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# DiaSorin SpA *(DIA.IT)*

Q1 2013 Earnings Call

## CORPORATE PARTICIPANTS

### Carlo Rosa

*CEO, Executive Director & General Manager, DiaSorin SpA*

### Pier Luigi de Angelis

*Chief Financial Officer & Senior Corporate VP, DiaSorin SpA*

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## OTHER PARTICIPANTS

### Martin R. Wales

*Analyst, UBS Ltd. (Broker)*

### Luigi de Bellis

*Analyst, Equita SIM SpA*

### Maura Garbero

*Analyst, One Investments Holding SAGL*

### Massimo Vecchio

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### Elisa Corgi

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the DiaSorin's First Quarter 2013 Results Conference Call. As a remainder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. [Operator Instructions]

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

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### Carlo Rosa

*CEO, Executive Director & General Manager, DiaSorin SpA*

Thank you, operator. Good morning – good afternoon, actually, and welcome to the quarter one conference call. As usual, I will provide a short comment to the main events occurred in the quarter and then leave to Pier Luigi the financial comments.

Now, let me start with the revenues. Sales in the quarter have been strong as expected, showing a continued growth of both the LIAISON installed base and the CLIA non-Vitamin D products. A high double-digit growth of the CLIA non-Vitamin D product has been obtained across all regions as a result of new product introduction which has happened in the previous quarters and in the clinical areas of stool testing, infectious disease and endocrinology.

Vitamin D decline continued as expected, mainly driven by price. In fact, worldwide Vitamin D volumes are flat or slightly higher than last year, whereas prices continue to erode, or prices negotiated last year do fully impact the results of this quarter. As previously discussed, we expect the price effect of Vitamin D will smooth out later in the year.

The LIAISON XL installed base has now reached 750 units with over 140 systems placed in this quarter. We, therefore, confirm our guidelines for over 500 systems installed in 2013. LIAISON XL is doing extremely well for us.

Let's now focus on geographies. I would now like to start on Europe where we have finally seen a good growth first for many quarters. And this has been obtained notwithstanding the still difficult financial situation in key markets.

Germany continues to accelerate with an 11% growth, driven by LIAISON XL installations. Italy, which is our domestic market, notwithstanding a 4.3% market decline, which has been reported by Assobiomedica, the diagnostic manufacturer association. Italy has grown by a solid almost 6%, driven by the success of some products like HIV and Hepatitis and the newly introduced products for hypertension.

Finally, France is stabilizing after the Vitamin D business has declined in 2012 and we expect to start seeing growth again starting from quarter two of 2013.

In the North America, besides the Vitamin D decline, which we have discussed, we continue to see the development of sales of the infectious disease product line. Let me remind you that starting from last year, we submitted to the FDA several products now available only outside the US. And this was done in order to reposition the company after the success of Vitamin D in the large labs.

In quarter one, we got six new products released and commercially available and in quarter two we expect four more additional products to be released for commercialization. In particular, in quarter one, I would like to focus on the hypertension panel made from Renin and Aldosterone, where DiaSorin is the only supplier with fully automated assay in the US. I personally had great expectation from these products in the US due to the fact that they are intended to support a medical decision in a market like hypertension that is key in all developed countries.

Finally, Asia continues to grow almost 30%, notwithstanding Q1 is traditionally weak in China due to the festivities, the new Chinese year. So, Asia is very strong for us and continues with the same trend that we have seen in the previous quarters.

As far as South America is concerned, as predicted, South America continues to expand and Brazil has set a new course, growing 80% plus versus last year thanks to the launch of the LIAISON XL and the success of the new products, which have been introduced along the last few quarters.

Now, before moving to Molecular, I would like to comment briefly on the status of Vitamin D registration in Japan. A meeting was held with the Japanese regulatory body to discuss the status of the registration. Now, let me remind all of us that the intent was to get both Vitamin D and the LIAISON XL platforms approved in the country. Unfortunately, additional data has been requested to support the registration of some – of the renovation of some of the XL ancillaries and platform. Data was now provided this week, but because of the Japanese regulation, the clock has now been reset, and we do not expect registration to happen in 2013, so before the end of 2013.

