DiaSorin S.p.A.

"Full Year 2021 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 2021 Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Mr. Carlo Rosa, Chief Executive Officer of DiaSorin. Please go ahead, sir.

CARLO ROSA: Thank you, operator. Good morning, good afternoon to everybody, and welcome to the year-end results call for DiaSorin. I'm going to briefly comment Quarter 4, as usual at constant exchange rate 2020, and then Mr. Pedron will take you through the numbers.

It is noteworthy that Q4 represented a full recovered quarter from a revenue perspective. So it's very interesting that we are going to be…I will compare results to Q4 of last year. And this will, in my opinion, give an indication of how the business is performing.

Starting from this quarter, after the Luminex acquisition, I will provide comments in 3 different buckets that now we are using to represent the business, so the different technology groups. First, I will talk about COVID, which includes immuno and molecular, including also the Luminex COVID business. Second bucket is the immuno ex-COVID; the third bucket is LTG or Licensed Technology, which has to do with all those technologies that Luminex developed in licenses through partnership, primarily in the research space.

Let's start from COVID. When it comes to COVID, Q4 revenues were roughly €100 million, of which €70 million were COVID products coming

from Luminex. If we compare, as said to Q4 2020 revenues, if we look at the DiaSorin product alone, so excluding the Luminex component, revenues were down 20%. And this is, as expected, related to the fact that Q4 volume…testing volume of COVID compared to previous year was roughly down by the same number.

So we continue to have an extensive installed base of customers that are using our molecular product, although we are certainly today suffering from shift up or down in volume. From a price perspective of COVID, what I had to report is that we don't see price pressure in any of the major markets where we operate.

If we look at the Omicron effect, I think it's noteworthy that compared to 2020, Omicron has created a much narrower peak of testing, which has been concentrated primarily in December-January, with a very sharp decline that we started to notice in the last few weeks. So the Omicron peak compared to the Delta peak, they look very different.

So overall, we continue to stand on our COVID projection. We need to wait and see what is going to happen in 2021 in the next few months about adoption of testing. And then certainly, we need to understand what is going to happen in the second half when it comes to… and I don't think we…anybody wants to see that. But we want to understand how the next season is going to look like starting from after the summer.

I have COVID, by the way, and this is where I need to speak a little slowly today. On the immuno side, Q4 was largely in line with Q4 of 2020. So let's talk about immuno non-COVID [ph]. In Quarter 4 was up 12% with CLIA ex-D growing 19% year-on-year and CLIA Vitamin D flat, notwithstanding the loss of Quest in 2021 which certainly has been well compensated by the surge in Vitamin D testing due to COVID.

CLIA grew double-digits in all geographies. Actually, on average, well above 25% with the exception of China that continues to show a decline due to the known issues related to the lockdowns and strong price decline, which are driven by the adoption has been discussed a few times of regional tenders, which are really affecting price, especially on the Me-too products like thyroid, fertility, so the high-volume products.

Our CLIA business is solid and is certainly driven as in the past by specialties. And in 2021, notwithstanding I said the weakness of China, we achieved another record year of LIAISON XL placements, over 550 systems worldwide, with a record amount in the US. So notwithstanding the fact that China, which traditionally has been driving placement of XL has been very short in 2021, we really succeeded with immuno and the XL in the other 2 main geographies, but primarily in the US, where the hospital strategy that was initiated 2 years ago now is really paying out its dividend. And we continue to gain share in this very strategic and important market share.

And last comment I would like to make on immuno has to do with MeMed. We launched the product on the LIAISON XL in Europe. And we submitted the file to the FDA in mid-December. This assay for me is a great fit to the DiaSorin portfolio, as we discussed at the Investor Day meeting because it's a specialty, it goes naturally on our installed base, and it completes our infectious disease portfolio. So we have great expectations about the success of this product. Our partner, MeMed is raising its ability to educate physicians. And we're going to keep you updated throughout 2021. But again, I really believe that assay will very well fit our growing installed base in the hospital market.

