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DiaSorin SpA *(DIA.IT)*

Q3 2008 Earnings Call - 11/13/2008

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. This is the Call Conference operator. Welcome, and thank you for joining the DiaSorin Third Quarter 2008 Results Conference Call. As a reminder, 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.

Carlo Rosa

Thank you. Good afternoon, and welcome to the Q3 Conference Call. I'm Carlo Rosa, the CEO of the company and I will quickly [ph] make you (00:51) comment to the Q3 results, and Andrea Senaldi, the Chief Financial Officer, is going to guide in details through the presentation and the financial highlights.

First, let me make a comment during the first quarter where we consolidate the results of Biotrin. If you remember Biotrin is the Irish Company that we acquired in July and is a worldwide leader in the diagnosis of Parvovirus. Now, if you look at – I believe that [indiscernible] (1:24) comment as you have seen from the numbers that it has been another very strong quarter for the DiaSorin group.

From the revenue perspective, revenue grew by 22% despite still a negative exchange rate effect where we achieved [indiscernible] (1:44) impacts of 3.5 percentage points. [ph] We need to go to (1:50) a second consideration that should be [ph] forwarded (1:53) in the first quarter where Biotrin is included so in the 22% growth as an effect of exchange of Biotrin products which is equivalent of 4.5% growth.

Looking at different geographies, the growth has been steady throughout the world. I think it's important to mention North America where still – are now up 49.6% at constant exchange rates vis-à-vis previous years. Also in the U.S. and as an effect of Biotrin, if you remember, Biotrin has 50% of its turnover realized in the U.S. market. The Biotrin contribution to the 49% is equivalent to 8.7 percentage points.

Again, the growth in the U.S. is driven mainly by Vitamin D. The uses and adoption of Vitamin D by the medicine community in the U.S. continues to be extremely strong and is giving a considerable growth of strength to our sales in the U.S.

When it comes to the other geographies, you will see high double-digit growth in Italy and the rest of Europe and I would say spectacular results in the rest of the world. Again, Andrea is going to [ph] drive (03:27) you through the details of the sales.

When it comes to the LIAISON installed basis, as stated before we continue with what we said we were going to do with an installation of quarter around 100 units. In this quarter, we have 110 unit sales with installed base going from 2, 280 to almost 2,400. And again, this is throughout other different geographies, showing that [ph] there are some instrument that (4:02) continues to be very appealing especially considering the breadth of [indiscernible] (4:09) availability of the specialty programs that are, that distinguish our current offering from our competitors.

When it comes to margin, we continue to see improvement of the operating margin, which is driven by the [indiscernible] (4:24) effects that we've seen in the previous quarters and mainly the product mix improvement, the leverage of the LIAISON installed base and the fixed cost base and in this case, the Biotrin contribution. Biotrin being a cure specialist there drives very high [indiscernible] (4:45) and therefore the contribution for the gross margin is very positive.

And finally net earnings here improved by almost 30% vis-à-vis quarter three 2007. Andrea is going to comment on the fact that in this quarter, due to the rapid reevaluation of the dollar against the euro, we have suffered from a non-cash, unrealized foreign exchange losses. So Andrea?

Andrea Senaldi

Thank you, Carlo. Good afternoon, ladies and gentlemen. And Carlo has taken you through slide number 1 and the key highlights of the quarter. I will move quickly to the P&L. Let's move to slide number 2. You can find the recommendation of quarter three results of 2008 compared with [ph] the same (5:35) quarter of 2007. As Carlo mentioned, your net revenues has improved by 22% and they are, we had a quarter's earnings and it's just shy of €60 million at the end of [ph] the current, (5:49) third quarter 2008 versus €49 million in 2007. The gross profit has improved to more – has increased more than proportional [indiscernible] (5:59) this year and the gross margin has moved from about 63% to last year to 66.5% and we will come back to the [indiscernible] (6:09) of improvement although I anticipate that quarter three 2007 was a quarter where the margin had suffered vis-à-vis the average of the year.

