DiaSorin S.p.A

"Full Year 2018 Results Conference Call"

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MODERATORS: CARLO ROSA, CHIEF EXECUTIVE OFFICER

PIERGIORGIO PEDRON, CHIEF FINANCIAL OFFICER

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome, and thank you for joining the DiaSorin Full Year 2018 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: Thank you operator. Ladies and gentlemen, welcome to the DiaSorin year end result conference call. As usual, I will provide qualitative comments on the year and some on quarter 4, and then Mr. Pedron is going to get into discussing numbers in details.

So in order to discuss how the business is performing, I will always make my comment at constant exchange rate, and specifically about certain geography, with the state geographies in a way that is a little bit different from the way it is reported in the slides and presentation everybody has received.

So let's start from quarter 4, at constant exchange rate, the quarter growth year-on-year is 3.6% and that's a combination of different performances in different geographies and let me remind you that when we met at the end of quarter 3 and we were discussing about guidance for year end, we qualified that there were certain elements of uncertainty in certain geographies that I will discuss right now.

So let's start first from Europe direct. Europe direct means only European countries where DiaSorin is operating direct. And it is important to look at the geography because this geography is where we launch all the products without regulatory barrier and this certainly includes QuantiFERON that if you remember we have introduced to this market in the beginning of quarter 4 of last year. So Europe direct is doing very

nicely as a result of that. Actually we are growing 10%, a little bit over 10% spread over all the geographies.

Also Germany that if you remember was…has been at the beginning of the year in a situation where we were transitioning teams, and we are actually going after conversion of the ELISA business, also in Germany we had more stabilization. So as far as Europe is okay, is concerned, results are good. The launch of QuantiFERON with the support of QIAGEN is working fine.

Now let's go to USA. U.S. market in Q4 grew 3.3% and that again is a combination of plus and minuses. Now let's talk about Vitamin D. As discussed, we continue to see in the U.S. decline on Vitamin D. We have…all of us have seen the comments of some of the large labs LabCorp, Quest and Sonic about certain uncertainties vis-à-vis the Vitamin D volume.

We are monitoring this, we see that Vitamin D is declining with these accounts and but it is very difficult to understand what is going to happen and how this will affect 2019. In fact so far we only have visibility over a couple of quarter. I was noticing yesterday that one of the big labs, Quest, is saying that yes, they see Vitamin D increase in denial and they are trying to structure agreement with insurance companies, so they could directly bill or invoice patients. So we need to wait and see how the situation will stabilize.

CLIA X Vitamin D which is the rest of the catalogue is fine, is growing double-digit and so we continue the deployment of systems. And let me remind you that at the end of quarter 2, we got approval of the last assay, that we are expecting calprotectin. So now we have the full funnel of products H.pylori and the collaboration through Meridian which is

working fine and now calprotectin we are just waiting for the third product which is the approval of QuantiFERON and we'll talk about it later.

Last but not least, DiaSorin molecular is a combination of molecular and traditional products, it's growing mid single-digit. So as far as U.S. is concerned, where you don't know we have the liability of Vitamin D, the quarter at the end of the story was not bad.

AsiaPacific 19.7% growth and this pretty much reflect the growth of China. China grew 18.7% and we have deployed over 100 millions of XLs in this geography. And as we said, we are picking up steam again in China after we have transitioned from certain or let me say after we have parallel our current distribution network with other distributors that allowed us strategically to move from the Class 3 base to the Class 2 base. We have discussed this several times but we see the results of this.

Now let's talk about the geographies that are underperforming and this is in Latin America direct, and for us Latin America direct is fundamentally Mexico and Brazil. Overall, these two geographies in Q4 declined 14%, but this has to be read properly. So we have Mexico growing and we have Brazil actually declining, but it's a result of one event which I think we have discussed before, which is the fact that there was a Zika tender that happened in 2017 and second installment, the second the second shipment of that tender happened in Q4 2017 and this tender was waived and so in 2018 we did not have the shipment, and this is why Brazil in Quarter 4 really underperformed.

