

DiaSorin S.p.A.

“DiaSorin Focus Diagnostics’ Products Business Acquisition Conference Call”

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MODERATORS: CARLO ROSA, CHIEF EXECUTIVE OFFICER

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the DiaSorin Focus Diagnostics' Products Business Acquisition 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: Yes, thank you, operator. Ladies and gentlemen, welcome to the DiaSorin call. We are here to discuss with you a very exciting opportunity for DiaSorin which is the acquisition from Quest Diagnostics Lab of Focus molecular and immunoassay product business.

Let me just take you through the Focus business first, and then we will discuss the rationale for this acquisition. Focus business is made of molecular products, which represent the majority of its revenue and a short list of specialty immunoassay products in the area of infectious disease. 80% of the business is in the U.S., and the customer base is mainly represented by large hospital institutions. The business has been performing very well, and in 2015 recorded double-digit revenue growth.

Their molecular products span across a large number of clinical applications from infectious disease to hospital acquired infections. The product offering consists of re-agents as well as small instrument that allow amplification and readout within one hour. This technology was originally developed by 3M and was recently acquired by Focus after a long standing collaboration between the two companies. The system has been developed to serve the need of hospital labs that need a fast turnaround time and a simple instrument to operate.

We at DiaSorin believe that there is a perfect strategic fit between the two product offerings. In fact, being DiaSorin a leader in the field of infectious disease which represent today, I remind you, 50% of our overall business, for us getting access to this large Pharma (ph) will strengthen our position as suppliers to all the microbiology and virology labs where immunoassay and molecular diagnostics are key technology used to address the clinical diagnostic needs of patients.

From a geographical point of view, Focus business is largely concentrated in the U.S.; roughly 80% of the revenues are in fact realized in the U.S. So the viability to the Focus business of the large DiaSorin commercial infrastructure will allow a better development of the Focus instrumenting store base outside the U.S., capturing an opportunity of growth that today was limited to...for the existing business of Focus.

In the U.S., Focus and DiaSorin are very complementary since DiaSorin mainly sells in the mid-sized and large commercial labs, whereas Focus is mainly selling in the hospital setting which is a segment that DiaSorin sees as strategic for the further development of its DiaSorin installed base. With this acquisition, we will then be able to leverage on each others commercial strengths and speed up the market penetration in these two segments which are strategic for us. Moreover, as stated in our previous plan, we see our Company strategically becoming a leader in the emerging market segment of smaller type hospitals lab and POLs in the U.S. and China.

Internally, we started the development of LIASION XS, which will be the first immunoassay platform designed to address the need of this smaller lab and customers. And we believe that the current Focus platform does provide a nicer solution to these labs. So we at DiaSorin will be able to

serve this growing customer base both from with immunoassays as well as molecular diagnostic products.

Now, before I turn the call to the operator for the Q&A session, let me make a final remark. The molecular space is full of companies that promise to provide technologies that fit the market needs and at the same time are scalable and can be manufactured in a way to guarantee a good return on investment and a high profitability.

Now, we all know the reality is that few companies succeeded to deliver products that eventually were both appealing to customers and will allow the business to be profitable and healthy. Focus with an EBITDA margin in the range of 30% and a solid pattern of growth is one of the few that eventually succeeded to deliver what was promised. And I believe we at DiaSorin were very fortunate to be presented with this opportunity.

Now, thank you very much for joining us for this call. This is a very important moment for DiaSorin. I would like to turn now to the operator to open up the Q&A session. Thank you.

Q&A

OPERATOR: Thank you. Excuse me; this is the Chorus Call conference operator. We will now begin the question and answer session. The first question is from Maja Pataki of Kepler Chevreux. Please go ahead.

MAJA PATAKI: Carlo, just very quickly, a few questions. You've been talking about the sales synergies particularly in U.S. with the combination of the two companies and that seems to be very obvious from the data that you have been giving us. Can you talk about...?

CARLO ROSA: Excuse me; it's very, very difficult to hear you.

MAJA PATAKI: Okay I'll try again. Otherwise, I will send Riccardo the questions, if you can't hear me. And are there any cost synergies that could come through from that deal as well and not only sales synergies?

CARLO ROSA: Okay, if I understand correctly your question is, is there any cost savings.

MAJA PATAKI: Yes.

CARLO ROSA: Correct, okay. Not really, listen, as you know, DiaSorin is growing...is a very profitable company and Focus is in a very similar pattern of growth. So I think that there is going to be some minimalistic opportunities of synergies, but at the end of the story, this is not a synergy plan. This is an opportunity to expand revenues, provide commercial infrastructure to a company that is...has been so far been U.S. oriented. In fact, as you saw, only 20% of revenues are coming from outside the U.S., it's an opportunity to bring together technologies that we have at DiaSorin and Focus certainly had. As you know, we developed Q-LAMP. As you know, we have a business for DNA and RNA extraction. And so, we believe that taking these and complementing what we have with what Focus has will create a differentiating company and product offering in the space of molecular diagnostics. So I don't foresee any significant opportunity of cost saving.

