

# 2014 First-Half Business Review

Paris - September 3, 2014



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## ▶ Introduction



2014 First-Half Performance

2014 First-Half Financial Results

Objectives and Conclusion



# Favorable business trends

In a fragile economic environment,  
the *in vitro* diagnostics market benefits from structural, positive drivers

- ▶ **Antimicrobial resistance:** global report on surveillance 2014  
WHO organization - April 30, 2014



*“A post-antibiotic era - in which common infections and minor injuries can kill - far from being an apocalyptic fantasy, is instead a very real possibility for the 21<sup>st</sup> Century.”*

- ▶ Passage of the **Affordable Care Act** (ObamaCare)  
to expand coverage, lower health care costs and enhance the quality of care
  - ▼ ~ 8m Americans already signed up for ObamaCare
  - ▼ Amongst whom ~ 60% Americans were previously uninsured  
(Source: Kaiser Family Foundation survey)





Introduction

▶ **2014 First-Half Performance**

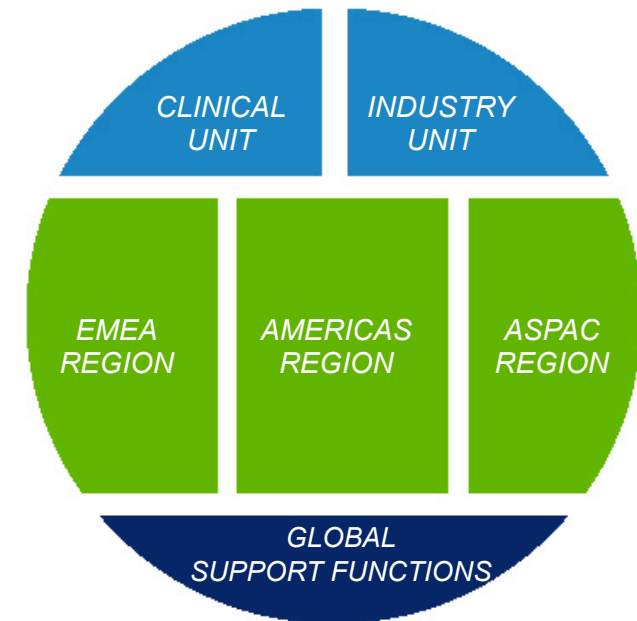


2014 First-Half Financial Results

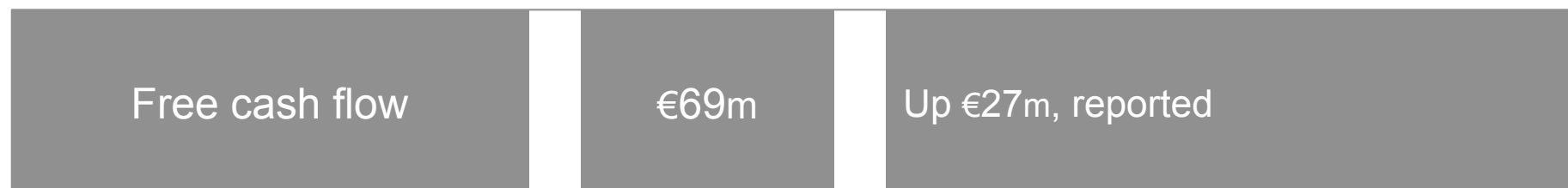
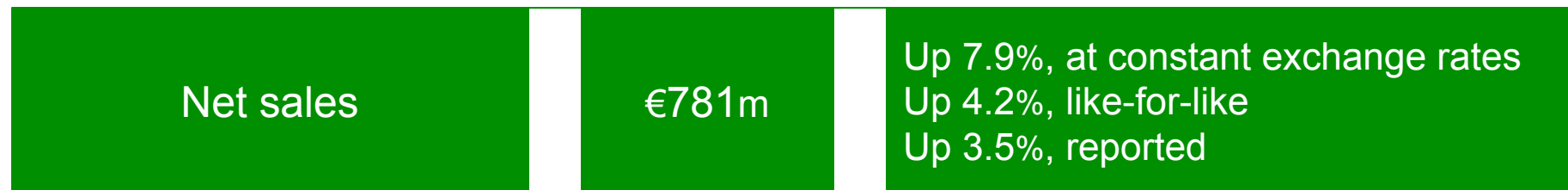
Objectives and Conclusion

# Major operating investments in first-half 2014

- ▶ New operating organization
- ▶ Large-scale operating initiatives
  - ▼ In manufacturing, at Durham (North Carolina - U.S.)
  - ▼ In S&M
  - ▼ In innovation
- ▶ Solid progress in integrating BioFire
- ▶ Difficult monetary context