If you actually take away the tender, this effect of the tender Brazil is flat, which is under expectation, but it is explained by the fact that due to recent election and changes that was happening in the country as reported by other companies, government deals are frozen today. So it's quite

complicated today really to grow in that market until the government funds are reallocated and tenders are open.

The area where we really underperformed is export, and this was discussed and qualified in the last quarter. And if you remember in the last quarter discussion, we said, we give a head up regarding 2 specific situations, one is a tender in Korea that we have…we are working with a third party, Siemens, it's part of the heritage of the acquisition, the Siemens business. That tender was supposed to be awarded in Q4 and it was not, and it has been actually now moved to quarter 2 this year, but again we are in the hands of…from Siemens and our distributor, so we continue to wait and see what happens, it's a sizable tender for blood banking.

The second geography where we said there was a risk is Iran. Now Iran is a different story because as far as the quarter, it was negative. It was negative because there were still uncertainties related to how to export to Iran is a result of the embargo of the U.S. The good news is that…and I remind you that the problem per se, is nothing to do with goods because we work with medical but to find financial institutions that are available actually to support the transaction.

The good news is that debt situation has been resolved now in January and so we will resume a shipment of goods in 2019. So…but this affected the last quarter because the amount of good that we were able actually to move to the country was far less than quarter four previous year.

So all in all, I think that in all the strategic geographies we are doing well as a result of new product launches. We launched four products last year for immunoassay and QuantiFERON which is a key product for us in

QIAGEN, and as a result of the fact that in certain geographies like China now the distribution network is working fine.

Now, the net result of this mix and so good performance in direct and the problem being export resulted as you notice in a very favorable gross margin. In fact, if you compare year-on-year the gross margin…sorry if you compare the quarters Q4, 2017 and Q4, 2018, the gross margin improvement is over 200 bps**.** Is a combination of mix, but also is a combination of what we call operational excellence which I think is what we already discussed few times and so streamlining operations closing and concentrating, manufacturing and so forth. And that clearly also has resulted in a very favorable EBITDA margin in the quarter which as you have seen from a percentage wise at constant exchange rate is close to 39%. So this is the way I believe results in Q4 should be read and interpreted.

Now, let me just move rapidly to guidance 2019. And let me first talk about the fact that in June 11 this year, we are going to have the meeting with analysts and presentation or…investors and the presentation of the next four years plan. So it is intention of the company now to explain what the strategy and implementation is going to be throughout 2022. So you are going to get much better color on some of the strategic projects during that presentation. However, if we look at guidance for 2019, you notice that we decided to provide a certain range, I remind you between 5% and 8% growth. Fundamentally, we commit to the fact that we will be able to maintain a very favorable EBITDA margin percentage wise that we have today with the business.

Now, the wide range is determined by the fact that there are certain events that may affect growth this year. And let me again remind you what these events are. The first one, as we discussed few times is Vitamin D declined

in the U.S., still watching and seeing what the big labs are doing vis-à-vis their volume and the way they are addressing the denial rates [technical difficulty].

The second one is to do with QuantiFERON, let me remind you that we filed with the FDA QuantiFERON in Q4, our plan and the current guidance foresees that we are going to get approval of QuantiFERON in Quarter 2 is a strategic product and also in the [indiscernible] and QIAGEN in the U.S., U.S. per se represents roughly 60% of the total worldwide market for QuantiFERON. So for this one we are in the hands of the FDA. Filing…the file is under review, but we need to wait and see what happens.

The third element is what we discuss is the Korea tender, so the tender is in our numbers and but we need to understand how is that going to play out, as said, it is something that is not in the hands of the company per se but is it with through the partnership with [indiscernible].

The fourth element is the fact that, as we have discussed few times we are under renewal of certain very large contracts in the U.S. And I am happy to report that the first one which was actually expiring in 2019…sorry 2018 was in fact renewed, and it was renewed for a long period of time five years. It covers the existing products and is also adding up to these products a good chunk of molecular product. So it was a very positive and a negotiation that is actually allowing us to continue to supply to this very large labs, continue to be partners and provide them with the esoteric testing they need as a differentiating set of products.

