DiaSorin S.p.A

"Full Year 2015 Results Conference Call"

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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 Full Year 2015 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 afternoon and welcome to our full year 2015 conference call. I will start as usual making comments about the many events that characterized quarter 4 at constant exchange rate, so that everybody can understand better the progression of our 2015 numbers. And then I will turn the microphone to Mr. De Angelis, who will take you through the full year 2015 financials.

Now, if I can make a comment about 2015, overall it was a very successful year, was full of good news and I believe we achieved notable financial results. In fact, what you saw from the numbers is that we registered growth in revenues and profitability and our net profit and cash generation reached record highs.

Our revenues in 2015 increased at constant exchange rate 6% keeping our profitability at an EBITDA level of 37.1% granted us to generate a very strong cash flow as you noticed, equal to €108 million of which…which is…which represents a growth of almost €17 million versus the 2014 figures. And we clearly reached a very positive net financial position equal to €267 million which is an increase of over €100 million over the previous year amount.

Now, let me go back to the quarter 4 and revenues, starting from our CLIA revenues that registered a growth of overall 12%, confirming the fact that our business is driven by the success of the products that we have been

launching in the last 24, 36 months. And it's very clear that the 115 products that now represent the menu of available on the LIAISON are the driver in all different geographies for the success of our top-line.

Now, if we now split as usual Vitamin D and CLIA ex- Vitamin D, if we look at CLIA ex-Vitamin D, growth was very strong again in Q4, 18.7% which is pretty much in line with what we did throughout the year. And clearly this benefits from the launch of products that happened last year, and registration of products in the different geographies. I think I would like to address the fact that the newly launched 125 Vitamin D test which as you know now is also approved in the U.S. was very successful and also as because it is introducing a new way to look at kidney disease states. And I think that we got to a level of almost 90% market share worldwide. So now the next task for the Company is going to be to increase the usability and accessibility of this test in different regions.

If you look at the Infectious Disease which is always the engine of growth in all different geographies, it really continues to grow very strong in the U.S. because of the fact that we are able to introduce this product with the large lab chains throughout Europe because of their success in the hospital setting, and in China, because of the success that we have with our prenatal Infectious Disease testing.

Last but not least, the growth is clearly pushed by the new line of gastrointestinal infection product, that now are completed with the launch of the last very important product Calprotectin which is a very important innovative marker for diagnosis of inflammatory state of the bowel. Again, this has been approved and launched in Europe and we are submitting this test to the FDA and we expect to have approval sometimes mid next year.

So as far as CLIA ex-Vitamin D, strong franchise and we continue to see high double-digit growth. As far as Vitamin D performance, clearly you know that it is…the performance of this product is driven by two different factors, price where we…as we've discussed many times, continue to see price erosion in line with market prices and volumes which have been growing in different geographies, including as you know in the U.S. as a result of the agreement we signed last year with Quest Diagnostics.

Let me discuss the fact that in quarter 4 in North America, the volumes overall…the overall volumes in the market for Vitamin D testing, especially in the large chains of labs were soft compared to previous quarters. We have experienced this also in the past. It is seasonal and we expect the volumes to go back to normal starting from quarter 1 of 2016. And for this reason, the performance of North America in Q4 Vitamin D was relatively soft and so single digit decrease and this clearly has influenced the performance of the overall North American market.

As far as LIAISON XL, we closed the year with 620…over 620 LIASION XL installed throughout all different geographies. And our installed base now of LIAISON XL is over 2,300 systems, so it continues to be a very successful platform. What is changing and I think has been already addressed in the previous quarter, is the fact that now we are pulling from the market all the LIAISONS which we are de-installing and we are throwing away and replacing those where needed with LIAISON XLs.

Now, if we go and look at the revenues by geographies and briefly comment on the different markets, we start from Europe where the growth is solid in Q4, it was up 7.7%, this is very important. It's a very good result for DiaSorin considering the fact that as you know, from our competitors in general, Europe is not a very successful market for diagnostic companies. And this is due to the fact that there is a volume

deflation on restructuring in different markets, but not withstanding that, we are doing very good because we are considered as a supplier of specialty products and so we don't suffer that much from volume compression.

Notably, Germany continues to be a very successful market for us. In quarter 4, Germany grew 11.5% in line with what we have seen consistently over the last few years. And we expect Germany to continue to be a driver of the growth of the European market.

