DiaSorin Inc

ñFirst Semester 2014 Results Conference Callò

August 1, 2014

MODERATORS: **CARLO ROSA, CHIEF EXECUTIVE OFFICER**

PIER LUIGI DE ANGELIS, CHIEF FINANCIAL OFFICER

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the DiaSorin First Semester 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, good morning and welcome to the second quarter 2014 conference call. As usual, I will make some comments about the main events that characterized this quarter and then I will turn the microphone to Mr. De Angelis who will take you through the financials.

Let me start with the revenues. As for the last quarter, the exchange rate had a significant impact on our sales in the quarter, which has been negative for ú3 million in this quarter, and ú6 million year-to-date. So I will make a comment about sales at constant exchange rates to allow a better understanding of the real trend of the revenues (Ph).

Let me start from sales by technology, commenting the Vitamin D first and then the ex-Vitamin D products. Vitamin D declined as expected 10%, however, net of the discount provided to La Corp in exchange of greater utilization of other products, the decline would have been 6.5% in line what management has indicated as physiological reduction for this product. This reduction is due to increased competition as you know in all geographies as well as the fact that we exchange price concession now for more business with CLIA ex-Vitamin D products.

Now, for the CLIA ex-Vitamin D, it continues to do very well, it grew 15.2% versus previous year in the quarter and 18.2% in the first half. And

this has been mainly driven by the introduction of new products along which the 125 Vitamin D which is very significant for us, but I will add some specific comments to this product later in the discussion.

Now, let me switch to instrument revenues which I usually do not comment, but I would like to point your attention to the fact that this quarter instrument sales are 12% or ú2 million below the same period of last year. And this is something that is not typical for our business since our installed base grows and we sell on the installed base more consumables. But this is due to a one-off event because in the last year of quarter 2, we changed our business model in Brazil selling our installed base to our main distributors. And this has generated one-off spike in revenues last year making the quarter-to-quarter comparison possible. We expect that this phenomenon is going to smooth out in Q3 and disappear in quarter 4.

Now this is important to keep in mind then when we compare the quarter two results versus last year, since it takes away almost 2% of growth making then total revenues for quarter 2, 2014 in line with last year at constant exchange rate.

Now, letôs look at sales by geography and letôs start from the US. Revenues in the US are 4% down versus prior year, but 4% up versus Q1 of this year. Vitamin D decline is almost now fully compensated by the strong increase of CLIA ex-Vitamin D products, which are up 85% in the quarter, thanks to the fact that the LabCorp agreement is now in full force and all the new non-Vitamin D products which I remind you are 16 new products we introduced lat LabCorp, all these products are now a routine in all facilities. On top of this, in the US all the new LIAISON XL placements are now driven by non-Vitamin D business. Finally, after two

years of pain related to the reposition of Vitamin D, we see our US business stabilizing.

Now, letôs turn to Europe. Europe continues to post a good revenue growth, plus 2.7% in the quarter and plus 5.5% year-to-date. The result in the quarter was strong where we operate direct directly. Italy was plus 2%, Germany plus 16%, so we have good revenue growth in the main geographies. We had a deceleration of business in certain European export countries like Turkey where seasonality of tenders has affected the quarter versus last year. So all good news when it comes to Europe.

Asia Pacific is up 9% with good growth in China, plus 5.4%, driven by the installation of 68 LIASON XL in the first six months of the year, bringing the total installed base in China between LIASON and LIASON XL to almost 600 systems. Please, you need to consider that in China, we have changed our business model when we introduced the XL where we used to sell the LIASON to the distributors, whereas when it comes to the LIASON XL, we do a reagent (Ph) rental. And so, you see a decrease in revenues in China of instrument sales and an increase of reagent sales.

The CLIAé so the Liason products in China in fact are up 19% in second quarter and are up 22% year-to-date in line with the Company expectations. So the business in China and Asia Pacific in general is doing fine for us.

Letôs now discuss South America, which has been very disappointing due to the poor performance of Brazil and Venezuela, partially offset by the strong growth that we continue to experience in Mexico. As far as Venezuela is concerned, we have frozen all shipments due to the fact that payments in hard currency are not available. So far, in the first two quarters, we have lost ú2 million in sales versus last year, and we foresee

we will not ship also in Quarter 3. If this continues through December, we expect to lose in Venezuela ú4 million in revenues compared to last year.

