DiaSorin S.p.A.

"As of September 30, 2017 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 results of...as of September 30, 2017, conference call. After the presentation, there will be an opportunity to ask questions.

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

CARLO ROSA: Thank you, operator. Ladies and gentlemen, good afternoon, and welcome to our quarter 3, 2017 conference call. As usual, I will comment in a qualitative way some of the events that characterize this quarter, and then I will turn the microphone to Mr. Pedron, who is going to go through the financials.

Let me say that this quarter was, in fact, full of extraordinary events, and I will take you through each of them. First one is that we acquired and we completed the acquisition of the Siemens ELISA business.

As we have discussed before, the rationale for this acquisition is that it did provide us with access to several hundred customers that they're using ELISA, for which we do have a equivalent chemiluminescence parts. And this we have calculated that there is an installed base...potential additional installed base of between 200 to 300 systems that we'll be able to place within customers in the next 3 years, cannibalizing the existing ELISA business of Siemens with our own platforms.

The transfer of the business from Siemens to us already started. It's, I will say, flawless so far, and we started to serve from our logistic center all the existing Siemens accounts. So I would say that so far so good. This is something very similar to what happened [technical difficulty]. So let me say we have already done this once before, and I do not foresee any hiccup with this acquisition.

The second item that I would like to cover has to do with the fact that, as we have discussed when we presented our previous [ph] plan, we intended to outsource certain services in order to extract value and synergies and also eliminate from our perimeter of activities certain activities, in fact, that are non-core. And if you remember, the first one had to do with centralizing logistics and order entry. That has been done, and it started in Quarter 2. It is in quarter 3.

So during the quarter, we had some initial elements of this transition. And what we have seen is that because of the fact that, in...at the same time, we are transferring our inventory to the third party as well as we had to initiate shipments of the Siemens product as part of the Siemens acquisition, we decided on purpose to move to October some of the large shipments to certain distribution areas.

And this is why you will see...and we will comment it later, that on the revenue level, especially on the distribution side in certain geographies, you see a delay in revenues. But that is associated with the fact that with this congestion of activities, we decided to give priority to the direct customers versus distribution, where we know that distributions do have, in fact, local inventory.

The transfer is completed. We also have transferred out employees. We've closed down our call centers, and so we expect, moving forward, to exert the benefits of this project. Let me remind you that, as we have described during the long-term plan, starting from next year, we expect €2 million to €3 million savings on the cost line, again from the outsourcing of this apparatus.

The third element that I would like to discuss and disclose is the fact that we have initiated litigation with a third party in the US. And this is intended to get access to the US market with one key assay for stool. Litigation started a couple of months ago, and we believe it’s going to be concluded in September of 2018. Again, this is not to protect

existing sales, but it is to grant access with one product, which we consider strategic to the US market.

The combination of costs associated with the outsourcing of logistics plus a combination of the cost associated with this litigation amounts to roughly €2 million. So in the quarter, you see that there is an outstanding cost of €2 million in the [technical difficult]. I think, Mr. Pedron will add more color to this.

The last element that I would like to discuss has to do with the fact that we have announced the shutdown of our Irish facility based in Dublin. This has already been communicated to the authorities in Ireland and to the employees. The reason for this is very simple. After the acquisition of the Focus assets, it is very clear that the center of gravity for our molecular activities is, in fact, in California.

If you remember, Ireland was under the DiaSorin perimeter, the center for molecular development. At this point, it's very clear that it would have been...this would have created unnecessary complication and, therefore, we decided to close the site. This will be done throughout the next 3 quarters, so we expect to have all done by the second half of next year.

We expect that we will incur into certain costs, one-off cost in the range of €6 million to €8 million. But also, we calculated that the benefit...annual benefit from the closeout are in the range of €7 million. So the return of this investment is going to be fairly rapid. So with that, overall this has been a quarter that certainly has had a few extraordinary events in terms of activities, which were already stated in the SEP [ph] but now affected.

Now if we move to the revenues for the quarter, as I always do, I'm going to comment revenues at constant exchange rate. And at constant exchange rate, revenue growth in the quarter was 4.3%. Now in this

case, what we want to highlight is that there are 2 extraordinary events, which have affected this quarter.

The first event has to do with the fact that the bad weather situation in the US has created a delay in sales of Vitamin D to the 2 largest accounts we have in the US. If you have followed press release from both LabCorp and Quest, they do report one-off effect of a slowdown of revenues related to the bad weather.

And clearly, Vitamin D, that is a noncritical assays, but is more done in...during the physical check, has suffered the most. And in fact, you will see when I will comment my revenues by technology that Vitamin D, that has been in the last 2 quarters, flattish, shows a negative result in the quarter, but it's driven completely by this delay in orders in the US.