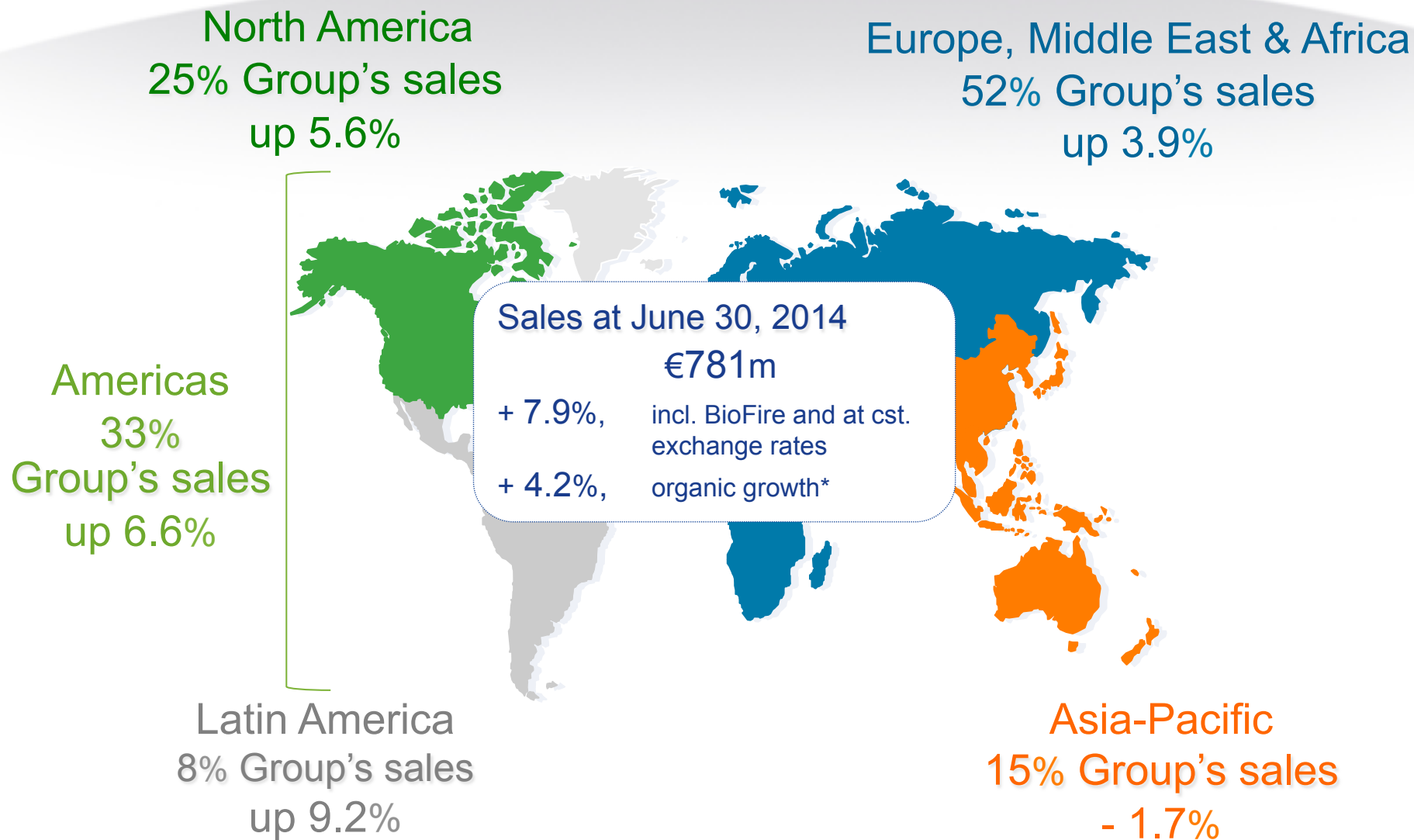


# First-half 2014 key figures



\* Operating income before non-recurring items, before non-recurring BioFire acquisition and integration costs and before accounting entries for BioFire purchase price allocation

# Broad geographic diversification provides a resilient and solid base for expansion



Growth rate at constant exchange rates and scope of consolidation  
\* + 3.7% excluding R&D-related revenue



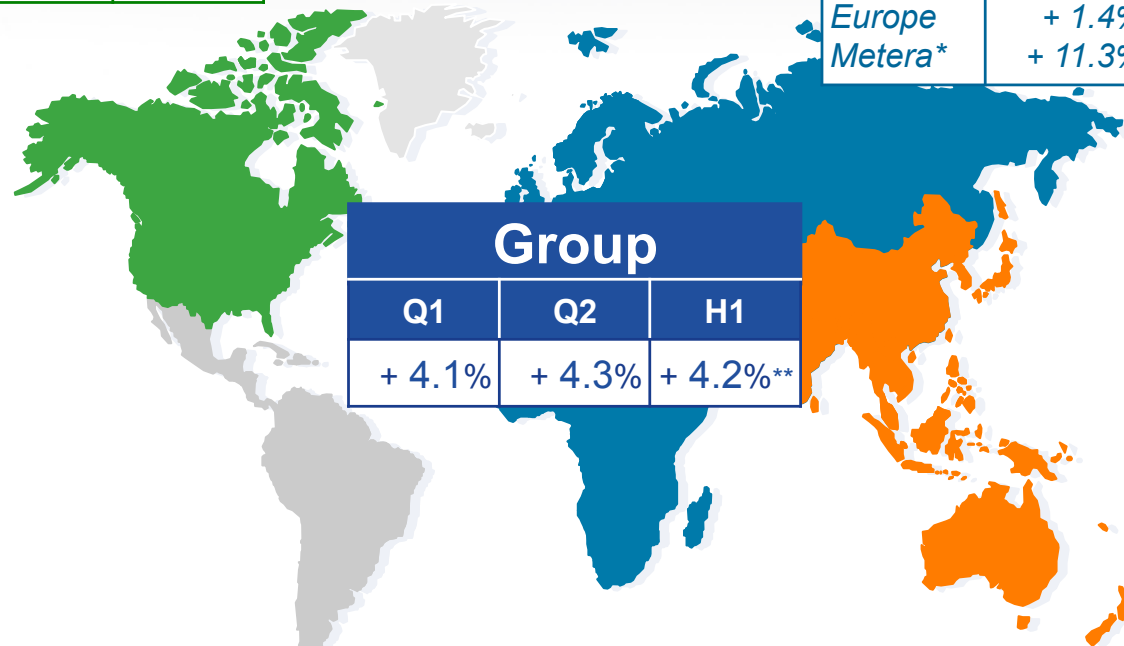
# Good sales momentum in North America and business recovery confirmed in Europe