We have the other two contracts are actually in renewal in 2019, and we don't know what the effect of this renewal will be in terms of pricing and mix. So that's another uncertainty that can play in our numbers.

And last but not least, which is not new for the ones that are actually covering our industry is to do with the fact that the flu season…is a very weak flu season compared to last year or actually last year was very favorable flu season for the business, and this season we are back to normal incidents of patients visiting emergency room and being tested. So we need to see how it goes. The flu season typically starts in Q4…in December and ends in April, but depending on that which is a good chunk of business for us, in May; it may impact the growth rate for 2019.

Also, what I would like to anticipate is that we expect for what we have discussed right now, we expect growth to be unevenly distributed among the different quarters. And so, we expect the Q2, Q3 to show progression of growth because there is where we expect the tender to be approved, the QuantiFERON to be approved and so forth.

So at this point, I am going actually to move…to leave the floor to Mr. Pedron, who is going to go through the specific comments on the number.

PIERGIORGIO PEDRON: Thank you, Carlo. Good afternoon everybody. In the next few minutes I'm going to walk you through the financial performance of DiaSorin in 2018. And I will make some remarks on the contribution of the fourth quarter. Before we start, let me please remind you that we began reporting the Siemens ELISA business from Q4, '17. And so the full year perimeter of consolidation is different from the one of 2017.

So with that, I would like to start with what they believe are the main highlights of the period, we closed 2018 with the revenue increase for the previous year at constant exchange rate of 7.7%, we are about €49 million.

Since the first-half of 2018 was hit by some material effects headwind to be precise almost €17 million, the full-year growth as reported is 5% or €32 million. These FX headwinds should turn into a tailwind in the first part of 2019, considering the current exchange rate of the euro against the USD vis-à-vis the trend we had in each H1 '18.

2018 full-year EBITDA at €255 million recorded an increase at constant exchange rate compared to previous year of 11.2% with a margin again are comparable rate of 38.5% vis-à-vis a result 37.3% of 2017.

2018 net result at €158 million or 23.6% of revenues, records an increase compared to 2017 of 13% or €18 million euro. Lastly, we keep confirming our ability to generate a very healthy free cash flow, €164 million with an increase compared to 2017 of €32 million or 24%. This allowed us to close 2018 with a positive net financial position of €75 million after having paid dividend to our shoulders for about €145 million and after having completed a share buyback program for €65 million.

Let's now go through the main items of the P&L, 2018 full-year revenues at €669 million grew by 5% or about €32 million compared to previous year, gross profit at €456 million grew by 5.5% compared to previous year closing 2018 with a ratio of revenues of 68.1% and so recording a slight improvement vis-à-vis 2017 in spite of dilutive effect of the Siemens ELISA sales and of some price pressure on Vitamin D.

This performance, which is a touch better than what we originally expected is mostly driven by higher manufacturing efficiencies. The Operational Excellence Program Carlo was mentioning a few minutes ago and better geographical mix. Q4 gross margin improvement compared to 2017 68.3% vis-à-vis 66.5% is mainly the result of the different geographical mix Carlo just mentioned and is in particular driven by lower

export sales, down in Q4 '18 by 20% or €5 million. Again, the reasons have just been covered by Carlo.

2018 total operating expenses at €245 million for 36.7% of revenues have increased by 6% compared to previous year. Please remember that €15 million OPEX has been driven by the depreciation of the intangible assets, knowhow in customer risk [ph] mainly coming from the Siemens, ELISA and Focus business acquisition.

2018 other operating expenses at €5.9 million had decreased compared to previous year by about €10 million. This difference is mostly driven by the one-off costs we booked in Q4 '17 related to the divestiture of the Irish manufacturing site, which is going to be completed by the end of Q2 '19. This variance is even more visible in Q4 since this is the quarter in which we accrued this cost in 2017. 2018 EBIT at €205 million or 30.6% of revenues has increased compared to 2017 by 10.9% or €20 million. 2018 tax rate at 22.6% is up compared to previous year by almost 1 percentage point. And it is in line with what we expected and disclosed during Q4 '17 call.