As far as Molecular is concerned, initial validation [indiscernible] (0:06:14) products have started and three new products will now be launched in quarter two to complete the infectious disease line. Sales in the quarter are fine and they are in line with what we expect. And we expect to get to the €5 million mark, as expressed in our guidelines.

Before moving to the numbers, just one short comment on profitability. As expected, notwithstanding the price effects of Vitamin D, which directly affects margins, our immunoassay franchise continues to be very profitable due to the fact that growth of clear non-vitamin D is coming from products which bear margins comparable to Vitamin D. This makes us confident that our exceptional profitability can be sustained also in the future.

Now, let me now turn the podium to Pier Luigi.

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## Pier Luigi de Angelis

*Chief Financial Officer & Senior Corporate VP, DiaSorin SpA*

Thank you, Carlo. Ladies and gentlemen, good afternoon. I will comment some key points on the financial data that you find starting from page 12.

Let's start having a look at the income statement. As Carlo already mentioned, it's worth mention to highlight that the 0.2% growth of revenue, as current exchange rate is 1.3%, if we consider it – sorry, if we consider at constant exchange rate. This trend was accompanied by the quarterly performance of the economic margins, in line with our expectation, as well as with the trend already experienced in the recent quarters.

Gross profit Q1 2013 totaled €72 million with an [indiscernible] (0:08:19) 16.1% on revenues. EBITDA, the total amount is €41.6 million, with a margin of 39.3%. In EBIT, the amount is €34.2 million with a margin of 32.3%. This means that we have a very solid and strong marginality that was driven by steady and high-margin levels in reagent sales and high instrument and consumable sales, disregarding the negative trend, as we were expecting, coming from Vitamin D due to the pricing pressure that Carlo has already mentioned and from the progressive buildup of the organization to support the launch of the new Molecular Diagnostic business.

Having said that, let me stress two relevant points on the EBITDA. First, if we include the [ph] €41 million (0:09:28) the Molecular business – if we exclude the [ph] €41 million (0:09:33) the Molecular business, our group's EBITDA would have been equal to 41.3%. And this is relevant to me to demonstrate, once again, that DiaSorin margins are really solid and very strong when we look at our capability to sell reagents on our LIAISON platform. Second, when looking at the operating expenses, we have been able to keep them under a very tight and strict control. If we include again the – if we exclude again, sorry, the Molecular business, OpEx in Q1 2013 are down by almost 2% when compared with the same period of 2012.

Net financial expenses amounted to €1 million and they were due to the measurement at the fair value of forward contracts to sell the United States dollars negative €700,000 with non-negative Molecular impact due to the fact that to be a [ph] poorly (0:10:52) evaluating accounting – and we have an amount of €400,000 for fees on factoring transaction on the Italian account receivables, compared to the [ph] €500 million (0:11:10) in the same period of 2012.

If then we look at the balance sheet at March 31, total asset amount to [ph] €514 million (0:11:24) which is a decrease of [ph] €126,000 (0:11:31) if compared to the beginning of the year, mainly due to the increase of depreciation in the first quarter. As far as the net working capital is concerned, it increased in the quarter by €1.7 million due, in particular, to higher trade receivable as inventories, partially offset by the exchange in other current assets and liabilities. The increase in trade receivables of €7.5 million is mainly due to the deterioration of payment performance, especially in the European markets, I would say, Italy and Spain.

The increase in the inventory of €1.9 million is due to higher inventories of strategic materials in production sites of the group for products whose launch is expected in the coming months. And finally, the increase in liabilities of

€9 million is due to [indiscernible] (0:12:45), as well as to the use of tax credit recognized at December 31, 2012 during the first quarter of 2013.

In the first quarter, once again, LIAISON registered a very solid net financial position, equal to €72.2 million with an improvement of €25 million from December 31 due to the very significant cash flow generating from the operating activity in the first quarter of the present year. Free cash flow in the first quarter was really strong and equal to €25.2 million.