Now letôs turn to Brazil. In Brazil, in Q2 revenues are down ú2.5 million versus last year due to two affects which are very different. First one, instrument sales are down versus last year due to the one-off effect in Q2 of change of business model that we have discussed before. So this decrease is physiological. The second effect though that was not expected is the fact that we are transitioning our Murex sales away from the Abbot (Ph) distributors where contracts have expired at the end of last year to our new distributors. And we are lagging behind in the process of transferring tenders and we have delayed in shipping. And this has heavily affected the Q3 results for Murex in Brazil.

The CLIA products in Brazil continue to grow high single-digit in line with Company expectations. We believe that results in Brazil will stabilize in Q3 and start to grow in Q4, and we should end 2014 with growth in reagent revenues in Brazil overall although the total revenue will still be slightly behind last year due to the fact that again we are missing instrument revenues for changing of the business model as discussed before.

I would like to comment now on the launch of new products and specifically on the newly released test for 125 Vitamin D. This product has been CE marked in April. And at the same time, we have filed for FDA approval where we expect to get registration in the US by the end of 2014.

Let me remind you that this product is key since it represents 10%-15% in volume of the traditional Vitamin D test; it goes on the same instrument

currently using our Vitamin D increasing the fidelization (Ph) of current customers.

And last but not least itôs highly reimbursed allowing us to demand a high price for it. In the US for example, reimbursement level is over $50, whereas for Vitamin D itôs $42. So we have great expectation from this product, we expect that in 2014, we will generate ú2 million to ú3 million of incremental revenues coming from this product getting to over ú10 million by the end of 2015.

Now, let me move to profitability. As far as the profitability profile of the Group, we reported on Slide #10 of the presentation, the usual chart which shows you the statutory EBITDA margin which has been negatively affected again by the exchange rate and by the cost supporting the molecular business. On top of this which is something that we have seen before and we have explained before. We experienced one-off negative effect in Brazil driven by the transitioning of the Murex line distribution as said before from the Abbott distributor to the new distributor.

But last but not least, we have restructured our French subsidiary in our Norwegian branch collapsing all of our activity, as far as molecular into Ireland. And this has had a negative impact in the quarter of ú800,000 and ú1.2 million in the first half of 2014. So this quarter has been impacted by two one-off effects that we donôt expect to repeat in the next quarters. Actually in the next quarters we should have a gain coming from the restructuring.

Differently from the previous years, the combination of these factors affected lower margin percentage in this period, as we discussed before. If we exclude all these effects, the EBITDA margin of the Group in Q2 is solid at 37.6% and in halfé and in the first six months at 38%.

Now, I will now turn the microphone to Mr. De Angelis, who is going to take you through the numbers and then we are going to open up the Q&A session. Pier Luigi.

PIER LUIGI DE ANGELIS: Thank you, Carlo. Ladies and gentlemené thank you Carlo, ladies and gentlemen, good afternoon. Today, I would like to focus your attention on few key indicators. As far as, our financial statement is concerned, I would like to highlight the cumulative net financial expense as per June 30, 2014 was equal to ú05 million and reduction if compared with the same period of last year, mainly due to the following reason. The effect of exchange rate difference for the year positive for ú06 million in the first half of 2014, while in the same period of 2013 it was negative for ú09 million, and the financial balances of the subsidiary that use currency different from the Groupôs reporting currency.

I would like to focus also your attention on the lower impact on the tax rate if compared with the same period of 2013. In the first half of 2014, the effective tax rate for the period was 36.4%, a decrease compared to the 38.5% of the first half of last year, mainly due to a different geographical composition of taxable income within the Group, as well as to decrease the IRAP rate in Italy.

Net profit for the quarter and half year is in line with last year or if we do the calculation at constant exchange rate itôs even better. Furthermore, let me highlight the main points related to the cash. In the first half of 2014, cash flow from operating activity amounted to around ú53 million increasing compared to ú48.7 million in the first half of 2013 also due to the tight management of account receivable within the Group subsidiaries.

Net cash used in investing activities amounted to ú14.2 million increasing compared to the ú12.9 million of the first six months of last year, mainly due to an increase of investment in medical equipment which is a total of an amount of ú10.3 million in the first half of ó14 compared to the ú9 million of last year.

The net cash used in financing activities amounted to ú33.3 million which includes the repayment of debt to ú3.9 million and the dividend payment to the shareholders of ú29.9 million which corresponds to ú0.55 per share and that was approved on April 23, 2014 and paid on May 22, 2014.

