DiaSorin S.p.A.

"Nine Months 2021 Results Conference Call"

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MODERATORS: CARLO ROSA, CHIEF EXECUTIVE OFFICER

PIERGIORGIO PEDRON, CHIEF FINANCIAL OFFICER

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the DiaSorin Nine Months 2021 Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

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

CARLO ROSA: Thank you, operator. And good morning or good afternoon to all those, to the participants to the third quarter 2021 results. And as usual, we make a few comments about the business, more qualitative and then Pedron, the CFO of the company is going to take all of us through the numbers.

Now, this is the first quarter where we also have Luminex included in our members. So in order for everybody really to understand how that business is trending, I'm going to make my comment without Luminex at the beginning and then I am going to give some remarks on the Luminex performance.

So, if we look at the business at constant exchange rate and without Luminex, in quarter 3, the growth was 10% versus Q3 of 2020. If we look at the different technology, CLIA ex Vitamin D had an outstanding performance, plus 30% and we're going to see that this is the result of successful placement in all the different geographies, primarily U. S. And Europe.

And the program that today are driving the success of our CLIA business are the specialty and the stool [ph] program together with the TB

deployment and the program that we're running together with QIAGEN to convert and grow the TB franchise around the world.

Vitamin D is down 8.7% percent, and this is clearly related to the Quest loss that happened in 2020, at the end of 2019 and now it's full effect starting from this quarter. As far as molecular is concerned, the business overall grew 5.5% versus last year, clearly, the vast majority of the business is COVID related, and I'm going to make some comments about the COVID lever on.

Now if we did dive into the geographies, and we start from Europe, Europe grew actually 20% year-over-year…quarter-over-quarter, sorry. CLIA is including vitamin D, so all in, it's up 80%. COVID molecular is up 30% versus quarter 3 in 2020 and this is due to the fact that as I think many other operators in this industry have already commented about, the European COVID business has been more flat and so less affected from volume increase or decrease over the last few quarters.

We do have an installed base of MDX systems, which today sits primarily in Italy, in Spain, in France and this is due to the fact that when we had to launch the system during the COVID pandemic, we clearly gave to these geographies preference from other geographies due to the limitation in number of systems that have a good manufacturer today, that the installed base in Europe fits into…primarily into hospitals and it is used to triage patients. It is used on symptomatic and therefore, today, we are not at a risk of losing some of the volume that typically was related to screening of symptomatic that was happening in the high throughput platforms in the core labs.

When comes to U. S. and Canada, the business overall is flat, but I think we need to read between the lines in terms of how technologies are

performing. CLIA is up 36% versus quarter 3 last year, again, deployment of the hospital strategy with the TB product that…and the tool again and all the specialty that are really leading the chart, is allowing us to penetrate this segment.

If you remember, at the end of 2019, we have invested $5 million in creating a dedicated [indiscernible] for this segment, and I think that today we are reaping the benefit of the fact that we do have a menu [ph] of products that fit very well the space. Then TB is certainly a product that is interesting in that space today, there is lot of standout in the space that due to the availability of the LIASON XL now at hospitals can bring in-house and same money versus send out opportunities. So, overall, the CLIA strategy is working very well in the U. S. That is becoming our primary geography around the world.

When it comes to the molecular business in the U. S, it's flattish, is actually decreasing I believe 1% versus Q3 last year. And this is due to the fact that there has been a softening of volumes clearly from the peak that our…the industry enjoyed in Q1 of 2021. I think what is noteworthy is that when it comes to the instrument sales, we are €7 million down versus last year and this is explained by the fact that on the emergency funding that was available in 2020, to buy instruments and now it's really died [ph] down.

And so today, we are converting CLIA, we are not selling systems any longer, we are placing system under the reagent-rental business model which is what as you know, we have always been doing before the COVID pandemic and the emergency funds became available. So overall, the business is flat, but the CLIA is clearly very successful in the U.S. Now if we move to China year-to-date it's plus 28%, quarter 3, plus 5%. So, we see that in China, there is a recovery compared to the backlog of

2020, although, I believe that there are a couple of things that are noteworthy in this geography.

First thing is that there is volatility in testing volumes and this has to do with the fact that in order to fight the pandemic there are continuous lockdowns in provinces and cities. And every time there is a lockdown, certainly the European testing is suffering. The second effect that is noteworthy is that we start to see as everybody else price effect due to the fact that this provincial tender are entering into effect, there that has been a report, which has been issued a couple of days ago by one of the primary research firms in the U.S. It was actually saying something interesting about the standards DiaSorin has been one of the companies that has been on the winning side.

So, we won certain number of provincial tenders although it is very clear that the pricing structure for some of the European assays like thyroid and oncology products that today really suffering, the competition from local manufacturer the price pressure certainly is very different from what we used to enjoy when we were going to, each hospital offering our products.

So, I believe that as far as China is concerned and as other manufacturers have expressed in the last few days, I believe that the future for China is quite uncertain and quite difficult really to predict what is going to happen in the next few quarters in this geography.

So, I believe that from an overall geographical perspective though today the U. S too represent 50% of the DiaSorin business and strategically, if you remember when we were commenting about the Luminex acquisition, one of the reason why we want…we bought Luminex is because we strongly believed that the market today guarantees growth, good pricing and reward for innovation in the U.S. And DiaSorin is very well

positioned to enjoy this opportunity again through the Luminex acquisition.