Let's now discuss LTG. Please remember that this business is primarily driven by our strategic partners who had adapted Luminex technology to develop either research or IBD products. Year-on-year, the business grew 20%, and this is even more significant if we compare 2021 to 2020, that clearly 2020 deep dived because of the pandemic effect. But we now compare '21 to '19, still we have a double-digit growth of this business, indicating that there is a very solid opportunity and it is going to be a contributor both from a margin perspective, as well as top line growth to the growth of DiaSorin. Lastbut not least, in this space we launched the new platform the Intelliflex, it's the new multiplexing platform for research and the book of orders exceeded by far our expectations. So when it comes to LTG, these are a very nice addition to the traditional DiaSorin IBD business.

Before leaving the podium to Mr. Pedron, one more comment and it has to do with LIAISON Plex or VERIGENE II as Luminex used to call it. We continue the validation effort to bring on the manufacturing line for the high-volume manufacturing in Chicago. We are focusing on, as we have discussed during the Investor Day, the gastroenteric in the 3 blood panels, the gram positive, negative and yeast. And as discussed, we expect to start clinical studies for IBDR submission in the second part of 2022. And we expect to start initial placements in Europe for customer usability in the early fall.

Meanwhile, our traditional multiplexing business, which is mainly driven by the VERIGENE I is relatively stable, with ups and down clearly in the respiratory panel due to the COVID business. But we continue to maintain a very solid installed base, and we continue to invest in the multiplexing business, developing some of the manual application. You know our manual technology where multiplexing is called NxTAG. And

we have launched recently a new updated gastroenteric panel for the European market.

So now I'm going to leave the podium to Mr. Pedron, who is going to drive you through the numbers. PG, please.

PIERGIORGIO PEDRON: Thank you, Carlo, and good morning and good afternoon, everybody. In the next few minutes, I'm going to walk you through the financial performance of DiaSorin in 2021. And I will also make some comments on the contribution of the fourth quarter and on the impact of the Luminex business. So this acquisition was completed, as you might remember on July 14 of last year.

To better understand the performance of the business, I will refer to adjusted P&L items. Therefore, sterilizing the impact of the following so to say, Luminex dealer related elements. So the one-off acquisition and integration costs, the effect of the purchase price allocation, cost of financing and lastly, the fiscal impact of all of these components. Both in the presentation uploaded in our website and in the press release, we are providing a line-by-line bridge between adjusted and IFRS items. That said, as usual, let me please start with what I believe are the main highlights of 2021.

We closed the Luminex transaction in July for a total equity value of approximately $1.8 billion. And starting from Q3 '21, Luminex financials are consolidated into DiaSorin. 2021 total revenues at constant exchange rate grew by 41% in the year, therefore, doing slightly better than the full year outlook, which was calling for a 40% compression.

Q4 '21 grew by 36% vis-à-vis 2020 at constant exchange rate. Luminex's contribution to the top-line at current exchange rate was €195 million in

the year and €104 million in the quarter. This performance is slightly better than what we originally expected with the order [ph] just mainly driven by the Luminex molecular business. The COVID revenue contribution at current exchange rate was €378 million in the year and €102 million in the quarter compared respectively to €266 million and €101 million in 2020.

2021 full year adjusted EBITDA at €543 million or 44% of sales is slightly better than the outlook, which was set at 43% margin, mainly because of the higher top-line we just discussed about. We completed the Luminex purchase price allocation. And as a result, in Q4 '21, we booked a €24 million hit to our P&L of which €18 million of intangible depreciation and €6 million of higher cost of goods sold, the latter coming from the revaluation at fair value of Luminex inventory, as dictated by IFRS principles.

The quarterly run-rate hitting our P&L from Q1 '22 onward, in the intangible depreciation line coming from the PPA is going to be €9 million. You might notice that this number is different from the one we shared during the Capital Market Day, which was €40 million. So the difference is coming from the fact that now we have completed the PPA exercise, whereas back in December, it was still an estimate.

