DiaSorin Inc

ñFirst Quarter 2014 Results Conference Callò

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OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the DiaSorin First Quarter 2014 Results Conference Call. After the presentation, there will be an opportunity to ask questions. At this time, I would like to turn the conference over to Mr. Carlo Rosa, CEO of DiaSorin. Please go ahead, sir.

CARLO ROSA: Yes thank you, operator. Ladies and gentlemen, welcome to the DiaSorin Quarter 1 call. As usual, I will provide some general comments to the results and then Mr. De Angelis will take you through the financials for the quarter.

Let me start saying that the exchange rate has had a strong impact on our results. So in order to better understand trends, I will comment some of the figures also at constant exchange rate.

Now, letôs start from the top line. As far as revenues are concerned, at constant exchange rate sales grew 3.1% versus prior year with different dynamics in the geographies where we operate. As far as technologies in our CLIA business are concerned, we continue to grow our ex-Vitamin D business over 20% and we continue to see decline in the Vitamin D franchise, but as expected at deferring rate from the past quarters.

In fact, in Quarter 1 Vitamin D declined 7% at constant exchange rate, but we need to notice that one percentage point is due to the renegotiation of the LabCorp agreement where the loss of Vitamin D pricing was more than compensated by the new business we got providing these large customers with additional 15 LIAISON products.

Also, as far as Vitamin D is concerned, in the quarter we have seen growth of our Vitamin D volume worldwide of roughly 2%, but this is far less than what we have seen last year. If you remember last year, we had seen

growth in shipping volume of Vitamin D that exceeded 6%. So this decrease in volume is related mainly to two geographies US and Australia. We will comment on Australia later, but as far as US is concerned, as you know; laboratories have reported a general decrease in testing volume in Q1 in the order of 2%. This has affected also our Vitamin D business in the quarter, but itôs a one-off and we believe it will go back to normal in Q2.

So in light of these events, the 7% decline of the Vitamin D franchise is in line with expectation and shows what we have said before, which means that this decline is smoothing out.

Now, letôs now move to geographies and letôs start from Europe. In Europe, the business continues to do very well showing a growth of 8.4% mainly driven by the success in Germany, Italy and all the other smaller markets, European markets with the exception of France where the strong growth of our CLIA ex-Vitamin D business is offset by the equally fast decline of the Vitamin D business. And this is the consequence of the recent reform that was approved in France in terms of the reimbursement of Vitamin D, where the government has reduced claims for Vitamin D testing from the existing 21 down to 7.

Let me remind you that as far as Vitamin D and France is concerned, this market was overly penetrated with a 25% testing penetration. In US for example itôs less than 20, which is considered an overly penetrated market. So very clearly this draw the attention of authorities and in a market that today like France where they are trying to shave costs and reduce costing, Vitamin D came to the attention and the market has been hit by this reform.

Now, going back to Europe, overall Europe is strong for us and we expect to continue to show a solid growth moving forward as a result of an expanding installed base of LIAISON XL and again, as we said, introduction of all the new product lines.

Now, letôs move in theé to the US, in the US, which we see a much slower decline of Vitamin D as expected and a much higher contribution of the CLIA ex-Vitamin D products. In fact, in Q1 Vitamin D in the US declined 15% at constant exchange rate, but a quarter of this, close to 30% of this decline, is related again to the renegotiation of the LabCorp agreement which took effect January 1st and that was more than compensated by sales of other product to this very large customer.

In US, our CLIA ex-Vitamin D business is accelerating as a consequence of the viability of the new assets (Ph) cleared by the FDA during 2013. In fact, these products grew over 60% in Q1 and are driving placements of the new LIAISON XL installed base in the US.

Now, letôs now move to Asia where we have experienced a lower than expected revenue stream, mainly due to what we believe as seasonal events. And let me comment those. First is Australia, where we had seené today we own three quarters of the Australian Vitamin D market and in the quarter 1, we saw a 20% decline of Vitamin D testing compared to previous quarters.

Please note that this is not related to any changing regulatory or reimbursement or any change in the clinical patterns or nothing to do with what we saw in France. Customers have all reported a decrease in testing that we believe will get back to normality starting from Q2, so a seasonal affect due to the summer in Australia in Q1.

China has shown a 5.3% growth in the quarter, well below the 20% growth we recorded in 2013; also in this case the reason is related to calendarization of shipments of products that happened in Q4 which I remind you was particularly high. And again, we believe that the business will normalize in Quarter 2.