The second event that has, as I said before, delayed revenues to the quarter 3 is the fact that when we started implementation of logistic, we have delayed shipment to Q3 in certain geographical areas and mainly certain distributors, and this is...and this has been done, again, to alleviate some of the efforts of the logistic team and give priority to the direct customers versus exports. For the sake of reference, we believe that the effect of these 2 phenomenons together in the quarter is in the range of €3 million.

Now if we go now by revenues by geographies, and we start from Europe, Europe in the third quarter had a very strong performance, 7% growth versus last year. And again, this has to do primarily with 3...with 2 markets, let me say.

One is Germany where, notwithstanding the fact that we have a very strong business there, we continue to see high single-digit growth in this market. And the second one, which has been a surprise to us, very positive, is actually Italy. If you remember, until the end of last year,

Italy was showing very weak performance. And that had to do with an attempt of the government to curb volume testing. Truth of the matter is that starting from the second quarter, announcing it still today, Italy is rebounding actually.

And in quarter 3, we have a growth of 15%. And this takes the 9 months growth of Italy to 6.8%. So that's certainly something that was not necessarily expected, but it is important for us since Italy still represents over...around 10% of our overall revenue. So as far as Europe is concerned, we continue the strong growth in this geography.

Then let's turn to North America. North America, without considering the one-off...let me say, the effect of the DiaSorin Molecular revenues, which do not make still the year-to-date result comparable, and if we just look at our, let me say, traditional ELISA franchise, the growth in North America has been 3.6%, notwithstanding the fact that Vitamin D has been very weak in this quarter.

And the reason why it has been weak, again, has to do with a significant drop in volumes in certain states, namely Florida and Texas and Georgia, which were hit by the bad weather. And fundamentally, the big reference lab did not see orders for Vitamin D for almost 6 weeks.

Now, we see that it bounced back to normality. We see in the most recent months that we are back to the volumes that we have seen traditionally. So we expect the next quarter to be in line of historical numbers. But certainly, we took a hit on this month.

But notwithstanding this, again, we have seen growth of 3.6%, and this is mainly driven by the Infectious Disease franchise. We're now are at full steam at Quest with all our products. It's the first quarter where now all the products have been implemented and in line and offered by

Quest. And this clearly makes our revenues extremely strong in the US with these products.

Now, if we move to Asia Pacific, you see that at constant exchange rates in Q3, there has been a significant slowdown of 1.2%. So the growth has only been 1.2%. But this, again, go back to my initial comment.

Within Asia Pacific, there are 2 distributors where we have elected not to ship in quarter 3, again, to alleviate the work of the third-party logistics. And this is why you see this region that there is apparently a slowdown in revenues. But certainly, you will see in the next quarter that things go to normality because this has been simply a move from one quarter to the other.

Within Asia Pacific, China continues to perform in line with expectation. There's a 20% growth in Q3, and 20% growth in the first 9 months. So the main geography is doing okay and as planned.

Last but not least, let's discuss about Latin America, where there has been a growth of, in the 9 months, around 8%. But in Latin America, the most strategic country is Brazil. And in Brazil, we continue to see high double-digit growth, 17% in Q3, and 17% in 9 months.

So we continue to see a very healthy trend of the business due to the stabilization of the country and also stabilization of the currency. So overall, I'm saying that I think the quarter 3 results have to be interpreted correctly because with lots of moving parts.

And now, I will allow our CFO, Piergiorgio Pedron to take you through the numbers with more quantitative comments to the quarter. Thank you, Peirgiorgio.

PIERGIORGIO PEDRON: Thank you, Carlo. Good afternoon, everybody. In the next few minutes, I'm going to walk you through the financial performance of DiaSorin during the first 9 months of 2017. And I would also make some remarks contribution of the third quarter.

Before we start, let me please remind you that we began reporting the Focus business since May 2016. And so the perimeter of consolidation up to September '17 is different from the one of last year. Besides, as already said by Carlo, please note that the recent Siemens ELISA acquisition, even though impacting our balance sheet numbers, does not have any effect on our P&L. You will start...we will start seeing the effect of the Siemens ELISA acquisition starting from Q4, the effect on the P&L.

So with that, as usual, I would like to start with what we believe are the main highlights of the period. We grew the first 9 months of the year with the revenues in line with our full year guidance and with a material increase over 2016, €55 million or 13.3% constant exchange rate, these, in spite of the impact on Q3 of the 2 one-off events that Carlo just mentioned.

We closed September year-to-date EBITDA in line with our full year guidance with a strong growth over the previous year, 15.5% or about €25 million at constant exchange rate, and with an EBITDA margin just a touch below 39%.

Q3 EBITDA at €56 million, or 37.5% of revenues, grew compared to last year by about 3.5% at constant exchange rate and scope of consolidation, whereas it is flattish at current exchange rate. Again, I believe it is worth underlining that quarter 3 has been affected by those one-offs we just discussed about, and that I will cover again later more in details. And net of these elements, the profitability of the quarter is in line with what we have recorded so far.