Now, I'm going to talk about COVID a little bit, the elephant in the room. So today COVID including Luminex and again, sorry for changing the perimeter, but I think this is important. COVID for DiaSorin does represent today 30% of the overall business. Year-to-date, the business has been growing nicely around 55%, 57%, when it comes to the last quarter, it's plus 5% certainly with different dynamics about…between the U. S. and Canada and Europe, which I've been discussing before. It is quite difficult to predict in my opinion what is going to be happen to COVID, as I think again, other operators have been commenting in their quarterly results.

And so…but today, again, when it comes to Europe, we see a steady demand and when it comes to the U. S, we certainly see a decrease in that volume compared to peak of around 30%, but the demand is at this point relatively flat in the last two to three months, okay. So we now need to really wait and see what is going to happen during the upcoming flu season or respiratory season.

Today, I always provided you with also volume…testing volume in terms of manufacturing, today it's a combination of DiaSorin and Luminex. We are shipping roughly 1 million test month of COVID products.

Then, I'm going to make comment about Luminex. As you know, we have incorporated our Luminex for the full quarter and roughly €90 million of revenues in the quarter. The acquisition has been completed in July, since then we have started to work with the Luminex management on the integration. We have recently announced the new organization where we do have now our management team that is a combination of DiaSorin

and Luminex managers that will have the responsibility to lead the company forward. We are completing the integration plan that will be presented to the Board of Directors in December.

And it is going to be disclosed as part of the December 17 Investor Day when in broad terms we will talk about what we intend to do with Luminex and now we intend to leverage all the asset that actually Luminex has brought to DiaSorin. I'll make one more comment about the VERIGENE II platform that as you know is one of the key platforms or key technologies that we acquired through this acquisition. We intend…we are planning to have a soft launch of the VERIGENE II in 2022 ex U.S. So in Europe, and then we're going to have all the submissions in the U.S and where we expect to launch the platform in 2023.

The platform is going to be renamed. So the VERIGENE II name is going to be soon abandoned and it's going to be substituted by the new name, which is the LIAISON Plex [ph] and this has become…because this platform does complete the product portfolio of DiaSorin and I remind you is going to be made of the MDX Plus, which will be the platform that can offer small plexus, the LIAISON Plex, which will be the one that we allow us to develop highly complex panels and LIAISON NES [ph] that will be the one that we are going to use for decentralization of molecular testing. Alongside the ARIES platform, .which is the legacy from Luminex…the legacy platform from Luminex that today has been successfully launched in Europe…in sorry, in the…primarily in the U.S, with an .installed base of roughly 70 systems today in place .in some European countries.

.One thing that is worth noting is the fact that when we look at the customer base in the US, what .is very interesting is that Luminex is

primarily offering its product, I'm talking about the IVD [ph] products to the hospital market. There are over 700 hospitals that the company is selling to in the US. And DiaSorin has roughly 250 hospitals that we are serving and supporting, and the interesting part is that only 70 hospitals in the U.S. are overlapping. And so we believe that there is a very interesting opportunity for cross selling products in this hospital base. You know that DiaSorin made .the hospital segment one of its primary target to develop the US market.

The reason why, there is no overlap between the 2 companies is because DiaSorin did develop its installed base using DiaSorin XL, using XL, certainly requires. So in testing volumes in immunoassay and the hospitals that typically we're running, these volume were large institutions in the US. Whereas as far as Luminex is concerned, they've been serving this market really starting from a mid-low throughput system which is the VERIGENE platforms, the VERIGENE I platform and the ARIES and therefore they traditionally given up their business in the mid segment….mid-sized segment in the US. And this provides a phenomenal opportunity in my opinion to the LIAISON XS.

As you know, we are waiting for the approval of the TB assay on the XS we already have, on the other products…the stool products and the TC [ph] team already ready to go. And as soon as TB is going to be migrated there and we expect to hear something on the assay by year end. Then we are ready we have an available market over almost 700 institutions that we can go and sell the XS to, so I'm very excited about this cross selling opportunity that the Luminex acquisition has provided to us.

Now I think now I'm going to turn the microphone to Piergiorgio, and he is going to take you through the financials and then we are going to open up the session, the Q&A session. Thank you.

PIERGIORGIO PEDRON: .Thank you, Carlos, and good morning, good afternoon, everybody. In the next few minutes as usual, I'm going to walk you through the financial performance of DiaSorin in the first 9 months of 2021. And I would also make some marks on the contribution of the third quarter and on the impact of the Luminex business. Because acquisition has been completed on July the 14th again, please note that we are consolidating a full quarter of Luminex into DiaSorin financials. So said that, I'd like to start with what I believe are the main highlights of this period.

.On July the 14th, we closed the Luminex transaction for a total equity value of $1.8 billion and starting from Q3 '21, Luminex financials are consolidated into DiaSorin ones. Please let me remind you that the acquisition has been financed by a mix of the bank term loan for USD 1 billion 5-year tenure and the zero interest convertible bond for €500 million with 2028 maturity.

.Revenues as reported, so at current exchange rate and with the contribution of about €91 million of the Luminex business grew by 41% year-to-date and 51% percent in the quarter. The growth at constant exchange rate and the scope of consolidation, in the 9 months is at 29% and 10% in the quarter. These numbers as we would see are in line with the high range of the guidance, we provided in July.