We keep confirming our ability to generate a very healthy free cash flow, €301 million in the year. The net financial position is negative for €986 million, with €403 million of cash and the net debt leverage over adjusted EBITDA of 1.8. Finally, the Board of Directors approved to propose to the Annual General Meeting to be held at the end of April, the distribution of an ordinary dividend of about €57 million, equal to €1.05 per outstanding share and a buyback plan for up to 1.5 million shares to

support the potential settlement of the outstanding convertible bond and the management equity plan.

Let's now go through the main items of the P&L. 2021 revenues closed just above €1.2 billion compared to €881 million in 2020, therefore, recording a growth of 40%, both in the year and in the quarter. The year has seen some €6 million FX headwind net of which the growth would have been 41%. The growth at constant exchange rate and scope of consolidation, meaning excluding Luminex, is 19% in the year. And therefore, slightly better than the guidance, which was set at 18% and flattish in the quarter because of lower DiaSorin COVID sales, which as Carlo just said, moved from €101 million in '20 to €81 million in Q4 '21.

Q4 '21 ex-COVID, again same perimeter of consolidation, so without Luminex, recorded a solid growth of 10% at constant exchange rate compared to 2020 and 7% compared to Q4 '19, mainly fueled by a very strong performance of our CLIA ex Vitamin D franchise which grew by 19% in the quarter and 22% compared to Q4 '19. H2 '21 Luminex pro forma sales grew nicely vis-à-vis 2020.

Let me remind you that we didn't consolidate all these in 2020 Luminex sales. That's why I'm saying pro forma. As a result of a good performance of the combination of the LIAISON and VERIGENE molecular platforms paired with a very strong license technology business with a joint growth of about 20%, partially offset by the so-called non-automated assays, which recorded exceptional COVID-driven sales back in 2020 when the supply of COVID testing in the market was somehow limited and greatly overcome by demand.

Full year 2021 adjusted gross margin at €831 million, grew by 38% compared to last year with a ratio of revenues slightly below 2020, 67%

vis-à-vis68%. This difference is mainly driven by the inclusion of Luminex in the scope of consolidation. And it's even more clear when we consider the adjusted gross margin ratio of the quarter, which closed at 66% compared to 68% of 2020. This variance is in line with our expectations and modeling, and is reflected in the guidance we gave last December during the Capital Market Day.

2021 adjusted operating expenses at €357 million grew by 34% compared to 2020 with a ratio of the revenues of 29% vis-à-vis30% of the previous year. The increase in the adjusted OPEX ratio of the fourth quarter from 26% of last year to 30% of 2021 is due to the very same reason highlighted for the gross margin, Luminex consolidation into DiaSorin numbers. Once again, this is in line with our plans and the guidance we gave during the Capital Market Day. We are expecting synergies to reach the level discussed during the Investor Day as the integration process will move forward.

Full year adjusted other operating expenses at €9 million decreased by €3 million compared to last year. As a result of what's just described, 2021 adjusted EBIT at €465 million or 38% of revenues has decreased compared to 2020 by...has increased, I'm sorry, compared to 2020 by 43% or €141 million.

Adjusted interest income and expenses at €4 million is substantially in-line with 2020. And the adjusted tax rate at 23% is in-line with 2020 as well. 2021 adjusted net result at €357 million or 29% of revenues is higher than previous year by €109 million or 44%. Lastly, 2021 adjusted EBITDA at €543 million or 44% of revenues is higher than 2020 by 41% or €158 million. The variance at constant exchange rate is positive by 42% with a ratio of revenues of 44%.

The adjusted EBITDA ratio in the quarter at 43% is lower than 2020, which closed at 47%because of the expected dilutive...slightly dilutive effect deriving from the consolidation of the Luminex business, the very same reason we just discussed a while ago.

Now let me please move to the free cash flow. In the course of 2021, the group generated €301 million free cash flow vis-à-vis€232 million of 2020, therefore, booking an increase of 29% or €68 million. As discussed back in July, I believe it is worth underlining that in 2021 we had a much higher tax cash out compared to 2020, €118 million vis-à-vis €37 million. This difference has been mainly driven by 2 elements, a different phasing and higher profit compared to previous year.

