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DiaSorin SpA *(DIA.IT)*

Q4 2008 Earnings Call - 2/13/2009

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the DiaSorin Fourth Quarter 2008 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. Please, go ahead, Mr. Rosa.

Carlo Rosa

Thanks a lot. Good morning or good afternoon and welcome to the DiaSorin conference call on the quarter result. I will make a very brief introduction infusion to the quarter results and then I will allow Mr. Senaldi, the Chief Financial Officer of the group who will comment on the financials.

We are pleased to report that on quarter four results I think went very well in line with what we have seen consistently over the last quarters. Revenues grew by almost 34%. In this case, the exchange rate in the fourth quarter has been favorable at constant exchange rate, it would've been 33%, so one percentage point less. Talking about the geographies and we had a strong growth in most of its geographies, double digit growth everywhere from mature markets to emerging markets.

I would like to comment on North America which is still booming as a result of the increased for Vitamin D test and infectious disease. Quarter 4 sales were up almost 68%. We've been at 59% at constant exchange rates versus previous year. We continued to place liaisons in the U.S. market both at the hospital level as well as in the central base.

Overall, the liaison installed base grew by 120 units in the fourth quarter right over all the main geographies in the U.S. This is either to do with, again, lots of interest in Vitamin D in the other geographies the success of infectious disease strategy.

When it comes to the financials, Andrea will be more specific although let me remark that we have a gross margin improvement of almost 22%, an EBIT improvement of 74%. All these together generated earnings increase of 66% versus last quarter. So I would say that company continues with a successful strategy driven by products and geographies' expansion. And now Andrea is going to guide you through all the results.

Andrea Senaldi

Thank you, Carlo. Good morning or good afternoon, ladies and gentlemen. What I'm going to do in the usual fashion is to take you through the key elements of the profit and loss, providing thereafter a few more details of the development and the drivers of the performance of the fourth quarter in terms of sales, the development of the top line and the improvement in margin and then we can go into the details of the balance sheet. So if you turn to slide number 2, you can see the comparison between quarter 4 results in 2008 and quarter 4 in the previous year. We closed the quarter with revenues on a consolidated basis of €68.5 million, which represent a growth of close to 34% versus previous year.

As Carlo already mentioned, there is a favorable exchange rate effect which accounts for around 1 percentage point. I have to say that there is clearly also contribution to the development of the business in 2008 versus 2007, driven by the inclusion within the consolidation area of Biotrin products, which accounts for about 4.2 percentage points. So all in all the organic, if you wish, growth of the revenues would be, in the quarter will be in the range of 28%.

Gross profit had grown more than, significantly more than proportional to the turnover. This is clearly driven by the improvement of margin level and we'll discuss later on the drivers but as you can see, margin grew by, double digit gross margin grew almost 4 percentage points versus the quarter 4 2007.

And the performance mirrors what you just, what you already saw in the third quarter of 2008. Operating expenses grew by 17% versus previous year, so moving from €21 million quarter 4 2007 to €24.7 million in quarter 4 2008. And that development is far less than proportional to the development of the business. In fact, the ratio to the turnover of OpEx has moved down by 5 percentage points from 41% last year to 36% at the end of 2008.

When you look at the development of operational expenses, you have to bear in mind then within this number in 2008, has also been included operational expenses related to the new initiatives of geographical expansion like Austria and the Czech Republic. And of course, the operational expense related to Biotrin, which in the previous year were not included. You will find that we had exposed pro forma 2007 within our management discussion and analysis that you can find on the website.

Now, as we come down to the EBIT and the EBIT margin on a comparable basis, the operating profit has grown by 73.5%, moving from €11 million last year to almost €20 million in 2008 with a fee development in the margin to the turnover, which moved by 22.3% up to almost 29% at the end of the quarter.

Net financial expenses have grown significantly. This, as you may recall, already from quarter four last year – from quarter three in 2008 is driven significantly by exchange rate difference of a non-cash nature, which we bare in P&L as a consequence of the level of debt and currency exposure versus the U.S. dollar. I remind you, this is a margin which has an [indiscernible] (7:54) cash because we hedged our cash flow, significant cash inflows in dollars that arrives to us from American business against the exposure in that in the same currency.