The variance between 2018 and 2017 is mostly driven by the fact that in 2017 we booked the cumulative positive effect of the Patent Box agreement signed with the Italian tax authorities, which covered also 2015 and 2016 whereas 2018 has profited of the impact of 1 year only. On the other side though, let me please remind you that 2018 saw the positive impact of the U.S. tax reform. 2018 net result at €158 million or 23.6% of revenues is higher than previous year by €18 million or 13%. This increase is the result of what I described so far and of lower net financial expenses booked in 2018 mostly driven by a reduction in interest and the fixed losses, higher interest income and by the revaluation of the

participation in our Indian subsidiary following the takeover of its full control from the local partner.

Lastly, 2018 EBITDA at €155 million is better than previous year by €17 million or 7.3%. The variance at constant exchange rate is positive by 11.2%. 2018 EBITDA ratio on revenues is 38.2% at current exchange rate and 38.5% at constant exchange rate.

Please note that in order to have a fair comparison vis-à-vis 2017, we must remember that during Q4 of last year as just said that we booked about €6 million at EBITDA level of one-off costs driven by the Irish manufacturing divestiture.

Moving now to the quarter, Q4 EBITDA margin at 38.9% confirms the profitability recorded in the last period. The increase compared to 2017 is mostly the result of the better gross margin as just discussed and of the timing of the Irish one-off costs.

Let me finally move to the net financial position and the free cash flow. We close the period with a positive net financial position of €75 million after having paid dividends for €145 million and completed a share buyback program for €65 million.

In 2018, the group generated €164 million free cash flow vis-à-vis €132 million in 2017 thus confirming…recording an increase of €32 million or 24%.

Lastly, let me move to 2019 guidance at 2018 constant exchange rate. We expect revenues to grow between 5% and 8% and to maintain an EBITDA margin at the same level of 2018. Before concluding, let me please remind you that certain [ph] financials are fairly sensitive to FX

fluctuations and in particular to the U.S. dollar and that for every one cent movement of the dollar against the euro, DiaSorin revenues move by about €2 million to €2.5 million on an yearly basis.

Now let me please turn the line to the operator to open the Q&A session. Thank you.

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 Peter Welford with Jeffries. Please go ahead, sir.

PETER WELFORD: Hi thanks for taking my questions. Firstly, just wondering if you can give us any more visibility on the U.S. contracting both for 2018, though the contract you've renewed and also the 2 for 2019. Just particularly with regard to Vitamin D, I appreciate, you won't necessarily say much about this. But is there any push from the customers to give further on Vitamin D pricing or perhaps can you give some sort of commentary on where Vitamin D pricing is going in the U.S. Given, I think from your perspective is probably pretty much reached the floor at this point in time now.

And also perhaps just with regards to now the potential for the menu is QuantiFERON included within discussions at the moment you're having or is that potential upside or additional use beyond the current discussions that are happening?

And then just 2 quick financial ones, the other non-recurring expensing quite high in the fourth quarter, I think there was almost €4 million of charges, but equally there was quite a positive other operating income on a

recurring basis in the fourth quarter. I just wondered, if you could possibly square that for us to help better understand the other operating line?

And also just on FX. Thanks for the clarity on the €2 million to €2.5 million impact on revenues. Is it possible to give us the impact on EBITDA of every $0.01 move? Thank you.

CARLO ROSA: Yes, Peter. Let me take the first 2 ones, as you can imagine, on the big contracts. We said that we have 3 major agreements worldwide with a 3 major lab chains, 2 in the U.S. and one global. And which I think without giving names, they're quite easily identified. And we also stated…what we can state publicly is that one contract was expiring the end of December 2018 and 2 contracts in between 2019, but also some part of the contracts really was extended in 2021.

So as far as these contracts are won, done, sealed, discussed. Obviously, with this very large customers when a contract renewal is always associated with some sort of price concession. And it's not necessarily linked to Vitamin D or a specific product is simply a price concession, it is discussed generally on the book of business. But what we have always been able to do so far has been through… actually compensate the fact by adding more products to the catalog. And in this specific case, that compensation, since with this account there is already a broad use of all our immunoassay product. We are actually able to get on-contract with a significant number of molecular products. Especially, ASR because this very large account actually use components to develop LDT test. And so, that actually worked very well also because for us, the ASR business is also a very profitable business.

