bioMérieux – First-Half 2018 Results

- **Strong sales dynamic, with sales up 10.4% over the first half at constant exchange rates and scope of consolidation:**
  - €1,169 million in sales
  - Up 3.1% as reported
- **Contributive operating income before non-recurring items up 7% to €185 million, or 15.8% of sales**
- **2018 financial targets revised:**
  - Organic growth in sales of around 9.5%, at constant exchange rates and scope of consolidation
  - Contributive operating income before non-recurring items of between €340 million and €350 million

Alexandre Mérieux, Chairman and Chief Executive Officer, said: *"bioMérieux performed well in the first half of the year, combining solid organic sales growth and a sharp increase in earnings. Given this momentum, we are now in a position to revise our full-year financial objectives upward while continuing our ambitious investments in innovation and in bioMérieux's future development, to best serve our clients, patients and our public health mission."*

PRESS RELEASE

Marcy l'Étoile (France), September 5, 2018 – The Board of Directors of bioMérieux, a world leader in the field of *in vitro* diagnostics, met on September 4 under the chairmanship of Alexandre Mérieux and approved the consolidated financial statements for the six months ended June 30, 2018. The statements had been reviewed by the Statutory Auditors.

Consolidated data In € millions	**First-half 2018**	First-half 2017	% change as reported
Sales	**1,169**	**1,134**	**+3.1%**
Contributive operating income before non-recurring items*	185	172	+7.1%
% sales	*15.8%*	*15.2%*	
Operating income**	176	163	+8.2%
Net income of consolidated companies	**134**	**101**	**+32.8%**
Earnings per share (in €)	€1.14	€0.86	

* Contributive operating income before non-recurring items corresponds to operating income before non-recurring BioFire acquisition and integration costs and before accounting entries relating to the company's purchase price allocation.

** Operating income is the sum of contributive operating income before non-recurring items, BioFire acquisition fees and purchase price amortization expense and "material, extraordinary and non-recurring items" recognized in "Other non-recurring income and expenses from operations, net".

FINANCIAL RESULTS

SALES

bioMérieux's consolidated sales amounted to €1,169 million for the first six months of 2018, versus €1,134 million for the same period one year earlier. Sales grew by 10.4% year-on-year at constant exchange rates and scope of consolidation. As expected, reported growth was once again impacted by a negative currency effect of around €83 million to stand at 3.1%.

Analysis of sales

In € millions

SALES – SIX MONTHS ENDED JUNE 30, 2017	1,134	
Currency effect	(83)	-7.4%
Changes in scope of consolidation[1]	0	0.0%
Organic growth (at constant exchange rates and scope of consolidation)	+118	+10.4%
SALES – SIX MONTHS ENDED JUNE 30, 2018	**1,169**	**+3.1%**

NB: Definitions of the currency effect and of changes in the scope of consolidation are provided at the end of this press release.
[1] Acquisition of Astute Medical Inc. on April 4, 2018.

An analysis of sales growth by region and by application is presented in Appendix 1.

CONSOLIDATED INCOME STATEMENT

- **Gross profit**

  Gross profit for the first six months of the year came to €634 million or 54.3% of sales, up from 53.3% in the prior-year period. Gross margin benefited from strong sales growth and an improvement in the product mix, with the BIOFIRE® FILMARRAY® product line making a growing contribution. It was also lifted by the €5.4 million reduction in depreciation charged against the installed base of placed instruments to more accurately reflect their service lives. These items more than offset the negative currency effect.

- **Contributive operating income before non-recurring items**

  Contributive operating income before non-recurring items stood at €185 million for the period, a year-on-year gain of 7.1%. It represented 15.8% of sales, versus 15.2% in first-half 2017, despite a negative €31 million currency effect and a €4 million loss recognized on the consolidation of Astute Medical Inc. following its acquisition in April 2018.

  - **Selling, general and administrative expenses** amounted to €306 million in first-half 2018, up 7.7% at constant exchange rates and scope of consolidation (up 2.1% as reported). This rise reflects investments in the BioFire sales teams and in the change of distribution model in Japan.
  - **R&D expenses** came to €156 million, or 13.4% of sales, an increase of 9.8% at constant exchange rates and scope of consolidation on the €149 million and 13.1% reported for first-half 2017. As announced, the increase reflected the ramp-up of research and development initiatives undertaken to boost the BIOFIRE® FILMARRAY® and microbiology lines.
  - **Other operating income** amounted to €12 million, down from €15 million in first-half 2017. As anticipated by the Company, net income from royalties declined in the period, primarily because certain patents licensed to third parties expired.