.Q3 '21 gross margin at 65% is below last year, which closed 68% because of the expected dilution of the Luminex business. The year-to-date margin at 68% is substantially in line with 2020. Likewise, Luminex consolidation has had a .dilutive effect on Q3 adjusted EBITDA margin which closed the quarter at 41% vis-à-vis 46% of 2020, once again, this is in line with our expectations, and the guidance we provided back in July. Lastly, we keep confirming our ability to generate a very healthy free cash

flow €224 million in the first 9 months of the year with an increase compared to 2020 of €71 million, 46% percent. The net financial position is negative for €1.05 billion with €330 million cash position…positive cash position.

Let's now go through the main items of the P&L. So September year-to-date revenues at €859 million grew by 41% or €249 million compared to 2020. 3 drivers behind this variance, sales ex-COVID .and Luminex grew by €65 million or 15%, 17% at constant exchange rate, then we have the contribution of COVID sales which grew by €93 million, or 56% and the growth 0at constant exchange rate is 60%. Luminex, which is a difference scope of consolidation, which accounted for €91 million. September year-to-date gross margin at €580 million grew by 38% compared to last year. Closing the first 9 months of 2021 with the ratio of the revenue substantially in line with 2020

As said at the beginning of my remarks, the difference to the previous year is mainly driven by the inclusion of the Luminex business in the scope of consolidation. This is even more clear when we consider the gross margin ratio of the quarter, which closed at 65% percent compared to 68% of 2020. Let me please remind you that this variance again is in line with our expectation and the guidance provided.

September operating expenses at €243 million, grew by 24% compared to 2020, with the .ratio of the revenues of 28% percent vis-à-vis 332% of the previous year. The increase in the OPEX ratio of the third quarter from 28% of last year to 31% of 20221 is due to the very same reason highlighted for the gross margin, the consolidation of Luminex into DiaSorin numbers.

Once again, let me remind you that this is in line what we forecasted. And we are expecting this ratio to diminish as the integration process will move forward. And we will deliver the synergies discussed during the call when have when we announce the Luminex deal. Year-to-date, operating expenses at €23 million increased by €12 million compared to last year. This variance is almost entirely driven by the one-off expenses related to the acquisition, which accounted for about €16 million. As a result of what just said, September EBIT at €314 million, or 37% of revenues has increased compared to 2020 by 47%, or €101 million. The interest expenses at €14 million are almost completely driven by the bank term loan and the convertible bond to support to the Luminex acquisition.

Let me please remind that that this number includes about €3.05 million of non-monetary interest driven by the convertible bond. This is just due by how the IFRS is dictating the way to account for interest on a convertible bond. Even though let me remind you that the convertible bond was issued with a zero monetary interest rate. The tax rate at 24% is substantially in line with 2020 which closed at 23%. And this brings us to the net result, year-to-date net results at €229 million or 27% of revenues, which is higher than previous year by €67 million or 41%.

Lastly, 2021 adjusted EBITDA at €383 million, 45% of revenues is higher than 2020 by almost 50% or €125 million. The variance at constant exchange rate is positive by 51% with the ratio over revenues of 45%. The adjusted EBITDA ratio in the quarter is 41% and it's lower than 2020 which closed at 46% because of what we said for, the dilutive effect of the consolidation of the Luminex business. And as I said before the OPEX, let me remind you that this is in line with our expectations. So I want to make it very clear and it's coming from the lower operating leverage in the Luminex business.

2 Let me know please move to the free cash flow, as usual. In the first 9 months of the year, the Group generated €224 million of free cash flow vis-à-vis €153 million of 2020, with an increase of 46% or €71 million. As discussed back in July, I believe is worth underwriting that in 2021 we have had much higher tax cash out compared to 2020, €78 million vis-à-vis €23 million. The difference has been driven mainly by 2 elements, a different phasing accounting for about €15 million .and about €35 million driven by the higher profit compared to the previous year.

.Lastly, let me please move to the 2021 guidance as usual at previous constant exchange rate. So, I had highlighted the performance of the third quarter and what we expect for the remainder of the year, the guidance for 2021 has been increased compared to July. In order to make the numbers comparable with 2020, we will also provide as we did in July a breakdown of the revenues between the DiaSorin and Luminex business.

So the new guidance is calling for a total combined revenues increase at around 40% and the total combined adjusted EBITDA margin at around 43%, besides the solid revenues forecasted to increase that constant perimeter of consolidation and exchange rate by around 18%.

Before concluding, please remember that DiaSorin financials are exposed to the US dollar as we always remind everybody and even more so now that the United States represent about 50% of the total group sales. Therefore, as I'll [indiscernible] for your modeling consider that for every 1 cent movement of the dollar against the euro. DiaSorin revenues moved by about €6 million on a yearly basis.

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

Q&A

OPERATOR: Thank you. This is Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question, may press "*" and "1" on their touchtone telephone. To remove yourself from the question queue, please press "*" and "2." Please pick up the receiver when asking questions. Anyone who has a question, may press "*" and "1" at this time.

The first question is from Alexander Berglund with Bank of America. Please go ahead.