Last but not least, let me conclude focusing on the fact that LIAISON has shown, in the first quarter of this year, good and strong results in terms of revenues, despite the ongoing difficulty in worldwide economic environment and the Vitamin D pricing pressure that negatively affect us, vice versa, our capability to grow double digit across all the rest of CLIA menu.

So, on this basis, the first quarter results confirm that our strategy is working across all the line of products. For this reason, we are comfortable in confirming the guidance for full-year 2013 that we provided to the market in the last conference call, both in terms of revenues, EBITDA and also LIASON and LIASON XL system installments.

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## Carlo Rosa

*CEO, Executive Director & General Manager, DiaSorin SpA*

Thank you, Pier Luigi. Now, I think we are done on this side and we should really open the podium to Q&A.

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## QUESTION AND ANSWER SECTION

**Operator:** Excuse me. This is Chorus Call conference operator. We will now begin the question-and-answer session. [Operator Instructions] The first question is from Martin Wales of UBS. Please go ahead, sir. Mr. Wales, your line is open.

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### Martin R. Wales

*Analyst, UBS Ltd. (Broker)*

Hello. Can you hear me?

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Q

### Carlo Rosa

*CEO, Executive Director & General Manager, DiaSorin SpA*

Not very well, Martin. Can you...

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A

### Martin R. Wales

*Analyst, UBS Ltd. (Broker)*

Sure. How is that?

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Q

### Carlo Rosa

*CEO, Executive Director & General Manager, DiaSorin SpA*

Yeah, better. Thanks.

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A

**Martin R. Wales**

*Analyst, UBS Ltd. (Broker)*

Q

Cool. Good afternoon. Can we start by asking the board a Vitamin D question, which it appears to have – or decline seems to accelerate in the quarter, just what's driving that?

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

Do you say, Martin, that the decline is accelerated? What I said is that the decline in quarter one, and this is comparing to the quarter one last year, is as expected. And we believe that this effect will smooth out in the second part of the year. So, I didn't mean to say that there was any acceleration there.

**Martin R. Wales**

*Analyst, UBS Ltd. (Broker)*

Q

No, that was me. It looks like its accelerating.

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

Sorry.

**Martin R. Wales**

*Analyst, UBS Ltd. (Broker)*

Q

So, in terms of pricing pressures across the rest of the year, how much – and volume pressures for that matter, how should we think about the year evolving, in Vitamin D explicitly?

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

Listen, we said that we expect to over – to see overall effect of €10 million of decline in Vitamin D pricing. And so far, I would not like – let me say, I see that this is what we expect coming also from the next quarter. So, again, I reconfirm that around €10 million is the net-net effect, mainly driven on price – I mean, all driven on price that we expect to see from Vitamin D.

**Martin R. Wales**

*Analyst, UBS Ltd. (Broker)*

Q

And obviously, you've reiterated your revenue guidance for the year despite the fact you won't get any Vitamin D in Japan this year. It gives you confidence [indiscernible] (0:17:31).

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

Yes. Keep in mind that, as stated from the beginning, Vitamin D in Japan in 2013 was fairly limited.

**Martin R. Wales**

*Analyst, UBS Ltd. (Broker)*

Q

Yes.

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

And so, we don't feel that this should affect our ability to grow according to guidance.

**Martin R. Wales**

*Analyst, UBS Ltd. (Broker)*

Q

Okay. And looking at your US business, clearly, you're bringing 10 new products out in the first half, six which are already there. What's the current portfolio of products that's available in the United States [indiscernible] (0:18:02) perspective? And what should it look like at the end of this year?

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

I think that as we speak, we have 35 – around 35 products approved in the US. Combination – the vast majority of it is available in the LIAISON platform and then we are going through migration to the LIAISON XL. Traditionally, in the US, we have brought infectious disease products. That was our strategy. However, it is very clear to us that Vitamin D, as said, has brought us into different labs market segment, which has to do more with endocrinology.

And for that reason, we decided that we wanted to expand our menu variability in the US with mainstream endocrinology products, products that everybody have. But very clear that they are key if you need to position your platform in an endocrinology lab, along with Vitamin D and specialty products. And hypertension is a very good example because all this hypertension testing is done in the same lab where the endocrine testing is performed.