Taxes had been for the quarter about €6 million. This represents a tax rate adjustment of 37% and all in all, the net results as Carlo mentioned before has moved up versus previous year by 56% to €10.2 million for the quarter. EBITDA I think increased by 62% on €15 million up to €24 million in 2008, a bit improvement in the margin of 6 percentage points.

If we move now to the analysis on the individual drivers of the growth, and if you move to slide number 3, you can see that if we talk about the technology contribution [indiscernible] (8:55) of CLIA products those which drive significant to the growth of the group 46% is the growth of quarter versus quarter of LIAISON product sales, and I have to say that in the quarter, we experienced versus previous year are also significant growth of ELISA sales. Thanks mainly however, to products of Biotrin. You may remember that Biotrin portfolio is entirely ELISA-based and the contribution from Biotrin products quarter versus quarter is about 21%.

The additional part of the growth is coming from mainly the Brazilian market where we have seen the coming to fruition versus previous year the [ph] tended (9:44) there a sign [indiscernible] (9:47) 2008. That is also entirely [indiscernible] (9:50) ELISA supply.

So the growth – the significant growth of [indiscernible] (09:54) has now brought LIAISON products to account from 58.3% of our turnover versus [indiscernible] (10:06) where they accounted for 63.4%.

If we now move to the analysis by geographies on slide number 4, you will notice that all the areas, all the geographical areas where we are present has contributed with at least a double-digit growth starting from Italy which has grown by 11% versus previous year's last quarter.

The rest of Europe, with the exception of Italy has grown by close to 18% with some very significant former seeing markets like Belgium, France and Nordic which has grown from 20% up to 87% from the Nordic markets. And [indiscernible] (10:49) has accelerated the growth in the quarter will be forced a growth of 67.8% with a contribution from Biotrin products which accounts for about 9.5 percentage points in the same growth as comparable as the exchange rates.

You will remember that during the quarter, the euro has devaluated versus the U.S. dollar. In the similar growth, a comparable rate as you – as I was saying, there would be 59% on the North American market. The rest of the world, which is mainly represented by emerging markets, Brazil has accounted for a growth of about 55% as comparable as exchange rate.

Israel is about 59%. China has grown close to 50% despite of the fact that if you remember last year, last quarter, quarter four was already a fairly heavy quarter as compared to the rest of the year because a lapsed tender to be the leader in one solution as the account of [indiscernible] (11:58) so the growth of plus 250% has to be seen also in that relation. And last but not least, the markets where we are not present directly has grown by almost 73% versus last quarter and last year's quarter.

If we then move to the improvement in profitability on slide number 5, you find a recap of what are the key drivers in the improvement. If we just summarize the movement of gross margin by close to 4 percentage points, the movement of EBITDA from up by 6 percentage points and the movement of EBIT up by more than 6 percentage points. And the contributions base came strong, the structural facts that we already have discussed during the entire course of 2008, the improvement in the mix by technology. The fact that the [indiscernible] (13:03) continues to have a higher and higher weight over the portfolio of the company.

The improved geographic mix, the weight on North America sales versus ours and within the technologies sold in the U.S. clearly and as a [indiscernible] (13:22) factor, is the weight of vitamin D within the Liason portfolio and then I would mention also the continuously lower incidence of the instrument depreciation which we carry in our books of our gross profit and, last but not the least, the gates have opened for the decrease as a percentage of the turnover of operational expense.

And we do not have to forget the contribution from Biotrin, which has been in line with expectation also for the fourth quarter. All in all, as we've been discussing before, the net result for the quarter has grown up by 66% versus previous year. Moving from 12.5% of sales up to 15% of sales, this time of the net financial cost [inaudible] (14:07).

On slide number 6, you can find the EBIT of the balance sheet. At the end of 2008, we had a net capital employed of €174 million, which is about €40 million higher than previous year. Part of this is clearly driven by the tangible and intangible assets, which following also the Biotrin acquisition, which was accounted for about €22.5 million. The remaining part of the development is coming out of the net working capital. If you look at the development of receivables, they follow the growth of the turnover.

Although I have to say that if you bear in mind that we carry in our receivables, about three months of sales and if you compare the trend of the last three months [ph] today, even with (15:06) the previous one, you will definitely find that receivables have grown a far less than proportionate to the turnover.