## North America

Q1	Q2	H1
+ 5.4%	+ 5.7%	+ 5.6%

## Europe, Middle East & Africa

	Q1	Q2	H1
Total	+ 2.7%	+ 5.0%	+ 3.9%
Europe	+ 1.4%	+ 4.1%	+ 2.8%
Metera*	+ 11.3%	+ 9.1%	+ 10.0%



## Group

Q1	Q2	H1
+ 4.1%	+ 4.3%	+ 4.2%**

## Latin America

Q1	Q2	H1
+ 8.0%	+ 10.2%	+ 9.2%

## Asia-Pacific

Q1	Q2	H1
+ 1.9%	- 4.4%	- 1.7%

Growth rate at constant exchange rates and scope of consolidation

\* Eastern Europe, Middle East and Africa

\*\* + 3.7% excluding R&D-related revenue

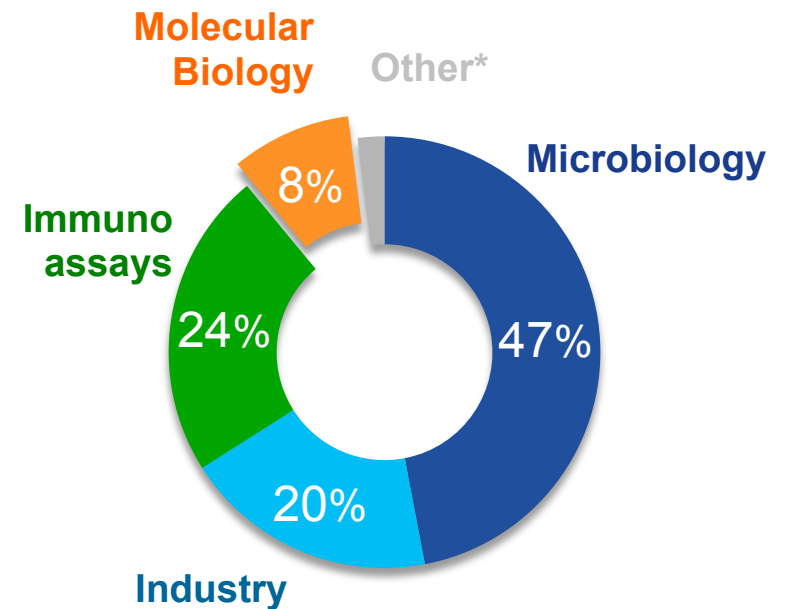
# bioMérieux strong ambitions in China: « *In China, with China, for China* »

- ▶ Promising market fundamentals: 1/5 of world population consuming 5% of IVD (market: €2b, up 15-20% - source: [www.ivdchina.org](http://www.ivdchina.org))
  - ▼ State healthcare reform and increasing healthcare expenditure as % of GDP
  - ▼ Public health awareness
  - ▼ Greater need for food safety
  - ▼ More intense local competition
  - ▼ Specific regulatory requirements
- ▶ 2014: major efforts to revamp our distribution management system
  - ▼ Focus on key account management
  - ▼ Improve inventory and pipeline management
  - ▼ Increase distribution network coverage (> 70 distributors)
- ▶ bioMérieux strategy for expansion
  - ▼ Grow installed base and rise reagent consumption
  - ▼ Build on multidisciplinary teams (> 500 FTE\*)

# A stronger portfolio of technologies to capture market growth opportunities

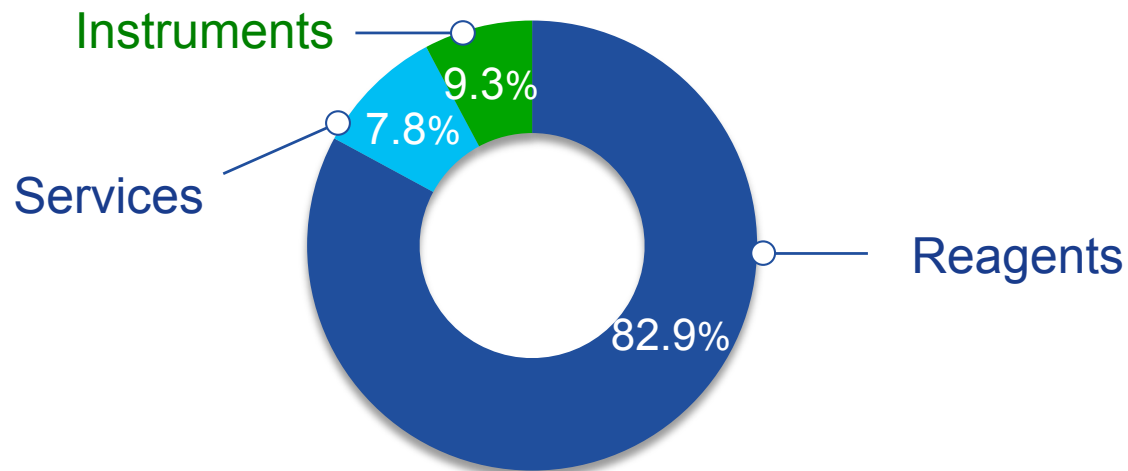
Sales per Application	H1 2014 (€m)	% Change Like-for-like	Highlights
Clinical Applications	620	+ 4.4%	
Microbiology	365	+ 1.0%	Durham situation
Immunoassays	185	+ 10.4%	VIDAS®: + 12%
Molecular Biology	62	+ 9.9%	ARGENE®: + 27%
Industrial Applications	157	+ 1.2%	Chinese tenders Slow capital sales
<b>PER APPLICATION</b>	<b>777</b>	<b>+ 3.7%</b>	
R&D-Related Revenue	4		
<b>TOTAL</b>	<b>781</b>	<b>+ 4.2%</b>	