Lastly, let's move to 2022 full year guidance. As usual, at previous year constant exchange rate the outlook is in-line with what I reported during our recent Capital Market Day, and it's calling for revenues ex-COVID to grow by about 24%. Total revenues marginally lower than 2021, minus 2%, to be precise, because of a reduction of COVID sales for which 2022 outlook is about €150 million compared to around €380 million in 2021. And an adjusted EBITDA margin at around 35%.

Before concluding, please remember that DiaSorin financials are highly exposed to the US dollar, and even more so now that North America represents about 50% of the total Group sales. Therefore, as a rule of thumb, consider that for every $0.01 movement of the dollar against the euro, DiaSorin revenues move by about €6 million on a yearly basis.

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

Q&A

OPERATOR: Excuse me; this is a Chorus Call conference call operator. We will now begin the question and answer session. Anyone, who wishes to ask a question, may press "*" and "1" on their touch-tone telephone, to remove your question, please press "*" and "2." Please pick up your receiver when asking question. We pause one moment, while participants join the queue.

The first question is from Emanuele Gallazzi of Equita. Please go ahead.

EMANUELE GALLAZZI: Yes. Good afternoon, everybody. Thank you for taking my questions. I have 3 questions. The first one is on the cost inflation. Can you discuss let's say, in more details what we are seeing now in terms of cost inflation? And how are you dealing with it?

The second one is on the QuantiFERON Tuberculosis test, if you can just help us understanding the contribution of this test on 2021 revenues. And I would say, any color on your expectation for 2022 will be useful.

And my last one is on the platform and in particular, on new placement made in 2021. Can you give us an idea of the split between new clients and, let's say, a replacement there? Thank you.

PIERGIORGIO PEDRON: Carlo, do you want me to take it since you...COVID, maybe it's easier for me and then please just jump in…

CARLO ROSA: Yes, please. Yes, go ahead, P.G.

PIERGIORGIO PEDRON: Okay. So thanks. So, thanks Emanuele. I will start with the cost inflation. So we built in our model some cost inflation assumptions when we presented our numbers to the Capital Market Day back in December.

Please remember that our business is not very much exposed to energy costs. If I look, and if I think to the bill of material of our products, most of the costs are labor driven, and then I will catch labor. And then we have obviously, our raw materials. And the...if you want, the energy-driven part is the plastic, which is not as I said, the majority of the cost of our products. So we built in our assumptions when we prepared the plan some cost inflation there. When we did the plan obviously, we had no clue about what was going to happen with the Ukraine and Russia conflict, which is likely in the future for some additional question mark, which is very difficult to forecast now.

So we are seeing this inflation, you know, it is very clear when we look at transportation cost and energy costs for our manufacturing site, which again are not the…that material compared to other costs. I'm talking about labor. And I guess; now we have to understand what's going to happen in the next few months, as I said, with the crisis in Ukraine. But so far on top of what I just said, meaning transportation and some energy and we are not seeing much action. But considering the materiality, I believe we should be able to cope with it.

Regarding the Latent Tuberculosis contribution in 2021 and 2022, I believe I cannot give you the exact number. As you know, this product is a product that has been developing partnership with QIAGEN. What I believe I can tell you is that by all means this is as expected, one of the contributor to our growth. As we disclosed during the Capital Market Day, most of the growth is coming from the US market where the product was launched after the European one, simply because the FDA...simply

because it was approved later compared to Europe. We still have room to go…a lot of room to grow in 2022, with this product…with the Latent Tuberculosis.

I believe we have disclosed to the market that we also got LabCorp as a customer for which we are very proud of. And this product together with the...all the other specialty products and very likely the medicine we will get a registration also in the US, will be one of the drivers of our hospital strategy in the US. So by all means, if I think about our CLIA ex-Vitamin D franchise Latent Tuberculosis will play a key role also in 2022.

The last question regarding the platform. So the installments that we quoted are net installments, meaning installments...new installments, so not a replacement of existing machine. I mean, if you place a new machine and you take out one from the market, which is zero. So it's not included in the number that Carlo was quoting. Meaning that all of that number is coming either from new business, meaning new customers or from new business and existing customers simply because volume and menu is increasing. I believe we don't want to disclose exactly you know, how much of those 555, I believe that's a number Carlo quoted, instruments are coming from new customers, how much is new business. But as Carlo said, it's very clear that a big driver was of this new placement is coming from the US, where our hospital strategy is really delivering very nicely for us. And so, we're already seeing the results of investments we made a couple of years ago there.