Now, talking about Vitamin D and Vitamin D prices. Again, in general, again nothing to do with the price specific per se, but renewal in this world means commitment and discounts. And this…so if we talk about…is there a floor price for Vitamin D, there is never a floor price for anything, because in our business unfortunately, pricing is going down and certainly for certain commodities in Vitamin D as we discussed many times is a commodity. The price is declined in generally is steeper. However, again, we have a good mix of specialty assays with these labs that are less affected usually by this price pressure.

So overall, I think that the magic here with this relationship has always been to make them control with pricing and add business that we have to compensate the concession. But this kind of business with these very large labs is fundamental for 2 reasons. One is that, from a volume perspective it sustains the manufacturing side, and 2 from a visibility perspective being one of the premium suppliers to these labs is adding credibility vis-à-vis all the other customers.

Now, I think…then I will leave to PG the comment on your technical questions on financial items.

PIERGIORGIO PEDRON: Thank you, Carlo. Hi, Peter. So your first question on the second one actually was about the FX impacted EBITDA level. We said revenue level $0.01 movement means for us €2 to €2.5 million lower or higher revenues. This translates the EBITDA level give or take to €1 million. So €2 to € 2.5 million for revenues about €1 million for EBITDA.

Regarding the other non-recurring expenses, Q4 last year was heavily hit by the fact that that was the quarter in which we decided to shut down the Irish manufacturing site. And that is the quarter where we booked give or take €10 million of costs related to the divestiture of that site. This year

you actually have a positive impact because on one side you don't have the Irish, let me see one-off expenses. On the other side we released some bad debt provision because, you know, we are very diligent in the way in which we manage our collection, our DSO [ph] pretty well…pretty good, and it came out that eventually we were a little bit too prudent, too conservative last year and when reviewing the position at the end of this year, we released some bad debt provision because we actually were able to collect this money.

PETER WELFORD: That's great. Thank you.

PIERGIORGIO PEDRON: Thank you.

OPERATOR: Next question is from Daniel Baldini with Oberon Asset Management. Please go ahead.

DANIEL BALDINI: Hi, good afternoon. Thanks for taking my call. So it's a question again about these contracts. Back in November of last year Quest had an Analyst Day and this fellow James David, the EVP of Diagnostics, got up and said the following, and I'll just read from the transcript. He said there's about 73 distinct immunoassays in the company that we offer and we do that work on 6 different or 7 different platforms that we get from 6 different suppliers, you know, these suppliers, it's Roche, it's Siemens, it's Beckman Coulter, it's Danaher and it's DiaSorin. Now, why did we go with 6 suppliers for all these tests? Well, it's how the industry evolved. And for example, the first Vitamin D testing was done by DiaSorin and we had to buy their platform in order to do it. But as this industry has matured, Roche can now do everybody else's immunoassays, DiaSorin can do a bunch of other folks immunoassays. Beckman Coulter can do everybody else's immunoassays. So we don't need the 7 platforms anymore. So we run a competition, we're going to get it down to one

supplier. We're going to save a lot of money as we work the competitive nature of the deal that we put in front of the suppliers.

So let's assume that he's been truthful and that Quest is one of these contracts that's coming up. And they do in fact, run this competition and they decided to go with someone else's what they're calling platform. Does that mean you lose all of the sales of immunoassays to Quest?

CARLO ROSA: You know, I don't know, you were making…you are asking a question and then giving yourself the answer. Yes, absolutely if…but listen…

DANIEL BALDINI: No, because he is saying that these...basically these platforms are interchangeable now?

CARLO ROSA: Okay.

DANIEL BALDINI: I decide to go with Beckman Coulter, can you still sell them your immunoassays?