So, we will have a combination of two menus in the US. The infectious disease, which is what we have today and is driving the growth. The ID products in Q1 grew 25% in the US. And now, all the endocrinology lines, which we expect to be materially completed by June.

**Martin R. Wales**

*Analyst, UBS Ltd. (Broker)*

Q

Okay. And one more before I get back into the queue. In Germany, you've done very well. Yet I understand there is a big cut in reimbursement coming to the clinical laboratories in Germany in the order of 10%. Are you seeing any price pressure now beginning to emerge in Germany as a result of this, or are the labs just going to have to wear that themselves?

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

Listen, we have seen Germany, traditionally, as a competitive market for a very simple reason. It's a market that is where the customer base is made of private labs, which today are not only national, but they are owned by foreign entities, and Sonic is a very good example of that.

So, it has always been very price competitive. And then, because of the way the market is shaped up, we have been traditionally positioned as suppliers of specialty high-value products. For that reason, notwithstanding, a general – in general, the prices are lower in Germany for us. It remains a very profitable market, again, because we sell a lot of specialties. Then, luckily enough, when we sell specialties, the point – reimbursement is still generous. And we don't see the effect of price pressure on specialties as you would expect from other products.

As far as Vitamin D is concerned, if I may, Germany is a very good example where, yes, we have seen erosion from Vitamin D pricing, which, however, has been countered by increase in volumes. So, we saw price pressure on Vitamin D. Prices have been declining. But historically, over the last few quarters, however, there is still a strong growth in volumes. Then all in all, also our Vitamin D franchise in Germany, which is representing, however, a fairly small portion of our portfolio is still growing.

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**Martin R. Wales**

*Analyst, UBS Ltd. (Broker)*

Q

Okay. I'll get back in the queue now to let some other people ask some questions.

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**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

Thank you, Martin.

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**Operator:** The next question is from Luigi de Bellis of Equita SIM. Please go ahead, sir.

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**Luigi de Bellis**

*Analyst, Equita SIM SpA*

Q

Yes. Good afternoon to everybody. I have three questions. The first one is on profitability. Could you give us more color on the main elements that have driven the increase in the EBITDA margin in Q1, compared to Q4, despite a slight increase in the weight of the instrument sales?

The second question, on China. Could you elaborate on your strategy for this market, both organically and potentially the acquisition? And is it possible to add the weight on total sales of the Chinese market for Dia? And what is the growth rate expected in 2013 for this market? And the last question on the guidance. You have confirmed your guidance for the full year for a flat EBITDA. However, Q1 was minus €6 million year-on-year. Could you elaborate on what will be the driver that will drive the pickup in the second half of the year? Thank you.

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**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

Let me start from the third question. I think that we have confirmed it in absolute values that we would be able to maintain the EBITDA to the same level of last year. Okay. Therefore, I don't – I believe there has been a misunderstanding. We didn't say – the guidance was not intended to say that the profitability, vis-à-vis the percentage, will be maintained. And so, if you look at that, we don't expect to see – we are in line with what we would get by year-end.

If we go to the first question, as far as the profitability of quarter one, it's a combination of two elements. The first one is mix in geographies because, as I said before, the European business, which is extremely profitable for us, is doing well, is recovering. It's gaining more weight and that does affect the profitability of the group. Second, because of pacing of the OpEx, the OpEx level in quarter one has been lower than the OpEx level in quarter four. And therefore, you see traditionally a higher EBITDA level in the first quarter.

As far as your second question is concerned, which is China, China today represents in value, around 5% of total revenues. It does represent, however, in volume, a much higher percentage, because in China, as everybody else, so this is not only DiaSorin but it's typical of all companies, including the very large companies that we operate on distribution. And traditionally, we need to give distributor a 40%, 50% margin on the transfer price. And this means that in value – in volume, sorry, China does represent, today, close to 10% of volume.