Italy grew 3% in Q4, showing a recovery from Q3. If you remember, in quarter 3 we discussed the fact that the market was soft. However, we saw a smaller recovery in Q4. We continue to be careful about the Italian market because there is a current reform in place that has been discussed by government to disincentivize some diagnostic testing and mainly related to mainstream products. So we don't feel that this should affect us for all our specialties. But some of the mainstream products that we are selling we see that there is a decrease in volumes and we already saw it starting from last year. But overall, notwithstanding the fact that the market in Italy is not simple, we still see growth and I consider this our success.

Last but not least, in France, the Vitamin D effect finally is over. So now the Vitamin D volume is stable and therefore, we expect to see growth starting from 2016 driven by the CLIA ex-D.

Now, if we move to North America, the region in Q4 grew 1%. The growth in CLIA there are two different factors here, there has been a very strong growth of CLIA ex-D, 34% in the quarter. And this is due to all the agreements and placements that we have done throughout last year. By the same token, as already said before, Vitamin D volumes in almost all

the labs, especially big labs were soft in the quarter. And for that reason, we see…we saw in the quarter a negative trend of 2.5%. Again, this is not due to lost business but it's due to an organic affect that we believe in Q1 will normalize again.

Asia Pacific, lots of success. In Q4, we grew 10%, and overall I think for a year the region grew almost 15%. China continues to be the driver of growth, it grew 26% in the quarter in line with what we have seen before and in Q4, I think we did achieve a record revenues in the Chinese market and we continue to experience growth also starting from 2015. So in China, I think lots of good news.

Installed base has now reached almost 800 units. We continue to see interest for the LIAISON as well as the LIAISON XL to a point that we decided that we will continue to distribute LIAISON in these markets also in 2016 and 2017, to fill demand of the smaller hospitals whereas we continue to push placements of the XL in the mid-sized hospitals. It is noteworthy that these results have been achieved notwithstanding the fact that the Beckman deal which has been announced to the market just kick-started in Q4. So these results are net of the contribution of Beckman which we expect to see coming starting from 2016.

Last but not least, Latin America was a good quarter. It was an increase of almost 8% versus Q4 last year. Clearly, Mexico makes the lion share of the growth, 34%, driven by the success in certain very large public tenders. So this is a market that continues to give us lots of opportunities.

As far as Brazil, that we've discussed before, that we are today in a very negative cycle of the economy as you know. That is translated into the lack of funds from public tenders, the Company has decided to retrench last year from the public market and refocus our business in the private

sector with the benefit of securing payments and reducing our DSO to a more reasonable 70 days from 140 days we experienced before. And net, net result of all this is that in the quarter for the first time in the last three quarters, we saw Brazil slightly growing versus last year in constant currency. So we expect now that starting from Q1, Brazil is not going to be a drag any longer of growth, but it's going to be a small contributor of the growth of the Group.

Now as far as profitability, our EBITDA margin in Q4 was equal to 37%, which is 130 basis points more than Q4 last year and 100 basis points more on a yearly basis. So there is an improvement of profitability which is driven mainly by an improvement of the gross margin and also some leverage on the operating expenses. I think that Mr. De Angelis is going to make a comment to it, but it's noteworthy that in 2015, we had several non-recurring operating expenses that will not repeat in 2016 and notwithstanding that, we did register record EBITDA margin.

As far as net result, I think we had a very good year. For the first time, the Company recorded net results above €100 million, which is equal 24.1% of Group revenues. So profitability clearly is restored and clearly this very net result has also contributed to very rich cash flow as you have seen from the presentation.

Before I turn the page to Mr. De Angelis, I would like to make two comments. The first one is, I would like to thank all the employees of the Group. This was a very successful year. Lot of things happened and it's because of them that things were implemented. And so, thanks to the 1,600 people that are working with us.

The second one, my second comment has to do with guidance 2016. I believe in line with what we have explained to and illustrated to the…to

all investors in our three years plan, our guidance for the Group for 2016 is going to be a growth…we foresee a growth in revenues between 5% and 6% at constant exchange rate compared to 2015. And as we saw also in 2015, we expect EBITDA expansion, so an EBITDA growth between 6% and 7% at constant exchange rate, again compared to last year.

Now, thank you very much. And now I will turn the microphone to Mr. De Angelis, who is going to comment the financial 2015 results. Pier Luigi.

PIER LUIGI DE ANGELIS: Thank you, Carlo, ladies and gentlemen, good afternoon. As Carlo already mentioned, 2015 was a really solid and strong year for us in terms of financial performance. And we are really very satisfied of having achieved these important results, which confirmed the reliability of our 2015-2017 long-term plan that we presented in the month of May of 2015.