MAJA PATAKI: Okay. Thank you very much.

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

SCOTT BARDO: Yes. Thanks very much for taking my questions and congratulations on the deal. Apologies if this is an overlap with my questions, I've only just

been able jump in the call, so apologies in advance if that's the case. And so my first question will actually would be just to get a little bit of background if possible as to how to deal with molecular...Focus molecular came about, who approached who? How did you learn about these assets in the first instance, so just a sort of flow of events that led to this deal, please? And, again apologies if you already given that? And second question, relates to your own existing business. I managed to catch the answer to synergies with your existing molecular business. But I wonder now that you have a certain critical mass in molecular. Do you foresee that your own molecular business now becomes break-even/profitable? I understand it continues to be a drag on margins, but if you can you give us some flavor there, please? And last question just relates to a comment that I think you made within the release about the aspirational 50% mix into the US. And am I right to assume that Focus is the first of a series of moves that you make on the acquisition side, perhaps you could give us some flavor, how this piece of the puzzle fits in with your board of strategy for future M&A? Thank you.

CARLO ROSA:

Yes, okay. First question about how we got to know Focus. Focus is a very well known brand in the US. As you've seen from the press release, it is a Company that belongs to Quest Lab. We've been working with Quest suppliers for a long time, and I think that we knew Focus from before, in the US their product, and their technology which was originally developed by 3M is a very solid brand. And therefore when Quest made a decision to divest from this area, as they have explained in the press release, we saw an opportunity to work with Quest and find a good home for this technology and Company.

Now as far as, Q-LAMP margin, remember, what I always said that within the DiaSorin Group the margins erosion at EBITDA level due to the Q-LAMP research project is minimum. And therefore, yes, we may break-

even, but what is really changing the scope of the business is not Q-LAMP, its Focus, and the ability of the two companies combined to continue the solid part of growth that this Company as a standalone has been able to achieve in the last few years.

As far as, 15% in the U.S., as you know, it's an aspiration. I believe that the U.S. is the most strategically...the most important market in our business. In Vitro Diagnostics, I think it's a market that allows you long-term visibility, is a growing market, it is a market, it's a country where the expenditure on healthcare is twice what we have in Europe and in other part of the world. And this culture and ethic that we like as DiaSorin and therefore, yes, it's an aspiration and we continuously look at opportunities to buy assets if the asset fit well with the DiaSorin current business focused here. But again, is an aspiration...is a strategic aspiration, but clearly I cannot comment on the fact that there is going to be a series of regulations.

SCOTT BARDO: Thank you. And just follow-on for that, have you quantified what debt position you are expecting to take. I appreciate that you could absorb this through current cash on the balance sheet, but you alluded to the fact that you could tap some credit lines. So have you quantified magnitude, and if so, if it's a sort of relatively big magnitude considering your cash position, would it be right to read into the, you know, that you are planning yourself further M&A this year?

CARLO ROSA: No I think we didn't comment on that. As you know, we have a very rich balance sheet, and we did finance most of this acquisition or we will finance most of this acquisition through available cash. Certainly, we have a credit line that I mean these days these credit lines are available, they are cheap especially in Europe. And we secure a credit line to allow

us to complete this deal and to continue to operate the Company as is, but I'm not disclosing what were the terms of these lines are.

SCOTT BARDO: So we shouldn't assume any significant step-up in interest costs related from this deal [inaudible]?

CARLO ROSA: No.

SCOTT BARDO: Good. Just very last quick question from me if possible. Intrigued about the customer positioning in the U.S. from Focus you've talked about this 200 or so hospitals, which are important for positioning. Is this...can you help me understand, is this going to be more relevant to the LIAISON XL platform or is this of more importance to some of the mid and lower throughput developmental systems you have in pipeline? Thank you.

CARLO ROSA: No. Today, I think, it's going to be a very relevant for LIAISON XL platform because Focus is selling today in very large hospital institutions and [technical difficulty] 200 customers in that segment. However, what we see is that the current platform fits very well also with smaller type accounts. The Company itself, you know, was limited in size and was not really able to penetrate that market. So we believe the combination of DiaSorin plus Focus will allow us to put together critical mass to be able to expand in lower segment offering molecular diagnostic and as well as immunoassay, in the...specifically in the clinical area of infectious disease, which as you know, is our forte, is where the Company is known of, and we believe that in this microbiology, virology labs where they are performing today routinely this...both molecular and immunoassay usually immunoassay is screening, is frontline screening technology because it is cheap, and then also [inaudible] molecular testing is done on confirmed positive patients. So we will be able to provide to customers a comprehensive offering of technologies and products you know, to fulfill

their requirement from a clinical use. So again, today we would be leveraging on large hospital institutions, tomorrow will be to put together a program also with the excess...to access smaller hospitals.