Lastly, DiaSorin keeps confirming its ability to generate a strong free cash flow, €97.5 million in the period. This allowed us to close September with a positive net financial position of about €130 million, after having paid in May dividend to our shareholders for about €44 million; and in September, about €30 million for the acquisition of the Siemens ELISA business. As you may recall, the total consideration for this business was about €47 million. The remaining balance will be paid in decreasing installments during the next 3 years.

Let's now go through the main items of the P&L. September year-to-date revenues at €468.6 million grew by 13.4% compared to last year. The growth at constant exchange rate is almost the same, 13.3%, since in Q3, we had about €4 million FX headwind, mainly driven by the depreciation of the US dollar and the Chinese yuan, which upset the positive effects we experienced in the first half of the year.

Let me remind you that the currency to which the group is most exposed is the US dollar and that for every $0.01 movement of the dollar against the euro, DiaSorin revenues move of about €2 million on a yearly basis. This is the same number we shared with you a few quarters ago. Considering how the US dollar closed Q4 2016 and where it is trending now, I think it is fair to say that we will likely experience some FX headwind also in the next quarter.

Gross profit at €319.7 million grew by 13.2% or about €37 million compared to last year, closing the first 9 months of 2017 with a ratio over revenues of 68.2%, which is basically in line with 2016. This is the result, on one side of higher sales of specialty products, Vitamin D 1, 25 and all the stool [ph] panel to mention a few; some positive aspects from manufacturing efficiencies; and the lower depreciation rate of our revenues, which almost completely offset, on the other side, price pressure on some CLIA “Me-too” [ph] products and the slightly dilutive effects of the Focus business. Again, these elements have already been discussed in the previous quarters.

Total operating expenses at €170.1 million, or 36.3% of revenues, have increased by 13.8% compared to last year. Please remember that as we saw in the previous quarters, and we will see for the next few ones, about €3 million of the reported quarterly OPEX is driven by the depreciation of the intangible assets coming from the Focus business acquisition.

Net of this depreciation, September year-to-date reported OPEX would have grown by about 11%, and the ratio on revenues would have been 34.3% against 35% of September year-to-date...September 2016 year-to-date.

If we move now to the other operating expenses at €4.8 million, we see that they are lower than 2016 by €2.3 million. 2016 was affected by some material non-recurring expenses, mostly driven by the costs associated to the Focus business acquisition, which explains the majority of this difference.

2017 number includes some restructuring costs associated with the start up of the European logistic hub, the project discussed by Carlos a few minutes ago; some costs related to the Siemens ELISA business acquisition on top of expenses related to the initiation of legal action in the US concerning the future introduction of certain diagnostic tests into that market. As a result of what I just described, September year-to-date EBIT at €144.8 million or 30.9% of revenues has increased compared to 2016 by 15% or almost €19 million.

The tax rate at 32% is 100 basis points better than 2016. This variance is in line with our expectation and is mainly driven by a reduction of the Italian corporate income tax rate from 27.5% to 24%. Net result at €95.7 million or 20.4% of revenues is higher than the previous year by €13 million or almost 16%.

Lastly, September year-to-date EBITDA, at €182.2 million, is better than last year by almost €24 million or 15%. The variance at constant exchange rate is positive for 15.6%. EBITDA ratio of revenues of 38.9% is 60 basis points better than last year.

Moving to quarter 3, we had an EBITDA of €56 million or 37.5% of revenues, in line with last year. Again, as I said, in order to better understand the quarter, I believe it is worth underlining that Q3 has been impacted by some one-off costs for about €2 million.

And to be more specific, the costs associated with the start up of the European logistic platforms, and these costs are spread across several lines of our P&L, and as just described, the expenses related to the legal action in the US. These 2 elements, together with some negative FX headwind in the quarter, contributed to explain the EBITDA of the period, which, net of this one-off, would have been in line with the trend of the last few quarters.

Going back for one moment to the European logistic platform, I would like to share with you that we will start seeing the benefit of this project from 2018 with total expected saving in the range of about €2 million to €3 million per year, once this initiative will be fully up and running. Let me clearly remind you that this plan was anticipated in our Investor Day, back in June and is one of the initiatives we are implementing to improve the overall efficiency of the Group.

Let me we now move to the net financial position and the free cash flow. DiaSorin closed the period with a positive net financial position of €113.3 million and about €152 million in cash. This is the result of what we discussed so far and is confirming the ability of the Group to generate a predictable and strong cash flow.

During the first 9 months of 2017, we generated almost €98 million. It is worth mentioning that up to September, DiaSorin cashed out about

€10 million more taxes than last year, and this is mainly driven by the tax payment...by the tax payment phasing mechanism in it Italy, so it is just a timing effect, and invested about €10 million more in CAPEX as planned, with this difference being mainly driven by the investment to support the US Beckman project, again presented and discussed during the Investor Day, and a few other projects aimed at increasing the efficiency and the productivity of our manufacturing processes.