ALEXANDER BERGLUND: Thank you for taking my question actually it's 2. I'll start, I wanted to get towards what's on just kind of recent views on the COVID pill and how you think that might affect testing for COVID if at all. I mean, I always assume you need to have a positive COVID test before you're taking any pill, but I wanted to check if you think that kind of maybe on the margin, it could actually increase some testing as people get less cautious and/or a few people that are kind of bit more resistant to vaccine might consider not taking a booster shot. So, that was my first question, I'll let you answer and I'll follow-up with another one.

CARLO ROSA: Yes. I'll take the question. Look, you know the date we announced the pill, I think the all industry lost over 5%. The company that is making the mRNA for the vaccine lost 19% that day. So, I see there has been a lot of over reaction when it comes to testing. As you said and rightfully so, you don't get it, this is not an Aspirin, so you're going to get it under medical advice. And you're going to get it once there is confirmation that you have contracted covid.

To be honest with you, I don't think that when it comes to volumes, testing volume, this is going to have positive, or a negative effect more than I believe the fact that the vaccination and the fact now the boost is going to be made available, certainly is going to affect testing volume, I believe next year, especially when it comes to the asymptomatic testing, right? Because let's not forget that a lot of testing and testing volume came from a symptomatic testing. There is a testing that will remain, it has to do with the fact that everybody admitted to a hospital are going to get tested. You're going to have professional testing, and you're going to have airline testing. But believe me, I'm not losing sleep on the effect that deal is going to have on the business. I think the COVID business. As said, it's going to be affected by other factors.

ALEXANDER BERGLUND: Thanks for that and then just kind of moving on to kind of the base business. I mean, I had a couple of feedback today that some people were kind of expecting a bit more kind of about the recovery of the base business, especially kind of if you kind of look at it compared to 2019, so looking at non-COVID, are we just going to get kind of your sense and you kind of mentioned a little bit of what's been going on? But if…how are your kind of expectations of kind of non-COVID business recovering, how are you kind of seeing it? Are you seeing kind of any…kind of an inflection points in the trends, given now that we are already quite far in the fourth quarter? If there is anything you can comment on that's how it's doing right now?

CARLO ROSA: You are referring to 2019. Look, if you compare 2021 to 2019, I think there are 2 elements that make the comparison on the overall business comparison difficult. The first one I said we are missing a very large vitamin D contract that now the effect is going to be felt throughout 2021. And then it's going to go away clearly. The second effect though that everybody is forgetting is fact that in 2019 we had HB [ph] still, and

ELISA business that was coming from Siemens. In 2019 was the year when we are still shipping the ELISA that we did not convert to the LIASON and all that business pretty much have operated in 2021. So this is why I keep saying if you really look at the…you need to look at the component of the business, which has to do with CLIA .and the CLIA growth, you need to look at vitamin D and in the vitamin D the element, as I said, minus 8.7%, there is a negative effect of Quest and a positive effect though the fact that some of the positive impact of COVID and COVID testing for vitamin D on patients. And then clearly, you have all the molecular part which has to do with COVID.

So I don't understand why you are not…you don't see the growth of the base business because to me it's exactly the opposite. When it comes to the XL 440 placements year-to-date. So again, it's going to be a…we're going be placing over 550 systems considering the slowdown of China, which is telling you that placements are not slowing down in the other geographies actually, they are picking up. The CLIA business and again and the success of some of the programs we are conducting together with some of the partners like the QIAGEN or internally developed products is growing very, very nicely.

And on top of it, when it comes to the base business, we are weeks away from launching the immunoassay, we are the only company that they will be able to carry that product on the platform. And very excited about that. Last but not least, as I did comment on the LIASON XS, we have 700 hospitals in the US that today are DiaSorin customers, and we are on the verge of launching the LIASON XS in the US with TB, and that rest of the menu, so I'm very excited to be honest with you about the base business.

ALEXANDER BERGLUND: Thank you very much. Appreciate it.

PIERGIORGIO PEDRON: Carlo, if I can just add a comment for the benefit of Alex. Usually, we've always looked at the CLIA ex-Vitamin D and ex-COVID as a proxy of how the base business it's going? And the I believe I didn't mention it in my remarks but if I look at Q3 data, CLIA ex-Vitamin D and ex-COVID over 2019 is growing by almost 20% at constant exchange rate, 19% to be precise. So this just to confirm all of your comments on the growth of the base business.

CARLO ROSA: Thank you.

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

HUGO SOLVET: Hi guys. Thanks for taking my question. I have one on the VERIGENE II color you mentioned in the call the 2023 U.S., launch. Can you maybe give us a bit more detail on the exact timeline and phasing for this launch? Should we assume that similar to Europe you will have a soft launch period in the US during which you will probably upgrade existing customers? So just wondering when we should expect sales to kick in from the US from the VERIGENE II? And what menu would you expect. by 2023 in the Europe…in the US and in Europe?

And one question on China. China is up 5% percent. Can you maybe remind us here what business lines are impacted and/or should we expect the recovery? And one last on the margin, you stripped out for us Luminex on the top line, can you maybe…us to understand what are the moving parts on the EBITDA margin? And would that be in the margin excluding Luminex? Thank you.