Operating income

BioFire acquisition expenses were virtually stable year-on-year at €9 million in the first six months of 2018, corresponding to depreciation/amortization charged against assets valued at the acquisition date. As a result, interim **operating income** came out at €176 million, up 8.2% from €163 million in first-half 2017. The Group's operating margin stood at 15.1%, versus 14.4% in the prior-year period.

Net income

Net financial expense amounted to €10 million for the period, compared with €13 million in first-half 2017. This decrease primarily reflects a reduction in the **cost of net debt** owing to foreign exchange gains and lower Group financing costs.

The Group's **effective tax rate** at June 30, 2018 stood at 19.1% versus 32.2% at the end of first-half 2017. This improvement reflects the positive impact of the U.S. tax reform implemented on January 1, 2018 and income of around €6 million related to a non-recurring contribution to the U.S. pension plan, which qualified for a tax deduction.

In all, **net income of consolidated companies** ended the period at €134 million, up a strong 33% on the €101 million recorded in first-half 2017.

CASH MANAGEMENT AND FINANCE

Free cash flow

EBITDA[1] amounted to €257 million for the first half of the year, up 6% compared with €242 million in first-half 2017, reflecting the strong growth in contributive operating income before non-recurring items.

Working capital requirement rose by €37 million, lifted by sustained growth in Group sales over the period, primarily as a result of the following factors:

- Inventories increased by €23 million in the first half against the backdrop of sales growth described above, reflecting a slight improvement in inventory turnover as BIOFIRE® FILMARRAY® product line inventories were rebuilt after the flu season.
- Trade receivables fell by €13 million as the payment collection period improved by four days compared with December 31, 2017.
- Trade payables declined by €5 million in first-half 2018, thanks to a slight dip in average settlement periods from end-2017.
- Other operating working capital requirement items rose by €22 million, notably due to a decrease in employee-related and tax-related liabilities.

Income tax paid amounted to €33 million, a sharp drop from the €56 million paid in the prior year, following the implementation of the U.S. tax reform, which lowered federal tax rates from 35% to 21%.

Capital expenditure outlays totaled €104 million, or 8.9% of sales, compared with €97 million and 8.5% in the prior-year period.

Lastly, first-half 2018 was marked by a one-off €56 million payment to the U.S. pension fund. Excluding this non-recurring event, **free cash flow**[2] for the period came in at €89 million, versus €39 million in first-half 2017.

[1] EBITDA corresponds to the aggregate of contributive operating income before non-recurring items, and operating depreciation and amortization.

[2] Free cash flow corresponds to cash generated from operations, net of cash used in investing activities.

- **Change in net debt**

  Purchases of non-current financial assets, net of disposals, amounted to €85 million, versus €4 million in the prior-year period, and mainly corresponded to the acquisition of Astute Medical Inc.

  In addition, a total of €40 million was paid out in **dividends** in June 2018, up slightly from the previous year.

  As a result, consolidated **net debt** came to €261 million at June 30, 2018, versus €156 million at December 31, 2017.

OTHER INFORMATION

- **Installed base**

  bioMérieux's installed base at June 30, 2018 stood at approximately 93,400 instruments, including 7,000 BIOFIRE FILMARRAY® units. The net increase of 600 units reflects the addition of 2,300 instruments and the withdrawal from the installed base reporting scope of 1,700 instruments, which correspond to lines that have been discontinued or are being taken off the market.

- **Human resources**

  At June 30, 2018, the Group had around 10,800 full-time-equivalent employees and temporary staff, including the workforce of Astute Medical Inc. acquired in April 2018, versus 10,400 at December 31, 2017.

2018 OBJECTIVES

In light of the robust organic growth reported in the first half, bioMérieux is now targeting organic sales growth for the full year of **around 9.5%**.

Given the good performance in the first half and the revised target for full-year organic sales growth, bioMérieux is now aiming to deliver full-year contributive operating income before non-recurring items of between **€340 million and €350 million** at current exchange rates. This new target takes into account the additional expense related to the acquisition of Astute Medical Inc. and the Group's ongoing efforts in sales and innovation as part of a long-term strategy, and is based on current exchange rates.