Operating expenses has grown from €19.6 million in 2007 to €21.9 million. There is clearly a contribution to the growth of operational expenses coming from the structure of – from the acquired business, Biotrin, which accounts for just above €1 million. So the underlying growth of expansions is just about 5% versus the whole year. And this reflects also into a ratio to the turnover, which is decreasing by more than 3 percentage points, moving from about 40% last year to 36.6% this year.

There is a particular item in the line other operating income and expenses. This is mainly driven by the exceptional items related to the acquisition of Biotrin, which were expenses through P&L before completion of the acquisition, therefore, in quarter two and now being reversed into the P&L as they had been capitalized on the holding of Biotrin.

All in all, in terms of operating and in case of – I'll comment on EBIT and EBITDA, excluding the items on a non-recurring nature, which are moving opposite in this quarter versus the previous year. Just as a reminder, in quarter three 2007, we had both to P&L item related to the IPO, so we've got €1.9 million. So if you look at the line EBIT excluding non-recurring item, EBIT had grown by 52.3% moving up six percentage points as a percentage of turnover versus previous year and EBITDA excluding the item of non-recurring nature had grown by almost 41% moving up almost five percentage point versus previous year.

Last but not the least, in terms of net results as Carlo mentioned, the net results for the quarter are up almost 43% for those that do not reflect entirely the strong performance of operating level due to the high charge in financial costs. In the quarter, we have recorded €7.1 million of net financial expenses out of which, €5.8 million as Carlo already mentioned are of non-cash nature and I will comment further during the presentation.

If you move to the analysis of the line on the profit and loss on slide number 3 you find the revenue breakdown by technology. As we have witnessed in the previous quarters, chemiluminescence sales continue to represent the growth of the group. [indiscernible] (09:18) sales are up almost 37% in quarter three 2008 versus quarter three

previous year. In the quarter, we have also recorded Good ELISA sales thanks to two factors, one is provision of tender in Brazil with the Brazilian Ministry of Health, and the second one is the contribution coming from Biotrin portfolio. As you know, Biotrin is [indiscernible] (09:45) based on ELISA play.

So all in all, the improvement in portfolio court that would sell continued in the quarter DiaSorin in terms for 57.1% of the total turnover coming up 6 percentage point versus the quarter of the previous year.

If we now look at the geographical contribution, Carlo already mentioned that North America has contributed for 37% but has grown three times the base as the previous quarter at comparable exchange rates clearly there are some rates into almost 50% growth with the contribution coming from Biotrin [indiscernible] (10:33) of 1%.

In the other geographies, in Europe the business had grown versus the final quarter of previous year by 14.5% with very strong performances in Italy plus 16.4% in France plus 17% in the Nordic region almost 70% growth versus previous year and in Belgium plus 14%.

The rest of the world has contributed also more than proportionally to the growth of the group. 27% is the growth versus quarter three of for 2007. With very strong performance in the two most weighted initiatives like Israel and Mexico, Israel had grown close to 43% versus Q3 of 2007. Mexico at comparable exchange rates had grown more than 70% compared in versus previous year.

In Brazil, 32% also boosted by this time with favorable exchange rate effect, in fact a comparable effect the growth we will give within 26%. And a strong contribution came also from [ph] third country (11:48) distributors particularly as far as Australia is concerned. The distributor grew 16.6% versus previous year. If you now look at the profitability, as we commented before, the gross margins had grown by 29.4%, moving up over 4 percentage points versus previous year.

EBITDA on a restated basis over 41%, up 5 percentage points; and EBIT, 52%, 6 percentage points up versus quarter three 2007. The reason for the improvement basically is summarized at the bottom of slide number 5. There is a continued improvement in the technology mix as we continue to shift sales from ELISA and RIA technologies.

[ph] As Chen had already mentioned (12:39), this clearly provides higher margins. We continue to leverage on the installed base, and therefore, the depreciation rate versus the turnover decreased continuously year-on-year.

As we had seen in the summary of the P&L, we'll continue leveraging our fiscal space as operating expenses have decreased by almost 3 percentage points of the ratio to turnover. And last but not least, we had a significant contribution coming out from the Biotrin business.