The net debt at the end of the quarter were at the end of the year, 2008 was just below €20 million, last year in 2007 was €12.1 million and further you will have to bear in mind the impact of the acquisition of Biotrin which was financing [indiscernible] (15:36). All in all the acquisition has moved out to buy €34 million the previous year as many of the results other income – the net income was around [indiscernible] (15:46).

I will make a few comments on the cash flow in the next slide. At the end of fourth quarter 2008, we have in hand cash and cash equivalents of about €17 million. Now, on slide number 7 there are a few comments on the cash flow development. In quarter 4, we had reported operating cash flow of €15.3 million before CapEx of €9.1 million. You have to notice that within the €9.1 million, there are about €2.5 million which are accounted for as distribution rights acquired in respect of the policy of geographical expansion from existing distributors where we are [ph] trying to revive (16:37) distribution. And mainly we're talking about Austria, [ph] Southern (16:41) Germany for Biotrin products and somewhere else.

In 2007, in the last quarter, we had reported €7 million operational cash flow before CapEx of €43 million. The net debt, I had already commented, is just shy of €20 million. In quarter 3 of 2008 it was €23.3 million. And the cash and cash equivalents at the end of quarter 4 amounted to €17 million that we reimbursed a share of \$30 million of the loans that we have contracted as a consequence of the Biotrin acquisition.

Last but not least, I would like to share with you a glance to the full-year estimated results or provisional results. The final full-year 2008 results will be published as we will approve the year-end results on the 19th of March and this is for dissemination of the four quarters of 2008. As you can see, our revenues in 2008 has set at the level of €244.6 million on a total [ph] net basis (17:54). That is a 21% growth versus previous year. And on the full year, clearly, we still have a negative effect driven by the exchange rate, at quarter exchange rate versus previous year, the growth would have been 23.8%. That is within this growth also, a component driven by Biotrin, which accounts for 2.4 percentage points.

Gross profit has grown also more than the proportion of the turnover. And if you look at the margin, the development has been 200 basis points up versus what we achieved in 2007. Total operating expenses has moved by about €10 million up, which is [ph] clear development (18:41) of less than proportionate to our turnovers. So the percentage of sales has gone down by more than 3%, 3 percentage points.

If we then look at EBIT and EBITDA on a comparable basis, so excluding the cost component of an exceptional nature that we incurred in 2007 as a consequence mainly of the IPO, this accounts for about €4 million. But if you compare EBIT and EBITDA [ph] ex- (19:08) non-recurring items, EBIT grew by 42%, up to €71 million in 2008 and moving that by more than 4 percentage points versus previous year as a margin on sales, whereas EBITDA moves up by 34%, 3.5 percentage points as a percentage of turnover with an absolute amount of €86 million in 2008.

The net result of the full year [indiscernible] (19:43) exercised as have been set at €37.6 million which represents a growth versus previous year of 49%. Last slide, let's summarize and recap what are the next events that we expect. As I've just mentioned, on March 19, the Board of Directors will meet for to refinances and [ph] our mixed results (20:09) and we will investors on March 24 and 25 beginning the Star Conference in March 11. For this, I would like to thank you and leave the space for the question-and-answer session. Thank you very much.

QUESTION AND ANSWER SECTION

Operator: Excuse me. This is the current call conference operator. We will now begin the question-and-answer session. [Operator Instructions] The first question is from Mr. [indiscernible] (21:02) of Goldman Sachs. Please go ahead, sir.

Q

Good afternoon, gentlemen. It's [ph] Seth Peters (21:08) from Goldman Sachs. A couple of questions, first of no mention of the Liaison Excel and the release on the call so far. I'm just wondering if things are still on track – if the machine is still planned for launch later the spring and for full release at the end of the year?

Carlo Rosa

A

Sorry, you said a couple of questions. What is the second question?

Q

Oh yes, certainly. Second question if you're seeing an increase in inventory levels at the customers if you know if their inventory levels are creeping up. And my third is just about the upcoming menu, we know that HIV and Hep C and then the Parvovirus shifted to CLIA but do you have anything else in the pipeline? You previously mentioned pneumonia, measles, mumps, I was just wondering if those are forthcoming soon or if there's anything else that you're looking at? Thank you.