Let me now focus your attention on the key figures of 2015 and above all on our revenues, which grew by 6% at constant exchange rate keeping our profitability at an EBITDA level of 37.1% that granted us to generate a strong free cash flow equal to €108.2 million and a very relevant positive net financial position equal to close to €168 million.

Our CLIA revenues registered at constant exchange rate a growth of 11.2% in 2015, confirming the positive trend already registered in the previous years. As far as, the CLIA ex-Vitamin D 25 revenues are concerned, in 2015 we grew by 18.5% at constant exchange rate. At the same time, concerning our CLIA Vitamin D revenues, we registered a slightly negative trend in line with our expectation.

With regards to ELISA and RIA revenues, we registered an expected physiological decline of these two dated technologies which work on open system by 14.2% at constant exchange rate in the full 2015 year.

In 2015, we also registered a slightly increasing trend in our instrument and consumables sales by 2% as a consequence of the growth of our distributor business.

Now, let me focus your attention on some relevant aspect that characterized 2015 results. In 2015, our EBITDA was equal to €185 million with an increase of 15.4% at current exchange rate and 6.4% at constant exchange rate, in line with the raise (ph) of the guidance related figures that we provided in November 2015, and with the 2015-2017 long-term plan.

As Carlo mentioned before, in 2015, our EBITDA was affected by some operating expenses for a total amount of €10.2 million, €6 million more than the previous year 2014, and more precisely by €1.3 million related to the United States medical device tax, €2.8 million due to bad debt allowance, mainly related to Brazil. $1.2 million for the paid back provision, for those who are not familiar with payback it's a mechanism introduced in Italy in 2015 that oblige medical device company to contribute to the public healthcare overspending. Then $2 million for negative exchange rate difference on operating items, €2.1 million for non-recurring expenses, mainly driven by activities aimed at identifying potential targets and extraordinary consultancy expenses to streamline the group supply chain.

Tax rate, concerning the taxation of the Group, in 2015, our tax rate was equal to 33%, down 140 basis points when compared with the 44.4% of 2014. The difference is mainly due to the results of the competition of the

Groups taxable profit across the different geographies, and the lower amount of non-deductible taxes we've held on dividend Group's, parent Company received from foreign subsidiary.

Finally, our net result in 2015 reached record high and was equal to €100.5 million, up to 19.6% or $16.5 million more than 2014. As a consequence of what I said today, the Board of Directors of DiaSorin S.p.A. approved the distribution of a dividend of €0.65 per outstanding shares. Net of the treasury shares owned by DiaSorin, for a total amount of $35.7 million.

Thank you, and now I will turn the line to the operator to open the Q&A section.

Q&A

OPERATOR: Thank you. 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 BNP Paribas. Please go ahead.

ROMAIN ZANA: Yes. Good afternoon. Thanks for taking my questions. The first one is actually on project pipeline and LIAISON XS in particular. Could you update us on the timing of the launch and the strategic positioning compared to the existing LIAISON. I was wondering especially about the geographical positioning, and do you expect significant contribution already in 2016 or rather in 2017. Second, regarding the margin improvements that you delivered in 2015, I would be interested to have the breakdown between what's coming from FOREX and what's coming from pure operating leverage, if you can. And the last question regarding the medtech tax, you mentioned, the €1.3 million of tax charge related to the medtech tax. Should we assume that the suspension of this tax will

provide the same amounts as a tailwind on the gross profit in 2016 or will it be reinvested into the business? Thank you.

CARLO ROSA: Yes, okay. Let me take the first question on the XS. I think, that the XS has been presented in the plan, it will be launched in 2018. So clearly there is no effect whatsoever in 2016 or 2017; what you see…what you saw and we presented in the plan were costs which were associated with the development of the XS with partnership…with the partnership Stratec.

As far as strategic positioning, this instrument has been designed mainly to serve two very strategic markets for us. One is the U.S., and that is intended to go after the physician office lab business that as we discussed few times we consider it strategic. We consider it unattended; we consider it promising because of the current configuration of the reimbursement system and complexity of the bureaucracy, in the U.S., which is pushing for consolidation in this sector.