Now, if we now move onto the last element of the P&L that I would like to comment, which is the net result and the effect of the exchange rate differences on the quarter three. As I said before, the net result of the quarter are 33%, although if you compare this performance with EBITDA and EBIT growth, they do not affect entirely the performance at operational level. Now, as we said, this is due to the net financial growth of €7.3 million out of which €5.8 million are non-cash items which will make the valuation of the group investments in U.S. dollar following the re-evaluation of the currency between the beginning and the end of quarter three.

Just as a reminder, the U.S. dollar and the beginning of quarter three was – where \$1.56 whereas €1 at the end of the quarter the exchange was about \$1.40. Now, we carry about \$56 million in debt which have been underwritten at the beginning of July mainly to finance the Biotrin acquisition. And the choice of currency is a conscious decision of the group pay as a consequence of forex policy.

Now I would like to spend a couple of minutes just describing the forex quality that we follow and the reason why these contracts that in a foreign currency. If you turn to slide number 7, you will see a few key items.

First of all, because of the strong difference expansion in the U.S. market, the group is generating a very significant amount of free cash flow in U.S. dollar. On average, we generated about \$1.5 million per month. We hedged the excess cash generated in this currency by financing group activities in the same currency. That matching in the course of time inflows and outflows, or in other words, not taking any position versus the France in the currencies.

However, given that we carry the vast majority of our debt in U.S. dollar. Strong [indiscernible] (15:46) for the currency generate significant exchange rates difference. The group will never rely to catch losses since the outflow in U.S. dollar will be final to a new flow in same currency. On accounting principle, demand to record with these differences whether they are negative or positive to profit and loss even if they are not realized.

If you look at the bottom of slide 7, there is a representation for the generation of cash flows in the cost assigned. And if you turn to slide 8, you can compare with the way we hedged the excess cash versus the liabilities in the same currency. So we use the excess cash generated basically to repay the debt that we carry to final start-on operations.

Now having said this, I have also to add that in absence of a U.S. dollar fluctuation between the end of quarter two and the end of quarter three, our net profit will have fully reflect the improvement of the operating margin level. Just as a reference, you should reckon that in absence of the fluctuation of the dollar, the net earnings would have been €4.3 million higher.

And also another consideration, there may be unique to make, and indeed the fact that a few in there to the dollar will stay at around 130 by year-end. We will record a significant improvement and if that will continue to stabilize in 2009, it's when we will record a very significant improvement on operating profits because clearly this will boost our sales on the U.S. market. Just again, as a matter of reference only, the leverage of level \$1.3 to the euro based on the current results would boost the EBIT of the group by €5 million on a yearly basis.

If we now move to the year-to-date performance or the nine-month results, net revenues for the [ph] cumulative (18:11) to 10 months are €176 million versus previous year is a growth of 16.5%, again there is an exchange rate effect of around 3.5% to 4% negative. The gross margin has improved by more than 1 percentage point versus the cumulative performance of previous year, moving up from 64.3% to 65.4%.

Operating expenses record a reduction and the ratio to sales of 2.5 percentage points and EBIT and EBITDA without the non-recurring, not taken into account is the non-recurring items has grown unexpectedly by 32.5%, moving down 3.5 percentage points as far as EBIT is concerned and 26% moving up by 2.5 percentage points as far as EBITDA is concerned.

Again, last but not least, net results for the first nine months has grown by 44% versus previous year, moving from €19.1 million to €27 million at the end of September.

We now move to slide 10 and I would give you a quick glance to our balance sheet. Total capital employed had moved in the first nine months of the, by about €35 million up to €157 million. The €157 million are financed by €144 million in equity and the net debt of €23.3 million. I remind you that net debt, which has rose from €12.1 million at the end of 2007 was influenced by an acquisition in the range of €25.5 million and a dividend payout in the range of €5.5 million.

