

Oddo BHF Forum

9 & 10 January 2020

Development of business in the third quarter

(variation at current exchange rates)

	1 st quarter			2 nd quarter			3 rd quarter		
	2018	2019	Var. 19/18	2018	2019	Var. 19/18	2018	2019	Var. 19/18
<i>In thousands of euros</i>									
France	91,982	83,440	-9.3%	77,199	67,917	-12.0%	94,227	81,107	-13.9%
Europe (excluding France)	32,899	31,779	-3.4%	24,795	23,551	-5.0%	37,970	36,288	-4.4%
North America	29,617	23,580	-20.4%	14,958	17,081	+14.2%	18,685	20,342	+8.9%
Other countries	4,895	4,516	-7.7%	4,185	4,854	+16.0%	4,962	5,336	+7.5%
Group total	159,393	143,315	-10.1%	121,137	113,403	-6.4%	155,844	143,073	-8.2%

	1 st quarter			2 nd quarter			3 rd quarter		
	2018	2019	Var. 19/18	2018	2019	Var. 19/18	2018	2019	Var. 19/18
<i>In thousands of euros</i>									
Non-proprietary Homeopathic medicines	76,575	69,067	-9.8%	69,997	64,147	-8.4%	66,493	60,972	-8.3%
OTC Specialties	82,506	73,845	-10.5%	50,791	48,871	-3.8%	89,097	81,777	-8.2%
Other	312	403	+29.2%	349	385	+10.3%	254	324	+27.6%
Group total	159,393	143,315	-10.1%	121,137	113,403	-6.4%	155,844	143,073	-8.2%

The group's third-quarter sales were down 8.2%, mainly in France where sales dropped 13.9%. The situation in Europe shows sharp contrasts, with sales increasing in Italy and decreasing in Spain. In North America, the United States posted a significant increase in sales.

Cumulative activity as of the end of september 2019

	2018	2019	Variation at current exchange rates	Variation at constant exchange rates
<i>In thousands of euros</i>				
France	263,408	232,464	-11.7%	-11.7%
Europe (excluding France)	95,664	91,618	-4.2%	-4.2%
North America	63,260	61,003	-3.6%	-8.9%
Other countries	14,042	14,706	+4.7%	+5.1%
Group total	436,374	399,791	-8.4%	-9.1%

	2018	2019	Variation at current exchange rates	Variation at constant exchange rates
<i>In thousands of euros</i>				
Non-proprietary Homeopathic medicines	213,065	194,186	-8.9%	-9.2%
OTC Specialties	222,394	204,493	-8.0%	-9.2%
Other	915	1,112	+21.5%	+21.5%
Group total	436,374	399,791	-8.4%	-9.1%

At the end September, group sales were down 8.4%, hard hit by the 11.7% drop in sales of Non-proprietary Homeopathic medicines and Specialties in France, where homeopathy is under attack.

In Europe, the decrease in sales in Spain, Belgium, and Poland was partially offset by increased sales in Italy and Bulgaria.

In North America, sales were up in the second and third quarters but cumulative turnover is still down due to the drop in first quarter sales.

News of third-quarter of 2019

- An initial report on homeopathy, drafted in 2012 by Australia's main public research institute, the National Health and Medical Research Council, but buried until recently, established that there is "encouraging evidence for the effectiveness of homeopathy" for several pathologies: middle ear infections, upper respiratory infections in adults, and certain side-effects of cancer treatment.

This information, which was released in late August 2019, is particularly important because it was covered up in the report published in 2015. In many countries, including France during the evaluation of homeopathic medicines, this abbreviated report has been widely used to discredit homeopathy and homeopathic medicines.

- Following the publication of two decrees on changes to French national insurance coverage of homeopathic medicines on August 31, please note that they will remain eligible for reimbursement until January 1, 2021.