SIGNIFICANT EVENTS OF THE PERIOD

Commercial offer

Since the beginning of the year, bioMérieux has enhanced its commercial offer in several areas:

- In **microbiology**, the expanded VITEK® MS database received the CE mark. This innovative solution further improves the performance of the VITEK® MS system by adding 272 new species to its database, including 217 bacteria species and 55 fungal species, such as *Brucella*, *Candida auris* and *Elizabethkingia anophelis*. The VITEK® MS database now contains nearly 16,000 strains.
- In **immunoassay**, the VIKIA® anti-HCV screening test was launched. The test can detect the six major genotypes of the hepatitis C virus in just 10 minutes with a sample volume of just one drop of whole blood, serum or plasma. It has been approved for near-patient testing, including by healthcare professionals outside the laboratory environment.
- In **molecular biology**, the new BIOFIRE FILMARRAY® Pneumonia Panel was submitted to the FDA. The panel can identify 33 targets in several types of samples, such as bronchoalveolar lavage fluids and sputum (including endotracheal aspirate). The target list includes 18 bacteria, 8 viruses and 7 antibiotic resistance genes. For bacterial targets, 15 tests will provide information about the abundance of microorganisms in a given sample.
- In **industrial microbiological control**, the innovative ENDOZYME® II GO test was launched for the detection of endotoxins in pharmaceutical microbiology control. Based on recombinant horseshoe crab Factor C (rFC), this new assay enables endotoxin testing in pharmaceutical grade water, injectable drugs and other pharmaceutical products. It is the result of the combined expertise of bioMérieux in microbiology and Hyglos GmbH, acquired by bioMérieux in 2016 and specialized in endotoxin detection.

Business development

On April 4, 2018, bioMérieux announced the acquisition of Astute Medical Inc. for $90 million. Based in San Diego, United States, Astute Medical Inc. has notably developed the NEPHROCHECK® test, a CE-marked test cleared by the U.S. authorities for the early risk assessment of acute kidney injuries based on the level of two biomarkers, IGFBP-7 (Insulin-like Growth Factor-Binding Protein-7) and TIMP-2 (Tissue Inhibitor Metalloproteinases-2).

During the second quarter, the biomarkers in the NEPHROCHECK® test were included in guidelines issued by the ERAS® Cardiac Surgery Society and in consensus recommendations published by the Acute Dialysis Quality Initiative (ADQI), an international organization that brings together more than 150 members who specialize in the diagnosis and management of acute kidney injury (AKI) and other conditions that require dialysis.

SUBSEQUENT EVENTS

Acquisition of an interest in Hybiome, China

In July 2018, bioMérieux acquired a minority interest in Suzhou Hybiome Biomedical Engineering Co. Ltd. (HYBIOME), and could potentially increase in shares in the future. Based in Suzhou, China, Hybiome was founded in 2009, and develops, produces and markets a comprehensive range of automated immunoassay solutions (reagents, instruments, software, etc.) that have been cleared by the China Food and Drug Administration.

INVESTOR CALENDAR

Third-quarter 2018 sales	October 18, 2018
Fourth-quarter 2018 sales and 2018 financial results	February 27, 2019
First-quarter 2019 sales	April 24, 2019
Second-quarter 2019 sales and first-half 2019 results	September 4, 2019
Third-quarter 2019 sales	October 22, 2019

Notes and definitions

The above forward-looking statements are based, entirely or partially, on assessments or judgments that may change or be modified, due to uncertainties and risks related to the Company's economic, financial, regulatory and competitive environment, notably those described in the 2017 Registration Document. Accordingly, the Company cannot give any assurance nor make any representation as to whether the objectives will be met. The Company does not undertake to update or otherwise revise any forecasts or objectives presented herein, except in compliance with the disclosure obligations applicable to companies whose shares are listed on a stock exchange.

Currency effect: this is established by converting actual numbers at the average rates of year y-1. In practice, those rates are either average rates communicated by the ECB, or hedged rates if hedging instruments have been set up.

Changes in scope of consolidation: these are determined:

- for acquisitions in the period, by deducting from sales for the period the amount of sales generated during the period by acquired entities as from the date they entered the consolidated reporting scope;
- for acquisitions in the previous period, by deducting from sales for the period the amount of sales generated in the months in the previous period during which the acquired entities were not consolidated;
- for disposals in the period, by adding to sales for the period the amount of sales generated by entities sold during the previous period in the months of the current period during which these entities were no longer consolidated;
- for disposals in the previous period, by adding to sales for the period the amount of sales generated during the previous period by the entities sold.