Slide number 11 includes some comments on the cash flow. Operating cash flow in the quarter was about €80 million versus €11.4 million in the quarter, [ph] the same (20:27) quarter of the previous year. In the first nine months, we have recorded €32.4 million in operational cash flow. Before it was about €10 million in CapEx. This compares with €33.8 million in September 2007 before €11.2 million in CapEx.

The net debt, I believe I've already commented on, and at the end of the period we have in our hands and in the banks €21.6 million in cash.

Last but not the least, I take the opportunity to remind you that the next event for DiaSorin Group will be on December 4 and 5 where we will visit the MidCap Forum of Exane BNP Paribas in Paris.

Having said this, thank you very much for listening. I will now [indiscernible] (21:22) to Q&A session. Thank you.

QUESTION AND ANSWER SECTION

Operator: Excuse me. This is the Chorus Call conference operator. We will now begin the question-and-answer session. < [Operator Instructions] The first question is from Mr. [ph] John Wood (21:53) from Bank of America. Please go ahead, sir.

Q

Great. Thanks. This is Brandon actually in for John this morning. Thanks for taking the questions. Could you give us an update on the – of LIAISON installed base in the U.S. and can you remind us how many LIAISON assays are currently available in the U.S. and what types of [ph] menu (22:13) expansion milestone you you might expect over the next 12 months?

Carlo Rosa

A

Yes. [ph] Answer the (22:22) question, when it comes to the U.S., we have close to 200 LIAISON systems installed. I would say a third of that installed base is sitting in three large commercial labs and the rest is spread over the hospital base and smaller private lab base. What is pushing the demand of LIAISONS in the U.S. today is a combination of Vitamin D and the infectious disease products that we have available in the U.S. market.

Today, we have available, let me say, [ph] to the quarter (23:09) because we had the approvals in October. We had 13 products approved in the U.S., two of which were Vitamin D and PTH and the rest were all infectious disease. In October, so we have submitted with the FDA five new products, five products, two of which have been approved in October and three of which we believe we will get approval by December. We are in the final queue with the FDA reviewing not the clinical [ph] implementation (23:52) but the leveling, which is the last procedure before getting to the final approval. So [indiscernible] (23:58) at the beginning of 2008, we are going to have the full [indiscernible] (24:02), a valuable in the U.S. by December of this year.

Q

Great, thanks. Can you quantify what the interest income and the interest expense was in the period?

Andrea Senaldi

A

Sure. One second. In [indiscernible] (24:22) the quarter, quarter three, we have recorded – hold on a second – €1.1 million of net interest payable which is made up of interest on the debt that we carry, and also commissioned that we pay for factoring operations. The balance updates to the total financial items is as I described before, exchange rate differences.

Q

Okay. Could you discuss the M&A environment? Have you witnessed changes in the valuations out there? Should we expect excess capital to be deployed towards debt repayment or perhaps additional tuck in acquisitions that bolster your menu offering?

Andrea Senaldi

A

I will take the question on the excess capital and Carlo may comment on the M&A environment. As I've stated before, if we have excess capital at the end of the year, we will use it to repay the debt, okay? As I've described before, our policies to match excess cash in that in the same currency. And now, ready to turn on the [ph] M&A environment and evaluation (25:53).

Carlo Rosa

A

[ph] Listen guys (25:59), M&A environment is really tough to say if you say there is a muc h M&A going on in my opinion after the last wave of consolidation with [ph] Siemens (26:12) and everybody else. Now, so to make a – to give any generic comment when it comes to environment, I think this ASP for transforming the [indiscernible] (26:20).

When it comes to the DiaSorin situation, we always hear that we have an active program, clearly as Andrea said, we have a steady cash generation and we intend to invest cash in a wise way as we will [indiscernible] (26:39) by three to reinforce our technology portfolio and product portfolio, so we continue to look and whenever we get a chance to call to do something reasonable, we will try to do so.

Q

Great, and my last question is what countries are remaining in your distributor base or which ones do you expect to take the [ph] red (27:05) in 2008 or 2009?