Now, if you go by product families, the incidence of China is even bigger because we focus our business in China in two clinical areas, infectious disease on one side and traditional oncology on the other one. So, China is becoming very relevant as a market for some of our manufacturing side. Germany is one, very clearly, which depends a lot on China. And the other one is Italian manufacturing side because we make all the infectious diseases products over here.

In terms of expected growth, we give ourselves a very challenging target for this year, which is in line with – percentage-wise with what we have been experiencing in the last – in the previous years. We believe we can get there. So with over 20% growth, we believe we can get there as a result of the existing installed base of LIAISON. We now have over 420 LIAISON XL – LIAISON installed in the country. And the fact that we have just launched the LIAISON XL. And so, this is the first quarter where we operate in the country with the LIAISON XL.

Luigi de Bellis

*Analyst, Equita SIM SpA*

Q

Okay. Thank you. Just a follow-up. How are you evaluating some potential acquisition in the country and which had a more or less – the multiples that in this country, the company are trading more or less for this sector?

Carlo Rosa

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

Yes. Well, we are looking into the future of China. Very clearly, we believe that you cannot continue to operate in China as a distributor. So, different options are open as far as China is concerned. We are not in a hurry because our business is growing very nicely and very profitable business but, long-term, something has to be done in China. Unfortunately, many companies may be rushing. They made some strategic mistakes and we don't want to do the same. So we're very careful about the strategy. As far as multiples, I don't know. I cannot comment on that, but I think they are outrageous multiples, I believe. And today, they don't really make too much sense to me, if I may. But that's a personal opinion.

Luigi de Bellis

*Analyst, Equita SIM SpA*

Q

Thank you very much.

**Operator:** The next question is from Maura Garbero of One Investments. Please go ahead.

Maura Garbero

*Analyst, One Investments Holding SAGL*

Q

Good afternoon. I've got a few questions, if I may. Just going back to the €10 million hit that you're getting from prices from Vitamin D, can you please help us to understanding how much of those €10 million is going to fall into the first half of the year as compared to the second half? And just going back to a previous question, when we were referring to your guidance for a flat EBITDA, it's really on a reported figure, not margin-wise. And since we are starting from the first quarter, which is down 6%, I'm just trying to understand what makes you confident of achieving a flat EBITDA year-on-year? Thank you.

Carlo Rosa

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

Okay. First, I'm not really sure that I want to comment too much on the Vitamin D €10 million in a way I want to split it by quarter. Very clearly, I expect to see more in the first half than the second half, but I don't – I really

don't plan to give any indication to the number – the net effect that I see by quarter or every six months. It's very logical to believe that a good portion of this would fall in the first half.

As far as the margins are concerned, if we compare year-on-year, we are down in the quarter one €2.6 million, however – at the current exchange rate. However, we need to consider that we expect growth coming in the second, third and fourth quarter. And therefore, since the business – we grow – and we expect the OpEx not to grow proportionally, we expect that the net amount of EBITDA contribution in the following quarters will allow us to recoup what we have lost, the €2.6 million we have lost in the quarter one and net-net come to an even number vis-à-vis the previous year.

**Maura Garbero**

*Analyst, One Investments Holding SAGL*

Q

Thank you. I'll jump back to the queue.

**Operator:** The next question is from Massimo Vecchio of Mediobanca. Please go ahead.

**Massimo Vecchio**

*Analyst, Mediobanca Banca di Credit Finanziario SpA (Broker)*

Q

Good afternoon to everybody. I saw that in the quarter, you report a very good sales figure for instruments were up 30%. I was wondering if you can give some more color on where exactly you ship these instruments geographically speaking, if there is any country that is particularly receptive of your instruments? Thanks.

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

No, Massimo. Again, I said this is part of a strategy whereby we've unleashed the distributions starting from last year and this year, both in South America as well as Asia Pacific. However, there is something that we need to, I think, clarify here. When we talk about instruments, in reality, it's not only instruments but there is also a flow of consumables. And these consumables, you need to understand that LIAISON XL, it does require a lot of more plastic consumable than the LIAISON because we use plastic tips rather than steel needles, for example, or we have [indiscernible] (0:32:23).