Before moving to the guidance, I would like to share with you the expected financial impact of the divestiture from our manufacturing site in Ireland. As discussed, this initiative is the result of the acquisition of Focus Diagnostic, now DiaSorin Molecular, and is driven by the decision of the Group to centralize all of our molecular business in one single place.

This project is going to carry some one-off costs, mainly related to people, consultancy and standardized [ph] costs. We are still working out all the details, but we believe that overall, the impact at the bid [ph] level would be between €6 million and €8 million. This is the total impact of the overall projects.

We think also that about €4 million to €6 million of these costs will be booked in Q4 2017. And we believe we will be able to repay for this investments in about 12 to 18 months. Said differently, we expect an yearly saving of about €6 million per year once the project will be completed.

Lastly, in view of the Group operating performance, management confirms 2017 guidance for both revenues and EBITDA, with a growth at constant exchange rate of around 11% for revenues and 13% for EBITDA. Please note that this guidance does not take into account neither the positive impact of the Siemens ELISA deal nor the one-off coming from the Irish divesture project we just discussed about.

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

Q&A

OPERATOR: Excuse me; this is the Chorus Call conference operator. We will now begin the question and answer session. The first question comes from the line of Pataki Maja of Kepler Cheuvreux.

MAJA PATAKI: Yes, good afternoon and thanks for taking my questions. Carlo, I have a question. You are giving us an indication on the negative impact from the 2 effects due to the hurricane effects, so basically the last months [ph] hurricane effect; and the move of some of the shipments due to the distribution agreements. Did I correctly understand you that you said both effects, taken together, have a €3 million negative impact in Q3? Just wanted to clarify that. Then, the second question is related to your one-off costs. Basically, on your Slide #13, you say that you had €2 million one-off costs related to the new logistics model. Now we're going to have another €4 million to €6 million related to the closing of Ireland. So in total, we should be expecting for the full year €6 million to €8 million one-off effect. And then the last question, I'm sorry, I didn't quite understand. Can you elaborate a bit more in detail what's the initiation of the legal action is concerning in US? Thank you.

CARLO ROSA: Okay. I will take your first and last question, and then P.G is going to cover the one-off. Yes, indeed, the negative impact, a combination of the hurricane in the US and the shipment delay is roughly €3 million. Please note that these are 2 very different effects.

The hurricane, Vitamin D testing is lost because, simply, it was not done in that quarter, and we don't expect it to be postponed to the following quarter. And so what we are seeing in fact today is that the volume are back to where they should be, but not...certainly, you're not

going to get back the testing, whereas the shipment has been simply a decision of the Company to move from one quarter to the other. So certainly, that effect you will see in Q4.

When it comes to the legal action, it's relatively straightforward. We have one product that we distribute in the European environment. It's a stool product. And we intended to bring this product to the United States and go through with the approval and start commercializing this product. We are in the phase of filing the approval with the FDA, so the product is not being commercialized yet. We are actually ramping up clinical studies, and then we are...we're planning to commercialize the product sometimes next year.

Meanwhile, legal action is being brought against the Company by a third party claiming that there has been infringement of certain rights of this company. And we have then initiated an action that is supposed to resolve this dispute by...and it's supposed to be done and over by summer of 2019. So what you have today, you have the one-off legal costs, which are management in preparation for the hearings, which will happen in the summer of next year.

MAJA PATAKI: Thank you.

PIERGIORGIO PEDRON: Hi, Maja, this is Piergiorgio speaking. Going back to your questions about the one-off, yes, you heard correctly, €2 million one-off are already embedded in our numbers, and they happen in Q3. And they regard both the logistic hub, the European logistic project and some one-off litigation costs. And then, we expect to have in Q4...so not yet embedded in our actuals, €4 million to €6 million costs at EBITDA level related to the project to divest...of the divestiture of our manufacturing site in Ireland, so €2 million already embedded in our numbers, €4 million to €6 million to happen in Q4. Overall, the total project is going to bring €6 million to €8 billion, but because of IFRS

regulation, we will have to start accrual for most of those costs starting from Q4.

MAJA PATAKI: Okay, that's very clear. Thank you.

PIERGIORGIO PEDRON: Thank you.

OPERATOR: The next question comes from the line of De Bellis, Luigi with Equita SIM. Please go ahead.

LUIGI DE BELLIS: Yes, good afternoon to everybody. Four question from me. The first one is related to the Siemens acquisition. Could you quantify the impact at say at the EBITDA level expected from Siemens in Q4? Second question, could you update us on the Italian Patent Box and the potential impact? The third question on China. Could you give us an update on the market trend in China and on 2,-invoicing policy? The last question on the free cash flow generation, could you provide some indication about the net financial position expected by year-end. Thank you.