The free cash flow for the first half of this year amounted to ú39.1 million an increase when compared to the ú36.9 million of last year. As for the consolidated net financial position at June 30, 2014 was a positive amount of ú107 million with an increase of ú9 million compared to December 31 of last year. Thanks to the consistent cash flow from operation in the first half of this year.

In view of the Groupôs operating performance after June 30, 2014, we confirm the guidance for 2014. Thank you.

CARLO ROSA: Okay, now letôs open up for 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 Patrick Wood of Morgan Stanley. Please go ahead.

PATRICK WOOD: Hi there, thank you very much for taking my questions. I have two if I may. The first is on the US lab reimbursement situation. How discussion

is gone sort of with some of the labs about the future situation from that possibility (Ph) and have you sort of seen any effects or negotiations around that? The second is reallyé if I look at the guidance for full year on a constant currency sales growth letôs take the bottom end of the guidance of about 3%, at least from my numbersé you accelerating to about 4.5% in the second half of the year. I am just wondering, should we think about that in terms of the end of some problems in Latin America. How should we think about that acceleration? Thanks.

CARLO ROSA: Okay. I will start from the second question and go to the first. Yes, in fact, as I told you before in quarter two, the top-line result has to be read in light of an unfair comparison quarter-to-quarter because of the instrument peak that we had last year. And also as stated, a steep decline unexpected in Brazil that we expect to bottom and then to not let me say start contributing to grow, but at least, do not affect as negatively as it has effected in Q2 specifically. But also there are other effects; one is the fact that we have just launched the 125 Vitamin D which is going to be a net-net contributor in the second part of the year. Keep in mind that we launched in April and in the first two months we have sales which are close to ú0.5 million. So the launch of the product is doing extremely well. As well as our sales and [indiscernible] in the US are accelerating. I think again, as a result of the fact that the Vitamin D effect is really smoothing in out, and we expect the US to be strong in the second part of the year. The last element is China, typically China is acceleratingé has a greater contribution in the second part, and in this case itôs even more important because we place the 68 LIAISON in Q1, Q2, that they will come to full force and full effect contribution in Q3 and Q4.

Now, as far as US lab reimbursement, I have to say that, as far as, our business is concerned, the only product that could have been affected because itôs significant in numbers is Vitamin D which as, you know,

follows a complete different dynamic. When it comes to the very large lab as LabCorp for example, the pricing negotiation that was carried through already took in consideration some of these elements. But it was compensatedé overly compensated by more business we got with other products. So for the time being, I see no red flag in the US coming from discussion on reimbursement.

PATRICK WOOD: Thatôs perfect. Thank you very much.

CARLO ROSA: Thank you, Patrick.

OPERATOR: The next question is from Paola Saglietti of Banca Akros. Please go ahead.

PAOLA SAGLIETTI: Thank you. Good afternoon and thanks for taking my question. I have two. The first one is, about the molecular diagnostic, in your recent press release you have announced the launch of the first molecular diagnostic test for Onco-hematology by the end of the year. And so, could you give us please more color about this? And the second question is, if itôs possible an update on the trend of gastrointestinal stool testing business, now that you have launched five tests on the market? Thank you.

CARLO ROSA: Okay. As far as Onco-hematology is concerned, yes, we confirm the fact that we are going to launch BCR-ABL, between end of quarter three, and beginning of quarter four. We donôt expect clearly any visible impact this year. However, this is a door opener for us to all the Onco-Hematology centers, especially in Italy that we selected to be the pilot country for us.

In Italy, there are 91 centers doing Onco-hematology of which 15 are part ofé let me say that the relevant centers are doing half of the volume in the country, and then the rest is doneé is spread out to the other 75 labs. And

we plan within two quarters to have all the main centers evaluating and taking our products. I think the success of this product is going to be measured more in our ability to fully penetrate the major center, likeé rather than the revenue contribution in Q4 or Q1 or Q2 of next year. And in that sense we willé we are going to give you an update on center penetration in Italy.

As far as GI stool; now thatôs said, we have pretty much the full menu; fixed assay is going to be launched by year-end. We have fully launched the producté this product line in Germany, and without disclosing any specifics in terms of numbers, you see that in Germany we are growing at 16% year-on-year double-digit. Our German business just for your reference, our German business sits between ú35 million and ú40 million. So you can do some calculation there, and a good chance of growth is related to the success of this product line. Germany for us was a Tier 1 country because itôs the number one market in terms of size in Europe for these products, and all these tests are concentrated in relatively small number of big laboratory chains which are accessible and have responded very well to this product as shown by the numbers.

