in the U.S. will grow double digit in 2011. Now, regarding the LabCorp agreement, yes, this agreement is exclusive agreement and that customers commit to buying the products, one product from their supplier. It is not a practice of these laboratories to sign up different suppliers for the same product.

And the third question is?

<A – Andrea Senaldi>: The third question, I'll take the other question about the margins in LIAISON XL. The quick answer is no. It will not affect adversely the gross margin for the Company for the simple fact that, as I've said a number of times, the LIAISON XL sale will not change the economics of the business model that we have. Depreciation will remain according to the previous [ph] partner (19:28) and to a slightly higher depreciation rate we will cover a slightly higher or a proportionately higher revenue stream.

On the other side, everything which is related to the development cost of LIAISON XL that we capitalized in the past, internally and externally, you already see in our account as of today, we launched this out. So in a nutshell, it will not change the gross margin.

<Q – Romain Zana>: Okay. And maybe just a follow-up on Vitamin D, what was the growth year-on-year in Q1 on the volume side?

<A – Andrea Senaldi>: I think that top of my memory we are talking 25% volumes.

<Q – Romain Zana>: Okay. Thank you.

Operator: The next question is from Mrs. Philippa Gardner from Jefferies. Please go ahead, madam.

<Q – Philippa Gardner>: Oh, thank you. I just have a couple of questions please, if I could, firstly on some more questions on the LabCorp agreement, was this at all an early renewal of your previous contract, or was it just because your previous contract was coming to an end with them? And then my question is what sort of change, or were there any changes to the pricing terms, or what kind of pricing incentive did you offer in order to find another five-year contract?

And then I've got a question on Murex, you say that the number this quarter was slightly below your expectations, so what were your expectations for this quarter and should we expect sort of a stable number in the second quarter and then potentially improving in the rest of the year? Or how should we think about that going forward? Thank you.

<A – Carlo Rosa>: Okay. I believe, unfortunately, you're asking two questions where it's going to be very difficult to answer. LabCorp, we have been in LabCorp for the last five years. We are what they call partner in science for Vitamin D, so they've been using our platform. And we had an existing agreement in place which was expanding, and we have renewed the agreement, the existing agreement over the – for the next five years. And this is very relevant for us for two reasons. One is that LabCorp is an active partner. So, it is a venue that we have to in keeping physicians on the proper use of the Vitamin D. And clearly second it does represent a big chunk of our business in the U.S. and in light of possible upcoming competition that was clearly a customer that we wanted to secure.

Now, as far as pricing concession, I'm sorry, but we are not allowed under confidentiality to disclose terms and conditions that we have with our customers. Okay.

As far as the Murex sales are concerned, let me just make a comment because I don't think that I'm in a position to tell you what we expected. But let me tell you that what we expect by year-end. We expect that by year-end this business will grow double digit notwithstanding the fact that two events have happened in quarter one. One is that because of the situation in Africa. There have been certain countries where tenders have been cancelled or tenders have or existing customers have not purchased products, okay. And a portion of the Murex business was, in fact, in those geographies.

And the second effect is that some very large tenders that we expected outside of Africa. Now, I'm talking more about European countries, some of these large tenders had been postponed. So we feel comfortable that they will awarded to us, the problem is that they've not been awarded in quarter one. However, we still are positive on the strength of this business so we believe it will grow double digit, so we will catch up in the second, third and fourth quarter for this business.

And as far as the manufacturing is concerned, as you know, we have completed our restructuring for the business in December quarter one. It's clean as far as the UK manufacturing site is concerned, and the margin contribution to the business of the New York business now is in line with what we expected and have discussed in previous calls.

<Q – Philippa Gardner>: That's great. Can I just maybe sort of follow up on some of the pricing stuff, and obviously I know you can't give us anymore details, but could you maybe give us some thoughts as to what you think might happen to pricing for Vitamin D as competition comes in the U.S. be that sort of 2012 timeframe? Are we looking at sort of a 10%, 20%, 30% pressure on current pricing levels or do you have any views on that?