Andrea Senaldi

A

Okay, let's start from the XL. The XL program is on track. We are planning to have – to show the XL for the first time to customers. As you know, we have been talking about XL to the financial community more than to customers due to the current interest on the LIAISON. We are going to introduce to the market the LIAISON XL on May. We will, we are organizing a worldwide event at the headquarter in Italy. We will invite close to 1,000 customers and then – and show them features of the LIAISON XL. We expect a soft launch of the platform in the quarter four as we have stated before and we believe that the XL clearly, will start to have an impact on [ph] ratings (23:00) and placements starting from 2010

Q

Okay

Andrea Senaldi

A

When it comes to – second question was inventory, I don't see honestly inventory creeping up at the customer level. Actually, customers as you know are extremely careful in terms of their working capital. So I continue to see them working with between a week and full week inventory depending on countries and customer size. The fourth

question is related to menu. As we have stated, HIV and hepatitis C are coming along [indiscernible] (23:46) on XL. They would be available only on the LIAISON XL.

When it comes to Parvovirus, we plan to launch Parvovirus on the current LIAISON as well. So the Parvovirus will work as all the other reagents on both systems and a launch is foreseen in September of 2009.

When it comes to our new products, we have indicated that we have clearance where we will – where we have directed our research and development. Chlamydia and Mycoplasma are [ph] two pneumonia (24:21), which are products that will complete our [indiscernible] (24:26) on infectious disease, which is already performing strong.

The second area is to complete menu on bone and mineral. We are working on 1,25-dihydroxy vitamin D, which we already offer in – on the RIA technology and clearly, complete the offering on vitamin D where we are already a leader and then – and we are working on a development of our PTH [indiscernible] (24:55) that again goes in line of [indiscernible] (24:59) disease [ph] metabolic are those (25:00).

Q

Okay. Thank you.

Operator: Next question is from Mr. [ph] John Wood (25:07) of Bank of America. Please go ahead, sir.

Q

Thanks. This is actually [indiscernible] (25:12) in for [ph] John (25:13) this morning. Have you witnessed any dislocation in the U.S. from the Quest Diagnostics vitamin D recall and are you seeing any elevated interest from either existing or new customers since that recall?

Carlo Rosa

A

No, we don't. And let me explain why we should not see that. As you know, in the U.S. divisions do not have the ability. They have a limited ability to decide to which lab they send their samples for testing because that is more related to the kind of insurance that patient even brought in.

And therefore which kind of contract the insurance have with laboratory providing the diagnostic services. And what we see on the other side is that lots of labs and hospitals are evaluating whether to bring in-house the Vitamin D testing and they were evaluating technologies.

And today, there are only two technologies that they can use. It's either us or [ph] on home brew with Maspac (26:28). And all these the discussions about [ph] Maspac (26:33) have created more internal from our technology. So giving the positive effect that we see in the U.S.

Q

Okay. Thanks and can you give us some color on how we should think about 2009 in terms of revenue growth, margin expansion, goals and tax rate as well?

Carlo Rosa

A

Listen, if you know we don't provide guidelines. You guys are much better than us in terms of understanding our fundamentals of the business and projecting the business. Our business is quite simple, because in my opinion, we're looking at the install base and revenues generator. And so, I said it before, we don't provide any forward-looking statements on results.

Q

Would you still expect roughly 400 placements though next year?

Carlo Rosa

A

Listen, we have been installing in the last three or four years, an average of 350, 400 systems consistently and so there should be no reason or why we should doubt about our ability to place 400 systems.

Q

Okay and could you give us any sense of operating cash flow or CapEx numbers we should expect next year?

Carlo Rosa

A

This is Andrea Senaldi. Again, as you look at what has happened this year, I would expect that the ratio of CapEx, sorry of cash flow generation versus EBITDA would remain somewhat similar. And as it comes to CapEx, I think that the number we have almost provided in the past, which is about €16 million of which the vast majorities represented by the cost of the medical influence that would not change in absolute demand. So I don't think CapEx going up as a consequence of redevelopment of the business.

Q

Okay, thanks. Could you give us the interest expense and interest income for the period? For the fourth quarter?