Carlo Rosa

A

I feel that we have already – in 2008, we stated that Austria and Czeh Republic were going to be taken over by early 2009 which it is what we are going to do. So by the end of quarter one, we will have these two companies [ph] direct (27:30) Canada, these are the other areas where we intend to go direct starting from a right channel as a market very similar to the U.S. and Vitamin D is also growing very steadily in Canada.

And then moving forward, we said that we want a third in China from you see the very successful country for us from a model of today where we have an office controlling distribution to our model where we would be selling direct in certain provinces mainly Beijing and Shanghai. And then the last geography mix in for us would be Australia which is in the point for 2010.

Q

Okay. Thanks very much.

Operator: Next question is from Mr. Martin Wales from UBS. Please go ahead, sir.

Martin Wales

Q

Good afternoon. Starting with your instruments growth in the quarter 110 instruments per quarter work in some market is pretty quiet. Seems very impressive. What was something seemed unusually good about the quarter, what was it? Hello?

Carlo Rosa

A

Sorry, Martin.

Martin Wales

Q

Do you – did you hear the question?

A

Not very much because line is breaking up. Can you repeat the question?

Martin Wales

Q

You had a very strong quarter for instruments, 110 in the quarter.

Carlo Rosa

A

Yes.

Martin Wales

Q

Which given that some of your markets tend to be pretty quiet in August. I was just wondering what you put your finger on is driving what occasionally a particularly strong quarter and does it put upward pressure on your 400 machines for the full year or do you think Q4 will be a bit quieter that you need not to raise the opportunity to make the full year 400 as you got there?

Carlo Rosa

A

No. It was I think a good quarter as stated. I think that you work in typically out of this below in certain geographies. But it was up in other geographies especially in export and the U.S. We believe [ph] also (29:38), that in quarter 4, we will continue to place 100 systems, around the systems to get to the yearly target of over 400, which is as you know has been our constant weight pretty much over the last two, three years.

Martin Wales

Q

So you might do a bit more this year from the side of things but you're not suggesting that we're seeing a structural change and increased machine placements?

Carlo Rosa

A

No, I don't see a structural change. I see [ph] a steady (30:10) 400 systems going to the market in the different [indiscernible] (30:16).

Martin Wales

Q

Can you update us on where you are with converting the [ph] Cardinal versus your (30:23) Biotrin to – I can't believe in essence, I say – I think it was one of your plans for acquisition? And I'm guessing [ph] the right news, (30:29) you've got the ELISA based test at the moment?

Carlo Rosa

A

Yes, we've initiated the pro development of [ph] the product (30:35) in Italy and we moved our crew from Ireland here to speed up development and we believe we'll be able to offer this product to the market in quarter 3 of next year. So I think that there are good basis to have good products starting from all the raw material and know how that the Irish have in Biotrin.

Martin Wales

Q

You highlighted the anti-infectives, as well as vitamin D is driving your U.S. growth. What anti-infective test do you have on the U.S. marketplace now and how has that changed this quarter versus previous quarters?

Carlo Rosa

A

No it's not changed, meaning that it continues the infectious disease sales in the U.S. will pretty much more than double compared to last year, driven by the menu we had. I think the good news is that again not in the quarter, but in October, we go two more approved and three more in the queue. As I commented before, when we expect totally to provide by summer, so we will have all the ammunitions for the impressions of your strategies starting from January 2009 which is very good news.

Martin Wales

Q

So if we look at your U.S. growth Q3 this year versus Q3 last year, can you give us a sense of what it looks like currency investment in vitamin D versus the Biotrin test versus [indiscernible] (32:02) and other tests you saw in the United States.

Carlo Rosa

A

Listen, Martin, as I said already in several conference calls, I do not, since I've been advising in the if becoming for us there is strategic market and there are certain information especially regarding the U.S. market which I consider a privilege to the company so I can give you a general comment. I think that today the vitamin D [indiscernible] (32:34) a good chance of the growth in the U.S. market. Currency [indiscernible] (32:43) in the U.S. Andrea commented before at constant exchange rate was 49.6%. The [ph] trunkness (32:54) into dollars into euros to 37%.