▶ **Molecular Biology:  
up 70% in H1 2014, in euros**



# A resilient business model

- ▶ Installed base at June 30, 2014: ~ 76,270 instruments
- ▶ 1,560 new instruments installed in the first half



Reagents and services

▼ ~ 91% of sales

▼ Up 5%+

# First-half 2014 main achievements demonstrate our ability to consolidate our position even further

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## *Operations*

- ▶ Effective deployment of the new operating organization, while continuing our long-term, focused strategy
  - ▼ Reinforce customer centricity
  - ▼ Improve our operating performance
- ▶ Substantial operational and capital investments at Durham facility for blood culture bottle production

## *Development*

- ▶ BioFire integration plan on track
- ▶ Enhanced commercial offer
  - ▼ FilmArray<sup>®</sup> gastro-intestinal panel: CE-marked and FDA-approved
  - ▼ VIDAS<sup>®</sup> 3: approved by the Chinese FDA
  - ▼ VIRTUO<sup>™</sup>: CE-marked in July 2014

# Production at Durham\*: bioMérieux's priority

## bioMérieux's commitment:

- ▼ Return to a satisfactory production situation by the end of 2014
- ▼ Sustainably reinforce the site's quality system

## ▶ Blood culture reagent production:

- ▼ A major product line for the diagnosis of sepsis in critical patient care
- ▼ Automated microbial detection system for any size of laboratory with innovative media
  - Unbreakable plastic bottles to maximize safety
  - New BacT/ALERT® bottles to enhance neutralization of antibiotics

## ▶ A broad action plan under way:

- ▼ Increased production capacity with the conversion of 1 of our 2 main production lines to running 24/7
- ▼ Construction of an additional blood culture bottle production line (effective in H1 2017)
- ▼ Increased focus on sustainable solutions supported by the updated organization:
  - Validation of production lines
  - Upgrading Quality processes and implementation
  - Activities to enhance Quality culture
- ▼ Focus on innovation: CE-marking of VIRTUO™, our new, highly differentiated system

# VIRTUO™: a new dimension in blood culture testing

The first CE-marked fully automated blood culture system  
maximizes laboratory efficiency **and** provides actionable and faster results



# Significant progress on the integration of BioFire

- ▼ Sales: up 42% (since acquisition)
- ▼ Installed base: ~ 860 FilmArray® instruments, up 150
- ▼ 3 regulatory approved panels
- ▼ Available for sale in the U.S and 25 EU countries

- ▶ FilmArray®: commercial availability extended to new markets
- ▶ Gastro-Intestinal (GI) panel: approved in the U.S. and in Europe
  - ▼ The most comprehensive GI panel cleared by the FDA (22-target)
  - ▼ Several pathogens receiving FDA clearance for the first time
- ▶ R&D teams to develop new panels
  - ▼ Meningitis: clinical and analytical studies under way
  - ▼ Lower respiratory tract infections







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# Consolidated data (in € millions)

## At June 30, 2014

<i>In €m</i>	H1 2014	<i>As a % of sales</i>	H1 2013	<i>As a % of sales</i>	<i>% Change H1 2014 / H1 2013</i>
Net sales	781	100%	754	100%	+ 3.5% <sup>(1)</sup>
Gross profit	387	49.6%	397	52.6%	- 2.3%
Contributive operating income before non-recurring items <sup>(2)</sup>	94	12.0%	125	16.6%	- 24.8%
Operating income before non-recurring items <sup>(3)</sup>	79	10.2%	125	16.6%	- 36.5%
Operating income	81	10.3%	124	16.4%	- 34.9%
Net income	53	6.7%	80	10.6%	- 34.4%
Free cash flow	69		42		+ 64.3%