Andrea Senaldi

A

In the fourth quarter of 2008, the breakdown of the financial items is the following. We have interest on financial exposure of about, just about €1 million, a little higher. On the pension fund, this is negative [indiscernible] (29:14). On the pension fund we had about €300,000 and we had interest income for about €147. The difference with [ph] 3.6 (29:26) is clearly represented by the exchange of difference in non-cash.

Q

Okay and then lastly, could you give us a sense – I'm sorry if I didn't hear this on the former remarks, but what kind of tailwind did FX provide to the gross and operating margin line in the period?

Andrea Senaldi

A

I'm sorry, can you say it again?

Q

What kind of a benefit did foreign exchange provide to the gross or operating margin line in the fourth quarter?

Andrea Senaldi

A

Okay, we had always stated that 10% in re-evaluation of the U.S. dollar has an effect of about a couple of million at EBIT levels, a [indiscernible] (30:12) level. However, you have to bear in mind that this is not only this fourth quarter was affected. Not only by the uplift of the USD, but also by the devaluation of some [ph] important currencies (30:26) for the group and mainly the reias among the others. So I cannot provide a firm indication of what is the impact of the currency effect to this as the previous quarters of the year. As you may take it to reference [indiscernible] (30:52) indicators.

Q

Okay, thanks.

Operator: Next question is from Mr. Martin Wales of UBS. Please go ahead, sir.

Martin Wales

Q

Hello. Congratulations on a great quarter. Could you give me some color on Biotrin in that firstly why you want [indiscernible] (31:13) for LIAISON test. Secondly, in terms of if there's anything that can be done in terms of bringing distribution of Biotrin tests in-house [indiscernible] (31:23).

Carlo Rosa

A

Martin, okay. First, as I said, we have completed the feasibility study on transitioning the ELISA products into the LIAISON and I'm confident that we will be launching the LIAISON Parvovirus in time in September 2009.

When it comes to the distribution, I think we did a fantastic job in closing all the distributors' agreement and buying the business where needed, and transferring all businesses from the distribution network, Biotrin, to DiaSorin.

Today, I have to report that within all the European countries, we have taken a responsibility over the distribution of the products in all main markets. In Germany, we have acquired the business from the distributor. That was their biggest market.

In France, where they had a subsidiary we closed down there, a subsidiary and we transferred all accounts and business to our company in Paris. And in Australia, that is the last market that we're actively present and we have a distributor. We are working to transition the business from their distribution network to ours.

So, I would say that all these actions have generated further uplift in the already fairly high profitability of Biotrin. And I think Biotrin today is contributing to the overall profitability of the company in a very positive way. And the second has allowed our commercial network now to take the responsibility over the development of sales. So we're expecting 2009 to have a very nice growth of the Parvovirus business due to all these.

Martin Wales

Q

Yes, it's fantastic and [indiscernible] any other thoughts on M&A going forward, your ability to [indiscernible] (33:35) of the size and also are you seeing valuations more attractive or less attractive.

Carlo Rosa

A

As stated before, in other conference calls we clearly are looking into opportunities and we our leverage as you know is fairly low and we have a very healthy generation of cash. We are looking outside in both opportunities like Biotrin where would bring new technology and position of leadership, as well as understanding whether and there are opportunities with some of the large companies where there are certain assets that they do not consider strategic and we could bring value to those assets integrated with DiaSorin, so the answer is we continue to look for, but with let me say good common sense. Meaning that we buy only what we think is worth for DiaSorin, also because we have all we need today to push our organic growth as we have [indiscernible] (34:47) over the last few years.

Martin Wales

Q

Okay, thank you.

Operator: Next question is from Mr. [indiscernible] (34:56). Please go ahead, sir.

Q

Hi, good afternoon. I just have a couple of questions. Firstly, with the new machine, the XL at the end of the year, did you anticipate there will be any sort of product transitioning issues in terms of customers delaying or not [indiscernible] (35:13) the old machines. What a way for the new machine. Is there a transition that you have to manage there? And how do you intend to do that?

And then secondly, on your end customers or about the labs and is there any change in, from the economic environment in terms of the sort of number of labs generally, so growth in that markets is that affected at all? Thank you.