EMANUELE GALLAZZI: Very clear. Thank you very much.

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

PETER WELFORD: Hi, yes. Thanks for taking my questions. Firstly, if I could just ask a question on the COVID dynamics that you're seeing. You mentioned that there was a sharp decrease in the last few weeks. I'm curious if you can just comment with regard to...is this a very US focused comment? Or are you also seeing similar trends in other geographies. And could you just talk a little bit about perhaps which platforms in particular you're seeing that across all the platforms. I guess, I'm just curious with regards to what sort of type of test in particular, you're seeing a change, and are you are still seeing roughly stable COVID, I appreciate small, the COVID antibody testing business, which I think historically you've said has been relatively robust?

Secondly, then just on China, I wonder if you can just comment with regards to what you're seeing in China. We obviously hear a lot of reports about further lockdowns obviously, a big COVID wave at the moment going on there as well. I guess, I understand you don't have much exposure relating to COVID testing in China. So is there a still from your point of view, considerable disruption likely to the Chinese business this year? And I wonder if you can just comment a little bit on what you're seeing there and any change at all to what I think is already a challenging environment.

And then just perhaps I can have 2 financial quick questions. One, just can you possibly provide an outlook for the total depreciation and amortization we should be thinking about for 2022, just to get the EBITDA from an EBIT number. And secondly, also the financial expenses. Any...I guess, impact you could provide into what sort of finance costs in the P&L we should be thinking for 2022? Thank you.

CARLO ROSA: PG, I will take the COVID in China, okay? And you take the other 2.

When it comes to COVID, the comment...we have seen already last year that the US is following a complete different perspective in terms of volume drops or volume rise versus Europe, especially for us. And this has a lot to do with different positioning of the systems in Europe and in the US. In Europe, typically, we are not so sensitive to volume drops, and this is because our systems in Europe have been positioned in hospitals for hospital admission and/or for confirmatory assays for antigen positivity and so forth. And therefore typically, we don't see such a swing. And also now, we are not seeing such a dramatic swing in Europe. In the US, it's completely different, because our systems are…platform using midsized hospitals as one of the primary platforms. And therefore, we are clearly subject to the volume fluctuation.

And as you have seen from all the different statistics and as I discussed before, there was a very...there was a surge in Omicron testing, which happened in December, January, and then it's really going away. And therefore, we see this sharp decline.

As far as China is concerned, the problem with China, I think has to do with 2 different elements. The first one, certainly has to do with lockdowns, because which is something we don't experience in Europe any longer. And it did affect the business when it did happen, but since mid of...since I think the end of 2020, we have not seen pandemic really affecting so dramatically testing volume. In China, we still see that, and it's very obvious from the different provinces where that happens, and all of a sudden volume goes almost to nil and it can last for weeks.

The second element, but this, I assume, it's going to go away as soon as this lockdown policies will not be set in place any longer. The second element which I believe, though is more structural about China is the fact that we like it or not, the government is pushing hard on these provincial

tenders and adoption of these provincial tenders. And the net effect is that you see price decrease in the range of 30%, up to 50% to the point that I think western companies decided in certain tenders not to even participate, because it doesn't really make any sense. And you see more and more of local suppliers, which are able to cope with the cost structure, price structure and I have to say, in some case, quality. It is what it is, but hospitals are forced to buy local, not only because of price but as you know, also because of the fact that quite often, they are forced to explain if they don't use local why they all using local suppliers, okay. So also…and then, this makes China near future, very, very complex. We will continue our effort to stay in China with the manufacturing site. We are as said, on track with that venture. But how the market is going to shape midterm, long term, I don't think anybody knows at this stage. So I'm very happy today...to be honest with you, the China does represent less 5% of our turnover.

PG, do you want to take care of the financial questions.