Last but not least, we feel it is not well attended by the very large competitors that are focused much more on the consolidation attending at the hospital level. And therefore, we believe we can take the lead in this segment. The second strategic market is China, and for a different reason but with a similar output which is the fact that, in China today the family clinic or the family doctor does not exist that is pushing all the patient into the hospital, and that is creating a lot of complexity in managing this influx of patients in hospitals. And therefore, the government has strategically decided to setup starting from the big cities of family clinic…family clinics. And we believe that within this family clinics there is space for a small system that can provide a diagnostic support for frontline diagnostic support for the family doctor.

But again, as outlined in the plan, this will take effect starting from 2018. As far as, the margin improvement, we don't provide details on FOREX and mix effect. But I can say that with the margin improvement also at constant FOREX, mainly due to specialty sales, so the fact that our mix is changing favorably toward Vitamin D 1, 25 the stool product et cetera, all the new products we launched with clearly a different pricing structure and also a different pricing pressure versus the mainstream product.

As far as the medical tax, yes, in fact Romania is €1.3 million that we expect is going to be saved by the Group. So it's not going to be reinvested…it's not going to be reinvested in the current business.

ROMAIN ZANA: Okay. Very clear. Thank you. May be just one follow-up if I may, very short, regarding the guidance. What could be a fair assumption of the FOREX impact on EBITDA in 2016 at current exchange rate?

CARLO ROSA: I don't know, to be honest with you. Again, we provide guidance at constant exchange rate, and then whatever you know, whatever it comes really a change is going to come, I cannot make any prediction.

ROMAIN ZANA: Okay. Fair enough. Thank you.

OPERATOR: The next question is from Massimo Vecchio of Mediobanca. Please go ahead, sir.

MASSIMO VECCHIO: Good afternoon, everybody. Two questions from my side. First one is a clarification, you are targeting EBITDA growth between 6% and 7%. I was wondering if the 2015 base is the reported EBITDA or the one net of all of the extra ordinaries. And the second question is on molecular diagnostic, I know it is relatively small business for you, but I was wondering after the slight sales increase to €4 million in the launch of the

two new tests, what we can expect for 2016 in terms of revenues, EBITDA, and also strategic development?

CARLO ROSA: Okay. As far as, your first question, the guidance is related to the reported 2015 year-end numbers. As far as, molecular diagnostic, I think that you can expect growth, clearly from…purely from a number point of view, the contribution is not significant vis-à-vis, the growth of the Group. However, as far as an EBITDA contribution, as I think I shared before, today this business is not a net contributor. Actually in 2015, if I recall, the EBITDA…the EBITDA which has been generated by our molecular franchise is minus $3.5 million, so very small but still is a negative component of the Group EBITDA.

From financial point of view, things will not change necessarily in 2016. However, today we have launched our onco-hematology line in Italy. We have a dedicated group of people selling it. We have 20 accounts today of buying, I think we have a funnel of 30 or 40 accounts that we plan to close in 2016. So it's a business that is developing, it's a specialty business. And for DiaSorin, clearly has been, and it is a very interesting opportunity to learn about the space that as we said before is an interesting space and full of opportunities not only necessarily in the hi-tech, highly specialized sector, but also in some more of the mainstream applications.

MASSIMO VECCHIO: Thank you very much, very clear.

OPERATOR: The next question is from Anastasia Karpova of Kempen & Co. Please go ahead. Ms. Karpova, your line is open.

ANASTASIA KARPOVA: Good afternoon, and two questions, if I may. First, you have a really strong positioning within large labs in the U.S. What would be your strategy within 2016-2017 to expand your presence in the hospital setting

or communal hospital setting, and if you have such strategy? And secondly, you have a five-year contract with Quest regarding Vitamin D. Where do you think you wouldn't (ph) have a chance to start negotiation to expand such [indiscernible] to more specialty tests as you did with LabCorp. And would that opportunity present in the next five years in your expectations?

CARLO ROSA: Yes, thank you. I think the two questions are really combined when it comes to the large labs in the US. Yes indeed, we have a very stronger presence, almost 40% of our revenues in the U.S., are coming from contracts that we currently had with very large laboratory chains which are either national or very large regional Groups. And this is simply because LIAISON XL has always been very well received, and we built that franchise through our Vitamin D success few years ago. When it comes to Quest, and then I will address the hospital setting, when it comes to Quest, yes, we have completed our implementation of the Vitamin D program; I would have to say successfully.

And I believe that the appreciation of the Liaison XL will drive this kind of customer to adopt more products from DiaSorin. This is clearly, it is a speculation, however this is what happens in several other cases where as we explain. For example, for LabCorp, we started with Vitamin D, and we ended up providing lots of other products in endocrinology infectious disease. So we are working, clearly trying to develop the opportunity and we will see the opportunity will develop.