<A – Carlo Rosa>: I think that I can share with you a view that we had already discussed in the previous quarters. I believe that the fact that the volumes had been increasing significantly especially with large customers, and in light of the fact that, we went back as a strategy to those accounts and ask for long extension of contracts. Even if contracts that were not expired so as we went to them for extension and we made price decision in the – those large accounts in the range of 10% to 15%, okay. So – however, we secured over 70% of the business for at least the rest – in 2012 and 2103. So this business what we have seen is not necessarily an effect of direct competition but an effect of volume and renegotiation of long-term agreements with our accounts.

As far as Europe is concerned, competition is there mainly Abbott and [indiscernible] (26.30). For the time being, we have not seen competitors using pricing strategy which is a bit different from what we have used in the past, okay. So from – again, where competition is there today, at this stage it's not a matter of pricing, it's more a matter of growing our percentile keeping the premium price and still I believe this industry enjoying a product that is very difficult to make, but is also rewarding in terms of profitability.

<Q – Philippa Gardner>: Thank you very much. That's very helpful.

Operator: The next question is from Miss Brigitte de Lima from Bank of America Merrill Lynch. Please go ahead ma'am.

<Q – Brigitte de Lima>: Good afternoon. I've just got two questions left. The first would be on the LIAISON deliveries. You said that some got delayed into Q2. Could you give an ideal of what number of deliveries you would have recorded in Q1 had those delays not happened?

And then second general question Vitamin D test in the U.S. Do you have a feel for what proportion of a Vitamin D test revenues in the U.S. come from tests done directly in the labs, where the LIAISON was placed, versus test that was sent out from labs where there's no LIAISON, to labs that has a LIAISON? Thanks.

<A – Carlo Rosa>: I'm sorry. I will reply to your first question but then I need you to repeat the second question because it's not very clear to me. I think I gave the number. We said that around 20 systems were supposed to be delivered in quarter one where pushed to quarter two, okay. Now can you repeat your second question?

<Q – Brigitte de Lima>: Yeah, I guess basically, I'm trying to get a feel for what proportion of your revenues in the U.S. relates to Vitamin D are direct sales versus send-out. Sorry, do you have a feel for what proportion of your revenues for the Vitamin D test in the U.S. is related to send-out tests, rather than tests done in the labs that have the LIAISON? I'm just trying to get a feel for what proportion of that franchise is really subject to competition?

<A – Carlo Rosa>: Listen, I think that I can be bluntly honest, I have no idea. Then let me tell you why I have no idea, because unfortunately this – take big labs like LabCorp and LabCorp has contracts with hospitals and contracts with insurance companies and therefore, physicians. So their mix is a mix of samples that are coming from – directly from physicians as well as lab business that is composite out with hospital chains, physician office and so forth. They do not clearly share that split with us. So it would be quite difficult to understand the percent of the send-out.

However, let me say that the rest of the installed base sits with exception of LabCorp and [indiscernible] (29.38), which is another reference lab there, we have the mix of send-out and physician business. The rest of the installed base shift in hospitals and labs that typically is not send-out, it's all direct business.

<Q – Brigitte de Lima>: Okay. That's helpful. Thank you.

Operator: The next question is from Mr. [ph] Giacomo Picaito from Argos Capital (30:04). Please go ahead, sir.

<Q>: Good afternoon to everybody. A few questions. The first one is on molecular, if you could give us some color in terms of strategy to penetrate the market which, at least from my little knowledge, it is already with other players. You already played the game in entering, let's say, not crowded but, let's say, without a strong pace in the sector of diagnostics, just to understand your strategy now if automation is the trigger, the quality of the product, try to give us some color.