Carlo Rosa

A

In terms of the LIAISON XL, it's very clear that it does pose strategic question in a way that we need to transition customers today. The current LIAISON as you have seen is still very successful and this is the reason why we have not been talking too much in the market about LIAISON XL, to make sure that people continue to show interest. Our idea is that the launch will be driven by geographies.

In 2010, for example, we are not going to capture the U.S. market where the LIAISON is still strong and there is lots of demand for the LIAISON. And we'll start from some of the more mature markets that offer LIAISON XL. Market like Germany or Italy where the LIAISON was launched first in the late 90s and where we have a clearly solid installed base.

So I would say, I agree with you with the challenge but we're going to manage it, limiting geography and starting from markets where the market is already saturated by the LIAISON and we need bigger machines so customers are going to be different than the ones that they would get the LIAISON.

Q

Okay.

Carlo Rosa

A

So you had another question right, before the second? Oh yes.

Q

Yes, it's just sort of general impact for the company in terms of the, your customer or potential customers. Is there any slowdown in growth of or change in number of laboratories globally? Is there sort of growth rates there or impact on customers?

Carlo Rosa

A

[ph] Listen, (37:09) we have not sort of seen these [ph] sites (37:11) for the time being. As you have seen for the quarter 4 results, one possible explanation is that we provide instruments in [indiscernible] (37:23) rentals, and therefore, we are not going to ask CapEx from hospitals. The second reason in my opinion is that there is in our field today, a need of exchanging systems that will create many also grow there is emerging base of systems that is creating opportunities for DiaSorin. Further reason is that there is a very nice mix of geographies within our portfolio and we have geographies where we have invested over the last few years that are contributing significantly to the growth today. So we were very balanced geographical strategy but with allowing us – let me say, to take that it's in geographies where you may have a slowdown and still use the opportunities in geographies where you still have a stronger growth regardless of the financial situation.

Q

Okay, thank you.

Operator: Next question is from Mr. Stephane Sumar of Exane. Please go ahead, sir.

Stephane Sumar

Q

Hi, good afternoon everybody, Stephane from Exane. I've got a couple of questions, the first one is regarding the factoring. You are using I guess [indiscernible] (38:45) to develop in Italy, I would like to know what will the negative impact the cost of financial chart that attached to this factoring operations and I would like also to know if you see some strength from the interest rates you've been required to use this financial tool?

And my second question is regarding – it's a more accounting question. There's extend on cash financial charges attached to the change in the U.S. dollar being [ph] the tax deductible (39:20) case?

Andrea Senaldi

A

Okay. I have said more questions. First of all, in terms of factor with other course, the out of the 1 million of interest that I mentioned before, about €370,000 are accounted for by or accountable on tax ring operations. Okay.

No. To be honest with you, we have not seen any cascading ground of detention of the interest rates on the starting operations. In fact, during the course of the current date, although before the financial crisis, we manage to reduce significantly the information we take with said company.

As far as the exchange rate differences are concerned, yes, they are tax deductible only – but only when they are realized. So if you keep them in the books as non-realized as it is in [indiscernible] (40:27), they are non-tax deductible and they probably do not affect the tax rate for the use of the zero taxation.

Stephane Sumar

Q

Okay. That's why we get this switch, important switch in tax rate for the full year?

Andrea Senaldi

A

The important thing, you mean the quarter?

Stephane Sumar

Q

Yes, in the quarter.

Andrea Senaldi

A

In the quarter four, we have a tax rate which is about...

Stephane Sumar

Q

737?

Andrea Senaldi

A

This year is set to the comparison of previous year, no. In previous year, the effect was a completely different one. In the previous year, if you remember, we had the reform of the taxation in Germany and [inaudible] (41:16).

Stephane Sumar

Q

Yes, okay. You're right. Thank you.

Andrea Senaldi

A

In that case, we had to really [indiscernible] (41:18) we have to believe [inaudible] (41:20).

Stephane Sumar

Q

Okay. Thank you very much, Andrea.

Andrea Senaldi

A

Thank you.

Operator: Next question is from Mr. [indiscernible] (41:28) from Goldman Sachs. Please go ahead, sir.