ABOUT BIOMÉRIEUX

Pioneering Diagnostics

A world leader in the field of *in vitro* diagnostics for over 50 years, bioMérieux is present in more than 150 countries through 43 subsidiaries and a large network of distributors. In 2017, revenues reached €2.3 billion, with over 90% of sales outside of France.

bioMérieux provides diagnostic solutions (systems, reagents, software) which determine the source of disease and contamination to improve patient health and ensure consumer safety. Its products are mainly used for diagnosing infectious diseases. They are also used for detecting microorganisms in agri-food, pharmaceutical and cosmetic products.

BIM LISTED EURONEXT

bioMérieux is listed on the Euronext Paris stock market.
Symbol: BIM – ISIN Code: FR0013280286
Reuters: BIOX.PA/Bloomberg: BIM.FP

Corporate website: www.biomerieux.com. Investor website: www.biomerieux-finance.com

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APPENDIX 1: SALES BY REGION AND APPLICATION

Sales by Region In € millions	**Six months ended June 30, 2018**	Six months ended June 30, 2017	% change as reported	**% change life-for-like**
Europe[1]	**449.4**	435.0	+3.3%	**+4.8%**
Americas	**517.6**	514.5	+0.6%	**+12.9%**
North America	**451.7**	439.2	+2.9%	**+14.9%**
Latin America	**65.8**	75.3	-12.6%	**+1.5%**
Asia Pacific	**202.3**	184.8	+9.5%	**+16.6%**
TOTAL CONSOLIDATED SALES	**1,169.2**	1,134.3	+3.1%	**+10.4%**

(1) Including the Middle East and Africa.

Sales by Application In € millions	**Six months ended June 30, 2018**	Six months ended June 30, 2017	% change as reported	**% change like-for-like**
Clinical Applications	**960.6**	931.6	+3.1%	**+10.6%**
Microbiology	**459.2**	464.0	-1.0%	**+5.3%**
Immunoassays	**221.8**	232.6	-4.6%	**+0.8%**
Molecular biology	**263.3**	218.0	+20.8%	**+33.0%**
Other lines[1]	**16.3**	17.0	-4.0%	**+3.0%**
Industrial Applications[2]	**208.6**	202.7	+2.9%	**+9.3%**
TOTAL CONSOLIDATED SALES	**1,169.2**	1,134.3	+3.1%	**+10.4%**

(1) Including Applied Maths, BioFire Defense, and R&D-related revenue arising on clinical applications.
(2) Including R&D-related revenue arising on industrial applications.

APPENDIX 2: SUMMARY CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2018

CONSOLIDATED INCOME STATEMENT

In € millions	06/30/2018	06/30/2017
NET SALES	**1,169.2**	**1,134.3**
Cost of sales	-534.9	-529.3
GROSS PROFIT	**634.3**	**605.0**
OTHER OPERATING INCOME	**12.0**	**15.1**
Selling and marketing expenses	-226.5	-220.9
General and administrative expenses	-79.1	-78.3
Research and development expenses	-156.2	-148.5
TOTAL OPERATING EXPENSES	**-461.7**	**-447.7**
CONTRIBUTIVE OPERATING INCOME	**184.6**	**172.4**
BioFire acquisition's fees and depreciation costs (a)	-8.5	-9.5
OPERATING INCOME BEFORE NON-RECURRING ITEMS	**176.0**	**162.9**
Other non-recurring income (expenses)	0.1	0.0
OPERATING INCOME	**176.2**	**162.8**
Cost of net financial debt	-8.1	-11.3
Other financial items	-2.0	-2.2
Income tax	-31.7	-48.1
Investments in associates	0.0	-0.1
NET INCOME OF CONSOLIDATED COMPANIES	**134.3**	**101.2**
Attributable to the minority interests	-0.1	0.1
ATTRIBUTABLE TO THE PARENT COMPANY	**134.4**	**101.1**
Basic net income per share (b)	1.14 €	2.57 €
Diluted net income per share (b)	1.14 €	2.57 €

(a) Corresponds to non-recurring BioFire acquisition and integration costs and accounting entries relating to the company's purchase price allocation.

(b) Based on the number of shares at the period-end (before stock split for the period ending 06/30/2017, after stock split by 3 for the period ending 06/30/2018).