Second question is on acquisitions, just to wonder if this – PPS is the, let's say, not acquisition but the counter activity you were thinking about or you're thinking still about further acquisitions. And last, in terms of organic growth, I need the triggered calculation. I'm trying to understand what has been your real like-for-like growth and excluding new rigs and a little bit of currency effect, have been in the region of 17% in Q1. Is there any reason why we should expect this like-for-like to be strongly under pressure during the rest of the year for comparison reasons or anything I'm not aware about? Thank you.

<A – Carlo Rosa>: Okay. Let's start with the easy one, acquisition. PSS is a different corporate deal acquisition. We said that I think this company enjoys a fairly hefty cash flow. Some of it, but a very small part of it is given back to the shareholders as dividend. The rest is already in effect and has been related historically to strengthen content – technological content and catalog of renegotiation, and I believe that this will continue for the foreseeable future.

As far as molecular diagnostics is concerned, the strategy is fairly straightforward, we are not planning to be the next key agent for Roche Molecular, this is not our intent. We clearly, are a united company and we'll stay focused on that. However, we believe that there are certain areas where these very large companies do not go. They do not go for two reasons; either because it is – these are specialty secondary markets that are not done, or other markets where there is an increased rotation in the policies and assets of the individual protection that you are protected.

In – our intent is therefore to build an interesting business, leveraging immunization disease on the strong name that we have in this field. We've built accounts that today are doing LIAISON and they do also molecular especially the products in the labs. And there are certain applications for molecular that suits very well with the traditional immunoassay market.

Then there are areas, which has nothing to do with immunization where instead, the key clinical areas especially in certain oncology application where again, you can build a certain position with having access to licenses, ITs and so forth, which is something that's quite active already- I think last year. Now, the last one is organically...

<Q>: Sorry, just to complete the picture on molecular, then your customers will need a new, let's say, machine for these tests, right or they will be able to do it with yours?

<A – Carlo Rosa>: No, they will need dedicated system and that's the one that we are developing in PSS.

<Q>: Okay, great. Thank you.

<A – Carlo Rosa>: Okay. The last one is organic growth. Yes, you said correctly, but I think and made my – your calculation is correct, but the number I stated at the beginning of the call at 17.3% organic like-for-like growth. We said in our projection that we will be able to grow around 15% year-on-year, and so quite in line with what you have seen so far so, which is again in line with the 465, 475 that we have confirmed after – in the quarter one as well.

<Q>: Sorry, just to be sure that I understood. Yes, you are saying 15%, but this is including the consolidation effect of [ph] new works (35:19). So, the like-for-like expected, if my numbers are right, is much lower in the remaining of the year, let's say, in the region of to 10% in the high part of the range, roughly, I mean, 10% or...

<A – Carlo Rosa>: Yes. This is correct. It is correct because, in fact, we believe that this company organically could – can grow low double-digits, which is still quite extraordinary in this space. Moving forward in the year, you would be then comparing with quarters which have been quite heavy quarters in 2010. So, you cannot expect the rate of quarter one to be then repeated going forward.

<Q>: Okay, thank you.

Operator: The next question is from Mr. Martin Wales from UBS. Please go ahead, sir.

<Q – Martin Wales>: Hi, first question on the LIAISON XL placements combined, obviously [ph] 20 machines really (36:32) in Q2 instead of Q1, you're launching in the U.S. in the back end of this quarter. Should we be thinking of your greater than 600 machines very back-end loaded this year? Or what should we be thinking of, first half, second half, split crudely?

<A – Carlo Rosa>: First, the number I gave you, the 134, does not include XL whatsoever, okay. And we [ph] had less than (37:01) for initial – for sure in Q1 and let's say, quarter two, to keep the LIAISON XL out of the spot. And then clearly, throughout the year, we will start providing then consolidated numbers, LIAISON plus LIAISON XL. But again, unfortunately we had lots of competitors snooping around our LIAISON XL. If you think about it, it's the only platform, the only new platform that has been launched in this space over the last few years, and we're a little jealous about it.