And when it comes to Biotrin, Biotrin is 9% additional revenues. The Parvovirus testing in the U.S. grows fairly at let me say, low double digits rates. So the rate is around low double digits, but it continues to grow.

Martin Wales

Q

That's right. Sorry, I think what I'm trying to understand is that yes, there's been [indiscernible] (33:22) is becoming increasingly strategic and there's probably a way to go there, I'm just trying to understand the extent in which you can really capitalize on your instrument situation in the United States by putting more on the infective test through you. Obviously, you've got two in October, three more in December. I'm trying to get some sense of how – the extent which you've benefited already versus just how much more there is to come from the anti-infect test at the United States?

Carlo Rosa

A

Listen, as I told you before, sales of the infectious disease [ph] battle (33:53) to align the 208 vis-à-vis 207 and we project that they will continue to double also next year. I think that the [ph] trouble means (34:06) when we started [ph] getting infectious disease (34:10) from zero pretty much, we had some ELISA sales. Remember, most of our sales in the U.S. were hepatitis and not infectious disease.

So the base in infectious disease was small and so we are building the business. We are comparing them with the vitamin D business that has been there for 25 years. So [ph] we already (34:32) started from a different size. And it's very clear that one is driven by increasing demand and the other one is driven by the effect as we take market share by competitors. And this explains why in absolute number today, vitamin D in the U.S. represents a good portion of the increase of the turnover.

Martin Wales

Q

And last question [indiscernible] (34:57) one for Andrea, can you just – I know you said a bit about your debt policy. Can you just talk a bit about where your debt's coming from and how long [ph] date of the debt (35:10) is?

Obviously, people [indiscernible] (35:12) have some concerns about financing the [indiscernible] (35:14). I'm sure just in the property – [ph] just put people mind to rest (35:16).

Andrea Senaldi

A

I'm sorry, [ph] Martin (35:20). Did you understand one of the questions [indiscernible] (35:23)

Carlo Rosa

A

What's – where is the debt comes strong in the sense of what institution or banks or?

Martin Wales

Q

I want to know what form of debt it takes. When is it repayable? What comes associated with it? Clearly, it's something that people are talking about. I don't think there is problem with you guys. But it will be a good chance to reassure people.

Carlo Rosa

A

Okay, let me just focus on the most recent debt which is the vast majority of the debt we carry. We have at the – on the 9th of July, we have financed the group with underwriting the debt of \$56 million. This is repayable in seven years on a six-month basis. We have every option to repay the debt in anticipation provided we have excess cash.

Andrea Senaldi

A

Which we do.

Carlo Rosa

A

Which we do incidentally. And the debt has been used to finance the Biotrin acquisition and to refinance the fees with existing debt. Just for your reference, we pay a spread on that debt of 60 basis points. In today's credit environment, I believe this is an outstanding cost.

Martin Wales

Q

Okay. Thanks so much Carlo.

Carlo Rosa

A

Thank you.

Operator: The next question is from Mr. Stephane Sumar from Exane. Please go ahead sir.

Stephane Sumar

Q

Hi. Good afternoon, gentlemen. And hello as well. Just a quick – two questions. The first one is on the impact of U.S. dollar on your EBIT. We were told that been your EBIT in Q3 restated for the [ph] political position (37:16) of EBIT?

My second question is on your indication for the full year. I remind that you have have indicated last year that you were expecting a 200 basis points improvement that you are getting level I mean on the top of the 25% reported last year, it was a good performance achieved in nine month, it sounds quite conservative so can we expect you to be a little bit more aggressive today for the – with the positive impact of the USD?

And my last question is on CapEx, what will be the total CapEx over 2008 and over the next of 2009 and the 2010 as well, please?

Andrea Senaldi

A

Okay, Stephane I'll take the question and some of that. As far as the impact of the U.S. dollar exchange rate on the EBIT level I think it commenced during the presentation that a U.S. dollar on average has a parity of 1.3 to the euro would affect positively the EBIT on a full-year basis about – for about €5 million lower. The European [indiscernible] (38:30).