CARLO ROSA: Okay. In terms of callers on the VERIGENE II or the LIAISON plex launch, I think you will need to wait until the December 17 Investor Day

because we…I believe we're going to be more specific about this. What today, there are 5 panels that are in development respiratory included clearly, which has been extended to the COVID product. You have the blood culture 3 panels, you have the GI panel and then you have the CNS panel that is the one that was where a Luminex started development later than the other

The venues about the VERIGENE II is the company intended to start launching the product starting from the end of this year. But due to the fact that the manufacturability of the cartridge and the instrument is not where it should be in terms of being able to face the demand that we foresee for the system and we decided that if we were to make an investment into bringing up all the lines that today are sitting in Chicago, not validated moving away from manual manufacturing into the manufacturing line that is validated in this final manufacturing line, and these certainly is generating delays with a launch, but we also believe by the same token, it is guaranteeing a more robust product.

As far as the good news is concerned, is that product development has continued in parallel and now rather than launching the system with just one panel, we plan to have the completion of the menu happening very rapidly after the launch. Certainly, this is the benefit of the delay in the cartridge and system are validated from an industrial point of view. But again, in terms of positioning, in terms of expectation, I think you need to wait a few weeks until we have everything at the Investor Day.

As far as China is concerned, plus 5%, look, as said 2…there are 3 things that are happening today, and they're not happening to DiaSorin. I think. I already…I heard a few calls from other companies and everybody is pointing to the same direction, and it's price and it's protectionism of the government vis-à-vis the local suppliers. When it comes to price, and we

did comment on that. There is an effect of provincial tenders, which is really resetting the base for some of it into products. When it comes to the protectionism of the Chinese government, well, you carried a Financial Times, but it's very clear that today there is a preference of the Chinese government to the Chinese suppliers when possible, there has been an acceleration of a strategy that you remember was set in place with a .target date over 2030 of having 50% of the medical supplies made in China. I believe that there is today a desire and an ambition to actually make this happen much faster than we thought.

And as far as we are concerned and as far as how this is going to affect the business, locating short-term, there is going to be an effect of the business….Chinese business, because there is really nothing you can do if provincial tender is asking you to be a Chinese manufacturer and you're not and so, you are excluded from the tender, by the same token, I believe that we've initiated as you know, over a year ago, the construction of a manufacturing site in Shanghai, which is proceeding. And I believe that what this is teaching to all of us is that you cannot be half pregnant [ph] in China. So you have to be perceived as a Chinese local supplier with products that are also directed to the Chinese market, which in some cases, is different from what we offer in the US and in Europe

So fundamentally, I believe that we are at a cross road today, where either you decide that you develop a Chinese brand with Chinese products or you're going to be strategically excluded from that market. And so the discussion we're having internally is that we are really need to develop our strategies that goes behind what we have in mind and developing a Chinese set of products and Chinese manufactured products just dedicated to the Chinese market.

PIERGIORGIO PEDRON: I believe Carlo, there was a question on margins. So, I will take it for Luminex, so we are not going to give…disclose a detailed margin for the Luminex business going forward. But if you just do some reverse engineering, on Q3 numbers comparing to Q3 2020 what you would see is that Luminex gross margin for the quarter is around let me say, 55%, 60% compared to DiaSorin usual margin, which was a 68%, 69% and if you go down to the EBITDA level for the quarter and you do a similar reverse math, you would get to a number, which is around 25%. Again, this is Quarter 1. This is without including all the synergies which we discussed about and which we will come from the integration process of the 2 companies. One, last comment, this is a touch better than what we modeled and what we used for our guidance. So I believe we are absolutely comfortable with the numbers we are seeing.

HUGO SOLVET: Okay. Thank you very much. And just a quick follow-up on the synergies given that VERIGENE II launch is now expected a bit more far off in 2022 and 2023. Should we expect the impacts from the synergies to kick in a bit later than you usually thought? Thank you.

PIERGIORGIO PEDRON: Yes, I will take it, Carlo. I believe, we'd again, we will be more detail than we will give more information during the Capital Market Day, which is going to happen in one month from now. But when we deal our modelling in terms of synergies, we gave a number which if I remember was $55 million on the cost side. We didn't put any kind of…we didn't share any kind of number in terms of revenues on the top line. So, I don't believe that you know, any discussion we are having on VERIGENE II is going to affect our synergies on the integration process side quite the opposite in terms of revenue side. I believe Carlo commented very well about the good opportunities we see from the 700 or so hospitals to which we can go and offer our excess with our menu which was not included in our modelling in the synergies we gave. So, I still...I don't think that this

comment on VERIGENE is going to have any effect on how we see the business going forward.

HUGO SOLVET: Okay. Thank you very much.

OPERATOR: The next question is from Maja Pataki with Kepler. Please go ahead.

MAJA PATAKI: Yes. Good evening. 3 questions from my side, please, if I may. Carlo, you are…you're moving up the revenue guidance to the upper end of where we were in H1, and just, you know, when I listen to your comments about COVID testing and volumes, it doesn't really sound like you changed you very much. So I was trying to understand what is the reason that you expect now to come in at the upper end of the guidance. If you could just share some thoughts on that.

The second question is, as usual about the point of care rollout that you're doing in Italy. Can you give us some feedback on how it's going? What is the feedback? What is the demand that you're seeing for that product. And then I'll follow-up with the third one?