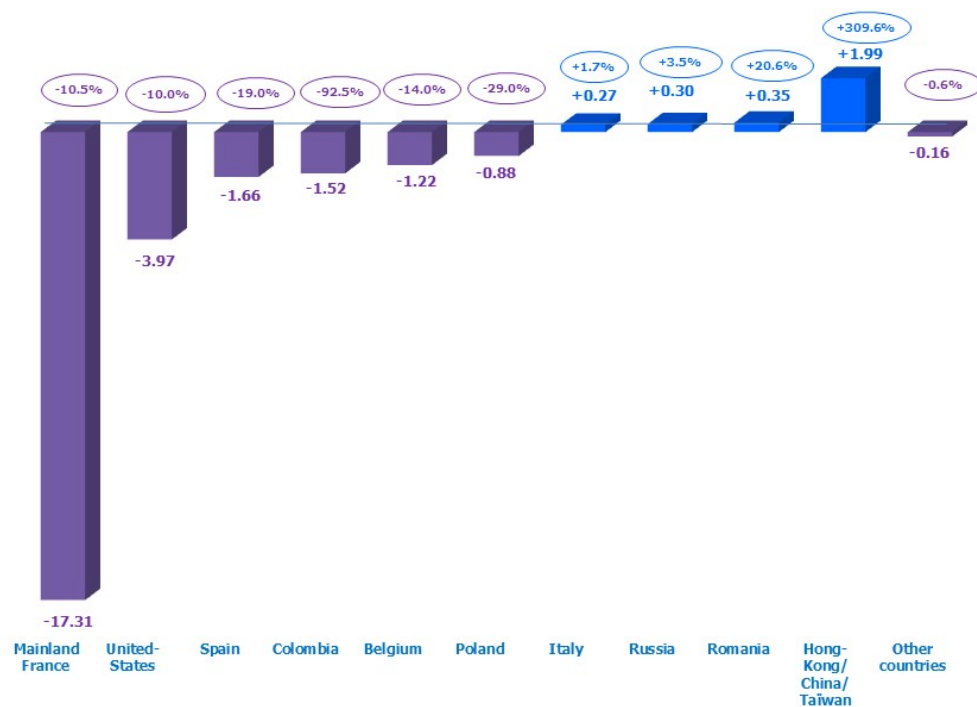
Alongside LEHNING Laboratories, we have also filed an appeal with the Council of State to have these decrees canceled.

Consolidated financial statements

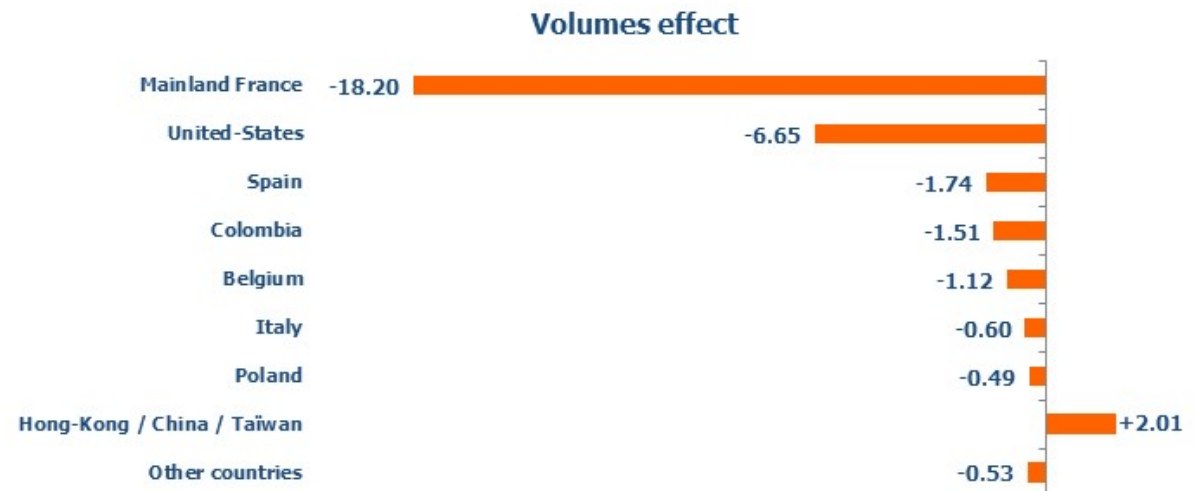
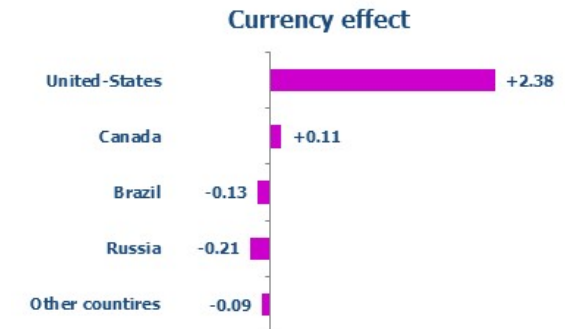
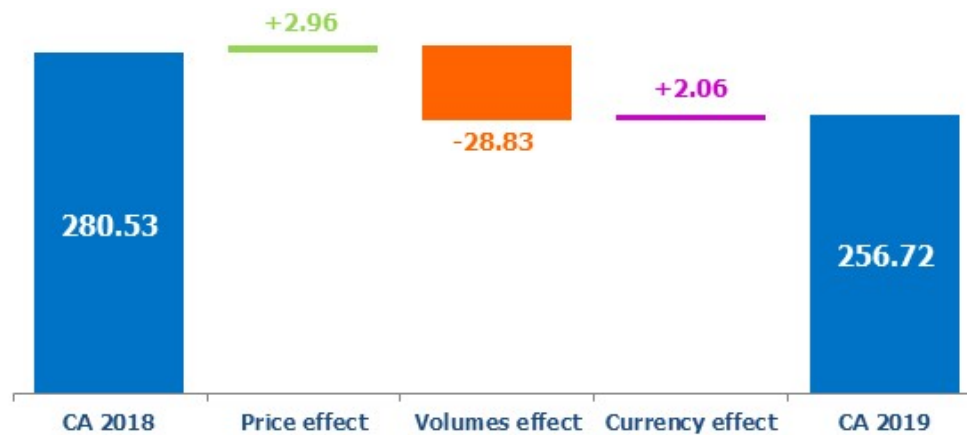
June 30, 2019