CARLO ROSA: Piergiorgio, if you cover Siemens, Patent Box and free cash flow, I do China.

PIERGIORGIO PEDRON: Yes. So let me start from Patent Box. So I believe we have some good news here. We have been recently contacted by the Italian tax authorities. Again, you know how it works in Italy. So as long as you don't have a signed piece of paper, everything can change. So said that, I believe we have good news because we have been contacted by the Italian tax authorities. They told us they basically agree with the way in which we did our filing. We did our filing back in 2015. We are hopeful we'll be able to conclude our audience with the tax authorities. By the end of the year, we will have a rollback mechanism.

So again, hopefully, we will be able by 2017, so this year, to have the cumulative effects of '15, '16 and '17, and then we will enjoy the benefit of this Patent Box also in the next 2 years, because this is a 5-year selective tax regime. After that, we will have to re-file again. But the good news is that tax authorities told us they approved our proposal, and I believe the original estimate, which I made, which was €2 million to €3 million, could be on the conservative side. If eventually the discussion will go as we hope, potentially the impact could be a little bit better than that per year. Which means that in 2017, again, if we will be able to file the documents...to send documents before the end of the year, we will an impact, which is, let me say, around €10 million, at least.

Going back to Siemens, I believe we said when we bought the business that yearly sales...2016 yearly sales of this business was around €46 million. A part of those sales are made up of instruments and services, and a big chunk, obviously in reagents, which is what we are interested in. In Q4, you should not expect 1 quarter of full year sales because when Siemens…when we bought the Siemens...when we bought the business from Siemens, they somehow asked their customers to build up a little bit of stock to manage with the transition period. So I believe that if you say that run rate is €10 million per quarter, normal run rate, considering that in Q4, we have this startup kind of a phase, you should imagine something like €6 million to €7 million.

In terms of EBITDA, I'm not giving you the exact number. But just to help you think about it, in this business, the manufacturer is Siemens for their production. So the gross margin is going to be a little bit lower than the gross margin we are used to. But in terms of OPEX, this business is having lower OPEX ratio compared to our OPEX ratio. That’s to say that all in all, I believe that at EBITDA level this business is not going to be dilutive at all. Then, as the conversion will progress, the EBITDA margin will obviously be accretive because we will get clear sales with not a proportional increase of OPEX.

In terms of net financial position at the year end, I'm not able to provide guidance there. We've never provided guidance in terms of net financial position. What I can tell you is that you should take Q4 last year, and you can see the we still have some additional CAPEX investment we're doing to support our Beckman strategy in the US, to support the...all the operations we're putting in place or the investments we're putting in place to increase our manufacturing efficiency, you can find a meaningful ballpark number.

CARLO ROSA: Great. The last point that you wanted us to cover has to do with China. Look, in China, I think that the trend now is fairly clear, and there are 2 elements, which are interesting to highlight. The first one has to do with the fact that if you look now at class 3 hospitals and class 2 hospitals in China, you see a different progression of volumes. Because it's very clear that the class 3, which was saturated before and is showing volume increase, which is low single digit, so 1% 2% to 3% volume increase.

Whereas if you go to the class 2 segment, you see an increase that goes high double digit of between 15% to 20% and the reason is that on purpose the government is pushing people...is pushing a migration between class 2 to class 3, to decongest the class 3 in favor of the new class 2 hospitals, which have been built in main cities. So this is one interesting element. So depending on where your installed base is, you benefit by this endogenous growth rate.

The second one, which is certainly happening, and again, I believe has to do more with an exceptional 2016 rather than the '17, is that birthrate, so number of newborns that happened last year, which was phenomenal, 17.5 million newborns versus an average, which is between 15.5 million and 16 million, certainly has been an outlier. And so what you see in 2017, the newborn to go back to where it should be, so around 16 million. That carry-on effect for those

companies, for example, like DiaSorin, that have been, as you know, a good chunk of our revenues in infectious disease in China are related to products for pregnancies, mainly for prenatal disease, infectious disease testing. And in fact, we see the dynamics of volumes that in 2016, in certain clinics, maternal clinics that we see this decrease in volume.

As far as everything else is concerned, we don't see yet an impact of double invoice policy. We certainly see our new distribution model to become more popular. That has to do with this GPOs [ph], let me put it that way, our logistics center. So Group versus organizations that are today formed as a result of consolidation of distributors that are coming a reality companies have to deal with, especially in the main [technical difficulty] DiaSorin today, we are actually selecting a couple of GPOs with which we will like to form strategic alliances in order to guarantee continuity of distribution in certain key strategic areas.

LUIGI DE BELLIS: Okay, thank you. Just a follow-up, if I may. Could you update us also on the US tax reform and potential impact for you?