Now, I continue to – I confirm that we will get to 600 systems by year-end, that is something we feel comfortable with. And I feel that if you clean the – if you clean the Q1 result from a back order, you are pretty much in line with that expectation.

<Q – Martin Wales>: Well, yes. I'm just slightly confused. Is this 600 now LIAISON only for the year or LIAISON plus LIAISON XL?

<A – Carlo Rosa>: Plus...

<A – Andrea Senaldi>: No.

<A – Carlo Rosa>: Sorry.

<A – Andrea Senaldi>: No, no, it is – Martin this is Andrea. The 600 or the above 600 instruments of new installed base is including the XLs for the year.

<A – Carlo Rosa>: Keep in mind, Martin, that we have been transitioning from LIAISON placement to LIAISON XL placement.

<Q – Martin Wales>: But the Q1 number of 133 you've given us...

<A – Carlo Rosa>: Only LIAISON.

<Q – Martin Wales>: But are you keeping out – okay. Okay. So there were some XLs on top of that.

<A – Carlo Rosa>: Yes.

<Q – Martin Wales>: Okay, that's clear enough. Given that we're now sort of half way, well almost half way through Q2, your confidence about Murex as European tenders, has that been validated by any of those tenders being awarded yet?

<A – Carlo Rosa>: Some of them have been, some are in the process of; so this is why I'm telling you that we are quite comfortable with the year-end number for Murex.

<Q – Martin Wales>: Just on a bit on where you are in terms of rolling out new specialty – specialist tests. Obviously, you highlighted that you've got a reasonable number of tests to come out this year or next year. I'm looking at the slide you've got around about 9 infectious disease related tests but you've obviously launched some new tests on the XL platform. And you highlighted especially assays that you're launching in 2012 and beyond. Where are we versus the last time you spoke to the market in terms of launching tests and what should we be expecting in 2011 in terms of new test launches in total?

<A – Carlo Rosa>: I – we don't have these numbers because I don't have the slide with me. I think we have launched five assays year-to-date including measles and mumps for the U.S., which is fairly relevant because in the U.S. as you know there's a big volume with what they call MMRV screening for measles, mumps, rubella and VCV. And we had rubella and VCV relating to that – like in the other two, so now we have the complete [ph] finance for the whole (40:40) screening, so this is fairly relevant for us in the U.S. And then we launched the mycoplasma assays. So then I think we are in line with what we had discussed before for the launch of the other products in the second part of the year.

<Q – Martin Wales>: Okay. Just to confirm something very quickly before I get off the call, you obviously haven't changed your guidance. That would suggest that the final deal with LabCorp was in line with the expectation and obviously that deal has been under negotiation for some time. Can you confirm that at least?

<A – Carlo Rosa>: Yes, the problem is that we're not allowed to make any publicity to it because clearly a confidentiality, and then we got finally, this final press release [ph] that went through (41:30) recently, so we were able then to make it public a couple of days ago.

<Q – Martin Wales>: Okay, fantastic. Thank you very much.

Operator: The next question is from Mrs. [ph] Maura Garbero from One Investments (41:41). Please go ahead, madam.

<Q>: Good afternoon. Just going back to what you said regarding the renegotiation in pricing with your customers in the U.S., can you maybe share with us when those reductions will impact you or will be more visible on your P&L? And you are thinking that those at the end will have any sort of impact on your marginality.

And secondly, you mentioned this delivery postponement of LIAISON machine. What was exactly the problem at STRATEC, and do you foresee any further delays? And finally, I have a final question on Murex. Is it possible to know the contribution at the operating level? Thank you.

<A – Carlo Rosa>: Okay, I will answer to the [ph] back order (42:43) question. It is very simple. They had a back order from one of their suppliers for a component and which is a barcode reader and, therefore, they had experienced a delay in delivering to us. So it's nothing structural. It simply is related again to one component being late.

As far as the other two questions, Andrea, do you want to address them?