Sales by geographical area

	2019	2018	Var. at current exchange rate 2019/2018	Var. at constant exchange rate 2019/2018
France	151.36	169.18	-10.5%	-10.5%
Europe (excluding France)	55.33	57.69	-4.1%	-3.6%
North America	40.66	44.58	-8.8%	-14.4%
Other countries	9.37	9.08	+3.2%	+4.7%
Group total	256.72	280.53	-8.5%	-9.2%

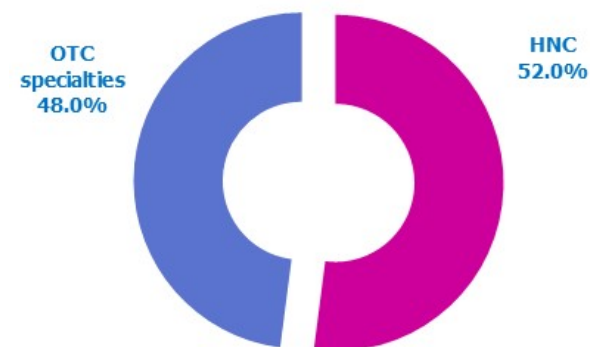


Sales: -€23.81 million



Non-proprietary homeopathic medicines / OTC specialties

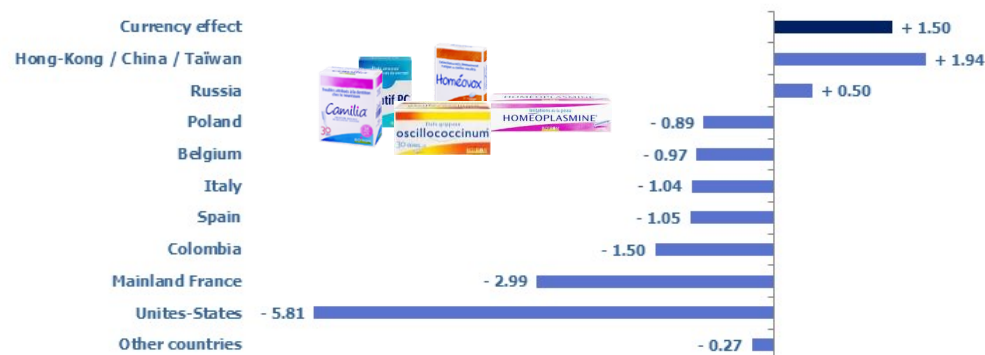
	2019	2018	Variation in M€	Variation in %
Non-proprietary homeopathic medicines	133.21	146.57	- 13.36	-9.1%
OTC specialties	122.72	133.30	- 10.58	-7.9%
Other	0.79	0.66	+ 0.13	+19.4%
TOTAL	256.72	280.53	- 23.81	-8.5%



Non-proprietary homeopathic medicines main variations by country



OTC specialties main variations by country



Products main trends

Main products increase



United-States and Mainland France



Russia and United-States



Mainland France



Mainland France

Main products decrease



Mainland France, United-States and Spain



Italy



United-States, Colombia and Mainland France



Mainland France



Italy and Mainland France



Hong-Kong, China, Taiwan and United-States

Main product launches



Roll-on format in
France



Camilia® in 30 single-doses, Arnigel® 45 grams and
Euphrasia® in 10 single-doses in Italy