As far as the hospital setting, today, we do have a presence in hospital half of the installed base in the U.S., is already in the hospitals and hospital chains. What I see as an opportunity in the hospital segment clearly it's going to be…is also related to the strategy of launching the LIAISON XS, because some of these hospitals…clearly the mid-size hospitals today are

going to be squeezed. That segment is squeezed because either they consolidate or they tend to move more into the outsourcing. Whereas, in the specialized smaller hospital, they quite often they retain testing because of the need of differentiating themselves from other competing hospitals in the area. And clearly, the LIAISON XS will fit also nicely. That market is very clear to us, that today we are very successful with big labs, with a very good business and franchise we develop through specialties, and the program that we develop with LIAISON XS and products like the Calprotectin for example, which I mentioned before which is going to be approved next year will help us to drive the business in that small mid-size segment.

ANASTASIA KARPOVA: Thank you. And if I may quickly follow-up on another question on the U.S, I know the discussion on Palmer regulations have somewhat stalled, however, if it's implemented as planned with the cuts in reimbursement rate for diagnostic, do you see significant risk to your pricing in the U.S.?

CARLO ROSA: Listen, I think the whole industry clearly is exposed to pricing. But I don't feel that necessarily for us this would represent a tremendous risk. And again, and this has to do with the type of business we developed in the U.S., which is much more specialty driven, rather than mainstream. And when it comes to only what I can call to the mainstream product that we have in the U.S., today, which is Vitamin D. You know, that rather than regulation what really did affect pricing has been competition and that already happened in the last two, three years. So in my…is it a concern, yes, it is a concern worldwide. Is it a specific concern because of the implementation? I don't think so.

ANASTASIA KARPOVA: Thank you for taking all the questions.

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

PETER WELFORD: Hi, yes thanks for taking my questions. I've got three. I think, firstly on the collaboration with Roche, I wonder if you could provide us an update on that, is the plan still to start rolling this out during the first quarter and start bidding for tenders in the near future. Secondly, then on the China business, just wonder if you can give us an update, I guess on whether you are seeing any sort of reluctance there to have new instrument placements and take on new contracts, whether to you the market there still remains [technical difficulty] given your specialty positioning? And then finally, just on the CLIA business, I wonder if you can give us some insights into what the next wave of new tests could be? I appreciate you are doing a lot of, I guess, clinical studies at the moment to find new applications and uses, but are there any particular new assays you'd highlight to us, potentially innovative and growth for the future. Thank you.

CARLO ROSA: Yes, Peter. Let me start with Roche. The overall program with Roche did kick start, and we are happy to report the fact that we have the first three that will…three customers that will start to do business due to this relationship in a month or so. As far…so Roche is clearly…it took a little bit longer than expected because there was lot of work…engineering work to combine different platform from different suppliers and make sure that everything works on the Cobus (ph), but now is done is, water under the bridge and that the commercial, finally, the commercialization of all this started.

As far as China, no we don't see…we understand that some of our competitors have been reporting difficulties in placement. But honestly, we don't see it at all, actually we continued to record strong placements between 100 and 120 systems per year in China. And as I told you, last year, it was a very successful year of growth of 26% in revenues. Q4 was

a record Q4; I think we sold more than 100 million renminbi in the quarter. So I have no concern about China, and there are several areas of the country that we could not reach in Phase I, because of lack of proper distribution network that was the effort that we put in place last year, signing deal with new distributor. So I think there is a vast opportunity still to allow us to continue to be successful in the country.

As far as the CLIA and the outlook of products, let me tell you without getting into the specifics, because some of these information is confidential. We don't to provide hints to competitors. However, two things, I am very confident that we will continue to release five to seven products…new products per year. I don't see that as an issue. Strategically we said that there are a couple of areas where we want to invest, kidney disease. And so, you are going to see that there are new products coming in that area starting from 2016. And the second one is the completion of the GI tract panel, which extremely has been very, very successful for us. And in Europe, we are starting the very lengthy registration process to bring those products to the U.S., which is an untapped opportunity, a very vast market.

And again, let me underline Calprotectin. Calprotectin is a product that today is provided by two companies in an automated form it's us and Fadium (ph)**,** then there is a bunch of smaller suppliers that are providing the product with older technologies like LIASION, it's a very rich market, volume is doubling year-on-year in the U.S. Today there is only one product approved by the FDA in an ELISA format.