Tier 2 countries where we started are Italy and France, and we call them Tier 2 and we expect more to come next year because most of this business is regulated by tenders. And so, we participated to tenders and we expect the revenue to come to follow-up in these countries starting from next year.

But so far I would say as expected. So itôs doing very good for us. Key product for us was going to be the calprotectin which is scheduled to be launched by year-end. There product is key because of two reasons, one is a disease that is spreadé I mean the use of this product which is used for irritable bowel syndrome is spreading over in Europe and becoming very

important. But also because this producté this was developed by DiaSorin not under license from Meridian can be registered in the US. And so, we will proceed with FDA registration and have access also to the US market which is very big for this assay. And we are talking finally about the products highly reimbursed with low competition, with end-user pricing which sits between ú7 and ú15 per test. So itôs going to be a success story starting from next year.

PAOLA SAGLIETTI: Okay. Thank you very much.

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

SCOTT BARDO: Yes, thank you very much for taking my questions. So the first question just will relate to the comments in the release about the extension of the collaboration with LabCorp in the US to 2018, so for the next three years or so. Can you add any more incremental details for that comment, we assuming then that there is sort of pricing concession sort of trade-off that you had to accelerate the other platform. Is it on similar terms over the next three years, as it is this year or is there some sort of a step downs going (Ph) price or just to give us some sort of flavor as to how you see that. And in aggregate your franchise are clear, how you see that progressing with LabCorp over the next, you know, over that forecast period. And that will be helpful? And second questioné and would you please give us some sort of update on where we are with the Roche Cobas collaboration, how is that progressing with integrating with LIAISON XL, and when do you expect to start to see some sort of revenue contribution and contribution to growth from that collaboration, so those are the first two, and I have one follow-up please?

CARLO ROSA: You are asking lots of questions which are difficult to address because there are some confidentiality clauses and in the point you raised with

third parties. But let me just try to give you a sense of it. Letôs start from LabCorp; LabCorpé with LabCorp we agreed to five years extension, so itôs two plus threeé itôs three plus two. And part of the agreement was a combination of reducing the Vitamin D pricing and giving access to 16 new assays, substituting other suppliers which wereé and consolidating pretty much all the infectious disease testing into our platforms, and that was done.

And the price concession was divided into two installments, the first one is 50% of the price concession was given by March 31é January 1, and the second one March 31, and the reason was that by March 31, we expected to have all the other CLIA non-Vitamin D products up and running at LabCorp. So since they haveé they have doneé theyôve implemented all the assays and now they are using routine, starting from March 31, the full effect in pricing Vitamin D is there and measurable.

Now, without getting into theé again specifics, we are talking about a discount in the range of 20% for a growing business in volume because their volume of Vitamin D is growing versus previous year and which is overly compensated by revenues coming from the rest of the products. And overly compensated, that means that Company expectation is that when everything is in full effect for 12 months, then and we expect to gain a $1 million business coming from decrease of Vitamin D price on one side and then offset by the rest. Buté so net-net gain is positive.

By the same token, very clearly from a strategic point of view, we go from being a one trick pony with Vitamin D, very high exposure, to a much broader collaboration with a very large player in the US that continuously expands their activities, buying other laboratories. So in that sense, I am very proud of this relationship and as you can understand, there are a lot of other companies, also much bigger than DiaSorin that really wanted to get

the Vitamin D business. And at the end of the discussion, we ended up not only retaining that, but gaining a lot more. So that relationship is solid.

As far as the Roche agreementé on the Roche agreement, there is aé remember that Roche, the Roche project require them first to develop an adaptation of the Cobas line to allow the dock-iné .to allow us to dock our XL: to it. And on that project there is one quarter delay. So we expect the feasibility of that to be completed in November, which means that the docking station has been developed. And the reason for the delay is that they have more than one partner, so more than one platform that has to work with that extension, let me say of the system. They need more engineering than expected to get there, but now things are more controllable. I mean the timeline is more controllable and in November, the feasibility is there.