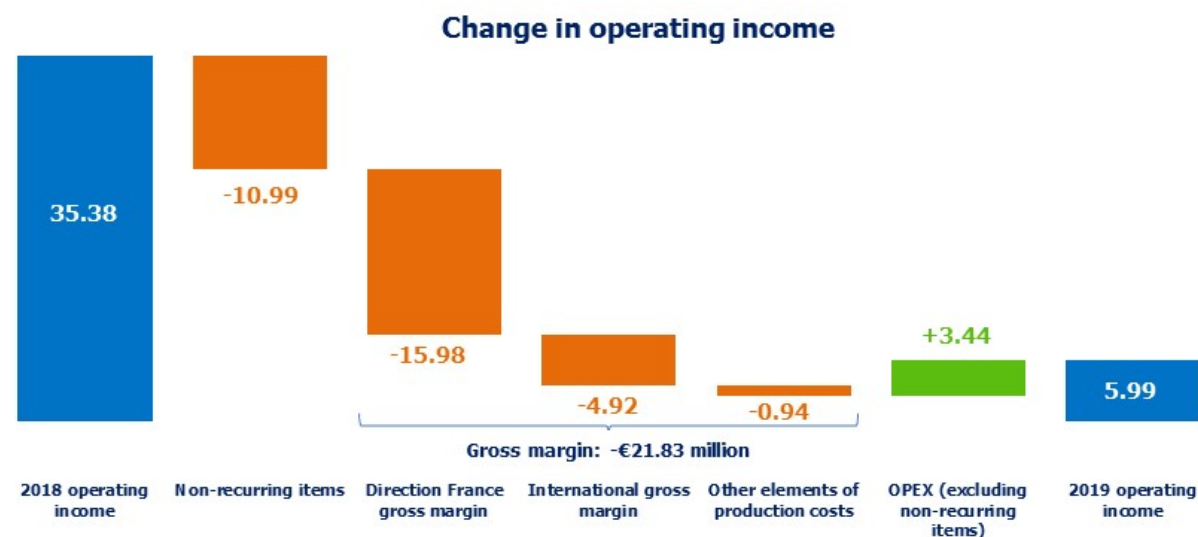


In Poland

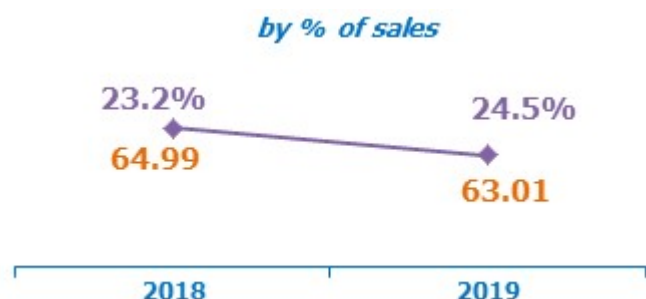
Group operating income

	2019	2018	Variation 2019 / 2018	
Sales	256.72	280.53	-23.81	-8.5%
Industrial production costs	-63.01	-64.99	+1.98	-3.0%
Gross margin	193.71	215.54	-21.83	-10.1%
Preparation and distribution costs	-61.84	-64.88	+3.04	-4.7%
Promotion costs	-78.70	-76.84	-1.86	+2.4%
Research costs	-1.50	-1.83	+0.33	-18.0%
Regulatory affairs costs	-5.32	-5.27	-0.05	+0.9%
Support function costs	-36.11	-39.89	+3.78	-9.5%
Other	-4.25	8.55	-12.80	
Operating income	5.99	35.38	-29.39	-83.1%
<i>% of sales</i>	<i>2.3%</i>	<i>12.6%</i>		

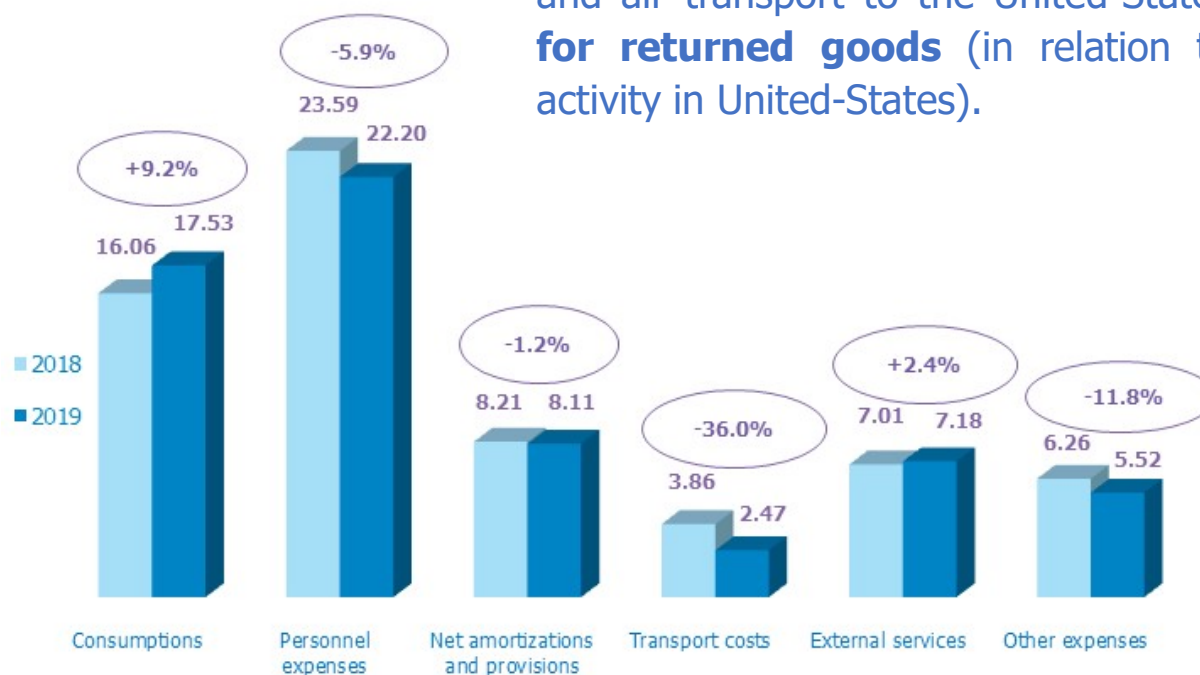
IFRS 16 standard on leases has been applied as of January 1, 2019: its impact on the 2019 income is not material. 2018 data have not been restated.