CARLO ROSA: Okay. So without getting into this specific, but as you know, we supply to the big labs Vitamin D and 18 other products. And I think, it's fair to say that Vitamin D is a commodity and Vitamin D actually today can be offered by 7 suppliers in the U.S. It is true by the same token that or the other products are not really available on many other platforms. And in fact, it is the so-called esoteric assays, which is good for us, and good for the lab, because let me remind you why these big labs work with DiaSorin and they like us, because we provide them assays where they make a lot of money, right. So my point is, as far as, what is Quest is commenting is fairly square that today they have different suppliers, it is certainly through that they are making an effort and is a public information to square their

operation and make it more efficient, they are building a big site with automation. And as a result of that they are going to consolidate suppliers.

I mean, is DiaSorin really going to lose all the business with them in a catastrophic event? I consider this possibility very remote. Is Vitamin D, up for grab in this contract, absolutely is up for grab. But, I think these labs they look at DiaSorin overall as its ability to provide a portfolio of products.

Okay, so to make a long story short, I think we work one-by-one, we have done one very well, and now let's work on the other two. But, in a short answer, I think the risks is associated specifically with Vitamin D with the other products, I don't see the risk. Also, because at the end of the story is what these labs are saying, I can…use one platform for all is actually incorrect. I think that we…or incorrectly interpreted by the one that read the statement. It means that if you look at the immunoassay routine and you look at the high volume. Today, there are any number of companies they can provide that with the necessarily throughput and that is certainly through that Beckman, Siemens about Roche have the ability to compete for that bulk of volume.

And funny enough today, when you walk into this lab, but not specifically Quest only, you find that they have platforms from the suppliers that do actually overlap. Okay, but then when it comes to the esoteric believe me, I think that is not only DiaSorin, there are other companies and another specialty niches that are there and we will stay there as to support that side of the business. Is that good enough for you as an answer?

DANIEL BALDINI: Yes, that's wonderful. Thank you.

OPERATOR: The next question is from Maja Pataki with Kepler Cheuvreux. Please go ahead, madam.

MAJA PATAKI: Yes, good afternoon. Hi, Carlo, you were very specific on trying to give us an indication how you think about the lower end and the upper end of the guidance and that's really helpful? I was just wondering, since you mentioned the TB test in Europe as a positive in Q4. Would you be able to give us a bit more understanding how big that was or how much of a difference it means for you is the QuantiFERON TB test would be only approved in the U.S., let's say in Q4? Would that be meaningful on the guidance? And then, the second question, just to get back on the question before with contract renegotiations, you have a very strong foothold with large…but actually with clients because of your specialty tests. I am just trying to understand your thinking. So is there a level of pricing on Vitamin D or pricing pressure on Vitamin D were you would say like, you know, what is actually find for us, we don't need to do that. But, we are happy to supply you the specialty tests or is Vitamin D so profitable for you that even another, you know, 10% and 20% discount or discount on the price would be totally fine for you to continue the business? Thank you.

CARLO ROSA: Okay, Maja. QuantiFERON as…you could appreciate the fact that is a very sensitive product for QIAGEN and for us, so I cannot comment really on the amount, but I am…what I am saying is that the intention to work with QIAGEN was to increase the speed of adoption of blood testing versus skin testing. And again, and the second thing was to try to decentralize this setting which you know today is very centralized because of ELISA technology. And that would be a win-win for both companies because would be, the decentralization means higher price and more secured business. And more adoption means increase in volume and this

is what the two companies are working on and it is working very well in Europe.

Now, let's talk about the U.S., U.S., is even more so because again by nature of business of the way the U.S., market is shaped, a lot of this volume today is actually sent out to the big labs, simply because the hospital market doesn't want to do ELISA any longer and it was more convenient for them to just to send it out.

So for the U.S., the QuantiFERON for DiaSorin is very strategic for a different reason, is strategic because it will allow us to go after the send-out business and increase footprint in the hospital market that as you know. And we have discussed today is the Achilles Heel of the DiaSorin strategy, because we have been very successful in centralized commercial labs, but we have been not so successful in addressing the hospital market which is a vast opportunity at this stage.