<A – Andrea Senaldi>: Yes, okay. As far as the price concession, you do already see them in the Q1 results because they were already enforced. And as far as Murex operating level, I believe we said in the past that although we don't provide any precise number, that we did in – what was seen in the past is that if you look at the EBITDA contribution of Murex on a standalone basis, you're looking at margins which are very similar to the margin that we are seeing on the average of our businesses, so anywhere between 30% and 35%. Now I have to say this is a bit of an unfair comparison because as you know we didn't buy a company but we bought a business line. So that business is now bolt-on into a pre-existing structure. But having said this, what is fairly relevant is that the Murex business is not dilutive on our margins.

<Q>: Thank you.

Operator: [Operator Instructions] The next question is from Mr. [ph] Patrick Fuchs from RCM (44:17). Please go ahead, sir.

<Q>: Hello. Just a follow-on on the margins, so basically what you're saying is that it's not dependent on the Murex space, basically where your gross margin is moving. I mean, one could – I would like to ask you if from the gross margin side, let's say, the weaker Murex, what does this imply and compare to the [ph] declared (44:51) extension of share of space if, I mean you just answered the question but just to confirm that? And for the rest of the year, would you expect the profitability to be maintained or do you expect some investments in H2 or so?

<A – Andrea Senaldi>: Okay. I think that it's, again, we go back to Murex, I think that the effect of Murex on demands on the company after the restructuring process that we executed in the end of last year is in essence not dilutive to the extent that – as you can see, our margin in the quarter one is better than it was in quarter four.

As far as the profitability of the Company, in general going forward throughout the year, bear in mind what is the pattern of our operational expenses which are normally fairly light in quarter one and quarter two and much heavier in the second part of the year. Well, there is a strong concentration of the major marketing events. So you should expect the improvement that we recorded in the year phase out as we progress given the next quarter, or rather than phasing out is diminished as we progress in the next quarter.

<Q>: Okay, maybe a question on the growth in the U.S. You mentioned winter volumes down what 11% on constant exchange rates. What about your expectations as the year goes on regarding the growth rate in the U.S. which were quite outstanding in the last quarter for sure.

<A – Carlo Rosa>: No, sorry. I didn't say that volume was down. I said that the U.S. revenues quarter-to-quarter are up 11%. Then I said that vitamin D volume – testing volume in the U.S. if you compare quarter one to quarter four, so in other words comparing the last two quarters, is up 2% which on an annualized basis should give you an increase of vitamin D tests between 8% and 9%. However, since the quarter one has been light, and you can verify this going back to the LabCorp and Qwest conference calls and it's been light in quarter one because of the heavy snow falls on the East Coast, we expect that volume should catch up in quarter two and the other quarters and therefore we are comfortable with projecting sales for 2011 of vitamin D volume growth of more than 10%.

<Q>: For U.S. the Company, not for the market?

<A – Carlo Rosa>: Not U.S. Company, for the market, the U.S. market.

<Q>: For the market?

<A – Carlo Rosa>: Yes.

<Q>: Okay. And then maybe just a last question to remind me, the share buyback, it was for options or to avoid dilutions or what? I forgot that basically.

<A – Andrea Senaldi>: The share buyback plan has been deliberated by the shareholders' meeting in service of the stock option plan that had been put in place as of last year.

<Q>: Okay. Thank you.

<A – Andrea Senaldi>: Thank you.

Operator: The next question is from Ms. Elisa Corghi from Intermonte. Please go ahead, madam.

<Q – Elisa Corghi>: Yes, hello. Thanks for taking my question. My question regards the agreement with the Precision System and I was wondering if you're going to pay some installments on milestones like for example, when you will be deliver the prototype by year end? Thanks.

<A – Carlo Rosa>: Yes. We will be, yes. The payment clearly is divided in installments which are related to deliverables by PSS, and we believe that we are going to incur in half of the installments in 2011 and half in 2012.

<A – Andrea Senaldi>: Can I just follow up, but bear in mind that this is a pattern which is no different from what we just finished with STRATEC on the development of the LIAISON XL, so just a seamless continuation of the previous pattern.