Every time we sell LIAISON XL to a distributor, there is also a very nice flow of consumables that follows. So, this increase that you see is a combination of LIAISON XL, so instruments sold this year, but also the increase in volume of consumables that now we sell to distributors and in certain geographies, even to customers, coming from [indiscernible] (0:32:50) done in the previous quarters.

**Massimo Vecchio**

*Analyst, Mediobanca Banca di Credit Finanziario SpA (Broker)*

Q

Okay. Thank you very much. Very helpful.

**Operator:** [Operator Instructions] . The next question is from Elisa Corghi of Intermonte. Please go ahead.

**Elisa Corghi**

*Analyst, Intermonte Sim SpA*

Q

Yes. Hi. Sorry for this further questions on your Vitamin D business, but basically I want to be sure to have understood correctly. So that is what I'd like to know. And well, did you take further price reductions on Vitamin

D in Q1? And is pricing pressure in the US market stabilizing now? And then a final question, if I may, were Q1 results in line with your expectations and your budget? Thank you.

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

As far as price on Vitamin D is concerned, we don't see anything which is out of ordinary. Let me just say what it means. It is very clear in the current environment, but it is not only true for Vitamin D. I think it's true across all product lines that when contracts do expire, there are always negotiations between supplier and clients in terms of renewal, increased business versus price concessions. But this has been – it's nothing which is typical of our business. It is typical of any business.

So, what Vitamin D does, it falls under the same rule. So, every time we will renegotiate contracts worldwide and or we'll be renegotiating contracts worldwide, we are discussing in prices. However, what is different now from what it used to be, and this is the reason why we started in the US with the so-called menu expansion project, is that when we discuss renewals of systems in labs with Vitamin D and consequent discount, then we ask – or we're in the position now with the full catalog to ask for more business.

So, you are trading Vitamin D revenues with revenues coming from other products. And this what is happening – or has been happening traditionally through across all the other geographies. So, do I expect it to continue to negotiate Vitamin D under ordinary course of business? Yes, as I do for all the other products. Do I see that the trend will continue the renegotiation, or one of renegotiation pushed by competition and the realignment of pricing that has been in 2013 – in 2012, sorry, do I see it to continue? No. Sorry, Elisa, what was the second question?

**Elisa Corghi**

*Analyst, Intermonte Sim SpA*

Q

Well, it was basically on the Q1 results. I would like to know if they were in line with your expectations and your budget, and, well, thanks for the Vitamin D. It was very clear.

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

Yes. Yes, they are. They are in line with what we expect, and this is why we feel comfortable with the guidelines that we provided to the market.

**Elisa Corghi**

*Analyst, Intermonte Sim SpA*

Q

Thanks a lot.

**Operator:** The next question is a follow-up from Maura Garbero of One Investments. Please go ahead.

**Maura Garbero**

*Analyst, One Investments Holding SAGL*

Q

Thanks a lot. Just a follow-up. On your gross margin in the first quarter declined by 260 bps year-on-year, can you please break it down how much was due to Vitamin D pricing and how much is due to the dilution created by instrument sales? And then another question is what are you expecting in terms of contributions from instrument sales during the course of the full year, so within this 2% to 4% guidance? Thank you.

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

Listen, as you know – thanks for asking but we've not been providing data about split margins from the beginning of our conference calls. And we are not going to do it going forward because we consider this as a sensitive information. So, no, I cannot provide that figure.

**Maura Garbero**

*Analyst, One Investments Holding SAGL*

Q

No, sorry, it's just because you did in the fourth quarter. That's it.

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

On Vitamin D? I don't think so.

**Maura Garbero**

*Analyst, One Investments Holding SAGL*

Q

Well, yes. Well, in the fourth quarter when you reported the result, there was a particular slowdown in your gross margin. And at that time, you gave some indication how much it was due to instruments compared to pricing of Vitamin D. At least, some color or a general indication. But if you don't want to provide it anymore, we will accept it.

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

No, sorry, I don't want to. I don't want to provide it to you. It might be that by year-end, we're going to make a comment on the year because they would be more meaningful. But no colors on that on our quarter result also because it would be quite difficult and deceiving in my very own opinion.