We are going to invest in a clinical study in excess of $1.5 million to bring our product to the U.S. and we have very high expectations from that product, in the launch of that line in the U.S. market.

PETER WELFORD: Thank you very much.

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

LUIGI DE BELLIS: Yes, good afternoon, three questions from me. The first one regarding the guidance, which are the most important incremental driver of the top-line growth during 2016 and if it's possible, could you quantify the incremental contribution from Vitamin D 1.25, Vitamin D in Japan and stool testing. The second question, obviously regarding the guidance, is it possible to breakdown the top-line growth guidance between Vitamin D and ex-Vitamin D. And the last question on the other operating expenses. Could you quantify the amount expected in 2016? Thank you.

CARLO ROSA: Yes, I am sorry, but I will not be able to address most of your questions and this is…some of it is because we don't provide this kind of details, some of it because I consider it as again competitive information to the Company. However, when it comes to guidance, what I expect to be the driver of growth? I think that my expectation is in line with what happened in 2015. I don't think that the fundamentals will change dramatically.

I think Asia Pacific strong growth with…supported also by the fact that the Beckman now the placements that we are making through the alliance will kick-in. So I don't see a risk over there. I expect the European market to continue to grow in line with what we have seen this year, driven by a combination of you know, the usual strategy, success in the Nordics, notwithstanding the fact that we expect Italy to be soft in 2015, but this softness of Italy is going to be covered by the fact that the Northern European countries are growing very strong.

And last but not least, for Europe is Roche. As you know, the Roche alliance fundamentally today has been developed and the European market until products will be registered in the systems will be registered in the U.S.

As far as Vitamin D ex-D, I would recommend you to go back to what we stated in our three years plan. We provided some details in terms of what we expect these two product families to do. And let me remind you we expect 16% growth for CLIA ex-D and 2% growth in Vitamin D. And clearly, there is going to be an effect…positive effect of launch of this product in Japan, which as you know, already happened. We are just waiting for the reimbursement which should happen in the next month or so.

The good news is that we expect in Japan that the reimbursement is not going to cover only a very specific bone disease, but we expect the reimbursement to cover also well being screening purposes as everywhere else in the world. So I think that is something that will clearly support this development for us there. And we don't provide OPEX; we don't provide the OPEX in the 2016 outlook.

LUIGI DE BELLIS: Thank you very much.

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

SCOTT BARDO: Thank you very much for taking my questions. First question relates to the top-line guidance of 5% to 6% underlying. I think you just remarked about the capital markets day in 2017 where you highlighted an 8% CAGR out to 2017. So I guess my question is, given that momentum in China, given the new product launches, the collaborations with Beckman and Roche, the expectation to stabilize Vitamin D, why is it that you don't

foresee better growth in 2016 as compared to 2015? So I just wondered if you could put some comments there. That seems a little bit odd to that guidance to some of the dynamics in the business. The second question also relates to guidance. I think 2015 is supposed to be a fantastic margin for the Company, if I'm correct. If I adjust for these non-recurring items, which I think are unusual versus history, you have some 39% EBITDA margin. If I understand your guidance, which is based on reported growth, underlying growth on the reported number of 67%, I think that implies 150 basis points of margin contraction versus that clean EBITDA margin. And again, that seems a little bit at odds to the top-line growth and the mix expectations that you've discussed. So I just wondered if you could talk a little bit as to why we should expect margin contraction versus your clean guidance as is implied by your guidance. I have a follow-up question once you've answered those, please. Thank you.

CARLO ROSA: Okay, as far as the top line growth is concerned look we feel that in the current environment 5% to 6% growth which is in line with what the Company achieved at constant exchange rate in 2015 is a reasonable assumption at this level. And so we don't feel comfortable with providing growth rate which are in excess of this. And by the way, this is what is pretty much foreseen by our three years plan. Keep in mind that the 8% CAGR that we have issued in the three years plan was not necessarily at constant exchange rate because if you remember, the assumption there was we started with a dollar to euro ratio of 1.15, so that had introduced at the beginning an element which now you don't see in the results. So top-line growth at 5%, 6%, we feel comfortable with it and then we see through the year how it develops.