PIERGIORGIO PEDRON: Sure. So again, a lot of moving parts here. But on November 2, the US House Tax Committee released its proposed law. We are still going through all the details of the proposed law, but from our first reading [indiscernible]. We are expecting a tax saving in the range of €10 million per year.

As you might have read, the federal tax rate has been reduced from 35% to 20%...or the proposal is to reduce the federal tax rate from 35% to 20%. At the same time, some deduction, tax deduction will be taken away. And the most important one is the state tax deduction. If we compound all of these effects, and if the law will be approved, we should be able to report, starting from next year, lower tax rate in the US again for 10 million US dollars. And Luigi, going back to your question before on the financial position, again, I'm not going to

provide you guidance as we never did. But if you want to do your modeling, remember that we are going to pay back to Intesa Sanpaolo [ph] bank, that financed the acquisition, helped us financing the acquisition of the Focus business, we're going to pay back in installment of €12 million in Q4...at the end of Q4. And this is reported in our statutory financial, so you can see it there.

LUIGI DE BELLIS: Thank you very much, very clear.

OPERATOR: The next question comes from the line of Bardo Scott with Berenberg.

SCOTT BARDO: Actually, this is Scott Bardo from Berenberg. Three questions, please. Firstly, just on the Irish manufacturing facility consolidation. I can't recollect you talking about this initiative during your 3 plan in the summertime. So I just want to understand, is this plan incremental to your initial communication? And does then the cost savings of €6 million incremental to the already outlined €10 million to €15 million, if you can confirm that, please? Second question relates to Siemens, now you've obviously have this business in the organization for a short period of time, can you just be a little bit clearer, please, as to what the revenues on a full year basis we should expect from this asset? I think you just mentioned something like €40 million. So is it that the revenue contribution differs from how you saw it when you acquired that business? If you could just a little bit about the moving parts there so we can model that correctly, please? Last question is on Molecular. Molecular, I think relatively poor growth this quarter, say, 7% or so constant currencies, 1% reported. Can you provide a little bit of justification here? I understood that the expectation was for broadly double-digit growth from the Focus business. Can you talk a little bit more about why the trend was a little bit poor this quarter? Thank you.

CARLO ROSA: Okay. Scott, I will cover the...your 3 questions. First one, is it fair to say that our LTP [ph] did not include the closure of the plant? Because this decision has been taken after that, however, it is also fair to say

that our LTP in...in our Irish site, we actually host 2 types of businesses. We have an ELISA business manufacturing, which is part of...which is part of the original business that we had purchased in Ireland from Biotrin, and it was actually moved to this facility, as well as we have all the Molecular activities related to extraction business and LAMP business.

So what we had in the plan were synergies associated with consolidation of ELISA. But we did not have synergies associated with closure of the business, right? So in...to make a long story short, I don't think that you can take what we've indicated in the LTP and then mathematically add the roughly €7 million savings. But I would say that a good scenario would be that you could have an incremental €5 million over...of more savings once this is also in plan, okay?

The second one, Siemens, is roughly around €40 million in revenues, as a combination of reagents and instrumentation. This is what we inherited from Siemens. Keep in mind that again here, there is...the only reason why we bought this business is not to promote ELISA, but it's to provide to our people between 200 to 300 customers that are suitable for cannibalization and placement of LIAISONs. Therefore, what we are not going to do, moving forward is, we are not going to sell instruments any longer, as Siemens was doing. And these instruments were...because these were systems intended to support the ELISA business.

And just to give you a ballpark number and believe me, I am going by memory. We are probably talking about roughly €5 million per year of instrument and service sales, clearly, much lower margins that are not going to be continued in our business model? The third question I have is molecular. And again, I understand is, unfortunately deceiving [ph], but when we report, let me say, the like-for-like and then we discuss about what we call molecular. The truth of the matter is that, molecular is not only molecular.

Molecular is a combination of two technologies, truly molecular PCR products, the ELISA [ph] Simplexa line. And then we have a bunch of ELISA IFA business that still sits there…is seasonal, has a lot of to do with specialty kits, and is profitable business, certainly profitable, but certainly not growing. So when we report the growth of 7%, it's growth of pretty much a combination of the two.

Now, if you carve out the non-molecular business and you just stick to the molecular part, you have low double-digit growth from this business. But again, also when you look at this molecular business, so…the low double digit, its combination again...and I am sorry for the confusion, but unfortunately, this is what we bought. It's a combination of two types of businesses, one third of that business is pretty much a very large contract with Quest, because if you remember, this company belongs to Quest and actually it was supplying to Quest lots of molecular products, especially ASR for Quest to develop their own LTD. And that business...part of the business is relatively flat, because it only grows with growth of Quest volume. So you may expect at best growth of 2%, 3%, which is what I believe Quest is reporting as volume growth overall.