CARLO ROSA: I'm going to make a qualitative comment and then PG can actually add to this. So it's not…I believe that when…let me see the visibility that we have today with COVID versus what we had when we actually gave a guidance is really is allowing us to be more precise. And I think it's fair to say that compared to a gloomy scenario that could have been possible and some have anticipated vis-à-vis COVID in this flu season. I believe that the Quarter 3 was higher than everybody…everybody in the industry was anticipating.

I believe Maja that the big question mark still is in Q4, but not necessarily whether Q4 is going to be lower than Q3. The question is whether Q4 is

going to be higher than Q3 or not. And the impact of the [indiscernible] vis-à-vis respiratory season right. So everybody coughing from now on with some fever, we'll have to go through some sort of differential diagnosis, and the question is in those countries like the U.S., where there is an extended, I think a viability over the counter testing, I believe that that volume is going to be captured primarily. By the over the counter test in other geographies, we have over the counter like in Europe, did not really pickup, because not sponsored by the government, you're going to have an increase in testing volume because it's going to be done in laboratories where all the traditional operators are operating. So this explains in my opinion now the comfort that we have on the upper end of the guidance. But PG, do you want to add more?

PIERGIORGIO PEDRON: No, Carlo. That's exactly right. I mean, the rise in the guidance is coming from a better Q3. Mainly driven by COVID, if you do the reverse engineering, what you would find out is that in Q4 what we are expecting in terms of revenues is a similar number to the one we saw in Q3. And with an EBITDA margin of around in the quarter of 41%. So it's the visibility we are having in Q3, I mean, is the actual as you said, is the better sales…COVID sales we had in Q3.

MAJA PATAKI: Maybe just a quick follow-up. I mean, Carlo, you have been fairly negative in the first half of the year on what you anticipate to happen with the COVID pricing. Can you just comment whether you start to see some pricing pressure on COVID testing or whether that still hasn't really materialized?

CARLO ROSA: No, up to today, we have not seen any price effect, but this is because in the primary geographies where we operate that has not been a reduction in reimbursement. So in the U.S., reimbursement continues to be same level as before in Europe. In Italy, we're again a second largest geography for

us, the government with the emergency decree, is actually the one buying the products at the fixed price from the different suppliers so that will guarantee that there is no price erosion.

Spain very similar where we have contracts for the time being the price stays as it is. So I do not expect in Q4 price effect with one exception, which is on the overall, one is the mix, because as you well know in Italy and Europe, we sell COVID at 25%…20%, 25% price discount compared to what we offer it in the U.S. And this is again has to do with a different reimbursement system in the U.S.

If I can move to the LIAISON IQ, which I think is…your question. The program is proceeding in Italy, but I have to tell you that there is a problem, and the problem has to do with pricing, because I believe that there has been overflow of products meaning China that have been flooding the European market since we don't have the EUA Approval system that I believe as a sheltered the U.S. From this. Today, you can go to a pharmacy and Chinese are offering these products, lateral flow without much sophistication at €1.3.

So you're getting to a point where you need to make a decision vis-à-vis, do you want to make money or not on this latter flow. And if you just sell it in the European market, I believe that the situation is very different when it comes to the U.S. Where I believe one of the…our…the primary companies providing this using $9 as an end user price. So if you operate in Italy, today, you want to the really decide this is worth or not. And so, for the time being we have been disciplined in terms of only providing this system to those pharmacies that appreciate the technology added-value that we provide, so not a simple strip, but the instrument the traceability and so forth. But certainly the opportunity is shrinking unless you accept dumping on price, which is not worth you know we are famous for.

MAJA PATAKI: Okay. Thank you for that. And maybe my last question, now I remembered I'm sorry. I was wondering if you could give us some qualitative statements around the growth in Luminex in Q3 for the various businesses. Just if you don't want to attach numbers, that's fine, but just give us a bit of a feeling how things were going?

CARLO ROSA: Okay. I'm not going to touch numbers and I will give you feeling how about that.

MAJA PATAKI: Perfect.

CARLO ROSA: Okay. First, you need to take into consideration that when you are comparing Q3-to-Q3 in this company, you're really comparing for certain product lines apples-with-oranges. Let me explain you why. In Quarter 3 last year. So this company, as far as, COVID is concerned has 3 products, of which one is the ARIES, which is the single plex. The other one is as I related with the VERIGENE I and VERIGENE II, which were plex panels. Certainly, these plex panels are very manual, and they do not stand vis-à-vis product which are offered by competition. But back then, remember that was shortage all over the place, so hospitals that had the VERIGENE I platform or the next stack [ph] they were actually taking whatever companies we are making available at them. So there has been a spike that back then that today is not repeat and notwithstanding the fact that there is COVID testing volumes simply because they migrated way from these more manual solutions to more automated solutions, Okay?

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So, as far as, so you need to clean the numbers of the company, if you compare to Q3 last year from this spike effect that is not repeated. If you take that way and you look at the Plex business, this is fairly stable. And this is one of the reason why again, we bought this company because there

is $120 million of business ex-COVID, ex-COVID effect between VERIGENE II and expect that is nice solid business and is a business where we tend to build clearly growth for the…with the launch of the VERIGENE II, LIAISON-plex.