(1) Up 7.9% at constant exchange rates

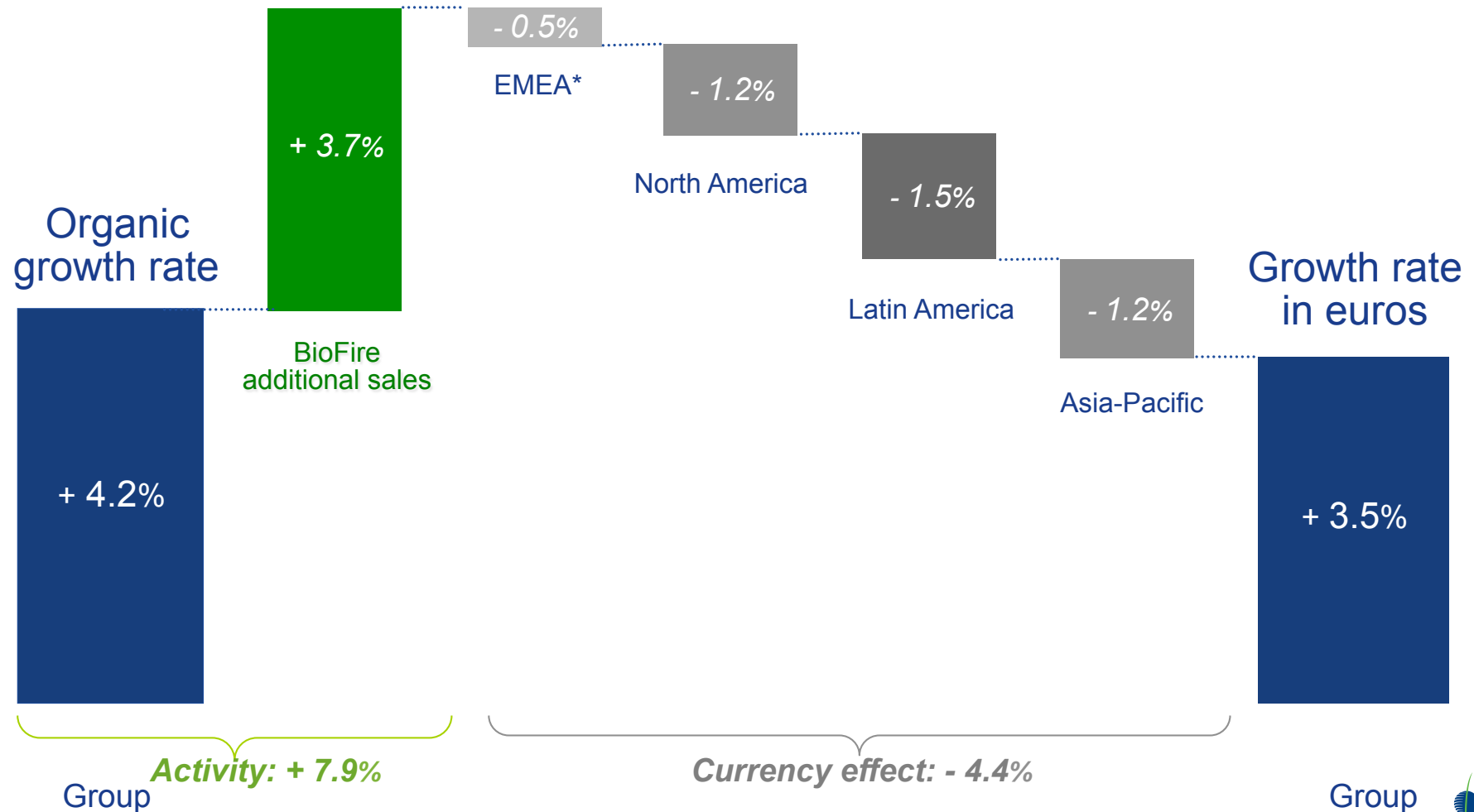
(2) Operating income before non-recurring items, before non-recurring BioFire acquisition and integration costs and before accounting entries for BioFire purchase price allocation

(3) Profit on ordinary activities (before tax, net financial expense and non-recurring items)