And then there are two thirds of the molecular business, which is truly end-user business, and that is growing high double digits, okay. So if you ask me for a qualitative determination of business and expectation. Yes, it is growing as we expected. We didn't buy $80 million worth of molecular, but just a combination of molecular and specialty ELISA. And again, within molecular, there is a Quest contract, which follows certain dynamics and the non-Quest business, which is the business directed to roughly 300 hospitals in the US which follows a complete different dynamic. We may decide and moving forward next year, to represent this business a little different, because I understand it's generating confusion sometimes with analysts and investors.

SCOTT BARDO: Okay, alright. Thank you, and thanks for the answer. So just a follow-up, please, and just to make sure I am crystal clear here, because your new...or your 2019 guidance framework called for flattish margins by 2019. But with this incremental 5 million as payback from this consolidation, pure math, suggests €5 million additional EBITDA which is 100 basis points margin progression by 2019 as a sustainable improvement, rather than flat. So I just want to make sure, I understand that correctly, that the consolidation you make will lead to 2019 margin improvement. That's just basically what you are suggesting, if I understand correctly? Thank you.

PIERGIORGIO PEDRON: Yes, Scott. Hi, this is Piergiorgio speaking. Yes, the three years plan guidance did not include the €5 million Carlo just talked about, coming from the Irish manufacturing site shutdown, you know, at the same time, we are talking about 2019 guidance, and you really should allow us some flexibility there. But from an pure mathematical viewpoint, what you are saying is fair. Our model did not include the €5 million.

SCOTT BARDO: Very good. And just very last one, if I may, very quickly. Just on tax and I appreciate your comments and there is a lot of moving parts here. But just to assume the patent...Italian Patent box situation and to prevent some sort of sustainable future perspective over the next few years, something like a 30% tax rate makes sense for 2018, 2019. Appreciate it could be lower than that this year depending on your collection.

PIERGIORGIO PEDRON: So what's going to happen is that in our Group, we have mainly two big tax payers which are US and Italy. They represent more or less 80% of our tax payers. In Italy, we are going to have hopefully, again, hopefully, the effect of the patent box, one-off in 2017 quarter [ph] and three years 2018 and 2019, we are going to add those you know, €3 million to €4 million, we will see. Then, the Patent box is...an area…yes, per year. Patent box is an elective tax regime which lasts for 5 years. So we will have to apply for a new Patent box coming

2019. So until 2019, we are covered, then we will have to apply for a new one. Will we be able to get it? Will the law still be there? Hopefully so, but you know, I can't commit. And this is definitely not included in our 3 years guidance. Mid of these, nor the Trump...so-called Trump Tax Reform.

For the US again if the law will move on as it is now, and no changes, we are going to have a reduction of $10 million per year. So if you pile it on you have a $10 million. So let's call the $10 million at current exchange rate, €8 million plus the 4 million you get from Italy on the Patent box if it will be approved, we will have €10 million, €12 million less taxes on our Group profit starting from 2018 on a recurring basis, if everything will go as we hope.

SCOTT BARDO: Thanks very much.

OPERATOR: Once again, if you wish to ask a question, please press "*" and "1" on your telephone. The next question comes from the line of Welford Peter of Jefferies. Please go ahead.

PETER WELFORD: Hi, yes, just a few quick follow-up questions. Firstly just on the Dublin business. I am wondering with regards to the extraction business and those...I appreciate it's a minor sale. But are those sales just going to be discontinued or can they be transferred to California? Secondly, just wanted to confirm that the European costs, the implementation of logistics and the initiation of the legal action, that €2 million, they are not excluded from the EBITDA outlook, it's only the Dublin site closure costs that are excluded from the EBITDA CER growth rate outlook? And then just finally, on the US litigation; am I right in saying that you've got a similar agreement in the UK and I appreciate that the UK market may be quite small. But is there also an endeavor underway to potentially launch the product in the UK market as well? Thank you.

CARLO ROSA: Look, yes, UK is also a geography which is covered by this discussion. Let me mention about extraction and then PP [ph] is going to cover the other parts of the question. Yes, in fact, you are right there is a business in the range of €3 million to €4 million which has to do with the ex-NorDiag [ph] business. We are actually evaluating what to do with that piece of business, if it is worth transferring to the US especially in light of the fact that some of these products may become part of our post-transplant strategy for the PCR assays or another opportunity would be to sell this business, if possible to someone that could guarantee continuity of supply to customers.

In this case, Scott the problem for us is not necessarily to make a significant amount of money out of this sale, but more than just guarantee a continuity of supply to a long list of loyal customers. Notwithstanding that, if we cannot find a solution that guarantees continuity we are going to shut it down and move on with the rest of the business.