By the same token, right after the summer, we will start commercial meetings in order to assign priorities in terms of tenders where we want to participate together. Having that in mind, we will start a roll-out of our system and their system together, in the quarter two of next year. Very clearly, since we are talking about very sizable tenders, where a preparation takes several months, we want to identify starting from year end those opportunities where we want to run for the business along with Roche, and we have in mind, as said before, Europe. We have in mind some countries in Asia, Australia and Brazil. And finally as far as Asia is concerned, is Korea which is strategic for them and where today we are underpenetrated because we donât we work there through a distributor.

As far as what this opportunity does represent, again, there we cannot make any specific comment. What we said in the past is that today there are 2 to 300 mega labs and everybody expect in the next 5 to 7 years that

number to become 1,200, 1,300 labs as a result of the consolidation. Roche has a market share in that segment which is close to 50%. And we expect in the consolidation process Roche to maintain similar share of that market working with us and other partners. So you can guesstimate what the opportunity would be in terms of XL placements, additional related to this relationship.

SCOTT BARDO: Thanks very much for that detailed answers, and just one last follow-up question, please. It just relates to your ELISA [indiscernible] which I think is just over 14% of Group revenues at the moment. Obviously, that business has been, you know has been slightly older technology, itôs been somewhat modest pressure in the last few years. I wonder if you could just comment a little bit as to the developments in China at the moment. Itôs my understanding that you also need intellectual-based test to validate the ELISA test in that market environment, and given that your molecular offering is still somewhat in itôs infancy whether that jeopardizes your larger business or could we catch the additional headwind we need to keepé think about in the future for that business? Thank you.

CARLO ROSA: Okay, if you refer specifically to China, for us, in China ELISA is Murex and just going by memory, I believe that our Chinese Murex business is probably in the ú3 million, ú4 million range. This is what we have inherited fromé what we bought from Abbott at that time. The problem there, and I think weôve already saw the weôve factored it, in the last 12 months is that in some provinces they are making molecular testing in blood banks mandatory along with immunoassay. So you need to understand worldwide in blood banks both molecular and immuno are running in parallel, whereas in China till today because of lack of funding they were only running immuno, they now do molecular as well again in some provinces. That means that in order to fund cost of molecular, they

allow the immuno to be supplied by local companies rather than importing kits.

[Technical difficulty] when immuno was the front line, they only allow testing with foreign kits. So we took a hit already in the last 12 months. Is it significant, not let me say in the grander scheme of things, itôs not significant that much. I see more pressure and more effect as you will see in this quarter coming from the Brazilian fiasco. And I call it fiasco meaning that we bought this some significant business there from Abbott. We retained it through Abbott [technical difficulty] by contractsé by contracts and we were supposed to transition the business from Abbott to a new distributor which is in place. In that transition period, we had some glitches where certain tenders that were supposed to start under the new ownership did not start and were delayed. And that explains the very weak quarter 2 that we had in Brazil which is mainly driven by Murex. Again I did comment before if you look at Brazilian LIAISON revenues, they are fine, they are growing high single-digits, so no problem there.

Now if you look at the overall Murex brand because I think when we talk about ELISA and Murex has the lionôs share of it. It does represent 40%, 50% of it today, the remaining ELISA business. Today, we sell more in volume, so we continue to win tenders with Murex, but unfortunately, Venezuela and Brazil were countries where we were selling Murex at a high price. And when we lost that, we substituted this tenders with tenders in other countries. And Iran is an example, we won all the blood bank supply for ELISA in Iran for 2014 which is very good in volume, but not at the same prices we were selling end user in Brazil.

And again the net-net effect you see it on margins specifically in quarter 2 because large shipments of Murex did happen in Q2 for the Iran tender. So overall, the ELISA business we keep it and we try to keep it alive

because itôs strategic in certain geographies. It is becoming difficult to predict because it is becoming more and more large tenders in exotic countries, let me call it that way.

SCOTT BARDO: Got it. Thanks very much again.

CARLO ROSA: Yes.

OPERATOR: Next question is from Romain Zana of Exane BNP Paribas. Please go ahead.

ROMAIN ZANA: Good afternoon and thanks for taking my questions. Actually, first question on the guidance and just to clarify the driver that you expect to see for such acceleration in H2, you mentioned though the new launch ofé the recent launch of Vitamin D test, is there any other key driver that may support such acceleration also taking into account that you will face tougher comps? And the other clarification is on the EBITDA, could you just tell us what was the growth at constant exchange rates in H1? And I have a follow-up question then?

CARLO ROSA: Sorry Romain, you broke up a little bité .

ROMAIN ZANA: Oh, sorry. So what didé ?