Second, we expect our instrument/consumable business to continue to grow. It is difficult to say whether we will continue with the existing rate because, again, it's a combination of instrument sales and consumable growth. But I expect that we should clear anything between €45 million to €50 million in instrument/consumable [indiscernible] (0:39:12) in 2013.

**Maura Garbero**

*Analyst, One Investments Holding SAGL*

Q

Thank you.

**Operator:** [Operator Instructions] The next question is a follow-up from Elisa Corghi of Intermonte. Please go ahead.

**Elisa Corghi**

*Analyst, Intermonte Sim SpA*

Q

Yeah. Sorry again to interrupt you. I was looking at your performance in Australia, which was very strong in Q1 vis-à-vis last year. And I noted it was related mainly to your Vitamin D – your, sorry, CLIA business ex-Vitamin D. Can you give us some more color on this? Thank you.

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

Australia is a good example of a country that was fully dependent on Vitamin D. Actually, let me remind you that we used to operate in Australia through a distributor who was selling us Vitamin D and then we decided three years ago to buy the business, because we want to diversify away from Vitamin D. As you know, Australia is a home base to Sonic. That is one of our largest customers worldwide, a very good customer for us. And as a result of price renegotiation with Sonic, which happened in December 2011, we had to consider price for Vitamin D, but we got exposure worldwide to the Sonic laboratory chain through lots of different products in infectious disease.

So, what you see right now is exactly the result of what was done there where we have considered on Vitamin D pricings, but we got a diversification of product portfolio and sales in infectious disease. Let me say that this is what, on a different scale, we expect to happen in the US when – providing more products and the availability of the LIAISON XL, we are going to leverage on a relationship, which has been based historically on Vitamin D and then sell a much larger product catalog diffusing, let me say, the risk of being a Vitamin D provider for big labs.

**Elisa Corghi**

*Analyst, Intermonte Sim SpA*

Q

Thank you very much.

**Operator:** [Operator Instructions] The next question is from Roberto Casoni of Otus Capital. Please go ahead.

**Roberto C. Casoni**

*Portfolio Manager, Otus Capital Management Ltd.*

Q

Yes. Hi. Good afternoon, everybody. I have one question on Vitamin D, Japan. Can you give us an indication of what is going to be the impact of this delay in the registration from the authorities, particularly in 2014? How it's going to be impacting the delay, and how long is the delay? Is it going to be six months, or a year?

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

I believe you may have missed the call when I was discussing about it. So, I will repeat it for you.

**Roberto C. Casoni**

*Portfolio Manager, Otus Capital Management Ltd.*

Q

Sorry. Yes.

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

We said that in the previous call, we've indicated their expectations of Vitamin D revenues in Japan for 2013 were around €1 million.

**Roberto C. Casoni**

*Portfolio Manager, Otus Capital Management Ltd.*

Q

Okay.

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

But it's not material vis-à-vis 2013. Certainly, I'm not available to comment on 2014 as we were going to do it on due time. And in my opinion, I think that we should frame really Vitamin D in Japan not only in 2014, but going forward when we will develop a long-term plan, giving all of us view besides 2014. So, I cannot comment on 2014. For 2013, it's €1 million.

**Roberto C. Casoni**

*Portfolio Manager, Otus Capital Management Ltd.*

Q

Okay. But how – can you give us an indication of what is the delay? Are we talking about three, six months?

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

Sorry. Yes. Now, I said that – I made it very sure. Let's not count on Vitamin D in 2013.

**Roberto C. Casoni**

*Portfolio Manager, Otus Capital Management Ltd.*

Q

Yes.

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

A

The clock has been reset, and we don't expect to see the approval within quarter four.

**Roberto C. Casoni**

*Portfolio Manager, Otus Capital Management Ltd.*

Q

Okay. Thank you very much.

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

**Carlo Rosa**

*CEO, Executive Director & General Manager, DiaSorin SpA*

Thank you, operator. Take care. Bye-bye.

**Operator:** Ladies and gentlemen, thank you for joining. The conference is now over. You may disconnect your telephone.

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