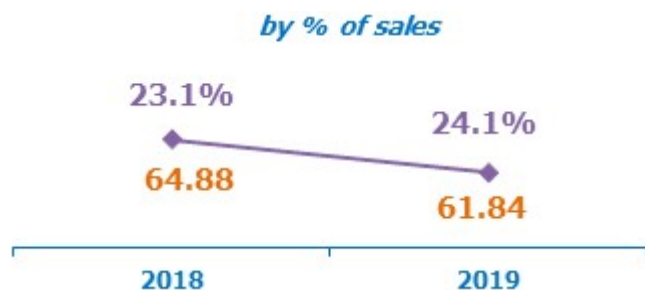
Industrial production costs: -3.0%



- **Evolution in consumptions** in relation to the products mix,
- Decrease in **personnel expenses** in France: decrease in social security contributions due to the removal of the French "CICE" and provisions for profit sharing,
- Decrease in **transport costs** (lower volumes shipped and air transport to the United-States) and **provisions for returned goods** (in relation to the decrease of activity in United-States).

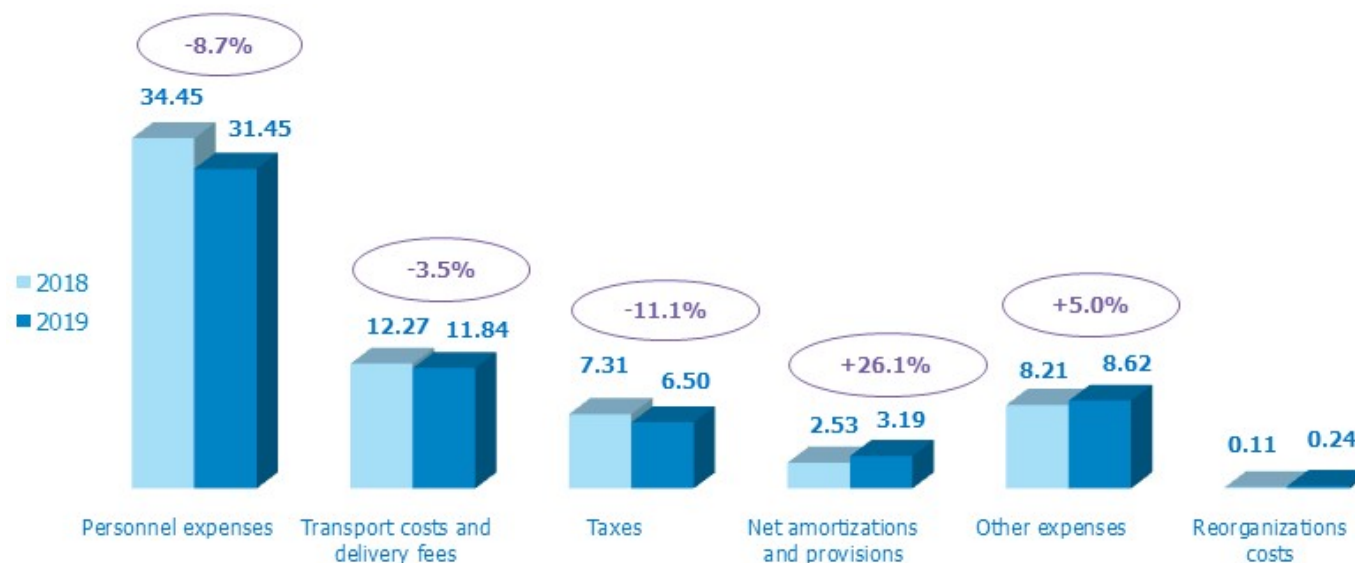


Preparation and distribution costs: -4.7%

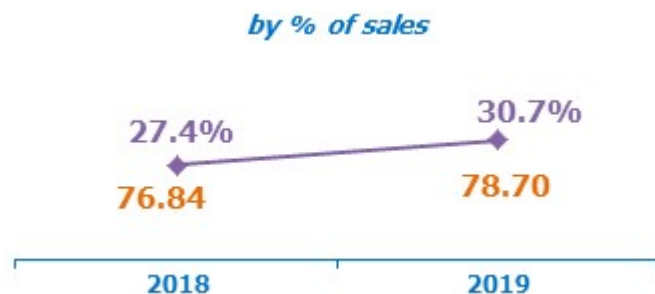


- In France:

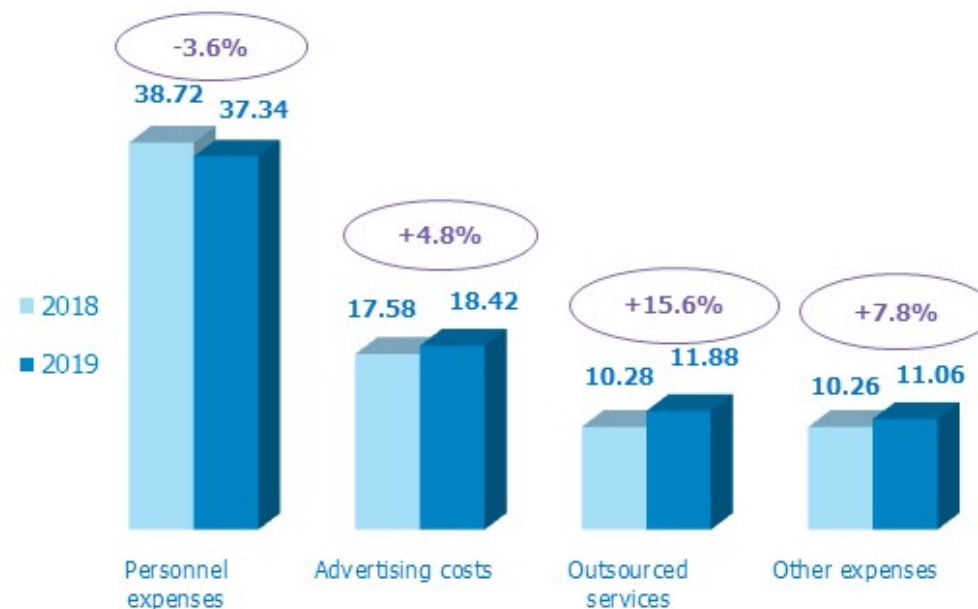
- **Decrease in personnel expenses:** retirement not replaced and decrease in social security contributions and provisions for profit sharing,
- **Decrease in taxes** based on sales.
- **Gradual commissioning of the logistic center in les Olmes:** increase in amortizations and in other expenses.



Promotion costs: +2.4%



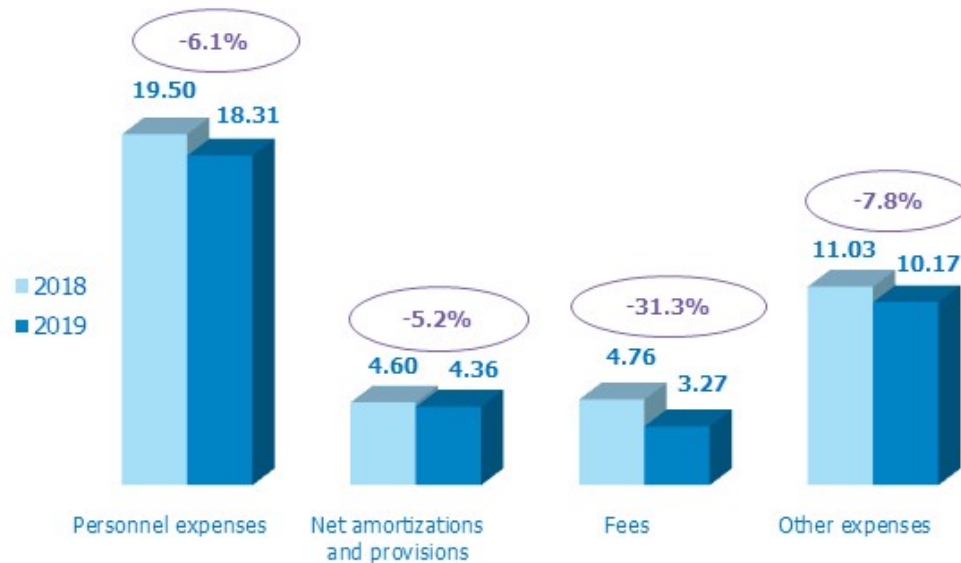
- Decrease in **personnel expenses** in **France**, in **Spain** and in **Italy** (decrease in staff),
- Increase in **advertising costs** in **France** and in the **United-States**,
- **MonHoméoMonChoix** mobilization campaign.