SCOTT BARDO: Understood. Thanks very much for taking my questions.

OPERATOR: The next question is from Oskar Andersson of Bodenholm Capital. Please go ahead.

OSKAR ANDERSSON: Hi, this is Oskar here. Thanks for taking my questions. The first one is just how you think about the organic growth for DiaSorin going forward based on its three buckets? So, firstly, how fast can Focus grow as a standalone company and secondly, what can DiaSorin add to like Focus' growth by driving growth in commercial labs in the U.S. and expanding it, add Focus into] Europe, and then thirdly, what are the opportunities for revenue synergies with DiaSorin's molecular diagnostics business and DiaSorin's ELISA business?

CARLO ROSA: Well, you are asking me a lot of questions and at this point, we are not really prepared to give any outlook for the Focus business because first we need to close...need to close the deal. And second, we are working to prepare a three years plan that will be presented to the investors later in the year, bringing together again the DiaSorin immunoassay products with Molecular. Now I can't give you a qualitative comment.

As far as DiaSorin is concerned, you have a three years plan; you have the...you understand what is our outlook for 2016. So, we continue to experience solid growth and margin expansion. I believe that we...when it comes to Focus in the last few years, this has been a very fast growing company. And so, it is also true that the molecular space is...the amount

of space that the company is working on is a space that is crowded, there is competition.

So we believe that this double-digit growth that they've been experiencing can be...can continue in light of the fact that we will...they will be able to access through DiaSorin all the European market that today is negligible for them as well as the Asia, Asia Pacific where pretty much today the company does not operate. Whereas you know, for us China is a growing market, fast growing market. We are growing over 20% in China and we have an infrastructure and it will be a new market opportunity for the Focus product. But then again later in the year, we are going to come back to the investor community with a new three years plan.

OSKAR ANDERSSON: Okay, thank you.

OPERATOR: The next question is from Luigi De Bellis of Equita SIM. Please go ahead.

LUGI DE BELLIS: Yes, good afternoon to everybody, two quick questions. The first one is could you give us more color about the cost of Focus machine, end-user price or average revenues per machine and their market share in the U.S? The second question, you talked about limited cost synergy, but do you see cross-selling opportunities by the acquisition? Thank you.

CARLO ROSA: Okay. Luigi as you know, I cannot comment on the first questions you asked also because these are confidential information to the business. I keep saying you know, the business...this deal is announced, but it's not closed and therefore, I will not be able to comment on this. Clearly, they have products that fit very well with the mid-sized hospitals, so you should not...I mean this company is not setup and equipped to provide

very large instruments into very large accounts, but this is not where we want to go strategically.

They are very cost competitive...they have very competitive cost structure as you can see from the profitability of the company. And as I said, and please note my last comment, if you look at a lot of companies that have playing today in the diagnostic...in molecular diagnostic space with few exceptions most of these companies are not making money or with a very limited profitability. And what is exceptional about this business is that it grows solid and makes money and it is profitable which makes it fairly unique and made it a very interesting target for us. And it's very innovative because you can...public information you can go on the website and you will see that this technology is extremely powerful and extremely customer friendly.

As far as cross-selling, yes, I see the opportunity, I did comment before because more and more especially in some on the infectious disease area customers are using a diagnostic algorithm that includes immunoassay frontline and reflects on the molecular, more expensive products. And interestingly enough, this company is...has developed products across different infectious disease area where we operate and starting from transplantation into hospital acquired and also stool, you know, stool for us is strategic, we developed lots of immunoassays and they have this molecular product that is what we were missing in order to complete the algorithm. So now the strategic fit is exceptional in this case.

LUIGI DE BELLIS: Thank you very much.

OPERATOR: The next question is from Daniel Jelovcan of Bank am Bellevue. Please go ahead.

DANIEL JELOVCAN: Hi, guys hello. Just one question, if you could elaborate a bit on the market share of Focus Diagnostic, especially in infectious disease because I am not really familiar with the market size and market shares of the different place, that would be great? Thanks.

CARLO ROSA: I think the question is the market share in infectious disease of Focus. I think that Focus today has...really different areas where they play. I think that they have a good chunk of revenues which are coming from in the area of influenza and influenza is a very specific market opportunity in the U.S. and so the company is known in this space with a very good product offering.

They have a lot of applications for hospital acquired infections. I cannot comment again on market share because these are information confidential to the company. And certainly, there is an interesting pipeline of products to include certain blockbuster products in space like MRSA and which is very important product for hospital acquired infections in the U.S. So without getting into the specifics again because these are confidential information to the company, I think this especially in the U.S. they are a recognized brand and they do have an important penetration in this infectious disease market.