CARLO ROSA: The first one, if I understand correctly, has to do with the top line.

ROMAIN ZANA: Yes, definitely on the top line, you mentioned the recently launched Vitamin D test as one of the driver which could drive the acceleration implied by the guidance for the year. So I was wondering, if there is any other key driver that can back I would say such acceleration also taking into account the tougher comps for the remaining part of the year?

CARLO ROSA: Okay. As far as the top line, I said before, I expect two things. I expect the 125 and I expect also the fact that in the US, we saw an effect on the Vitamin D pricing which was heavier in Q1 and Q2 and is smoothing out in Q3 and Q4 versus last year, whereas you are on acceleration on the CLIA ex-Vitamin D business, now that the LabCorp agreement is in full force. The second, I expect that Brazil that has been a drag in the first half especially in Q2 not to be a drag as it has been before. And this has to do with top line growth. As far as the EBITDA at constant exchange rate, we have an H1 of 2014, ú81.3 million. Last year was ú163 million, full year. So if you keep in mindé if you take into consideration the expected growth at the top line you see that the guideline is achievable.

ROMAIN ZANA: Okay, how much did you say for last year H1 at constant exchange rate on the EBITDA, 100 andé ?

CARLO ROSA: I donôt have the H1 last year in front of me.

ROMAIN ZANA: Okay.

CARLO ROSA: I haveé the full year was ú163 million.

ROMAIN ZANA: Okay. And just one last question please, on the gross margin, which droppedé .

CARLO ROSA: Sorry Romain, just one comment.

ROMAIN ZANA: Yes.

CARLO ROSA: Remember that you have alsoé in the current first half EBITDA number you have a one-off effect which are related to the fact that we took in Q2 the full cost of restructuring trends.

ROMAIN ZANA: Yes.

CARLO ROSA: And Norway and altogether itôs a ú1.2 million one-off effect that you donôt expect to repeat in Quarter 2. Plus on top of that, there is a one-off effect of ú600,000 which are related to the fact that a customer in Brazil went bankrupt and this effect hit us in Q2 and we donôt expect clearly to repeat it in Q3 and Q4.

ROMAIN ZANA: And this one-off are not included in the guidance, right?

CARLO ROSA: No, what you mean by thaté .no, well, I am not a magician, so I could not foresee themé .

ROMAIN ZANA: Yes, sure. And just last question on the gross margin which has dropped significantly over the semester where it has been pretty resilient so far. Should we understand that the trend will continue looking forward or do you see any measures or catalysts to work over on the short-term?

CARLO ROSA: Listen, theé as far as the gross margin is concerned, unfortunately, we donôt share with you the standard margin. However, from a gross margin perspective, the effect that you see in Quarter 2 has a lot to do with the Murex effect and the fact that we have been shipping very large quantities of Murex products at a very modest margin, modest let me say compared to the Group margin, because they are related to large tenders in countries where the Murex price is relatively low.

ROMAIN ZANA: Okay. Thank you very much.

CARLO ROSA: You're welcome.

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

LUIGI DE BELLIS: Yes, good afternoon. Three question from me. The first one is on the restructuring, if I understood correctly, you expect a gain from restructuring in the next quarters. Could you quantify the impact if it's relevant for you? The second question, the placement rate of LIAISON XL, looking at 2015 and beyond, do you think that the placement rate of 400-500 new LIAISON per year is sustainable. In which geographies do you think to place this new machine especially for 2015? And the last question on the strategy, looking at the US market characterized by a significant part of physician shortages (Ph), how do you think to a new format for your machine to target the US market and increase the market share? Thank you.

CARLO ROSA: Okay, listen. I will use the reverse order, because I remember the last question first. When it comes to the US, we see asé I think as we have discussed in the past, we see that the US market is polarizing between very large customers which are usually the fairly large private chains (Ph) and a surge in small sized facilities which are either due to a consolidation of physician office labs today. Keep in mind that CLIA, I mean CLIA certified labsé physician office labs in US there are 15,000 labs of which a good size, meaning a size that where our LIAISON XL could fit. We are talking about between 1,000 and 2,000. And when it comes then to a machine that is half of the LIAISON, you are probably talking about half of the total physician office labs in the US could be targeted with this new instrument which by the way is what I think we discussed.