PIERGIORGIO PEDRON: Thank you. Yes, sure. Thank you, Carlo. Hi, Peter. So let's start from, I believe the third question, which was the one about the depreciation. So I believe the right way to look at it is the following. You should consider €9 million per quarter of depreciation coming from the purchase price allocation, mainly intangible depreciation to which you should add more or less €25 million run rate of the depreciation of everything else. So if you want to sum up, the 2 is roughly €35 million per quarter. Obviously, you know, the part of depreciation coming from the PPA is fixed. Now, that we have completed the purchase price allocation exercise. The one coming from the depreciation of all the other elements is obviously subject to change considering what's going to happen to our investments. But I believe that…it's a good run-rate, you can also see in Q4.

If you look at the interest expenses, I believe we need to distinguish between 2 big buckets. One is the convertible bond interests which is a non-monetary items based on how the accounting of convertible bonds works, we are you know, anyway booking interest to our P&L, negative interest. Obviously, even though it's a zero coupon convertible bond, and we booked in the first 7 months of the year, €5 million give or take. So if you want to have a ballpark for 2022, you can give or take double it.

Whereas when you look at the term loan, so the other part of the financing structure we put in place when we bought Luminex, where we booked in the first month of the year €7 million. That amount obviously is declining, considering you know, the fact that the amount, the principle on which we are paying interest is decreasing as we pay…as we payback the...as we reimburse the loan. But again, if you want to have a ballpark number for your modeling, you can take the €7 million and make it €12 million for 2022.

PETER WELFORD: That's great. Thank you.

OPERATOR: The next question is from Hugo Solvet, BNP Paribas Exane. Please go ahead.

HUGO SOLVET: Hi, hello. Thank you for taking my question. A quick follow-up on Luminex. You have received the Form 483 in the US, from an inspection in October at the end of last year. Can you maybe discuss the issue here and anything probably out of the scope of what you identified when visiting the sites back in Q3 or in September last year?

Second on Luminex, you mentioned, Carlo, if I'm not mistaken, but correct me if I got it wrong, that you will start the clinical trials for submission later in the year. What's actually the level of confidence you

have in getting the VERIGENE II on the market before the...on the US market before the end of 2023, given extended review timelines from the FDA?

And last question on the long term guidance that you gave us at the Capital Market Day. Can you maybe discuss the sensitivity of especially the EBITDA guidance to sustain...and potentially sustained cost inflation? Thank you very much.

CARLO ROSA: Okay. I'll take the Luminex, 483 and the clinical studies. 483, it is exactly what we due diligence, and this is how we expect the quality trade to move forward. We have agreed upon with the agency to enter Luminex into a program that is going to last 18 months. We're going to work with the FDA, it's a pilot program. There are 9 companies I think in the US who joined, Luminex as well [indiscernible], the FDA where the external consultants are going to work with the company in the implementation of all the corrective actions that has been identified by the 483 and by the company. So I'm very comfortable with the way this is going. And I'm quite comfortable that within 18 months that issue is going to be completely resolved. By the same token, this is not affecting the ability of the company today to make product or some made product through the agency. So I…no surprises, to be honest with you there.

When it comes to the clinical studies and the FDA. Look, when it comes to the FDA, you know when you submit and you don't know when you get out of it. That's certainly a general statement. However, what we have seen so far is that pressure on FDA, because of COVID, has been released. And so, the FDA is going back to a regular course of business and is looking at files today and we have several products at the agency waiting for approval. We have investigators by the agencies that have been allocated to work with us on the file. So I'm seeing that they are going

back to normal. That means that when it comes to panels like the one we discussed, which are citing case, you would expect typical 3 to 6 months approval time. So I feel comfortable at this stage with the fact that in 2023, we should see some of these panels starting in the US market.

On the EBITDA, I'll leave it to PG.

PIERGIORGIO PEDRON: Thank you, Carlo. Yes, as I said, you know, when we put together the long term plan, we made some assumptions based on the information we knew back then. And that...those information did not include obviously what's happening now with Ukraine and what we are seeing the price of oil and you know, everything which is derived from those increases the energy and you name it. So we are monitoring very closely the situation. I believe it's very early for everybody to make projections, because we don't know what's going to happen. Most, as I said, of our cost base is labor based, but we know that also there, obviously, you might have some impacts on inflation coming...starting from oil.