Last, affecting this region Asia-Pacific has been Taiwan where we own 100% of the blood bank business through a tender that will last for a few more years. So there is no issue there of losing business or business moving away. However, donation rate in Quarter 1 was 15% lower than historical values. And due to the size of this business which is close to $5 million, this has been affecting our overall revenues in Quarter 1 in the region. So as said, Asia-Pacific was low in Q1, but we donôt see that there is anything structural, it has to do more with certain events that all happened in Quarter 1, and we normalize that in Quarter 2.

Now, letôs now move to South America, at constant exchange rate the business has grown 5% in Brazil andé sorry, in the region with Brazil growing 7.3% and Mexico growing over 50%. Growth in Mexico is a result of recent introduction of the new test for HIV and Hepatitis to the blood donor market. So in this market, we continue to perform very well and we expect Mexico to reach ú8 million of revenues by the end of the year with a very strong growth compared to previous year.

As far as Latin America region is concerned, we need to take into account the situation in Venezuela, Venezuela is a very good market for us, where we have over 100 LIAISONôs installed and as a result of the current political turmoil, we had to stop shipments of products to our distributor. And this has affected our sales by more than a ú1 million in the quarter. At this stage, we have no visibility of what will happen in the next quarter in Venezuela. And we need the government to allow again access to

foreign currency in order for distributor to place orders and for us to continue to ship or restart shipment.

Now, as far as our LIAISON placements are concerned in the quarter, 159 systems were placed in line with company expectations and in line with what we have been able to achieve in the previous quarters.

Before moving to the detailed analysis of the income statement that will be done by Pier Luigi, let me knowé let me just note that our business continues to generate strong cash flow, 27, over ú27 million in the quarter, leading us to a net financial position of ú125 million pre-dividend distribution as of March 31. So, Pier Luigi now will comment the financial results.

PIER LUIGI DE ANGELIS**:** Thank you, Carlo. Ladies and gentlemen, good afternoon. Letôs start having a look at the income statement. As already commented by Carlo, the first quarter was still affected by the foreign exchange rate which influenced negatively all the income statement. In particular, amongst the currency, we are exposed to the Australian dollar, the Brazilian reais and the South African rand registered a wide fluctuation against the euro with a range that goes from 20, up to 26 in the first quarter.

As far as revenues are concerned, we reported in the first quarter ú105.9 million without the negative exchange rate effect. Revenues at constant exchange rate increased 3.1% versus the first quarter of last year. Molecular business in the first quarter contributed for ú0.7 million to the total turnover. The growth of revenues in the first quarter of 2014 at constant exchange rate has been driven by the strong revenues of all our CLIA products net of Vitamin D.

Gross profit of the Group in the first quarter totalized ú71.8 million with an incidence of revenue of 67.7%, although slightly down in comparison to last year, deriving from the stable margin of CLIA products which more than offset the slowdown in Vitamin D sales.

If we look at the operative expenses, the increase of 2.8% compared to the same quarter of last year, mainly as a result of the cost incurred to support sales and service of the increased installed base of LIAISON and LIAISON XL in the immunodiagnostics business worldwide. Within the other operating expenses, we registered a negative impact of ú0.9 million of which ú0.4 million coming from the exchange rate fluctuation.

As a result of all that said, our reported EBITDA totalized ú38.6 million in the first quarter, equal to 36.4% of the total turnover which decreased ú2.9 million as compared to the first quarter of last year. The negative impact is mainly due to the exchange rates that alone had an impact of ú1.1 million in the first quarter and another ú1.9 million coming from the cost of the molecular business, including ú0.5 million of restructuring cost related to our Norwegian branch.

As far as the taxation is concerned, in the first quarter, we registered a lower tax rate due to the different scheduling of dividends received by the Groupôs parent company. The net profit in the first quarter 2014 total at ú19.7 million, equal to 18.6% of the total turnover, while in the same quarter last year it totaled ú20.5 million.

Now, moving to the balance sheet at March 31, the net capital employed amounted to ú309.1 million which decreased ú7 million when compared to the beginning of the year, mainly due to the decrease of the net working capital. At March 31, once again, DiaSorin registered a very solid net financial position equal to ú125.1 million with an improvement of ú27.1

million related to December 31 of last year. Last but not least, we have been able to generate a free cash flow equal to ú27.5 million in the first quarter.

In view of our operating performance and taking into account that our strategy is working across all the products menu and geographies, we confirm our 2014 full year guidance of revenues growth between 3% and 5% at constant exchange rate compared with last year. EBITDA growth equal toé close to 3% at constant exchange rate compared with last year, LIAISON and LIAISON XL installed base close to 500.