PIERGIORGIO PEDRON: Yes, and speaking regarding the cost. You got it right, so the logistic, the cutoff cost linked to logistic platform, European logistic platform and the legal claim are already included in Q3 actuals, and so, you don't have to deduct them from the EBITDA guidance we gave. Whereas for the shutdown costs of the Dublin site, you should you know, as we said in the press release, take them out from the guidance. At the same time, as I believe I said, please remember that we did not incorporate in our guidance the positive asset coming from the ELISA business...the Siemens ELISA business which is going to partially offset the negativity you are going to have from the Dublin shutdown.

PETER WELFORD: Very clear. Thank you.

PIERGIORGIO PEDRON: Thank you.

OPERATOR: We have a follow-up question from the line of Mr. Bardo Scott with Berenberg. Please go ahead.

SCOTT BARDO: Thanks very much. And just a quick follow-up. And Carlo, just wondered if you could share some thoughts on the Zika market, this was potentially a bit of a wildcard for DiaSorin. And you...I understand [indiscernible], I wonder if there is any dynamics you can talk about in that category? And also, just a general sort of high-level discussion about the pipeline, how that's progressing, you've outlined some quite ambitious plans for progression the specialty pipeline. I wonder if you could talk a little bit about that, please? Thank you.

CARLO ROSA: Okay, interesting that you mentioned this. Zika, when it comes to Zika, you know, we…I think we've been always fair saying this is a bit unknown what's the fate of Zika. Today it is...we have our product approved in the US for emergency use and we are following with the FDA to get the formal FDA approval. Today, we do have a certain number of customers in the US using the product, mainly Department of Health, because today, in most of the states in US it is mandatory to provide these samples to the Department of Health for testing, because it's a reportable disease.

However, the volumes are still relatively low, and did not become yet part of routine testing. I think that this can go two ways, and if you talk to different operators and microbiologists in the US, you get both opinions. One way would be that this becomes part of the prenatal testing and that would immediately create in the US a market over roughly 4 million tests, pretty much in the US on an annual basis we have 4 million new borns. And that would be certainly a very, very favorable scenario for DiaSorin, because as, you know, with our specialty infectious disease assay, we do have very significant market share also in the US.

The other scenario is that it becomes a regional disease, concentrated more in those areas where you have risk of mosquitoes, so you go down more in the southern areas of the country in Florida and that would leave this Zika as a relatively small opportunity. On top of this, what is…it is very interesting is that through the acquisition of Siemens, we do actually have acquired...we've got access to an ELISA product that Siemens was [indiscernible] specifically designed for Brazil and Siemens has been awarded by the Brazilian government a large tender in the range of 3…€1.2 million, but they're talking about a couple of million tests of Zika which is the kind of testing that today is done in Brazil. Where you know, depending again on the season, wet season, dry season, you see an incidence of Zika, which varies dramatically. By the way, it is counterintuitive, on a dry season, you have a very high Zika prevalence, on a wet season, you have no Zika prevalence, which is not simple to understand, but it is the way how it goes.

As far as the pipeline of specialty; today, I think we need to distinguish between molecular and immunoassay. When it comes to the immunoassay 70% of the DiaSorin research and development resources, as we speak in 2017 and this will continue until Q1 next year are dedicated to support the registration of the Hepatitis, HIV in the US as part of the Beckman program. And this is simply because we had a full catalog of products that you know we distribute ex-US, but then when we decided to move into the US, we made products...we made few modifications to these products to make them more US oriented. And that certainly took away a lot of capacity from immunoassay product development, notwithstanding that we will launch this year 3 to 4 products as specialties in the immunoassay.

When it comes to the molecular pipeline, we have stated that it is our intention to have 2 assays FDA clear every year and 4 ASRs are launching in the US market. So far, we got the C Diff launch Europe and US. We've got the HSV mucocutaneous claim approved in Europe

and we are submitting this in the US. And we are releasing...we just released yesterday our Bordetella pertussis assay CE mark and then it is going to be filed with the FDA.

So to make a long story short, Scott, yes, we had 12 months where we put humongous effort to support our US strategy with Hepatitis. We are at peak right now, Q3...Q1 sorry, next year is when most of these efforts will be completed and then we will resume back to our regular course of business for our immunoassay products vis-à-vis the generation of 5 to 6 new products per year.

SCOTT BARDO: Very good answer. I haven't appreciated there was so much internal resource going into HIV and Hepatitis franchise. So that's interesting. Thank you very much indeed for the comments.

CARLO ROSA: Yes. Keep also in mind, Scott that we did as we have announced, we set up a manufacturing site in England for HIV, for Hepatitis B and Hepatitis C. And in that site, we are actually making products that are fully dedicated for the US market. And if even products are the same, it does require a hell of a lot of validation work that has been allocated to R&D to support operation. So that's the reason.

SCOTT BARDO: Thank you very much.

OPERATOR: Mr. Rosa, there are no more questions registered at this time. You may now proceed with your closing statement. Thank you.

CARLO ROSA: Thank you, operator. Bye.