Early to say, Hugo, I believe, again, the assumptions we gave when we gave the long term guidance took into account some cost inflation by all means. And those assumptions were based on information we had up until November/December last year. What's going to happen and what is going to be the impact of what we are seeing in Ukraine, I believe it's very early to say.

HUGO SOLVET: Okay. Thank you very much.

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

MAJA PATAKI: Good evening, everyone. Last question, Carlo, first to use swift recovery, I hope you don't feel too bad. And then PG, just a quick question...I'm

sorry, I will have to ask again about the cost inflation, because obviously, the world has been changing very fast in the last 3 weeks. And we don't know how this is going to be impacting raw materials. But it will be really helpful for us to know what kind of wage inflation you have baked into the 35% adjusted EBITDA margin, because we're seeing companies left and right coming out surprising us with wage inflation saying that inflation isn't transitory, and therefore, they had to adjust wage. So I was just…just for us to know or to make our own assessment on where the world could move? That would be super helpful.

PIERGIORGIO PEDRON: Yes, Maja, it's very difficult, because when we did our exercise, we made some assumptions in terms of wage inflation for each and every country where we do business. That is part of our usual budget forecasting planning process. And that assumption is based on the market data that we get from the different geographies where we do operate. On the top of my head, I believe that, for example for the US market, we were just below I believe, 3.5%, 4%. That's the assumption we made on the top of my head. But I might be wrong, because, again, it was back in November as I said. And usually, we've never gone far when we put those numbers in our plans.

What's going to happen now in the last 3 weeks, as you said, you know, I don't know, it's very difficult…it's very difficult to say. As you know, we have plans to streamline our cost base. We have synergies that we presented to the market community. I can say that we are growing you know, pretty well according to the plan that we put in front of ourselves and in front of the market. But it's very difficult for me to say, what's going to happen as a result of what we've seen in the last 3 weeks.

MAJA PATAKI: Okay, but then would it be a fair assessment to say if things stay status quo than even worse than additional wage inflation would probably be in the books? Is that the right way to think about it?

PIERGIORGIO PEDRON: Say again, if things stay status quo…?

MAJA PATAKI: Yes, I mean, if inflation stays here or goes further up, then it's fair to assume that you would have to make some adjustment on wages during the year. Would that be a fair assessment?

PIERGIORGIO PEDRON: We compete in the market and we have to deal with the market reality, right.

MAJA PATAKI: Yes, okay. Fine.

PIERGIORGIO PEDRON: So…but at the same time, as you know we are very, very diligent in the way in which we manage our cost base. So what I can tell you is that, we will use all the leverages that we have in order to compensate any potential uptick in terms of wage inflation, which was not considered in our original plan.

MAJA PATAKI: Okay. And maybe just quickly, last question. You stated Russia, Ukraine is a small...it's not important for you. But are you still shipping to Russia? Or have you stopped shipments?

PIERGIORGIO PEDRON: Yes. We, you know, for us the Russian business is not very material. I believe that if we combine both the Luminex and DiaSorin business and our budget on the top of my head, the number was well below €10 million, to give you a sense of you know, the business we have there.

MAJA PATAKI: Okay.

CARLO ROSA: Listen, Maja. We will…we are...we continue to ship for the time being. Certainly, you know, there is a list of companies…blacklisted companies and banks that so far are not preventing us to do business. And we are just waiting...we decided that we're going to follow whatever AdvaMed and the European Medical Association are going to decide, right. We're not going to make a decision ourselves. The real problem moving forward really is not in my opinion to make business but to collect the money. And so, what can be the killer here in the collection.