Thank you very much for your attention and if Carlo has nothing more to add, I would open the Q&A session.

CARLO ROSA: Please, operatoré operator, please go ahead and letôs open the Q&A session.

Q&A

OPERATOR: Excuse me; this is the Chorus Call conference operator. We will now begin the question and answer session. The first question is from Romain Zana of Exane. Please go ahead, sir.

ROMAIN ZANA: Yes, good afternoon. Thanks for taking my questions. I have two. The first one like you did last year actually, can you tell us what is your assumption for the Vitamin D expected sales decline, I mean in absolute, so far this year? And second question, can you tell us in what extent the partnership you signed with Roche on LIAISON is impacting sales so far? Thank you.

CARLO ROSA: As far as your second question, if you remember, we said that the Roche partnership will start towards the end of the year because of the work which is necessary to validate the connectivity between our platform and Cova (Ph) system. So, so far there has not been any affect nor we have projected any effect by the Roche partnership in 2014.

Now, as far as Vitamin D, I will not provideé I have a number, I will tell you that the expectation for us for Vitamin D, the decline is around let me say between 5% and 7% per year as a combination ofé as a combination of structural renegotiation of contracts, and let me say decline of certain markets. Something that we have not taking into account has been this situation in France. However, France, the France Vitamin D business, the French Vitamin D business for us is of fairly limited size. So I donâ t think it will materially affect the 2014 numbers.

ROMAIN ZANA: And just if I may follow up on this, 5% to 7% is at constant exchange rate I guess and, when you say per annum, when do you expect the sales to stabilize, I mean on the mid-term?

CARLO ROSA: Well, I am not going to comment on this in terms of expectation of stabilization. To me, for our franchise like the Vitamin D, I believe that a decline of 5% to 7% per year is part of stabilization because we have some very large contracts and every time we renegotiate these contracts, there is always a concession in pricing. However, as I discussed previously, as it happens in the LabCorp case, at this stage which is very different from what happened in the past, in especially certain geographies, this loss is more than compensated by acquisition of ex-Vitamin D business on our LIAISON XL platforms.

ROMAIN ZANA: Okay, thank you.

CARLO ROSA: Thank you, Romain.

OPERATOR: The next question is from Daniel Baldini of Oberon. Please go ahead.

DANIEL BALDINI: Hi, good morning. You know, my question is actually related to Roche and youôve answered that. Thanks very much.

CARLO ROSA: Operator, we need to move to the next question.

OPERATOR: The next question is from Luigi De Bellis of Equita SIM. Please go ahead.

LUIGI DE BELLIS: Hey, good afternoon to everybody. I have three questions. The first one is on Vitamin D. Do you see the risk of regulatory change or of reimbursement price for Vitamin D test in other countries and specifically in US, if you comment on this? The second question is on molecular diagnostic business. Could you give us an update on the expected ramp up of sales for the business during 2014 and 2015? And the last question on the outlook for 2014. During the last call you mentioned in the guidance, factoring uncertainty on some markets. CHINA for example, rumors [indiscernible] reimbursement for some products may be subject to cuts and poor visibility also in US as the results of reform. Could you just update on these two markets and situation? Thank you.

CARLO ROSA: Yes, as far as Vitamin D and regulatory, France if you think about it a regulatoryé let me sayé changing regulatory reimbursement already happened in some of the geographies that we have penetration of Vitamin D testing go to levels which were difficult to explain. France was still a market where notwithstanding the market penetrated last year, notwithstanding a market penetration close to 20%, the market grew by 20%. So the exposure there was very high, and it has been estimated as

stated by the French Government that over ú100 million we are spending reimbursing Vitamin D business. And so, it was due to be done something about it. I think they took a hard stand and they went (Ph) for claims rather than for money.

As far as the US is concerned, as you know, the debate over Vitamin D testing has been there for now many, many years curbing on Vitamin D testing as the real effort was put in place three years ago, with the institute of medicine guidelines and recommendations, and an attempt to reduce testing only for bone and kidney claims that was rejected by the medical community, because as, you know, in the US the process is different, in order to change coding of reimbursement, beneficiaries have to agree to it and the beneficiaries in the US are the laboratories, the businessé let me say company like ours, but our opinion doesnôt really count much.

