



BIOMÉRIEUX

2007-2012 Strategy

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► *Introduction*

Business Environment

bioMérieux Today

Strategic Plan



Introduction

▶ ***Business Environment***

bioMérieux Today

Strategic Plan

The *in vitro* diagnostics market



- ▶ **An attractive, steadily growing market**
 - ▷ 2006: ~€24bn (\$30bn) Up approx. 5% a year
 - ▷ Growing healthcare needs, aging population
 - ▷ New technologies, new markers, etc.
 - ▷ *In vitro* diagnostics: lower healthcare costs and better clinical decisions

- ▶ **A global market**

- ▶ **High entry barriers**

- ▶ **Faster consolidation in recent past**
 - ▷ 2006: the top 10 hold 80% of the market (vs. 60% in 1985)
 - ▷ Newcomers: Siemens, etc.

- ▶ **Trends**
 - ▷ Concentration of the customer base
 - ▷ Need for high medical-value point-of-care (POC) tests

An attractive business model



- ▶ A lineup combining instruments, reagents, software and services
 - ▷ Instruments: platforms for conducting diagnostic tests
 - ▷ Reagents: biological consumables
 - ▷ Operating software and expert systems (epidemiological survey or therapeutic advice)
 - ▷ Services: to build customer loyalty

Closed systems ⇒ Recurring sales ⇒ Visibility

- ▶ A very different business model from the pharmaceutical industry
 - ▷ Highly diversified product portfolio ⇒ less risk
 - › In sales: no blockbusters
 - › In the development pipeline
 - ▷ Shorter development cycles
 - ▷ No risk from generics
 - ▷ Lower product liability risk: *in vitro* vs. *in vivo*

Synergistic technologies for detecting pathologies



TECHNOLOGIES	Bacteriology	Molecular biology	Immunoassays	Clinical chemistry*	Hematology	Hemostasis
Segment size (€m)	2,300	1,800	8,700	9,100	1,200	1,200
Growth	3% - 4%	10% - 12%	3% - 4%	4% - 5%	3% - 4%	3% - 4%
Competitive intensity	Low	Average	High	High	Average	Average
PATHOLOGIES						
<i>Industrial applications</i>	1,100	X	X	X		
<i>Infectious diseases</i>	5,700	X	X	X		
<i>Cancer</i>	2,000		X	X		
<i>Cardiovascular diseases</i>	1,500		X	X	X	X
<i>Diabetes</i>	5,800			X	X	
<i>General clinical applications</i>	2,900			X		
<i>Endocrine tests</i>	1,700			X		
<i>Blood analysis tests</i>	1,500		X		X	
<i>Auto-immune diseases</i>	1,200		X	X		
<i>TDM/DOA** tests</i>	900			X		

*Includes blood glucose monitoring for diabetes care

**Therapeutic Drug Monitoring/Drug Of Abuse

bioMérieux estimates for 2006

A promising market



- ▶ **Huge opportunities:**
 - ▷ Unmet medical needs in diagnostics
 - ▷ New technologies, new markers, etc.
 - ▷ Explosion in medical knowledge thanks to genome mapping
- ▶ **Market ready to pay premium for high medical-value tests**
- ▶ **Bacteriology:** Growth potential and a limited number of players
- ▶ **Molecular biology:** Potential still strong for automation and applications
- ▶ **Industry:** A highly fragmented market
- ▶ **The pharmaceutical industry's "blockbuster" model is running out of steam**
 - ⇒ Need to adapt prescriptions selectively to each patient's profile
 - ⇒ Move towards Theragnostics*

* Therapeutic + Diagnostics

A shifting environment



- ▶ Stiff competition in “routine” immunoassays
- ▶ Convergence of clinical chemistry, immunoassay and hematology tests into **single, high-throughput platforms**
- ▶ Downward trend in prices:
 - ▷ Of routine tests
 - ▷ Of certain high medical-value tests as competition increases
- ▶ An increasingly strict regulatory environment



Introduction

Business Environment

▶ ***bioMérieux Today***

Strategic Plan

bioMérieux today



- ▶ A major player in the *in vitro* diagnostics market
 - ▷ 2006 sales: €1,037m
 - ▷ No. 8 worldwide
- ▶ A pure player with a broad international presence
 - ▷ 83% of sales generated outside France
- ▶ Strong positions in high-growth segments
- ▶ Continuous flow of new products thanks to high-performance R&D
- ▶ A strong balance sheet