DANIEL JELOVCAN: Okay, fair enough. Thank you.

OPERATOR: For any further questions, please press “*” and “1” on your telephone. The next question is a follow-up from Scott Bardo of Berenberg. Please go ahead.

SCOTT BARDO: Yes, thank you very much. Just a quick question on the instrumentation, I wonder is there any ability for you to consolidate the instrumentation that's in place here with your existing molecular infrastructure and likewise

some of the ELISA systems and the ability to integrate those on your instrumentation, whether that's technically feasible or not? And second part of that question, I know that they have a pretty efficient manufacturing facility for the consumables in the U.S.; it is a facility that has good capacities or requires additional capital investment? And could you foresee DiaSorin as a Group utilizing that infrastructure for your own base business as it were as a manufacturing hub in the future?

CARLO ROSA:

Okay. The first question is about the integration, I believe that we will need to move into...certainly into developing a system that is able to do not only readout and amplification, but certainly for certain application also extraction. And let me remind you that through the NorDiag acquisition we do have the technological interactions. So yes, it's on the board, the fact that we should be working towards an integrated system for certain markets. We have been discussing about that with management and we will make decisions and outline plans in our three years plan.

As far as capacity, yes, certainly this business, the current and Focus facility is certainly capable of absorbing more volume. However, in order to avoid any organizational confusion, we elected to keep this business separated from this, and California will become the headquarter for the Global Molecular group. And the General Manager that today is running Focus will have the responsibility to consolidate and therefore also our European activities. So in a sense, this will be an independent business unit working with its own technologies and resources. As I said, that this is not a synergy play, this is more an opportunity to get technologies together and developing a Molecular diagnostic strategy.

Certainly, there is going to be an integration on the commercial side on the European scenario, because they don't have anything, and we do have all the infrastructure. And in the US, we will need to find a way to bring

together products and our commercial people to make it a very strong commercial thing, but this is as far as it goes for the time being.

SCOTT BARDO: Okay. Thanks, so much indeed.

CARLO ROSA: Thank you, Scott.

OPERATOR: The next question is from Andrea Balloni with Fidentiis. Please go ahead.

ANDREA BALLONI: Hi, good afternoon everybody. I have a couple of questions. The first one is about the sales that you have mentioned that 80% of sales is coming from the U.S. for Focus. So where does the remaining 20% come from exactly in term of geographical breakdown? And again about vet (ph), if you can comment a little bit more about the strategy to enter the Asian and the European market is the same for the U.S. market or something different, I mean about Focus product? Thank you.

CARLO ROSA: Okay. And again information about revenues are confidential to the Company. Let me just say and make a very qualitative comment, the remaining revenues outside the US are mainly concentrated in Europe as you can imagine through a network of distributors, and then, very limited revenues in South America and in the Asia-Pacific. As far as strategy for Europe and Asia, the European and the first European and U.S. markets are different in a way that [inaudible] reimbursement. In the U.S., the reimbursement of this molecular product is very high, and this has been driving acceptance by customers of these new technologies. Whereas Europe which is a more conservative market, the reimbursement has not been a driver and in certain countries the diagnostic algorithm actually is helping customers for using molecular products as screening assay but only as reflecting (ph) product.

By the same token, in the European setting this business is more concentrated to the traditional virology microbiology labs. And this has been driven by the consolidation on the public hospital sector. And therefore, you see the need for higher volume system rather than, you know, smaller systems like you would see accepted in the U.S. environment. And as far as Asia is concerned, certainly it is a more mature market in a way that because of the fact that some of the fundamental PCR patterns in China we are not so strong, there has been a slew of local manufacturers that develop products for the Chinese market, quality is not as good as the products coming from Europe or the US.

And therefore, today as it happens for immunoassays in China in other technologies, certainly there is a carve out market...the carve-out of the market with Class III hospitals they do really want technologies and product quality like the ones that we have in the U.S. and Europe, and therefore we see it. And again there is no...in China as, you know, there is no consolidation. So you don't have the big private labs, it is a hospital market Class II, Class III.

And therefore, we would really see a space (ph) for a system of this size with a menu that they have especially for respiratory that, you know, is a concern for China. Let me remind you [inaudible] few years ago. So strategically we do see the opportunity for this kind of product offering for the Asian market, it's just a matter of going through the registration which will take a year or so. And then, being able to offers the products through our own network to the Class III hospitals, that today we already serve. Let me remind you that we have over 700 systems...LIAISON system being installed in China. So a very high penetration in the hospital market, and that we plan to leverage on that in order to provide also this molecular products into the Chinese market.

ANDREA BALLONI: Thank you.

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

CARLO ROSA: Okay, operator. Thank you.