And if I can go back one second to your...to your question about the cost. Look, what worries me the most, to be honest with you today is shipping cost, because...and complexities you know, shipping around the globe, which is actually bring us back to the pandemic time. Certainly, we do have cost of labor increase in the US which certainly much more than Europe and it's certainly true that we now have an important cost base in the US. But I believe that in a way that we can…we can manage, as PG said. Don't forget, in 2022 also, we expect synergies to…so that I believe that a little bit more synergies could actually compensate for a little bit more cost. I'm giving you rule of thumb explanation here. But the shipping cost is what really we need to understand. Plastic raw material, where usually relatively small, so relatively immaterial.

MAJA PATAKI: Okay. Thank you very much.

OPERATOR: The next question is from Giorgio Tavolini of Intermonte. Please go ahead. Mr. Tavolini, your line is open, sir. Perhaps you have your phone on mute.

GIORGIO TAVOLINI: Yes. Do you hear me? Hi good evening. Thanks for taking my questions. I was wondering if you could provide more visibility on the LTG line that

we presented roughly 8% of sales in 2021, if you are still confident on doubling the contribution from this line for this year?

And the second one is on the indications. If you have an indication on first quarter trends related to the ex-COVID business. So what...if we should expect trends in-line with the exit of 2021? Thank you.

CARLO ROSA: PG, do you want to take it?

PIERGIORGIO PEDRON: Sure. So yes, the first question regarding the license technology business, I believe Giorgio you are referring to the guide that we gave during the Capital Market Day. And yes, I mean, that is still our assumption. As Carlos said during his remarks, the business is doing very, very well. We're very positive there. So absolutely, we confirm what we said during our Capital Market Day. On the top of my head, I believe we said that obviously also because the change in perimeter, but we said that from '21 to '22, that franchise was going to grow by 115%, 120% on the top of my head.

So I believe your second question was regarding COVID in Q1 '22. Is that what you asked? Giorgio, I'm sorry, the line was a little bit…?

GIORGIO TAVOLINI: No, sorry. Actually the ex-COVID business. So if you are still...if you see this is similar case in terms of growth like in Q4 or also in Q1.

PIERGIORGIO PEDRON: Yes, I mean, absolutely. I mean, as we said...when you say you know, ex-COVID business, now we are much more complex reality. So we have several different pieces. We have the CLIA ex-Vitamin D. We have all the rest of the immuno-panel. We have molecular and we have the license technology business that we just discussed about. I would say that the trend we saw in Q4 2021 compared...overall in the business, all of its

components will be confirmed in Q1, 2022. And those are the days for our guide for 2022…overall guide, which is 24% growth ex-COVID.

GIORGIO TAVOLINI: Thank you very much.

OPERATOR: The next question is from Andrea Balloni of Mediobanca. Please go ahead.

ANDREA BALLONI: Yes. Good afternoon, everybody. And thanks for taking my question. First of all, thanks, Carlo, for taking part of the call and take care on yourself. Very couple of short question. First of all, about COVID sales, you mentioned around €378 million sales from COVID. If you can give us the amount of molecular compared to overall COVID test sales?

And my second question is about the P&L. Below gross profit, if we consider the adjusted number stripping out one-off cost, we see marketing and commercial costs, which are around 17% of sales in second half and R&D expenses of P&L, which are around 5.5% to 5.8%. My question is, can we consider this percentage as quite stable over the Business Plan period?

CARLO ROSA: PG, go ahead.

PIERGIORGIO PEDRON: Okay. So, Andrea, let me start with the first one regarding COVID sales for 2021. Out of the €380 million or so sales, we have, let me say €70 million, €75 million, which are immunodiagnostic driven and the rest is molecular. And when you say molecular is a combination, obviously of our own solution and the solution provided by Luminex.

Then when you look at the P&L, and you strip out the adjustments, as you said, I believe if you want to have an idea of the rate you should look at

Q4 not the full year, because you know, in the full year, it's kind of a mixed bag. You have 12 months of DiaSorin and 6 months of Luminex. So I believe you really need to look at Q4. And I don't have those percentage on the top of my mind. And those are the percentage that give or take, should fairly represent what we expect during 2022.

ANDREA BALLONI: Okay. Thank you, PG.

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

CARLO ROSA: Thank you, operator. Good night.

PIERGIORGIO PEDRON: Thank you. Goodbye. Take care.