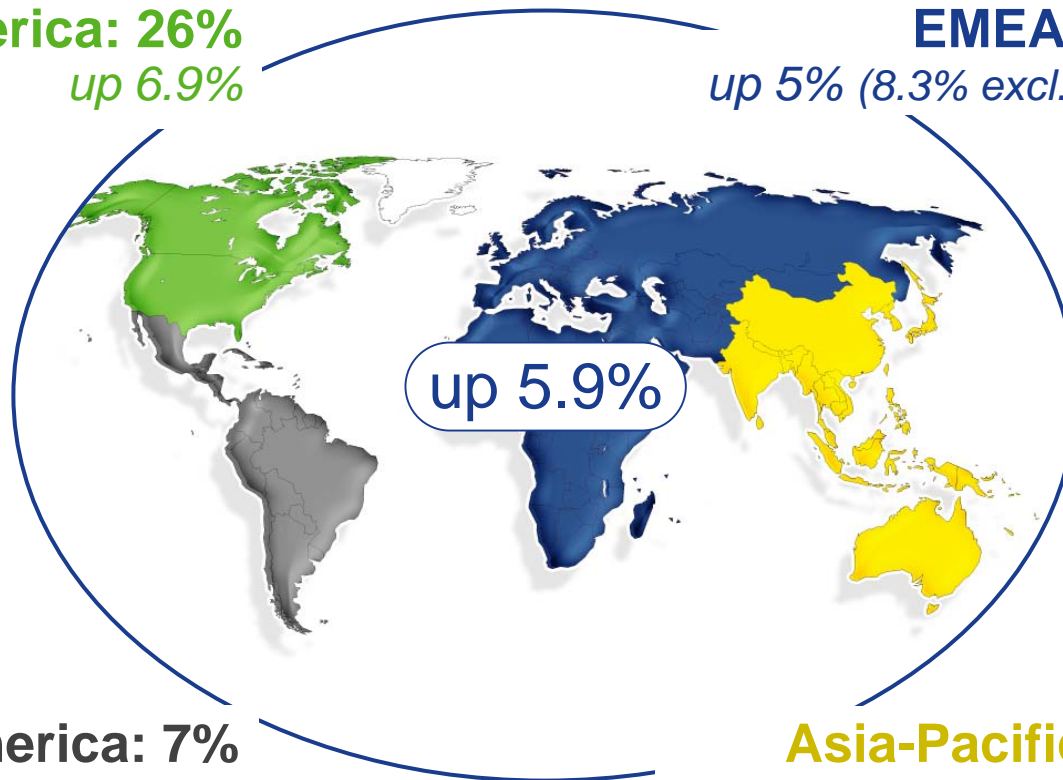
2006: sales by region



Sales: €1,037m, of which 83% generated outside France

North America: 26%
up 6.9%

EMEA*: 56%
up 5% (8.3% excl. France)



Latin America: 7%
up 7.1%

Asia-Pacific: 11%
up 7.9%

*EMEA: Europe, Middle East, Africa

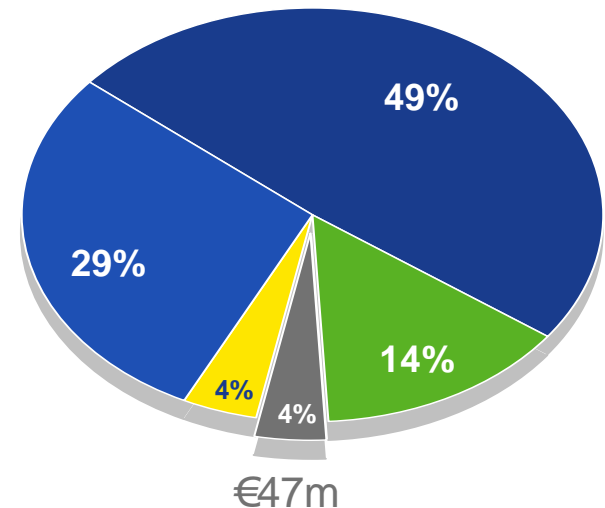
Growth rates calculated at constant scope of consolidation and exchange rates