Stephane Sumar

Q

Okay, that's – if we add 1.3 on average of that at full-year I mean, 2009, we would have additional €5 million at the EBIT level, that's...

Carlo Rosa

A

Provided that the company doesn't grow 0%.

Stephane Sumar

Q

Okay, so to do my math, I have to divide this number or let's say by four to get grow this impact on Q4?

Carlo Rosa

A

Exactly. Okay, as far as the outlook to the full-year I believe that given the results in quarter four, in the quarter three of this year, we can now estimate an EBITDA which are in line with the year-to-date September which means in other words, that we expect an EBITDA on average around 35% which is an improvement versus previous year by about 300 basis points.

Stephane Sumar

Q

Okay, and can do the [ph] symmetry recovery (39:35)?

Andrea Senaldi

A

And you can do the same on EBITDA level. EBIT is 29% cumulative and I believe this will stay until the end of the year.

Stephane Sumar

Q

Okay. Hello?

Andrea Senaldi

A

What was your question about CapEx?

Stephane Sumar

Q

What will be the amount for CapEx from 2008? And there's some question on the 2009 and 2010 as well.

Andrea Senaldi

A

As you know, we do not provide precise outlook on budget items. Although if you may remember that we have a fairly constant amount of CapEx, around €14 million, €15 million per year between tangible and intangibles.

Stephane Sumar

Q

Okay. This is excluding instruments?

Andrea Senaldi

A

No, this is including instruments.

Stephane Sumar

Q

Including instruments. Okay. And just to come back on your [indiscernible] (40:32) on the profitability, over nine months, you mentioned that we have 35% EBITDA over nine months?

Andrea Senaldi

A

Yes.

Stephane Sumar

Q

So we will have the same on the full year? That what you said?

Andrea Senaldi

A

Yes, it's what it says.

Stephane Sumar

Q

Okay, and what about next year? I'm just trying to see...

Carlo Rosa

A

What's your name? [ph] Anderson (40:57) you only to sneaky through, but we are not commenting on 2009, please.

Stephane Sumar

Q

Not yet?

Carlo Rosa

A

No, no. Not yet and not for the reasonable future. As we stated before, we've given indication in the past. I believe that you can follow the trend of the company and make a middle take of gas or water, the margin improvement there will be still you need to sterilize it on the dollar effect.

Stephane Sumar

Q

Yes.

Carlo Rosa

A

So that we have a very strong U.S. business that is growing significantly year-on-year.

Stephane Sumar

Q

Okay. And then just another question about your U.S. business, which kind of clients is growing faster? Is it large lands or hospitals or I mean is your accessories get full [indiscernible] (41:52) are doing better than you direct sales or?

Carlo Rosa

A

No. I think that this is not driven by customers. It's driven by menu. And therefore, we experience when it comes to Vitamin D, the growth of demand is across all the accounts. As we already explained in one conference call, although lots of Vitamin D testings in the U.S. is consolidated in two, three very large laboratories.

Stephane Sumar

Q

Okay.

Carlo Rosa

A

Although, when you look at Vitamin D testing throughout the lives that are doing it, you see the same increase because the demand is increasing. It's a little number of prescriptions coming from the physicians.

Stephane Sumar

Q

Okay. And my last question is regarding the new platform that is [indiscernible] (42:50).

Carlo Rosa

A

Yes.

Stephane Sumar

Q

And so, yes, which is I see to be launched next year in 2009.

Carlo Rosa

A

Yes.

Stephane Sumar

Q

Are you still on schedule on this program or are you at clear with recent development

Carlo Rosa

A

We are...

Stephane Sumar

Q

What comments we can have on this – are there any specific cost to expect, additional cost expected to – for the marketing of this new platform or any kind of wait-and-see attitude from clients expecting the new platform to be launched?

Andrea Senaldi

A

So first as I – we already reminded in several conference calls, we do not disclose to the market to the same level of information we disclose to the financial community.

Stephane Sumar

Q

Yes.