Your second question was about the EBITDA. Now I have to admit that we did not consider or let me say, we considered some of the non-recurring items as recurring and simply because as you have seen from our

financial report, some of these elements are related to escalating (ph) that we are conducting heavily in order to guarantee Company opportunities of M&A. Some of it are related to the payback which is a mechanism that has been introduced in the Italian market by law in 2015. The problem is that all the rules and regulation of this decree, of this law have not been disclosed here to the Company so we don't understand how the calculation is going to be made by the government. And there is a chance that also this law is going to be challenged and eventually it's not going to be applied now. However, safely as a precaution, we calculated that this effect is going to be repeated in 2015.

So yes, there are certain elements of precaution that we included. However, looking at what happened in 2015, and looking at the level of profitability that we have already reached. I feel that an expansion of…an improvement of 6% to 7% of EBITDA is reasonable to expect at this stage of the situation. And then we will see how it will develop and in any case we are going to provide you with update as we did in 2015.

SCOTT BARDO: Okay, thank you very much. So just to understand your last comments, so even if it's half of the non-recurring items that disappeared, then this certainly implies maybe 3% or so EBITDA growth below your top-line growth if I understood that correctly.

CARLO ROSA: Listen, I have honestly…it's difficult to meet or reconcile this calculation. So we need to go back and look at it, but again, if you look at the overall situation, 6% to 7% EBITDA growth is reasonable.

SCOTT BARDO: Thank you. And last comment or last question rather, I think some of the recent press interviews that you conducted, you highlighted clearly the strong balance sheet position of the organization and highlighted additional efforts to M&A. I think there was a headline; we have €1

billion of potential firepower at our disposal. I just wonder if you could put those comments into context. Is there anything here that's meaningful for you to consider? Last part of this question, please; I note that you've implemented a loyalty share scheme within your financial release. I just wondered if you could flesh this out a little bit more, what is the purpose of this and also why is the timing being chosen for this year rather than previous periods in history. Thank you.

CARLO ROSA: Okay, let me first go back to the comment, the comment that you read on the press is, I think it is a very simple mathematical calculation. If you consider our EBITDA level, if you consider the possibility, a reasonable leverage of the Company, this Company would have the possibility of conducting up to €1 billion acquisition. So that was a very simple mathematical calculation, which was I think added by some of the journalists that we attending that press conference. I think it's nothing new; it's something we have discussed before. And the fact that we do have a conscious effort to try to scout for targets and companies and again it's something we've discussed many times in the past. And you saw also in our year end results that there is a certain amount of money that has been allocated and spent by the Company in that effort.

In terms of the comment that you made about the way that the implementation and recommendation in terms of the vote in the…of the shareholders, this as you know, it's a law that has been passed in Italy I think a couple of years ago.

There are three companies that I know of that have already been implementing this. In our case, it seems that it made a ton of sense to do it at this stage. It is not necessarily changing that much about the control of the Company. You know, we are a major shareholder that is owning 44%, and we have the management that is holding 12%. However, it's giving

more flexibility to the Company in terms of the possibility to continue to guarantee success and control, and also let me say a successful control of the Company by the current shareholders also in light of potential opportunities in the future.

SCOTT BARDO: Thank you very much for taking my questions.

OPERATOR: The next question is from Christopher Sagen of Mediobanca. Please go ahead.

CHRISTOPHER SAGEN: Thank you, Mr. Rosa, well done with the results and the cash generation. My question is about Roche. You just mentioned that you have begun and you will begin in about a month with the first handful of customers. At the time when you announced the agreement, you talked about these labs being very high volume labs and potentially a park installed of 1,000 labs over a number of years that you could deploy this in. Could you perhaps give us an idea of where you think you might be in a few years time or update your picture on this front. Thank you.

CARLO ROSA: Listen, I think that again these…I cannot comment on the commercial opportunity because clearly, this is a collaborative effort with Roche and I'm not planning to give any of the Roche numbers in my call. However, I think that we made a comment and the comment was today there are 300 mega labs, expectation is that the 300 should become over 1,000 in the next seven years. Roche is very well suited to succeed in this market.

Today, they hold a very high market share in this segment and therefore, I think that we selected the best partner for this effort. And the other thing, which I think is noteworthy, is that is usually a very high volume account. We would be there supplying specialties. This would be specialties demanding high price. So we don't expect any margin dilution. And last

but not least, this would be opportunities that we would not be exposed to without this alliance. And we saw from these three initial opportunities that without Roche we would have not had access to this. So I think…we are going to give you actual numbers on a rolling quarter and you will see that this is going to become an interest opportunity in the European environment.

CHRISTOPHER SAGEN: That's great. Thank you very much.