And last but not least, the medical communities, so all the associations have to agree to a change in the medical coding which was put under discussion recommended and rejected at the end. So iné meanwhile what has happened in the US is that more than any regulatory change as, you know, competition and introduction of different players has taken affect. As you have seen from our numbers, the cost of Vitamin D testing for the system including the insurance system has dramatically being reduced. And as a combination of reduce in our pricing to the labs, and but more than that the ability of the insurance systems to negotiate very large contracts for Vitamin D testing with the different providers.

Just for you as a reference, at the beginning of the Vitamin D story, the insurance systems were reimbursing labs between $38 to $40 so very, very close to the medical reimbursement system. In these days, I think market price for Vitamin D reimbursement to labs is more in the range of $15 to $20. So there has been a dramatic effect of on one side volume growth

and ability of this program the insurance companies to renegotiate. So at the end of the story, I donôt expect in the US a change, because the market took care of it in terms of reducing cost. There is an ongoing debate in the medical community about the more extended use of Vitamin D testing for certain claims on one side and by theé on the other side the need for more clinical evidence to support more claims as far as Vitamin D is concerned.

Now, second question regarding molecular diagnostic. I think, I did comment recently that at this stage due to the very competitive situation withé in the infectious disease space we expect that we will see a change in trend and revenues after the introduction of the Onco-hematology products which allow us to geté to have access into smaller market, but a market we did today is richer in terms of end user pricing, reimbursement and more than anything, where the level of competition is far reduced compared to the infectious disease, and the first molecular oncology market will be released to the market in Q3 of 2014 of this year.

You have seen from aé data reported from our competitors that are already working in the infectious disease market that is an effect of price competition. This market is becoming less and less palatable, especially for companies like us that are trying to get inside as newcomers.

Last question about visibility and certainty, China and US, as far as US is concerned, I believe that after Q1 we see that all the debateé the ongoing debate on the reform has not really changed dramatically any trend of our business. We have seen a decline in volume from the big labs as you saw, but this has nothing to do with uncertainty. It has to do more as they reported from seasonal effect. So as far as US is concerned, I am moreé I am fine, I believe with the market.

As far as China is concerned, I said we had a strong season affecting Quarter 1. Our business continues to do well in China. We continue to place LIAISON XL in the country. Now, we have over 500 systems installed between LIAISON and LIAISON XL. We had a weaker Q1, but I expect this business to recover in Quarter 2. The only uncertainty related to China has to do with a possibility to cut reimbursement which can be there. Usually, if it is done, it should be done before the summer. So in the next couple of months we should see what happens.

And the second level of uncertainty has to do with part of our business which is the blood bank business. In China, where there is a shift in technology between ELISA into more molecular diagnostic in certain provinces, and we saw the effect of it because some of our Murex business has been suffering in China over the last two quarters.

LUIGI DE BELLIS: Just a very quick follow-up on China. Do you see the risk of reimbursement cut across the clinical area or in some specific clinical area?

CARLO ROSA: No, usually what they do is, when they cut they cut acrossé .

LUIGI DE BELLIS: Okay.

CARLO ROSA: They cut across all the different technologies because the intent there is to allow companies to benefit from increase volume because testing volume is increasing by the same token and making it more efficient for the healthcare systemé Chinese Healthcare System. So this is something that has happened continuously now over the last few years. What is uncertain is in which provinces this is done and the extent of it.

LUIGI DE BELLIS: Thank you very much. Very clear.

OPERATOR: The next question is from Maja Pataki of Kepler Cheuvreux. Please go ahead.

MAJA PATAKI: Yes, good afternoon. Thanks for taking my question. Actually most of my questions have been answered, but I was wondering, since you are giving us your view on how you believe your Vitamin D business will develop structurally and that is very helpful. I was wondering if you could help us a bit understanding the different parts that led to the margin decrease this year, I guess itôs the business mix and how you do expect this developing going forward? Thank you.

CARLO ROSA: Well, I am not going to make anyé as you can imagine, I am not going to be making any forward-looking statement on margins. As far as, what we have seen is in line with what we have projected, and what you have seen in the last quarters. I think that what makes it more complicated to analyze our business these days isé and we are trying to clarify for you is the differenceé well, the exchange effect which is significant at EBITDA level, by the same token there are some externals in our event, and that happened particularly in this quarter where as part of completing the move of all the molecular activities from Norway and concentrating them in Ireland we have taken a one-off effect of roughly ú500,000 in severance packages in order to close the facility and then focus everything in Ireland, plus the fact that we continue clearly to invest in the molecular franchise, because we believe in order to expedite the release of the Onco-hematology products.