<Q – Elisa Corghi>: Okay. Thanks a lot. Thank you.

Operator: The next question is from Mr. Jake Crandlemire from Ramsey Asset Management. Please go ahead, sir.

<Q – Jake Crandlemire>: Yes. Thank you for taking my question. Just wanted to clarify the LabCorp contract, you said that the price increases took effect in Q1; did they take effect on Jan 1 so that they were in place for the entire quarter, or was it just partially in Q1? Thanks.

<A – Carlo Rosa>: No. No. First, I wish it was a price increase, but what it's saying is that we signed the agreement with them which was a continuation or a renewal of an existing agreement that was already in place. And this agreement is protecting our business with them for the next five years as stated in the press release, and it's offering the opportunity to enlarge the business to infectious disease product through the installation at LabCorp of the LIAISON XL platform.

<Q – Jake Crandlemire>: Right. So I guess I'm just curious as to when the new contract pricing went into effect, was it partial quarter for Q1 or was it in place for the entire quarter?

<A – Andrea Senaldi>: No it was an entire quarter as of Jan 1st.

<Q – Jake Crandlemire>: Okay. Thank you.

Operator: The next question is a follow up question from Mr. Martin Wales from UBS. Please go ahead, sir.

<Q – Martin Wales>: Sorry just a longer term margin question following up from the previous question. Obviously your margins are pretty impressive regardless of the fact that $0.45 is not going to be the full year EBITDA margin. Has there been any change in your stance in terms of longer term EBITDA margins? As I understand they're staying roughly where they are and you continue to reinvest in the business or can you drive margins higher?

<A – Carlo Rosa>: Mr. Senaldi is going to take the call.

<A – Andrea Senaldi>: Martin, again, what we're still comfortable about at this stage is the information we provide as part of our guidance. Okay. As I've said before, bear in mind that Q1 is traditionally, if you go back in time and if you look at the expenses on a quarterly basis, you will find that Q1 is normally --

<Q – Martin Wales>: Andrea I'm not asking about phasing in across the year. I think it's pretty clear that margins aren't going to be as strong in the second half of the year because of higher costs. I'm asking a longer term question about the desirable margin for a business of this nature. What's necessary if you're going to sustain the level of – a strong level of top line growth that's acceptable to you, what level of reinvestment is necessary and what that means for longer term margins because your margins are obviously very, very impressive.

<A – Andrea Senaldi>: Okay, okay. Sorry, I misunderstood your question [ph] Martin (52:37). Again, I believe that if you look at – don't take Q1 as a benchmark, but take where we ended up last year. So if you start from the improvement that we can still model is there. So, it's existing and it's driven exactly by the same factors that drove them in the past, but to a much lower extent. So I believe that as usual, if you model anything between 50 and 100 basis points improvement on a yearly basis, this is something that we would be comfortable with.

<A – Carlo Rosa>: Excluding though the one-off costs that we incurred last year.

<A – Andrea Senaldi>: Excluding one-off costs, of course.

<Q – Martin Wales>: Okay so you're prepared to let – you're prepared to let margins go even higher in the out years as the business mix changes, you wouldn't feel obliged to invest...

<A – Andrea Senaldi>: if it's clear there is some investment that we need to follow the growth of the Group. If you think of the three areas where we focus the operation expenses, sales and marketing and the aftermarket service costs will continue to grow up fairly in line with installed base. R&D there's no reason why it should either go up or down as a ratio to the turnover. G&A is probably the area where we can still leverage the company to some extent, enjoying the double-digit growth rates clearly.

<Q – Martin Wales>: Okay, that's great. Thank you very much.

Operator: [Operator Instructions] Ladies and gentlemen, there are no more questions at this time.

Carlo Rosa, Chief Executive Officer

Operator thank you.

Andrea Senaldi, Senior Corporate Vice President and Chief Financial Officer

Thank you.

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