2006: sales by technology



- ▶ **Clinical applications:** €894m *up 5.1%*
 - ▷ Bacteriology: €506m *up 6.5%*
 - ▷ Immunoassays*: €302m *up 1.4%*
 - ▷ Molecular biology: €40m *up 45.9%*

- ▶ **Industrial applications:** €143m *up 11.5%*



**Includes the VIDAS/VIDIA, microplate and manual assay ranges*

Growth rates calculated at constant scope of consolidation and exchange rates

Our strengths



- ▶ Sales network: high quality, dense global coverage
- ▶ R&D: substantial investment over the long term
- ▶ Bacteriology: co-leadership
- ▶ Industrial applications: global leadership
- ▶ A profile that facilitates partnerships
 - ▷ Only company in the industry with extensive skills in bacteriology, molecular biology and immunoassays
 - ▷ Independent of the pharmaceutical industry
 - ▷ Installed base of more than 45,000 instruments
- ▶ Large financial flexibility
- ▶ Ability to execute a profitable acquisitions strategy

An experienced management team



▶ Executive Committee

- ▷ Stéphane Bancel CEO
- ▷ Thierry Bernard Global Commercial Operations
- ▷ Eric Bouvier Deputy General Manager - Support Functions
- ▷ Richard Ding Strategy, Business Development & Theragnostics
- ▷ Jean-Marc Durano Manufacturing & Quality
- ▷ Peter Kaspar R&D
- ▷ Marc Mackowiak CEO of bioMérieux Inc.
- ▷ Alexandre Mérieux Industrial Microbiology
- ▷ Henri Thomasson Finance

▶ Diverse backgrounds and nationalities

▶ Federated by a strong team culture

Challenges and pathways to improvement



- ▶ **VIDAS immunoassay range**
 - ▷ Leverage point-of-care position
 - ▷ Competition in routine tests

- ▶ **Improving new product time-to-market**

- ▶ **Optimizing information technologies**
 - ⇒ Productivity gains/customer solutions

- ▶ **Continuously improving process engineering and production processes** ⇒ lower production costs



Introduction

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bioMérieux Today

▶ ***Strategic Plan***



Staying ahead of a changing market

- ▶ From a strategy focused on the laboratory
 - ▷ Infectious diseases, oncology and cardiology
 - ▷ Industrial applications

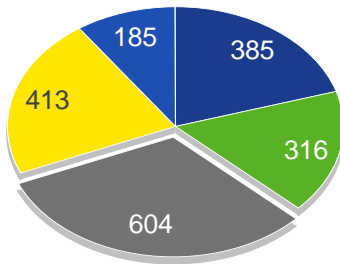
- ▶ To a strategy focused on pathologies and clinicians' needs
 - ▷ Infectious agents: clinical and industrial applications
 - ▷ Tests delivering high medical value
 - › Oncology
 - › Cardiology
 - › Point-of-care tests
 - › Theragnostics: therapeutic + diagnostics

Leveraging the quality of the sales network



2007-2012 growth rate*

- ▶ Internal R&D pipeline **5% - 6%**
- ▶ Sales network optimization **~1%**



■ France ■ Latin America ■ ROE
■ Asia-Pacific ■ North America

Sales and Marketing: 1,903 FTE**



*At constant exchange rates

Optimizing the sales network

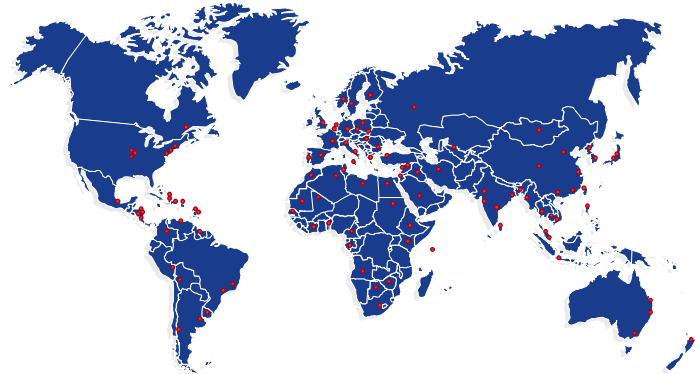


- ▶ **Creation of a Global Commercial Operations Department**
 - ▷ Sales, marketing and customer service
 - ▷ Vice President: Thierry Bernard, former Executive VP of EMEA