And again as far as margin and EBITDA level, as you have seen, our traditional let me sayé our immunoassay franchise today is showing an EBITDA which isé which has been consistently flat over the last three quarters.

MAJA PATAKI: Okay. So I am sorry to be a bit persistent. But if I look at the decline in EBITDA margin excluding, you know, the investments of the molecular and to currency, we still saw a certain decline of 160 basis points. Shall, we assume that this is just due to the various regions and the mix of the distribution contracts and direct distribution?

CARLO ROSA: I think that that is a comparison quarter-to-quarter.

MAJA PATAKI: Okay.

CARLO ROSA: So first quarter last year versus first quarter this year. However, if you look at the Q3, Q4 and Q1 of this year that margin is relatively flat. To me itôs quite difficult, and we should noté we shall not do so look at margins in the quarter for a very simple reason. As, you know, and as we have shown in the past depending on the mix of revenues in the quarter generated in different geographies, depending on instrument sales you can have an effect in the quarter.

My statement as we said isé in the guidance, we expect that in theé in absoluteé in terms of absolute value, and in terms of constant exchange rate, we expect the EBITDA to increase over last year of three percentage points.

MAJA PATAKI: Okay, thank you very much.

CARLO ROSA: You@re welcome.

OPERATOR: Next question is from Peter Welford of Jefferies. Please go ahead.

PETER WELFORD: Hi, two questions left, please. And firstly, just coming back to the Chinese blood bank business; could you just clarify the $5 million you are referring to, is that theé is that the value of your Murex business before these changes where the shift to molecular diagnostics or what exactly does thaté does the $5 million you referred to in the opening statement referred to for that business? And then secondly, just with regards to your cash, clearly as you said, you generated a lot of cash this quarter, you know, cash balance is building up, I mean historically, obviously you have considered the share buyback with dividends. At this point in time, given the cash generation and the increasing amount of cash, should we infer that your appetite for bigger acquisition is perhaps increasing, and hence why the cash is growing or what should be infer from the fact that that is sort of continuing to grow over time? Thank you.

CARLO ROSA: Okay, let me first clear this one, itôs not that the appetite is growing weé I think that we have always stated that for us investing cash in order to strengthen and grow the business is a priority. However, since we have a lot of assets inside the company to grow the business, and due to the fact that some of these assets are unreasonably priced these days, we have been very careful investing shareholder money. So we continue to look at opportunities, by the same token we show that we haveé we have enough cash and ability eventually to leverage the company in order to support a reasonable acquisition for DiaSorin.

As far as China is concerned, and my comment was not necessarily on China, it was more related to Taiwan. Regarding the 5 million impact, one, we haveé we own 100% of the blood banking business through a tender that has been there now for one year and will last until 2017. So is a locked (Ph) business, we just control all of it. What we have seen, and we have never seen this happening in the past, is that in Quarter 1 we experienced a 50% drop in donations in the country. And as a net-net

result, we have lost some business in Q1 which because of the size is fairly significant for us. However, we expect it to recover going forward, so there is nothing structural.

As far as, China and blood bank is concerned, when we bought Murex from Abbott, we clearly bought the vast majority of the business was split between China and Brazil and was mainly a blood banking business, we have been holding onto that business until because [indiscernible] in essence in China is not available for blood banking. Until, however, more recently, in certain provinces there has been a shift because of budget allocation from immunoassay to molecular diagnostic. And as a consequence of that, the use of foreign kits for immunoassay has beené let me say has been affected, because two technologies are used usually and molecular test coming from a foreign company associated with an immunoassay made by a local provider, that has been hitting us last yearé starting from last year, and it carries through in 2014. Soé but it is an effect that again, we have disclosed before and we donôt expect to become more severe than what already happened.

PETER WELFORD: Thatôs great. Thank you.

CARLO ROSA: Thank you.

OPERATOR: The next question is from Scott Bardo of Berenberg Bank. Please go ahead.

SCOTT BARDO: Yes, thanks very much for taking my question. First question just youôve talked a lot about geographic mix as sort of widely or impacting on the margin. And I just wondered if you could help us understand a little bit more the product mix component because it appears certainly on our numbers a little bit that the instrumentation business was a little bit softer

and strong growth from the CLIA ex-Vitamin D business. So we would have thought that the growth margin mix if you like would have been a bit better for that product mix component, but it still seems that a lot of that has been eaten away geographically. I guess, the nature of the question is, your guidance, I think for the full year assumes then that margins are going to pickup a little bit to meet an overall flattish margin year-on-year, given that youôve contracted margins in a 280 bps or so in the first quarter. So can you help us understand, how that slight improvement in margin is going to progress over the coming nine months or what gives you confidence thatôs going to happen because clearly, there is stillé there still will be currency related challenges throughout the remainder of the year?