When it comes to the ARIES, I believe that compared to last year, we are miles better than where we were and this is to the fact that we have been able, the company has been able really to bring up the manufacturing volume and stability in manufacturing. And today, we are really serving, we are selling like around 230,000, 240,000 test a month of this…of the cartridge back then. I think we are at 50,00 and so you understand that there is not because there was so demand but because there was no ability to manufacture at that point. So that component is doing well, and also, we keep placing some of the ARIES system in Europe and in the U. S. So that is proceeding fine.

When it comes to the LTG business is booming. I mean, if you look at the growth versus last year is around 20% and the reason is that there is you know, this business is not a life science business and during the…when we're going to have the Investor Day, we're going to clarify this. This is nothing to do with life science. This business is fundamentally has to do with the fact that the multiplexing technology that this company invented 25 years ago has been made available 2 partners like Thermo Fisher, Bio-Rad, Bio Technique and so forth with instruments that the company makes, and this…the bid and the system have been now utilized by these partners to develop products in the space of research…clinical research or like for Thermo Fisher One Lambda in the case of transplant IVD. The fact that clearly, some of these programs have been very successful, if I look, for example, at the Thermo Fisher business when it comes to all the protein testing business…antibody testing business is booming or when I look at the scientific life science, billions and billions of dollars have

being put…will be put into the U.S, especially. By the past and current administration that explains why this business is really growing significantly. And I see this again, as an opportunity in some of these fields to work with a partner and now launch programs, which will include also LIAISON technology in some clinical spaces where we believe the multiplexing plus the LIAISON technology can really offer an opportunity to the partner. So is a very profitable business by the way, as you understand is a solid business this company has been manufacturing now for 20 years, and so that component, I think is performing better than what we expected, and we expect this to be in line in terms of growth to…so not dilutive vis-à-vis the group revenues growth in the foreseeable future. Again, Maja we're going to be discussing this better any more specifics during the Investor Day.

MAJA PATAKI: Understood, thank you very much.

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

PETER WELFORD: Hi, thanks for taking my questions. I've just got 2 left up in place. Firstly, just to try to understand with regards to the cost synergies, how much of that 55 million cost synergies is potentially, I guess, have to be delayed or slowed down, given the need as you said to invest in the manufacturing improvements that you're doing, or should we regard that has anyway has been if you like, there just some of this investment you're doing in Luminex next is more offsetting, if you like upside or near term upside to that 55 million. So I guess what I am asking is, is the more expense you'd initially assume required in the near term or is that to some extent anyway offset by conservatism in that original 55 million aim?

Second question then it just with regards to the Luminex platform itself, I think there's been a lot of discussion around the, one of the issues when

you actually use these cartridges has been that there's been a reasonably high relative to some of the peers error rates and actually using them. Just wondering whether do you think the manufacturing changes that you are doing, will that also improve the error rate, or this purely focused on the manufacturing and the warning letter. And what steps are underway to potentially improve the reliability, I guess, of the Luminex system before you roll it out under your name. Thank you.

CARLO ROSA: Okay. So as far as the synergies our concern, we said 55 million and they're going to come alive in the next 3 to 5 years, I am very comfortable about the synergies. I don't think there is going to be any delay. We actually taking into consideration the fact that we are going to…some investments are going to be necessary in order to achieve some of these synergies, but very comfortable with that number. And I don't think there's going to be a delay and it is nothing to do with the delay on VERIGENE II manufacturing.

When it comes to the VERIGENE II, the cartridge, I think you put it in the right term look. We…this company when I learn about this company is that it is still a notch away from being an IVD consolidated manufacturer and this is clearly explained about the by the fact that if you think about this company was actually built around research…research very successful research products. Today still I said the hardcore of this company the Luminex is that business and then the company step into…try to step into accelerate growth in diagnostic buying technologies or buying other companies around the globe, around the U.S. And bringing that IVD well needed infrastructure to the company. The problem I believe that some of the companies that have been bought where small, and not necessarily properly structured and certainly from a quality…from a quality system point of view, I believe behind what are the expectations in modern IVD, I believe the 483 that was actually given to the company had to do with some of these delays or some of the way that the company was operating

that we are in the process of correcting. By the way, we have decided that we are going to participate to and, we've been accepted to participate to a pilot program that the FDA is issued in the U.S. Where 9 companies are going to be enrolled into a program where agency together with our consulting firm that the agency has actually selected to use they're going to be working with the company for 18 months during this 18 months we're going to redesign the quality system and we're going to redesign it in light of what are the most recent expectations by the agency and this to me is great, because as far as Luminex is concerned is clearly focusing the people to the program, is giving a free access by the way to one of the top notch consulting firms that the FDA is putting is making available at not cost to the company to redesign the quality system. And my expectation is that at the end of this process, 18 months from now, we're going to pretty much exit this program with a very modern up to date and FDA plus quality system, okay?

As far as the cartridge and what you said, again, I think you are very right and the problem is that the cartridge we found and the manufacturing system we found…we found over here was not really ready to launch a product. It was ready for a prototyping launch, which is not a tradition of DiaSorin, you know, not being an IVD supplier, we look at products…finished products launched in the market. Also, we are talking about a much bigger commercial infrastructure. So we would expect the ramp up volumes to be faster than prior with Luminex and we did not feel that we could really go to the market with manual manufacturing lines, and process that was very cumbersome prone to errors whereas the company already ordered some fully validated completely automated lines that now we are in process of validating and putting it into operation, and then we are going to conduct clinical then with a much better process under control.