In the past, itôs going to be the footprint of our next generation systems there, what we call the LIAISON XL. So I see ourself in the US consolidating our business in the large labs, selling specialties and LabCorp is a good example. And then developing the installed base of LIAISON XL into the hospital base, and having the hospital base for us is around 200 beds or the consolidated physician office labs. Today, I think that the mid sized labs in the US are going to be wiped out because of physician because that is an area where the hospital is not efficient enough. So they are either bought out by the big laboratory chains or they get consolidated into larger labs by hospital chains. And this was the last question.

Now, the other question was about the placements of LIAISON XL. As you have seen also in Quarter 2, we put 150 XLs, net placements in the first half is 300. So we continue to fuel growth that way. I think that the drivers of LIAISON XL placements are going to be from a geographical point of view, I expect China to be an area and the US specifically. China because itôs a fresh new market for us where we have a very large base of LIAISON, and now in the bigger hospitals we can sell the XL. US as said before, because now we are focusing our effort away from the private chains where we already establish into the smaller hospitals with the XL.

Europe, I expect Europe to be more since there we are fairly already consolidated in Europe and we have a large install base. I expect a lot of placements of XL there going to replace the existing LIAISONôs. However, with a very positive effect in revenue growth because every time we replace to their LIAISON with the LIAISON XL, typically weé demand from customers and increasing revenues of ú20,000 to ú25,000 per year which overall does represent 20%-25% increase in total revenue per placement. So even if the net-net number of systems in Europe may not change dramatically going forward. You are going to see

an upraise in revenues, again, driven by the fact that every time you replace an existing LIAISON you get more LIAISON XL revenues. And the last question was.

LUIGI DE BELLIS: Restructuring?

CARLO ROSA: As far as restructuring is concerned, again, it isé mainly this quarter is driven by France. In France, we have had today in Franceé France for us is the third largest market in Europe. We got hit by the Vitamin D, deflation, let me call it that way, it was the only country where we were disproportionately exposed by Vitamin D. And competition on one side, but much more recently, the fact, that they change the reimbursement system in France for Vitamin D, has dramatically let me say hit our current businessé that the business has been reduced in the last, I would say 18 to 24 months, by 25%, and that had to fallé had to let me say we followed up by action.

And so, we are reducing our employees by 15%, restructuring the team to where it should be to support a ú25 million business, $25 to $30 million business, with operational savings full year that we estimate between ú700 million to ú1,000 million to a ú1 million. Very clearly we tooké according to the French Law, we took full charge of it, once we initiated discussions with the Unions and it happened in Q2.

We expect some savings to seeé to come in the second part, but the full savings to be achieved in 2015. Since by the end of the year the procedure is going to be completed, people are out and the cost is up.

LUIGI DE BELLIS: Thank you very much.

OPERATOR: The next question is from Mr. Peter Welford of Jefferies. Please go ahead.

PETER WELFORD: Hi, thanks. Most of my questions have been answered but there are couple, I think. So first of all, is it possible for you to actually give us the Murex sales number in the second quarter? And secondly, I wondered if you could give us an update on molecular diagnostics, in terms of the number of analyzers that have been installed roughly across the geographies at the current moment in time. And could you give us some sort of feeling as to what were the major sort of feedback from customers have been on that? And then, finally just returning to the EBITDA outlook, could you just confirm that we should have seen both the ú1.2 million restructuring charge and the ú0.6 million Brazilian bankruptcy charge are both going to be excluded from the growth. We should consider them both excluded given neither could be protected? Thank you.

CARLO ROSA: Let me start from the last one. I am saying that in the ú81.3 million that you see today, you have the effect of the banker or the ú1.2 million, and you have the effect of bankruptcy of the procedure or accounts that is clearly not going to be there in the second part of the year. So then you are going toé mathematically you see a non-negative effect of ú1.8 million that you had in Q2 and you are not going to have in the second half.

Now, the second question then you had sorry, molecular, I think was your second question.

PETER WELFORD: Yes, thatôs right. The number of systems.

CARLO ROSA: The number of systems? Going by memory, I would say that today we have out there systems between active and for evaluation 20 to 30 systems with infectious disease which is not clearly what we expected. And it is

mainly related by, the fact, that the infectious disease where today we launched the product, very recently price competition has become tough to sustain. You can see it fromé on the fewer players in molecular, if you take Cryogen (Ph) for example, which is a pure molecular player, they have an overall growth, I think of 4%-5% whereas they use to grow 15%-20%, and that is all driven by price.