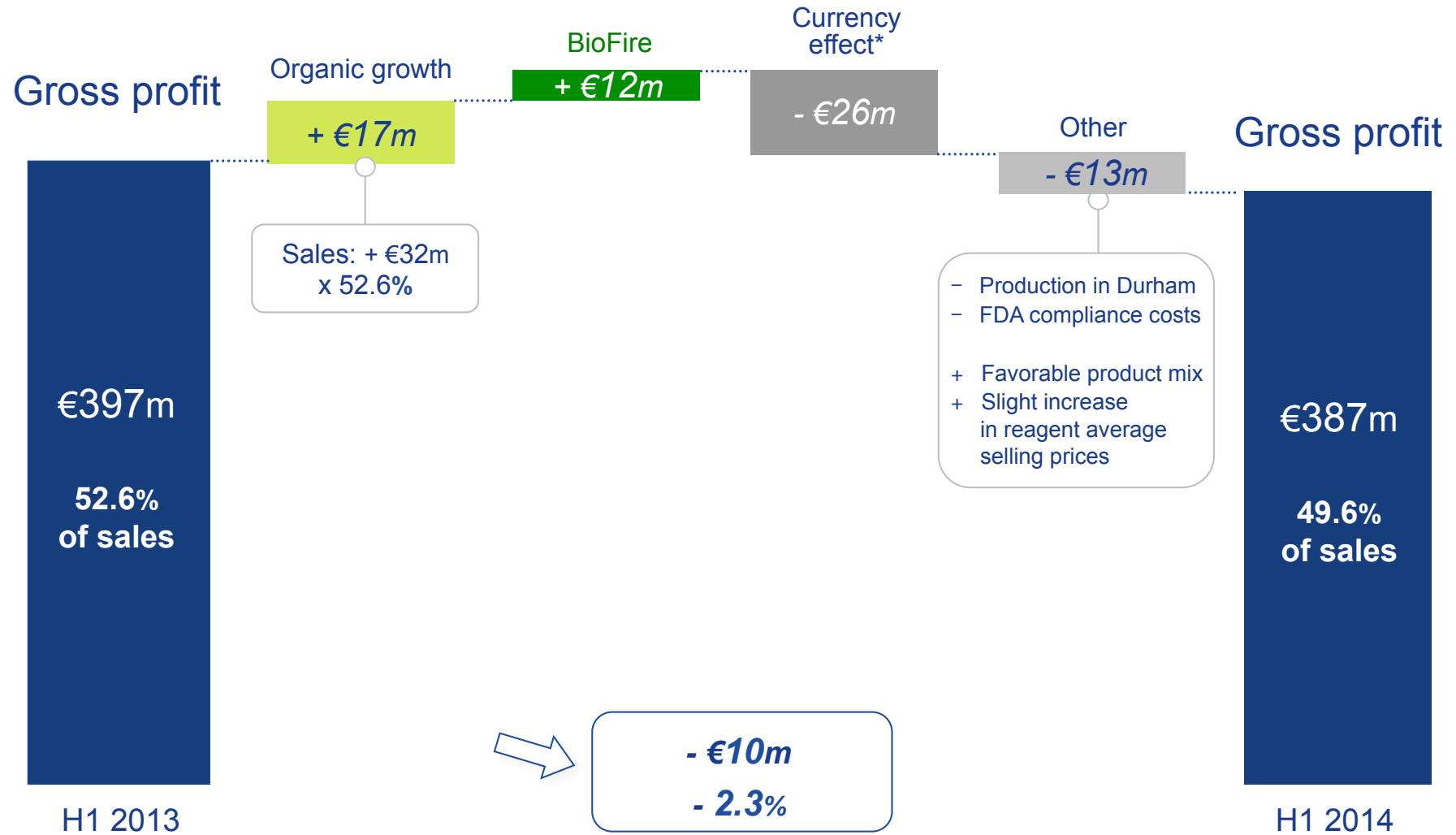


# H1 2014 strong currency effect reflects the rise in the euro

Adjust sales strategy to the volatile monetary environment



# Gross profit At June 30, 2014

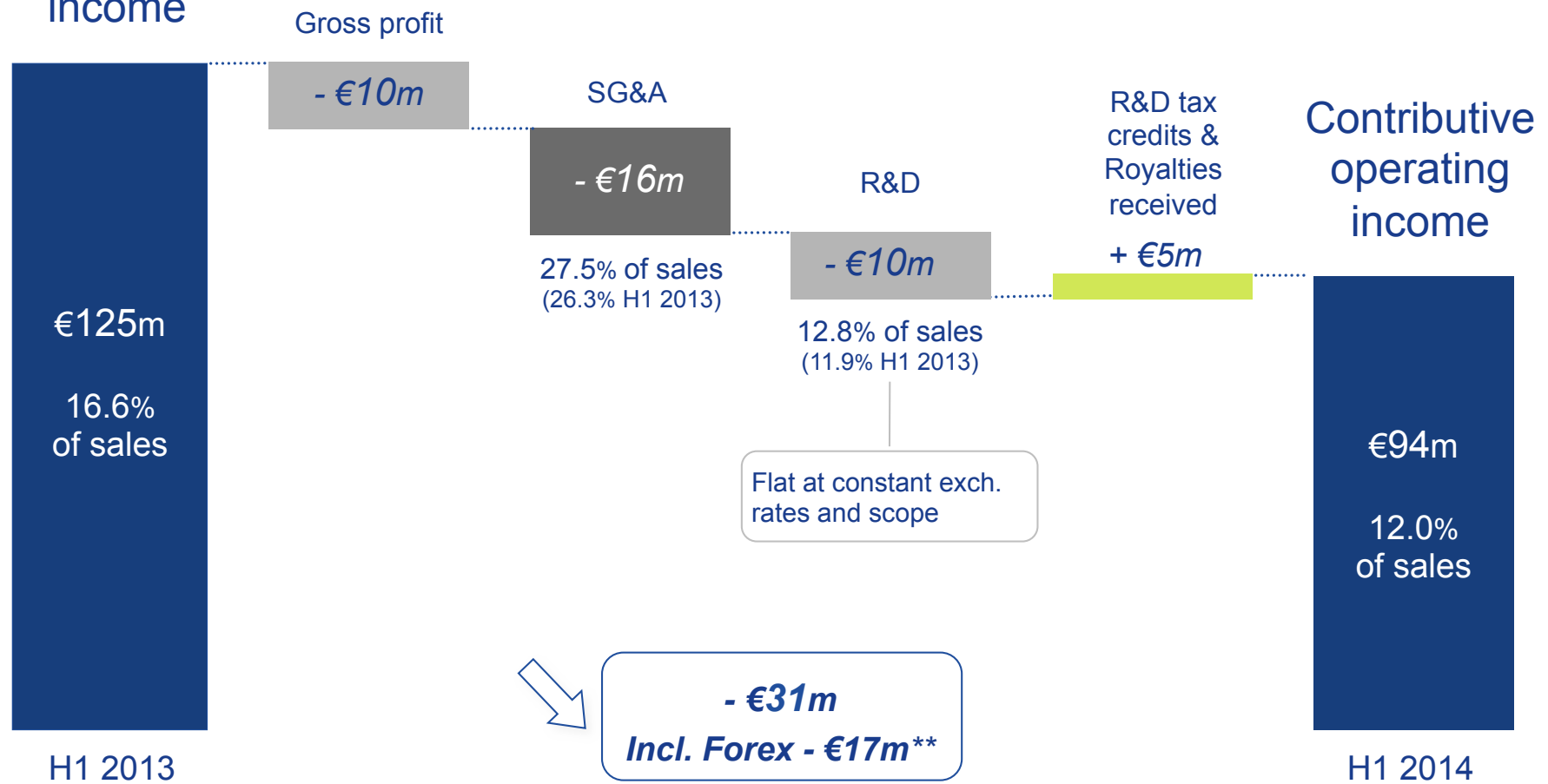


\* Estimates

# Contributive operating income\*

## At June 30, 2014

Contributive operating income



\* Operating income before non-recurring items, before non-recurring BioFire acquisition and integration costs and before accounting entries for BioFire purchase price allocation

\*\* Estimates

# From contributive operating income\* to operating income\*\*

<i>In €m</i>	H1 2014	As a % of sales
<b>Contributive operating income before non-recurring items</b>	<b>94</b>	<b>12.0%</b>
Adjustments***	- 15	- 1.8%
<i>BioFire acquisition costs</i>	- 5	
<i>Amortization of BioFire technologies and intangible assets</i>	- 6	
<i>Stock consumption (remeasured at fair value at acquisition date)</i>	- 3	
<i>Termination fees of BioFire distributor agreements</i>	- 1	
<b>Operating income before non-recurring items</b>	<b>79</b>	<b>10.2%</b>
Non-recurring items	+ 2	
<b>Operating income</b>	<b>81</b>	<b>10.3%</b>

\* Operating income before non-recurring items, before non-recurring BioFire acquisition and integration costs and before accounting entries for BioFire purchase price allocation

\*\* Profit on ordinary activities (before tax, net financial expense)

\*\*\* Purchase price will be definitively allocated at year-end closing

# Net result (in € millions) At June 30, 2014

<i>In €m</i>	H1 2014	<i>As a % of sales</i>	H1 2013	<i>As a % of sales</i>	<i>% Change H1 2014 / H1 2013</i>
Operating income before non-recurring items	79	10.2%	125	16.6%	- 36.5%
Non-recurring items	+ 2	+ 0.1%	- 1	- 0.2%	
Operating income	81	10.3%	124	16.4%	- 34.9%
Net financial expense	- 4	- 0.5%	- 5	- 0.7%	
Income tax ( <i>effective tax rate</i> )	- 24	31.1%	- 39	32.6%	
Net income	53	6.7%	80	10.6%	- 34.4%