CONSOLIDATED BALANCE SHEET

ASSETS

in € millions	06/30/2018	06/30/2017
Intangible assets	458.1	454.8
Goodwill	476.1	454.8
Property, plant and equipment	743.8	712.3
Financial assets	59.1	46.6
Investments in associates	0.0	0.3
Other non-current assets	15.2	16.7
Deferred tax assets	65.0	79.5
NON-CURRENT ASSETS	**1,817.3**	**1,765.2**
Inventories and work in progress	408.7	404.4
Accounts receivable	446.1	435.4
Other operating receivables	98.0	100.5
Tax receivable	32.8	12.1
Non-operating receivables	10.0	23.3
Cash and cash equivalents	194.3	182.2
CURRENT ASSETS	**1,189.8**	**1,158.0**
ASSETS HELD FOR SALE	**0.5**	**0.0**
TOTAL ASSETS	**3,007.6**	**2,923.1**

LIABILITIES AND SHAREHOLDERS' EQUITY

in € millions	06/30/2018	06/30/2017
Share capital	12.0	12.0
Additional paid-in capital & Reserves	1,692.2	1,524.5
Net income for the year	134.4	101.1
SHAREHOLDERS' EQUITY	**1,838.6**	**1,637.6**
MINORITY INTERESTS	**0.0**	**2.1**
TOTAL EQUITY	**1,838.6**	**1,639.7**
Net financial debt - long-term	398.6	376.8
Deferred tax liabilities	117.4	153.5
Provisions	53.7	116.2
NON-CURRENT LIABILITIES	**569.7**	**646.5**
Net financial debt - short-term	56.8	85.7
Provisions	35.6	33.4
Accounts payable	156.7	152.3
Other operating liabilities	289.7	296.3
Tax liabilities	22.6	17.8
Non-operating liabilities	38.0	51.4
CURRENT LIABILITIES	**599.3**	**636.9**
LIABILITIES RELATED TO ASSETS HELD FOR SALE	**0.0**	**0.0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,007.6**	**2,923.1**

CONSOLIDATED CASH FLOW STATEMENT

in € millions	06/30/2018	06/30/2017
Net income of consolidated companies	**134.3**	**101.2**
- Investments in associates	0.0	0.1
- Cost of net financial debt	8.2	11.3
- Other financial items	2.0	2.2
- Current income tax expense	31.7	48.1
- Operating depreciation and provisions on assets	72.8	70.1
- Non-recurring items and BioFire acquisition's fees and depreciation costs	8.4	9.5
EBITDA (before non-recurring items)	**257.4**	**242.5**
Other non current operating gains/losses (w/o exceptional depreciations, assets losses and capital gains/losses)	0.1	0.0
Other financial items (w/o accruals & disposal of financial assets)	-2.0	-2.0
Operating provisions for risks and contingencies	-44.0	1.3
Change in fair value of financial instruments	-0.7	0.0
Share-based payments	2.8	3.2
Elimination of other gains and losses without any impact on cash or operations	**-43.8**	**2.5**
Change in inventories	-22.5	-18.5
Change in accounts receivable	12.8	14.0
Change in accounts payable	-5.4	-18.6
Change in other operating working capital	-21.8	-34.0
Change in operating working capital	**-36.9**	**-57.1**
Other non operating working capital	0.2	12.1
Change in non-current assets	-0.8	1.5
Other cashflows from operation	**-37.5**	**-43.5**
Income tax paid	**-33.0**	**-56.1**
Net cash flow from operations	**143.1**	**145.4**
Purchase of property, plant and equipment	-104.2	-96.9
Proceeds on fixed asset disposals	2.1	3.5
Purchase of financial assets / Disposals of financial assets	0.1	-8.1
Impact of changes in the scope of consolidation	-85.2	3.7
Net cash flow from (used in) investment activities	**-187.2**	**-97.8**
Purchases and proceeds of treasury stocks	-0.3	-1.1
Dividends to shareholders	-40.2	-39.4
Cost of net financial debt	-8.2	-11.3
Change in confirmed financial debt	30.3	18.9
Net cash flow from (used in) financing activities	**-18.5**	**-33.0**
Net change in cash and cash equivalents	**-62.6**	**14.6**
Net cash and cash equivalents at the beginning of the year	**260.4**	**146.7**
Impact of currency changes on net cash and cash equivalents	-11.2	-4.3
Net cash and cash equivalents at the end of the year	**186.6**	**157.0**