Support function costs: -9.5%



- Decrease in **personnel expenses** in **France** (decrease in social security contributions and evolution of the General Management).
- Savings on **legal fees** related to basis of comparison in 2018 in **France, Belgium** and **United-States**.



Other operating revenue and expenses

	2019	2018	Variation
Other operating revenue and expenses	-4.25	8.55	-12.80
Capital-gain on the sale of Levallois-Perret site		6.21	-6.21
Depreciations and provisions in Belgium (UNDA)	-4.79		-4.79
Tax credit for competitiveness and employment (CICE)		1.55	-1.55
Other tax credits (included tax credits research)	0.60	0.62	-0.02
Foreign exchange rate	0.04	0.10	-0.06
Other	-0.10	0.07	-0.17

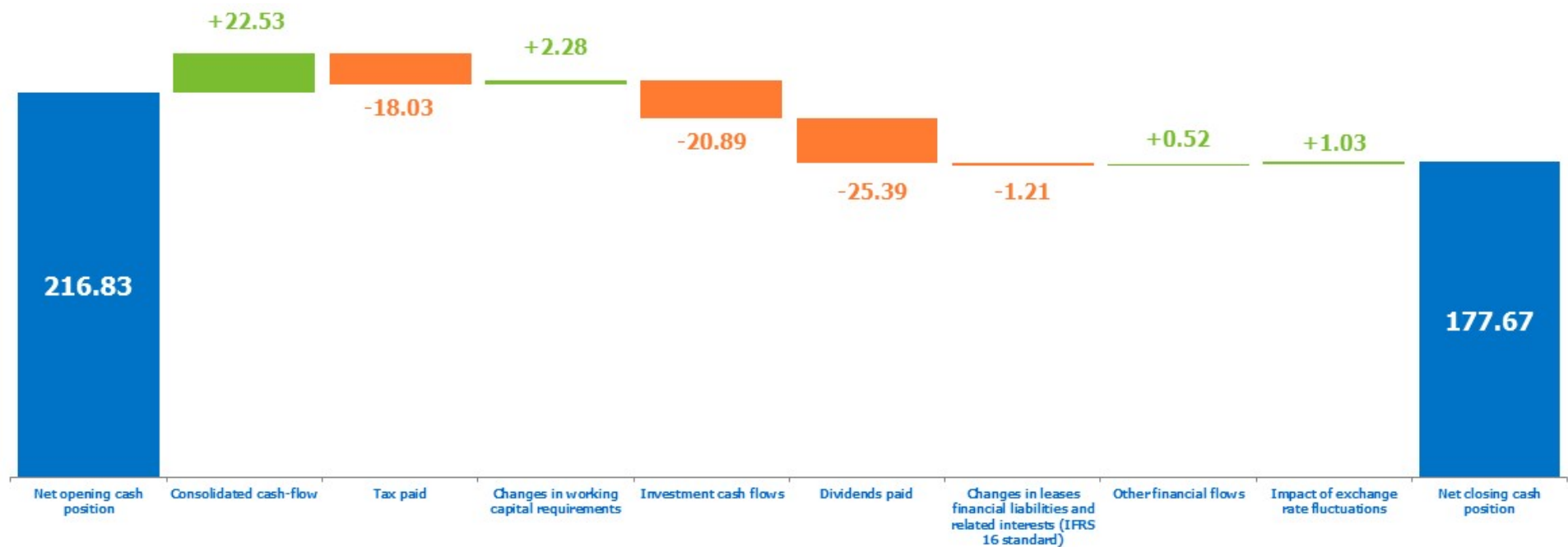
- **Revenue recognized in 2018 :**
 - Capital-gain on the sale of Levallois-Perret site (€6.21 million),
 - Tax credit competitiveness and employment (€1.55 million): deleted in 2019 (but offset by a decrease in social security contributions, recognized in all operating activities).
- **Expenses recognized in 2019:** assets impairments and provisions on UNDA, in Belgium (€4.79 million). In financial difficulty since ceasing sales to its Italian distributor, UNDA has signed, on July 16, 2019 an agreement for the transfer of its business and a preliminary agreement for the sale of its real property. Almost all of the jobs were preserved.