So we were caught into an area where customers are becoming less selective on quality and more selective on price. And this is why I am saying that, when it comes to Onco-Hematology, where we donôt go against existing competition, but we go against the home-brew testing. I see more opportunities therefore as a newcomer, rather than aiming to fight for an $8 protest on C&B which is the current price today. Keep in mind that C&B used to be sold at $30, first, three, four years ago. So as far as Onco-Hematology, I believe that there is where the penetration should be easier, the pricing should be much more attractive. And last but not least being a newcomer, it should be easier for us to move with an installed-base.

But keep in mind that when it comes to Onco-Hematology, our products are not only usable on our systems, but they are also adaptable to the existing open systems which are available in all Onco-Hematology labs mainly provided by Cryogen and other players as research tools. So the issue of developing the installed base is not going to be there because the installed base is already there.

And then, your first question was Murex. Yes, you want to know what would beé what our revenues for Murex in second half.

PETER WELFORD: No, sorry, in the first half and/or, and equally in the second quarter. And you talked a lot about Murex. Can you give us some sort of idea as to

what they are actually euro million contributions from Murex worldwide because all of them werenôt in results?

CARLO ROSA: We have been thinking about it because, itôs a number that we usually donôt give out, and this is becauseé has a competitive nature in to it, itôs pretty much us BioRad (Ph) in that space going head-to-head. And Iôm not really sure I want to give this number to competition. So I cannot, but I think that if you do some math with the numbers I gave you in terms of percentage, you can figure out ballpark what are we talking about?

PETER WELFORD: Thatôs great. Thank you.

OPERATOR: The next question is from Paul Van der Horst of Kempen. Please go ahead.

PAUL VAN DER HORST: Hi, good afternoon, thank you for the time and for the presentation. One quick question about Vitamin D, so in light of the United States Preventative Services Task Force Drafts recommendation against Vitamin D screening in adults and the recent [indiscernible], to measure actually bioavailable Vitamin D as opposed to the total Vitamin D. Do you expect an additional headwind for Vitamin D here or do you already take this in account nextéyou know, in addition to the increased competition?

CARLO ROSA: Let me start with bioavailable? Bioavailable Vitamin D today is pushed by a very little small company that has patent on it. And I honestly donôt believe that there is enough muscle behind that in order to change the opinion of the US divisions. I mean, as I think as I said, starting from few years ago when we were surfing the wave of Vitamin D. We DiaSorin had nothing to do with the fact that Vitamin D became a blockbuster in terms of clinical use. It had all to do with a combination of media, supplementation availability and science behind it.

And so, I don't think that today you can really effect. From a clinical point of view, they use and surge an adoption of Vitamin D in the US. And in fact, if you think about it, the only way – the only countries where we have seen a reduction in Vitamin D, this has never come from, the fact, that the physicians have been educated now to test, but by the fact that physicians had been forced not to test. So it's always a political [indiscernible] decision rather than an educational of what a physician should or should not do because our industry diagnostic – the diagnostic industry by definition does not educate physicians because we don't talk to them, and we sell to labs.

So all the bioavailability story, I think is a good paper but not – I don't see it much developing to be honest with you. As far as, the usage of Vitamin D in the US, I learned the hard way long time ago since the beginning of the Vitamin D story that the US is a very interesting market because there are a lot of different forces that they push up or down the usage of a product and their reimbursement system.

I think that there has been a conscious effort over the last five years to understand that Vitamin D testing is reasonable or not, there have been some groups talking in favor of it that has been exempted by Medicare to curb reimbursement which was rejected already three, four years ago. There was a report issued by Institute of Medicine which I think came up three years ago – two years ago recommending to proceed with supplementation in a certain way, and also testing in a way that would have been unfavorable, but it did not hit the usage of Vitamin D.

So to make a long story short, for what I see today in the US nothing that is happening is making me think that there is going to be a change in the trend of usage. There is clearly a change in the way Vitamin D is

reimbursed, mainly driven by the fact that the insurance companies are doing good job and negotiating with a large labs their reimbursement.

Keep in mind that if large labs three, four years ago was getting $22-$23 for a Vitamin D test. From an insurance company today I think they are down to $14-$15. Okay, so that is the trend that has affected the business. Surprisingly to me, the Vitamin D volume in the US is still growing; single-digit I would say, low single-digit but itôs still up, whereas I would have expected to be flat or slightly reduced.

PAUL VAN DER HORST: Okay. Thank you. Thank you very much.

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

CARLO ROSA: Okay, thank you operator.