So long story short, we always is very clear that when it comes to multiplexing, this is not a space where we're going to be pioneering either space today already has a good solutions. And so, the only way in my opinion to make it to that space is with the system that is very solid and stable with the complete panel and what is very attractive of this system in my opinion is the flexi concept, the ability to utilize the flexi concept that provides flexibility of the launch of the panels in…especially in the European countries where you know all the reimbursement are different and also in the U.S., where there has been a recent pushback vis-à-vis the complexity of the panels that are offered by the competition. Clearly, if you want to make money with the flexi concept you better have your manufacturing cost under control, because certainly there is a margin effect on the flexi concept and this is why company more established to their selling products cannot really go back to their concept, they will be killing their business. As far as, we are concerned, we want to have all that in row and manufacturing cost under control before we launch it. So when we launch it we are going to…we are going to make money, right?

PETER WELFORD: That's great. Thank you very much. Very clear.

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

SCOTT BARDO: Good evening, guys. Thanks for taking my questions. So I've got a couple of questions for Piergiorgio, please. And one high level question for you Mr. Rosa.

Piergiorgio, just wonder if you can please qualify. I think the last H1 update you provided an implicit guidance for 15% growth for your base business ex-COVID. I just wonder if you could now give us an update on what your expectation is this year on that basis. So outside of the spoke of consolidation, ex-COVID that would be helpful, please?

And second question for you Piergiorgio, please. So the revenues coming in from Luminex I think, we're better than we expected, and I think you talked about performance being pretty decent there. Can you confirm please whether Luminex original guidance to the market of $480 million is still on track this year? And maybe give us a sense of what COVID was for Luminex last year, and roughly speaking what you expected to be this that would be helpful. And I have a follow-up with Carlo in a moment if possible? Thank you.

PIERGIORGIO PEDRON: So let me start with the first one. I believe what we see as we said before, the increase in the guidance the fact that we are now at the high…in the high part of the range has been driven by better Q3 sales, and mainly by better COVID case [ph]. I believe we have commented the length about the…what we see in the ex-COVID business, which is going…which is going very well. And in terms of the ex-COVID sales, the business for the reminder of year, I believe that what we said in H1 was 15% and I think that is still there…you know, that number, knowing which we look at it there 1% better, 1% lower, but that's the right number.

In terms of the guidance for Luminex to 480 million, I believe we said a few times that when we modelled the Luminex business, we didn't take [indiscernible] guidance, we didn't take face value of the trend they put together and we check was made public and all the filing that follow the acquisition. So we didn't use that value…face value, used a different one, a lower one, and we are a little bit better than what we more than told for this year. Then for 2022 and so on, I believe you need to wait until the Capital Market Day when we will be more specific.

In terms of COVID sales, I believe Carlo said that, overall in the quarter, DiaSorin plus, Luminex accounted COVID sales accounted for 30% of the

total sales. The Luminex part of those revenues. We said €91 million of Luminex sales in the quarter, I believe a ballpark number on the top of my head the COVID related sales…COVID only right, so I'm not taking respiratory panel, COVID only is ballpark €15 million out of those €91 million.

SCOTT BARDO: That's very helpful. Thanks Piergiorgio. And question for you then, Mr. Rosa, please. There's been some market speculation about a potential tie up combination between BioMerieux and Qiagen. BioMerieux, of course, having and immunoassay business, QIAGEN of course being a player in QuantiFERON. So I wonder if you could talk to a little bit about your current relationship with QIAGEN and whether any combination of these 2 companies could impact your ongoing relationship with QuantiFERON alignment and so forth. Thank you.

CARLO ROSA: Listen Scott, since I am in Texas. I think I can use the 5th amendment. And I will not comment on this rumor and speculation, because I think again, today is a rumor and a speculation. I can comment on the fact that the relationship today with my good [ph] frontier is doing very well. I believe that in Europe, the program today is almost too maturity, because together, we have been driving conversion and growth of this business and today we are working on actually QIAGEN still works on driving demand. So testing volume now that we have almost 400 accounts today that are using the product and our platforms. In the U.S. we are at the beginning of the story, we had a very successful conversion of one of the two largest labs in the U.S. to the technology. We have today a very significant number of hospitals that are using the XL [ph] and together with QIAGEN, we are working, and we are eagerly waiting for the approval of the excess, because in the U.S. we see the mid-size hospital market as an untapped opportunity a lot of this business is send out and we can capture

the business at a price range that really makes QIAGEN both parties very, very happy.

I would like just to make one comment Scott to the famous of €480 million that you were discussing about look. If you look at those €480 million, there are 2 components it that did not materialize and actually they were in the expectation of Luminex and when we look into it, we decided to derisk. One has to do with fact that in those numbers, you had VERIGENE II launch in 2021, which we know, we expected not to happen when we makes certain decision as DiaSorin about the launch of this product. The second thing is the fact that in that assumption there was a certain dynamic of increase of manufacturing capacity that eventually did not happen. And so, today, the volume is kept at 230,000, 240,000 per month, I believe that plan was actually calling for an increase that would have taken the company behind that number. So if you really take out these 2 effects and if you look at that number, we…I think we are running pretty much where the company was saying with, I believe a better mix, which does contribute to profitability, which is an LTG performance, which is above expectations.

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

CARLO ROSA: Okay, operator. Thank you. Take care.