# Cash flow statement (in € millions)

## At June 30, 2014

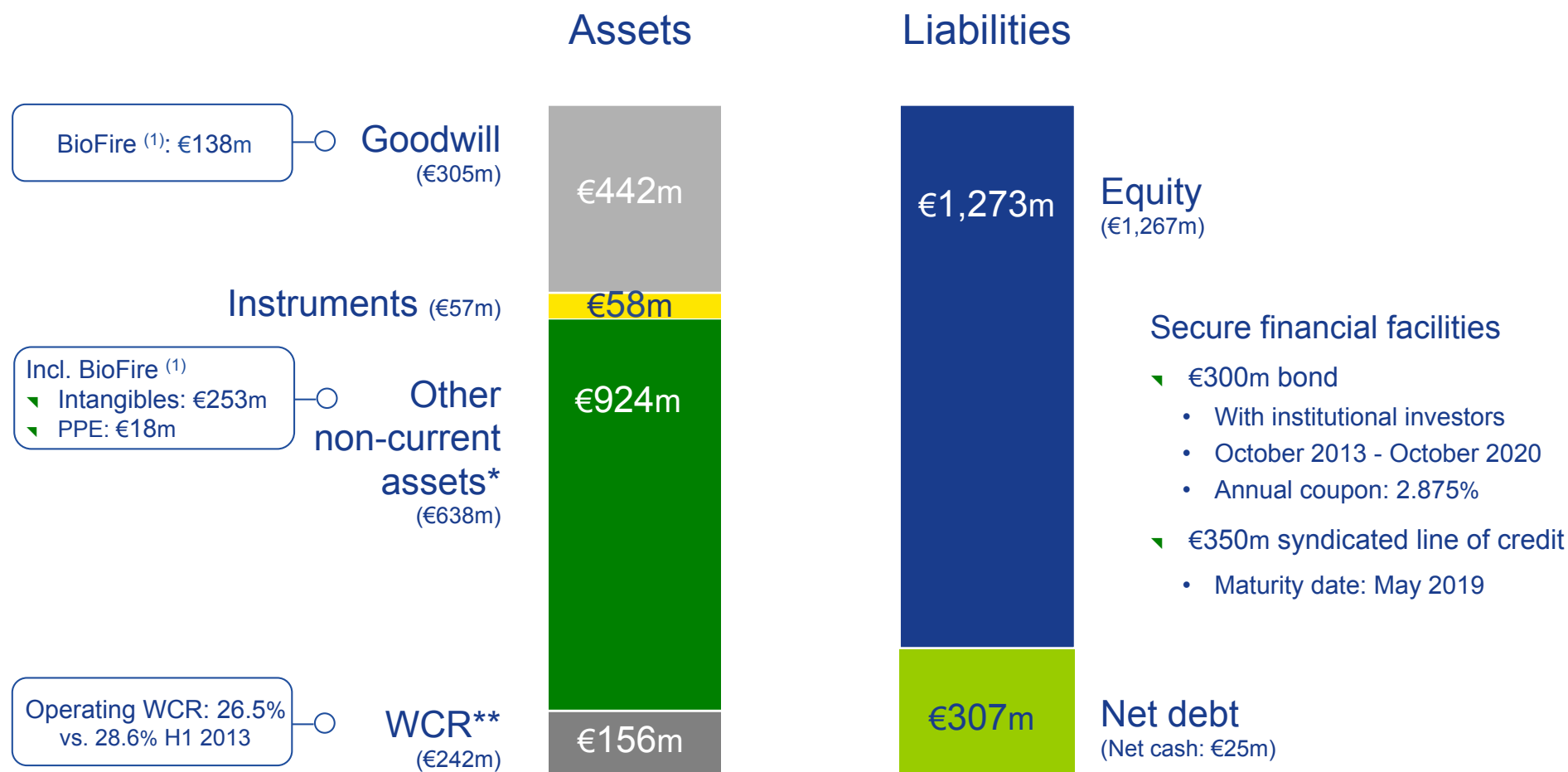
<i>In €m</i>	H1 2014	H1 2013	
Contributive operating income	94	125	
Depreciation and amortization	47	44	
<b>EBITDA <sup>(1)</sup></b>	<b>141</b>	<b>169</b>	
Operating working capital requirement	+ 1	- 55	H1 2014: + €13m from Spanish provinces to settle past due A/R
Other cash flow from operation (mainly income tax paid)	- 28	- 12	
<b>Cash flow from operation <sup>(2)</sup></b>	<b>114</b>	<b>102</b>	
Capital expenditure	- 56	- 60	
Other flows from investment activities	+ 12	+ 2	H1 2014: disposal of Boxtel site (+ €10m)
<b>Net cash flow used in investment activities</b>	<b>- 44</b>	<b>- 58</b>	
Others	- 1	- 2	
<b>Free cash flow <sup>(3)</sup></b>	<b>69</b>	<b>42</b>	
Acquisition of shares	- 353		BioFire acquisition cost (net of acquired debt at date of acquisition)
Fees associated with BioFire acquisition	- 7		
Dividends	- 40	- 39	
<b>Net cash flow</b>	<b>- 331</b>	<b>+ 3</b>	
<b>Opening net cash (debt) position</b>	<b>+ 25</b>	<b>- 48</b>	
Net cash flow	- 331	+ 3	
Effects of exchange rate changes	- 1	+ 2	
<b>Closing net cash (debt) position</b>	<b>- 307</b>	<b>- 43</b>	

(1) Operating income before non-recurring items, depreciation and amortization

(2) Before fees associated with BioFire acquisition

(3) Sum of the cash flow from operation and the net cash flow used in investment activities

# Summarized balance sheet (in € millions) At June 30, 2014



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# 2014 organic sales growth objective

## 2014 ORGANIC SALES GROWTH OBJECTIVE

Organic sales  
growth objective:

3 - 5%  
At constant exchange rates  
& scope of consolidation

**Reported** sales growth  
in euros will also include:

**Forex** (USD, BRL, INR, ARS, TRL)  
negative impact  
~ €50m

**BioFire net sales**  
positive impact  
~ €60m

# 2014 objective for contributive operating income before non-recurring items (contributive EBIT)

## 2014 OBJECTIVE FOR CONTRIBUTIVE OPERATING INCOME BEFORE NON-RECURRING ITEMS\* (CONTRIBUTIVE EBIT)

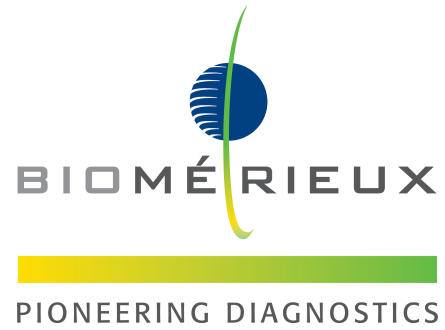
Contributive EBIT objective:  
between **€220 - 245m**,  
at current exchange rates

Including:

- Negative currency effect:  
~ > €25m, based on currently observed exchange rates
- BioFire's recurring operations
- Improvement in quality and production at Durham (~ \$30m)
- New platform launch and continued geographic expansion

# 2014: an investment year in a difficult currency context

- ▶ Capacity to deliver our 2014 objectives
  - ▼ Competitiveness with proven ability to resist in a trouble environment
  - ▼ Clear operational ambitions and enhanced organization
  - ▼ Cost-management action plan
  
- ▶ Solid fundamentals to execute our 2012-2015 roadmap
  - ▼ Clear strategy
  - ▼ Leadership in clinical and industrial microbiology
  - ▼ Innovation-focused vision
    - Rich pipeline of products under development and commercial launch
    - Stronger commercial offer in molecular diagnostics
  - ▼ Broad global presence with strengthened positions in North America
  - ▼ Structural cash generation



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