Q

Hi, gentlemen. Just a quick follow-up – actually, two questions. First is what portion of placements, the LIAISON placements are in our sales and what portion are still held on your balance sheet? And second question, you talked about the [ph] RIA (41:48) exposure. I was wondering if you could give a little color on what portion of the rest of the world is Brazil and is it the majority of it or are there other large countries that [ph] make a portion (42:03) – or make up that rest of the world category? Thank you.

Carlo Rosa

A

Okay. In terms of placements, if you take the number of placements during the year, which in average at about 400 or above. I'll say about 20% to 25% of those new – of those placements of course through sale of the instruments to our distributors mainly, okay? But majority of our [indiscernible] (42:32) customer on the other hand take the instruments and the [indiscernible] (42:37).

Q

So that's largely unchanged from 2007?

Carlo Rosa

A

That is what?

Q

Unchanged from 2007?

Carlo Rosa

A

Yes. What's the other question? I apologize.

Q

What portion of the rest of the world is Brazil? Is that the majority of the rest of the world or is it...

Carlo Rosa

A

Brazil is accounting for about 50% of the rest of the world [ph] normally (43:01).

Q

Okay. Okay. Thank you.

Carlo Rosa

A

A little less probably.

Operator: Next question is from Mr. Massimo Vecchio of Mediobanca. Please go ahead, sir.

Massimo Vecchio

Q

Good afternoon to everybody, and some of my compliments for the results. And a quick question on your placings in the fourth quarter, the 120 machines, is there any strange seasonality? Is there any particular strange orders or tenders you got? Is there some [indiscernible] (43:38) that this 120 is not a run rate?

Andrea Senaldi

A

I don't know how to answer you. I don't think is an effect of a seasonality and there is no particular reason why we should be than the average rates. Apart from the usual tender which [indiscernible] (44:06) in the last half of the year, which carry some information but that would not be a significant effect on the total information. So reading

between the lines of your question, I do believe that the rate on average 400 plus instruments per year is something a responsibility that in the future as well.

Massimo Vecchio

Q

Okay, thank you very much.

Operator: [Operator Instructions] Next question is from [ph] Mr. Patrick Fux of LCM (44:49). Please go ahead, sir.

Q

Hello. Basically a question regarding the market growth that you've seen taking out vitamin D and the acquired and the newly developed tests. What do you see as market growth or the – let's say your established test portfolio without the new additions? That means what part of the growth really made from the new test and what part is from what has already been introduced?

Second question comes again to the debt and to the revaluation of debt. In Q3, you had €5.8 million. In this quarter, you had just €2.4 million. So does that mean then from the increased expenditure, your net financial income would then be for the year somehow around €3 million only? Is that the right calculation? Thanks.

Andrea Senaldi

A

Okay. I'll just answer the second question as I leave the floor to Carlo Rosa on the first one. And your calculation is correct. If you look at the quarter 3 results and you add up the quarter 4, I mean you'll see their difference. The total amount goes to about €6.5 million as compared to the €10.5 million of overall interest charges. So, if you take out the effect of the valuation of the debt, then the total interest charge is about €3.5 million.

Q

Okay.

Andrea Senaldi

A

Then for the potential of Vitamin D, I give it to Carlo.

Carlo Rosa

A

The question on was not I think on potential of Vitamin D. If I understand correctly, you want to understand market growth rates?

Q

Yes. Underlying – I mean you're accruing nicely by additions of tests and by introducing new tests. But what's your – the underlying costs without the additions basically? And let's say the outstanding situation, potentially outstanding situation for Vitamin D.

Carlo Rosa

A

I think that it's quite difficult to be so specific. Let me just make some remarks. I think it depends first a lot on geographies. We see very strong growth in countries like China, Brazil and Israel, and Mexico. Where I think you have a combination of a market growth on one side and the second, we take a lot of business.

Then rather using geographies, if you look at different product families, we see that on infectious disease side there is a nice growth. I believe that the market growth generally, around 5%, 6% and we have an overall sales growth around 30% which is again, you say that – that's an area where our specialties are appreciated and we continue to take business at around competitors.

And when it comes to oncology and thyroid disorders, I think that we are going at the same – the market growth around 5% and we experience growth around 10%, 11% which means again, we have taken business from other competitors. Vitamin D is [inaudible] (48:22-48:36).