- ▶ **Priority regions: United States and Japan**
 - ▷ Example: bacteriology market share
 - › Europe : ~50%
 - › US : ~30%
 - › Japan : ~15%

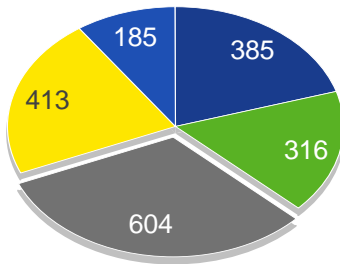
- ▶ **Sustained creation of new subsidiaries**

Leveraging the quality of the sales network



2007-2012 growth rate*

- ▶ Internal R&D pipeline **5% - 6%**
- ▶ Sales network optimization **~1%**
- ▶ Business development **1% - 2%**
 - ▷ Distribution agreements
 - ▷ Acquisitions:
 - › Product companies like Bacterial Barcodes
 - › Etc.



■ France ■ Latin America ■ ROE
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Sales and Marketing: 1,903 FTE**



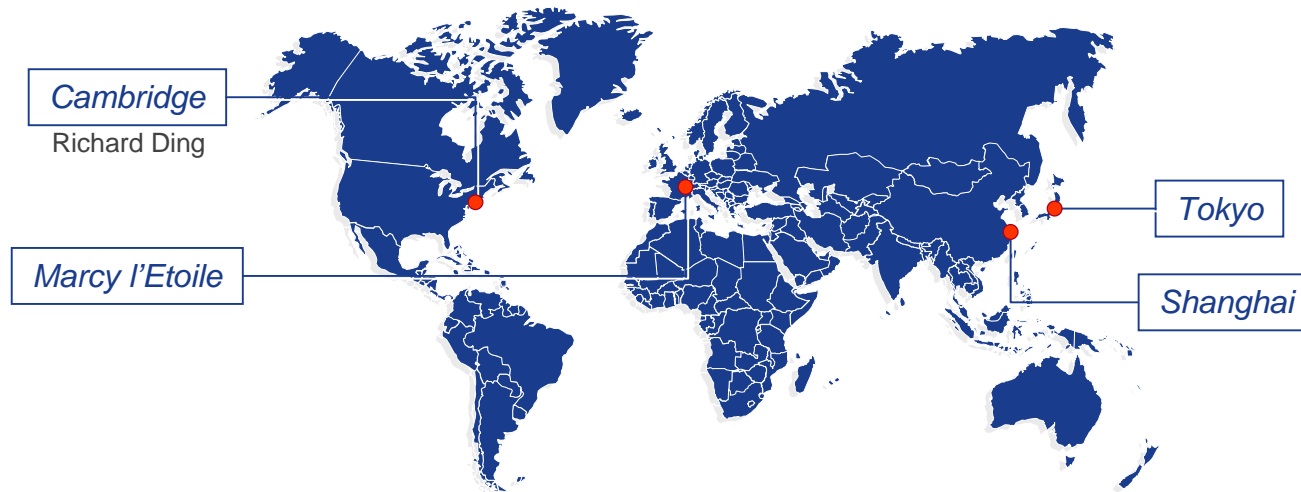
**Full-Time Equivalent; includes Customer Service