Andrea Senaldi

A

So it looks like a paradox, but if you would interview a customer of DiaSorin today, they would not – they wouldn't know much about the [ph] Excel (43:41)...

Stephane Sumar

Q

Okay.

Andrea Senaldi

A

...for a really simple reason, the LIAISON is going so well that we don't want to throw [indiscernible] (43:49) on the market. We are going to introduce the LIAISON sale to the market during next year and we are in line with our expectations.

Stephane Sumar

Q

Okay. Thank you very much.

Andrea Senaldi

A

Thank you and see you [ph] in France (44:05).

Q

Yes.

Operator: Next question is from Mr. Massimo Vecchio from Mediobanca. Please go ahead, sir.

Massimo Vecchio

Q

Good afternoon [indiscernible] (44:15). Three quick questions, the first one is on vitamin D, should the public information that Abbott is going to launch in, let's say, in 2009 be considered as a threat and do you incorporate that in your 2009 expectation on vitamin D?

Second question is on, again, vitamin D [indiscernible] (44:41) already said that, but does it run only on LIAISON or [indiscernible] (44:47) other technologies? And third question if you – can I ask the broad view of how your infectious disease business compares U.S. versus Europe? How will – will you assess that? Thank you.

Andrea Senaldi

A

Okay. I will give you two very quick answer and [indiscernible] (45:10) for the last one. Listen, competition is there. I don't know whether Abbott is or is not going to be in the market. Today, Roche is on the market and now suffering so we continue to do our business ever before without worrying too much on who's coming and is not coming. The second – your second question was the [ph] Vitamin device technology (45:34), we do have also Vitamin D in RIA format. We don't have it in ELISA.

When it comes to your third question, I keep saying that if you look at the DiaSorin as a group today, we are an infectious disease company, over 50% [ph] Level 2 (45:57) now is infectious disease. And Vitamin D is carrying weight in certain geographies and mainly in U.S. and Australia. In the U.S., we will perceive as an infectious disease company because we are the only company with Abbot Diagnostics having the full hepatitis line approved with the FDA. Over time, more competitors appeared and in the last few years, Vitamin D took the lion's share of the market when it comes to our market opportunity.

Those two [indiscernible] (46:39) again, we have a long-term vision of being an infectious disease company and we believe there is a strong opportunity in the U.S. market for infectious disease driven by the trends that the knowhow of the U.S. market in this field is very limited, [indiscernible] (46:55) had a successful strategy in the U.S. with infectious disease, and today, they have a reasonable installed base of vitals that which are going old as what else in the works, so they would be a very interesting base in installed base to tackle for us. DPC had launched a special division which is now [ph] online (47:17) which has been available to the U.S. and is completely neglected by Siemens. So all in all, we believe that in the U.S. there is a great infectious disease opportunity for a company that is having questions with getting in. And I believe that the infectious disease will does already today and will contribute to the growth of our U.S. sales even more than what it is doing today.

Massimo Vecchio

Q

Okay. Thank you very much.

Operator: We have a follow-up question from Mr. Martin Wales from UBS. Please go ahead, sir.

Martin Wales

Q

Sorry. One slight clarification on the non-cash impact of the U.S. dollar exchange rate. Am I right in thinking that in Q4, you will take a similar hit in Q3 of exchange rates at the end of the year and the year where they're also going?

Carlo Rosa

A

That is correct. Assuming that the – by the end of the year the dollar will be around 130-ish, then the Q4 will have the similar impact as Q3 had.

Martin Wales

Q

All right. Going in to 2009, flat dollar-euro exchange rate at about – first, the package is non-cash and of course you should benefit if you honestly translate transaction here as you highlighted already.

Carlo Rosa

A

Absolutely.

Martin Wales

Q

That's great. Thank you very much.

Carlo Rosa

A

Thank you.

Operator: [Operator Instructions] Mr. Rosa, there are no more questions at this time.

Carlo Rosa

Okay, thanks a lot.

Andrea Senaldi

Thank you. [Inaudible] (49:03)

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

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