CARLO ROSA: Listen, I donôt think that we get into details of product margins or geographical margins. But let me just try to shed some color. As far as instruments, it is true that this quarter instruments has beené revenues have been soft compared to last year, so it is compared to Q1 last year. However, this is purely an effect of a change in businessé .in a business model that happened in Brazil, where in Brazil in certain part of the countries we were operating through distributors, and we were holding the CAPEX. So we were holding the instrument in our books, and so assuming all the risk. And last year we decided to change the business model again asking the distributor to take responsibility of the instruments and to buy the instrumenté the instrument base from us, and that has generated in Q1 and Q2 of last year a peak of revenues in instrumentation which were one-off and in fact did not repeat in Q3 and Q4. So instrument revenues have been softer. However, you are comparing apple to oranges in terms of mix of sales and profitability without getting into many details for breaking confidentiality rules with some of our distributors because in this quarter, we had sales of instrument especially to support the Murex business and very large tenders pretty much at no

margins. And that has hadé so you cannot just read the total revenue number for instrumentation. You also need to consider the mix.

As far as products are concerned, we keep making our statement that has been proven historically in the last few quarters, that from an initial hit on the Vitamin D and Vitamin D pricing, which, yes, it did affect in a limited way the profitability of our business. Now, consistently over the last few quarters, our immunoassay traditional franchise had shown a relatively flat EBITDA margins in the range of 38%, which we believe as said, is sustainable on average regarding this franchise. And the rest has been pretty much eaten (Ph) out, the difference being eaten out by efforts which were put into the molecular diagnostic business.

So this is as much as I can tell you moving forward, you know, that typically the Quarter 1 for us from a revenue point of view, that carry a lower weight compared to the other quarters because of seasons and because of Christmas, because of a lot of reasons that has to do with the way the business shapes up. And therefore, you are going to have the weight of revenues moving forward is going to be bigger, so itôs going to be a dilution, some dilution of the OPEX that we see now.

So I keep saying that I expect the business to deliver what we said itôs going to deliver. So a 3% growth in absolute values at the EBITDA level at constant exchange rate.

SCOTT BARDO: Very, very helpful. Thank you for that explanation. And just a last question on the instrumentation placements, I mean LIAISON XL placement seems to be growing, going great guns actually and tracking and even ahead of our expectations here. Can you help explain why you think the placements are going so well at the moment; is there any particular geographies or customer types that are important here? And just

given where we are with the pace of placements, I mean is there anything to make you get a little bit more structurally optimistic as to your annual rate? I mean we are 500 at the moment. Do you expect that you could surpass that or is this just again a bit of one-off quarterly phase?

CARLO ROSA: Listen, as I think I did comment a few times in the past. I think that fromé in terms of instrument placement, nobody should get excited or should become all of a sudden pessimistic by numbers or placements in the quarter because it can really fluctuate a lot up or down depending on shipments, depending on tender assignments and so forth. So we keep saying that our plan is to installé is to install around 500 systems worldwide. And we have been doing this now let me say historically, weôve been tracking to that number which I know it is what DiaSorin can do today with current opportunities and the current organization.

As far as geographies, our concern as you can see Europe is doing fantastic for us and fantastically compared to what other companies are reporting and what markets are doing. So as youé I think you can infer from that that we are expanding our LIAISON XL installed base in Europe significantly, which is good news, because itôs a very difficult market, but is also a profitable market. And therefore, we are getting business into a market which is a very positive contributor to us.

As faré and then second I think is US, again you saw that we are developing our CLIA ex-Vitamin D business continuously in the US and that again is driven by the LIAISON XL placements in that geography. And last but not least, is China, because notwithstanding the results in Q1, and again, I believe there is nothing to do with the Chinese business, with the way the Chinese business goes. In China, we started to launch the LIAISON XL; we foresee over 50 placements this year. And again, the LIAISON XL as the LIAISON did before is a platform that suits very well

with the need of the mid-sized hospitals which is what effectively the Chinese market is today. So give or take as said, Europe, US and China, but then also throughout the other geographies, the XL is a success story.

SCOTT BARDO: All right, great. Thanks very much.

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

CARLO ROSA: Okay, operator thanks a lot and thanks to everybody.