*At constant exchange rates

Executing the acquisition strategy

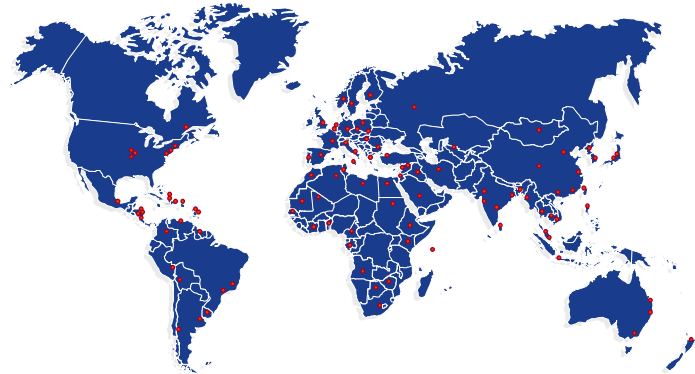


- ▶ Business development: creation of a global department



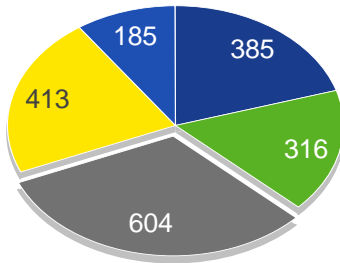
- ▶ Strengthening the team
 - ▷ 3 new managers
 - ▷ Expertise in business development and M&A
- ▶ Alain Mérieux and Stéphane Bancel personally involved

Leveraging the quality of the sales network



2007-2012 growth rate*

- ▶ Internal R&D pipeline **5% - 6%**
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■ France ■ Latin America ■ ROE
■ Asia-Pacific ■ North America

Total **7% - 9%*****

Sales and Marketing: 1,903 FTE**

* At constant exchange rates

*** Compound annual growth rate



Clinical applications



*Be recognized by biologists and clinicians
as a leader in key pathologies*

Infectious diseases

- Sepsis
- Hospital-acquired infections
- Tuberculosis
- HIV / hepatitis

Cancer (breast, colon, prostate, etc.)

Emergency cardiovascular diseases

Bacteriology

BacT/ALERT

PPM, VITEK 2

BacT/ALERT

Molecular biology

GeneXpert

Diversilab

Gen-Probe

easyMAG/EasyQ

Immunoassays

VIDAS PCT

VIDAS CDA2

VIDAS/microplates

VIDAS PSA, etc.

VIDAS D-Dimer, etc.

- ▶ **Cross-functional approach by pathology:**
 - ▷ One lead manager for each pathology
 - ▷ One Executive Committee sponsor for each pathology
- ▶ **Partnerships with pharmaceutical/biotech companies specialized in these pathologies**



Become the undisputed leader

▶ Objectives

- ▷ Drive complete automation of laboratories and analysis processes
- ▷ 2012: market share of approx. 40%

▶ Organic growth - R&D

- ▷ PPM: growth driven by chromogenic culture mediums
- ▷ Identification and antibiogram (ID/AST): menu extension
- ▷ Blood culture: faster results thanks to new technologies

2004-06: >10%/year

▶ External growth

- ▷ Distribution agreements
- ▷ Acquisitions

▶ Assets

- ▷ More than 40 years of experience and know-how
- ▷ More than 50% of the market in automated bacteriology



Become the leader in sepsis and hospital-acquired infections

▶ Objective

- ▷ 2012: increase market share from 2% to around 8% in infectious diseases

▶ Organic growth - R&D

- ▷ Expand the NucliSENS EasyQ platform menu: **launch of EasyQ HPV - Q2 2007**
- ▷ Introduce a new, more automated platform for the amplification and detection stages (ADNA – AII project)
- ▷ Develop an automated system for multi-target genetic tests: bio-chips (ADNA – AII project)

▶ External growth

- ▷ Agreements: e.g. ExonHit partnership in oncology, **exclusive worldwide agreement with Cepheid for sepsis**
- ▷ Acquisition: Bacterial Barcodes

▶ Assets

- ▷ Expertise across the chain: extraction, amplification, detection
- ▷ Ability to capitalize on know-how in infectious diseases



*Extend the high medical-value test menu
and strengthen the point-of-care business*

▶ Objectives

- ▶ VIDAS/VIDIA: strengthen the franchise
- ▶ Point-of-care: develop a manual and semi-automated range

▶ Organic growth - R&D

- ▶ VIDAS range: optimize the installed base with new high medical-value tests (e.g. PCT, pro-BNP, etc.)
- ▶ VIDIA
 - › Deploy the platform for routine testing
 - › Extend the menu
- ▶ Point-of-care: introduction a rapid test reader

▶ Assets

- ▶ An installed base of more than 20,000 instruments
- ▶ Expertise in antibodies



Become a preferred partner for pharmaceutical and biotech companies

▶ Objectives

- ▷ Sign two agreements by end-2008 and approx. ten by end-2012

▶ Applications

- ▷ Efficacy tests: identify patients who respond to treatment
- ▷ Side effects: identify patients for whom treatment would be harmful
- ▷ Monitoring tests: support for drug dosing