OPERATOR: The next question is a follow-up from Romain Zana of Exane BNP Paribas. Please go ahead.

ROMAIN ZANA: Yes, hello again. Thank you for the follow-up. Two questions actually. The first one you mentioned that you are gradually replacing LIAISON with the LIAISON XL. Could you tell us what proportion of the installed base do you expect to upgrade in the long run and what has been the progression so far? And second question is regarding Vitamin D in Japan. I was wondering if you could give us an idea of the market opportunity in this specific country. Thank you.

CARLO ROSA: Okay. LIAISON/LIAISON XL, the answer is that eventually we are going to replace all, that's very obvious. We really stopped placing LIAISONs in the European market and in the U.S. market. And so today, the only platform available there is the LIAISON XL. When it comes to…as I said before, we still have 4,000 systems installed worldwide and we are really milking this installed base limitedly (ph) trying to, you know, replace as late as possible. Unfortunately, when some of these tenders expire and a new tender is rolled out. And there is a commitment needed for 5 to 7 years, we are forced to provide XL's rather than LIAISON. But, quite often as we discussed previously every time we put an XL we have an increase of revenue per box in the range of 20%-30%.

So they are anyway net contributors, even cannibalization let me say is contributing to the overall growth of the top-line which is good.

We expect that in the European environment where the LIAISON XS is not necessarily well suited. However, it will be when the LIAISON XS will be launched in Europe, a lot of placements will go to save, let me say cannibalized what we call low revenue producing LIAISONs, and these kinds of LIAISONs are LIAISONs that fully amortize, that has been placed, quite often refurbished with smaller accounts. Today, they cannot be cannibalized with the XL because the CAPEX…the cost of the XL doesn't allow it. But good chunk of the base is going to be replaced by the LIAISON XS. So again, strategically for us, the LIAISON is fundamentally dead today in most geographies with the exception of China. And all effort is concentrated on the XL, and what we call XL LIS, which is the LIAISON XL version that has been designed to dock in the fully automated chemistry stations of Roche and Beckman type.

Now, Vitamin D in Japan, I need to bring you back to our recommendation indication we provided in the three years plan. We believe that there is a market that can swing between 2.5 to 3 million to up to 5 million tests of Vitamin D that would represent 2% to 4% market penetration. So it is certainly…if you compare it to the U.S., with the market penetration today is around 20% is certainly conservative. However, by the same token, Japan is a conservative society, so we are expecting a much bigger growth, in my opinion short-term would be realistic.

Good news is that in Japan end user pricing is generally double then what we experience in Europe. And so, not withstanding the fact that we are working through a distributor, and we would clearly need to leave a cut of

the end user price to the distributor. We expect eventually to sell to Japan without really any operating cost there to sell to Japan to the same end user price, today we are selling to Europe. So they are not going to be dilutive in terms of average unit price for Vitamin D.

ROMAIN ZANA: Thank you, very clear.

OPERATOR: The next question is a follow-up from Scott Bardo of Berenberg. Please go ahead.

SCOTT BARDO: Yes, thanks very much. Very quick follow-up actually, I think historically you have guided for net placement of LIAISON instruments. And forgive me, if I have missed it within the release. But could you clarify what you are expecting in terms of net placement throughout the course of 2016?

CARLO ROSA: Okay. Scott, listen, we decided that we are not going to provide an official guidance to this. And let me tell you why, because of what I discussed before. So today, there is…look at what happened in 2015, we placed an excess of 600 systems…620 systems XL, new XL. However, we had to take out 160 LIAISONs. And so, some of the XL placed went to replace LIAISON. You know, at the beginning of…when we introduced this the net placement algorithm, it was a very simple calculation, and it was a very simple tool for investors to understand the revenue growth, it was at least as far as CLIA is concerned, so you were multiplying number of placements times revenue per box, and you would get the CLIA contribution.

However, this is becoming much more complicated today because you have new placements; you have placements that are going to very large accounts. You have placements that are replacing LIAISON, but every time you do that, you get a revenue growth of 30%. So we realized

talking to people that is becoming confusing to provide the net placement, and therefore, we decided not to do it any longer. And just to stay to expected growth by product line. However, if you want my gut feeling, my gut feeling is that what you saw in 2015, it is what you should see in 2016. Maybe it could be even higher if some of the…some of few very large tenders we are participating to are going to be awarded in certain countries in 2015.

SCOTT BARDO: Very good. Thanks for the clarification.

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

CARLO ROSA: Okay, thank you, operator. Bye-bye.