And so, again, you understand the strategic importance, the data shows…I cannot give you precise data, but you see that Europe is going well for us, we are above everybody else. So QuantiFERON is one of the drivers. As far as contracts, yes indeed we are esoteric suppliers and Vitamin D was an esoteric test. Today, Vitamin D…our presence in these labs clearly has increased in strategic importance because we provide Vitamin D and others and this is why I am not so concerned about being wiped out by the big labs because we will stay there with all these products. And just to give an example and also to answer to Peter, we just got approval in the U.S. of all the stool assays, these are today very concentrated products as a send out in the big labs, and we certainly are in discussion with them about brining over to them this product, so which are esoteric specialty. So Jean Davis comment I think is a general comment saying high volume

routine has to be streamlined and brought together in a more efficient way and that's certainly true.

Vitamin D it's going to be up to us and not to them to decide whether it goes on the streamlined or it stays in DiaSorin as part of the package. As far as pricing of Vitamin D, absolutely I mean there is a level where we are available to grow, but I am not necessarily sure it's a matter of profitability but it's a matter of Company image because there certain company main stream high volume that pretty much, you know, this going to be…it can be an add-on at any price and is additional, its stability, its absorption in the big investment I need to make, to provide all the hardware necessary to serve these big labs. But for us it's a matter of…there is a limit, I mean which we don't want to go also because we sell to everybody else at a different price, and so I don't understand why a specific account should be different.

MAJA PATAKI: Thank you very much.

OPERATOR: As a reminder, if you wish to register for a question please press "*" and "1" on your telephone. The next question is from Bruno Permutti with Banca IMI. Please go ahead, sir.

BRUNO PERMUTTI: Good afternoon. I have 3 questions. The first one relates to the QuantiFERON launch in the USA. I was wondering which are the worries which you could have on possible approval by the second quarter so is there…if you can update us on how the process is going and what are exactly your expectations. The second one relates to possible partnership, similar to that you signed with QIAGEN. I was wondering if you are considering possible collaboration with…and so partnerships in your strategy and if you see something going on possibly this year. And the third one relates to an update, if it possible to the **XS** launch in the USA.

CARLO ROSA: Yes, so the concern I have with the FDA, it's the FDA, meaning that it's a third party, this a PMA. There is a process and there is a reviewer, and therefore it depends on usually the reviewer. There is no file in my experience that goes through the FDA without questions. The problem usually is if these questions require experimental work and generation of data by the Company to be addressed. And we don't know because the FDA after we file usually has 90 days to review the file and come back with comments. We are still within the 90 days period, so that's a concern, you don't control them; they decide what they will do with the file. So we have to wait and see and see if it is going to work within expectations or not.

As far as the **XS**launch, I think you are probably asking **XS** launch per se, not necessarily in the U.S. because in the U.S. there is a 2020. So the instrument is commercialized in Europe and they have big event where we launched the system which is going to happen actually in Italy in May with over a 1,000 customers attending and this is the commercial launch of the platform. And in the U.S. there is a delay because of regulatory constraints. The box has to be registered. It is a patent case [ph], not so complicated but we expect registration and launch to happen beginning of next year.

Last but not least, partnerships as we said, today we have 3, 1 in France PCT, 1 with Meridian stool, and then we have this new venture with QIAGEN. We don't have today any specific passion about partnerships because we are certainly very busy delivering on the existing ones. I think that what I need to comment is that, it's the strategic nature of the relationship with QIAGEN because together the 2 companies after this initial effort, we understood that our platforms and our technologies work very well with developing T Cell catalog of products and again this is not

a secret also because it was published by a German news paper that we are working on Lyme disease which is a very sizable market. Just for your understanding, there are 5 million tests online. This is in the U.S. and almost €15 million that today are done with immunoassays. We own roughly 40% to 50% market of share there with immunoassays and certainly that's a very nice business fully incremental for DiaSorin and QIAGEN. So we are actively working together to try to bring this product to the market as soon as we can and there is a commitment by both Companies to extend the range of products that measure interferon and can be actually all put on the XL and the XS systems.

BRUNO PERMUTTI: Thank you.

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

CARLO ROSA: Thank you, operator. Thanks everybody.