Q

There is a quite terrible noise in the – yes, okay, now, sorry. Please continue.

Carlo Rosa

A

Yes, so when it comes to Vitamin D, the trend is completely driven by a demand growth although which I think is very interesting, it's on the further potential of this market for Vitamin D is to talk about penetration of vitamin it takes to immune the population and we have seen recently, we are looking at this business from this perspective, we have seen that we have countries where that consider fully developed, where the Vitamin D comes to a point where it represents 10% of the total population, which means that 10% of the total population has been tested for Vitamin D and that is clearly a sign of fully expectation of the market and this is true for certain Nordic countries for example. Whereas there are countries like the U.S., where still that number is far below or other European countries where a good number is below 1%. So we believe that Vitamin D, there is still growth opportunities.

Please considered that we are developing alongside the 25 [ph] dose (49:54) Vitamin D. Other products that are important in the pathway of Vitamin D, of the Vitamin D metabolism that we are radiating our [ph] new (50:08) technology and we continue to strengthen our position in the field.

Q

Last question on Vitamin D. Do you see certain seasonality in terms of, I mean as Vitamin D problems arise from missing sunlight? Do you see some increased testing in winter time, in your territories compared to summer time and could that develop with the time, with getting Vitamin D more important for you? Could there be some summer, winter seasonality for testing of Vitamin D?

Carlo Rosa

A

[ph] Listen due to (50:42), due to the demand in vitamin D, I don't think that is easy today to understand the real drivers. In theory, you should see seasonality, meaning that it's very clear that our commendation are for testing during winter time so they can see the true values of Vitamin D rather than the fictitious value that you would see when you have a greater sun exposure although you need to consider that one of the reason for Vitamin D deficiencies even in countries where there is a wide availability of sun. And take Israel for example is that there has been an obsessive campaign over the last few years related to the risk of melanoma in sun exposure in the use of sun protection creams and so lotions.

And so what happened really is that even in seasons where you would expect the deficiencies not to be there, are used, an extreme use of sun lotions that creates any contributing way to the deficiency.

Q

That's right. Thanks so – thank you.

Operator: [Operator Instructions] There's a follow-up question from Mr. Stephane Sumar of Exane. Please go ahead, sir.

Stephane Sumar

Q

Hi. This is Stephane again. Could you please give me the absolute contribution of Biotrin over 2008, please?

Andrea Senaldi

A

[indiscernible] (52:25). In quarter four, Biotrin – I think that I said before contributed to the growth for...

Stephane Sumar

Q

9.5 – yes...

Andrea Senaldi

A

4 percentage points...

Stephane Sumar

Q

Yes.

Andrea Senaldi

A

[ph] Just 4 percentage points (52:37).

Stephane Sumar

Q

But just [ph] the contribution (52:38) of the 2008 in euro term?

Andrea Senaldi

A

I'm sorry, say again?

Stephane Sumar

Q

What was the contribution, the sales, realized by Biotrin over – what has been consolidated in 2008 in euro, please?

Andrea Senaldi

A

In terms of total sales for 2008, which were [ph] obliging further (53:03) which were not present in 2007, if this is your question, it is about €4.9 million.

Stephane Sumar

Q

Okay. So can we – we can't continue and what was the growth, the organic growth of Biotrin standalone?

Andrea Senaldi

A

The organic grow is seen normally about 10%.

Stephane Sumar

Q

Okay.

Andrea Senaldi

A

Year-on-year. Clearly, you cannot consider to those [inaudible] (53:29) the effect of converting from indirect to direct distribution.

Stephane Sumar

Q

Okay. And pro forma sales for Biotrin I guess is around €10 million?

Andrea Senaldi

A

Say it again?

Stephane Sumar

Q

Pro forma 12 months sales for Biotrin taking also into account that direct in which [indiscernible] (53:46) is more or less €10 million a year?

Andrea Senaldi

A

It's correct.

Stephane Sumar

Q

Okay. Thank you very much.

Operator: [Operator Instructions] Mr. Rosa, there are no more questions at this time.

Carlo Rosa

Okay. Thanks. Grazie.

Andrea Senaldi

Thank you very much.

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

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