▶ Resources

- ▷ Creation of a specialized department based in Cambridge, Massachusetts
- ▷ Business plan: adapt on a case-by-case basis for each molecule

▶ Assets

- ▷ An independent company, with a solid global presence
- ▷ Expertise in bacteriology, molecular biology and immunoassay technologies
- ▷ A very large installed base
- ▷ Dedicated point-of-care platforms: miniVIDAS and rapid test reader
- ▷ Experience in Theragnostics: HIV viral load and antibiogram

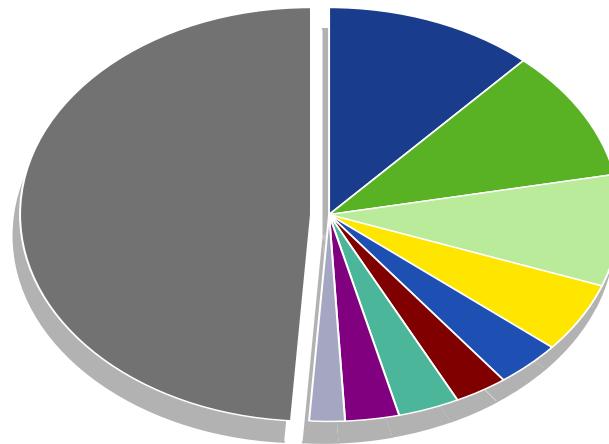
* No sales in 2007-2012



Lead sector consolidation

► Objective

- ▷ 2012: market share of approx. 30%



*A fragmented market**

* bioMérieux estimate



Lead sector consolidation

▶ Objective

- ▷ 2012: market share of approx. 30%

▶ Organic growth - R&D

- ▷ PPM: growth driven by chromogenic culture media
- ▷ TEMPO: US launch in Q1 2007 and menu extension
- ▷ Molecular biology: first test for industry to be launched in 2007

▶ External growth

- ▷ Distribution agreements: e.g. exclusive worldwide distribution with Copan
- ▷ Acquisitions

▶ Assets

- ▷ Undisputed leadership
- ▷ Ability to leverage the clinical sales network



▶ Sales

- ▶ 2007 - 2012: Compound annual growth rate of 7% - 9% at constant exchange rates:
 - › R&D – current pipeline: 5% - 6%
 - › Sales network optimization: ~1%
 - › Acquisitions: 1% - 2%

- ▶ 2007: 6% - 7%, at constant exchange rates and scope of consolidation, excl. external growth

▶ Margins

- ▶ Stable gross margin: improved costs, distribution agreements, lower prices, etc.

- ▶ Operating margin before non-recurring items: gradual 100 to 150 bp improvement from June 30, 2006 at constant exchange rates
 - › R&D: equal to or less than 13%
 - › Anticipated decrease in received royalties
 - › SG&A: economies of scale thanks to higher sales

Clear objectives



- ▶ **A strategy focused on patients and pathologies**
 - ▷ Infectious agents: clinical and industrial applications
 - ▷ High medical-value tests: oncology, cardiology, point-of-care and theragnostics

- ▶ **A strategy that leverages our strengths**
 - ▷ Bacteriology: become the undisputed leader
 - ▷ Industry: lead sector consolidation
 - ▷ Molecular biology: become the leader in sepsis and hospital-acquired infections
 - ▷ Immunoassays: extend the high medical-value test menu and strengthen our point-of-care business
 - ▷ Theragnostics: become a preferred partner for pharmaceutical and biotech companies

Growth drivers



- ▶ Organic growth: supported by sustained R&D investment
- ▶ An optimized, enhanced sales network
- ▶ Acquisitions/distribution agreements:
 - ▷ A global business development team, close to targets
 - ▷ Ability to move fast and close quickly
 - ▷ A reservoir of opportunities among private companies

Conclusion



- ▶ An attractive, steadily growing market
- ▶ A seamless strategy to stay ahead of a changing market
- ▶ An increasingly international player
- ▶ A company re-focused on its core strengths
- ▶ A solid track record
 - ▷ More than 40 years of experience in infectious diseases
 - ▷ Demonstrated innovation capabilities
 - ▷ Deeply committed teams
 - ▷ A high-quality international management team