Net income

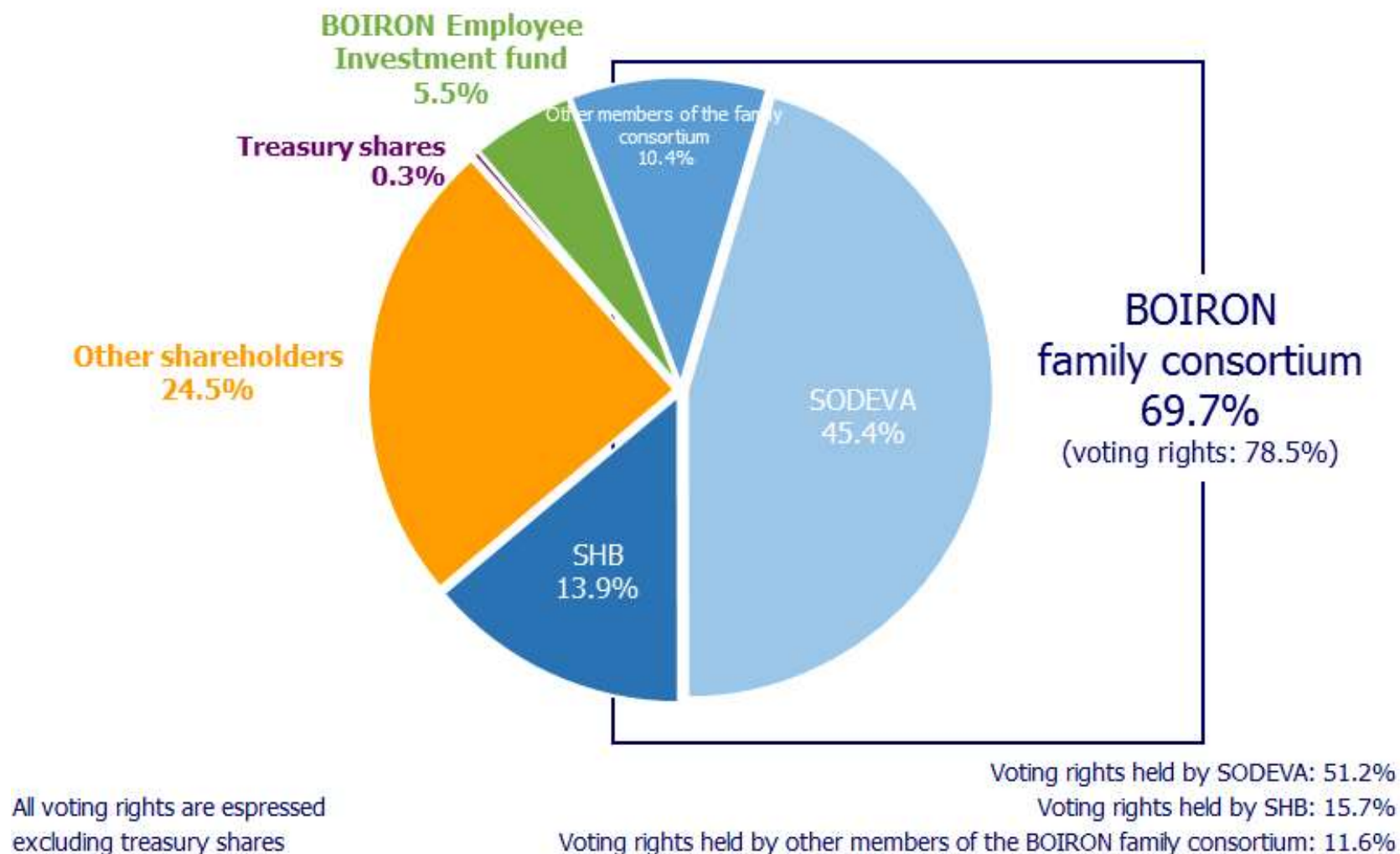
	2019	2018	Variation
Operating income	5.99	35.38	-29.39
<i>% of sales</i>	<i>2.3%</i>	<i>12.6%</i>	
Financing expenses and cash revenue	0.29	0.20	+0.09
Other financial revenue and expenses	-1.68	-1.26	-0.42
Corporate income tax	-5.03	-12.72	+7.69
Minority interests	0.04	0.01	+0.03
Net income - group share	-0.39	21.61	-22.00
<i>% of sales</i>	<i>-0.2%</i>	<i>7.7%</i>	

The **income tax charge** for the first 2019 half-year (€5.03 million) is higher than the income before tax, in view of the losses recorded on the subsidiaries, which do not generate any tax savings. Therefore, the **net income** is negative (-€0.39 million).

Cash flows



Capital allocation at June 30, 2019

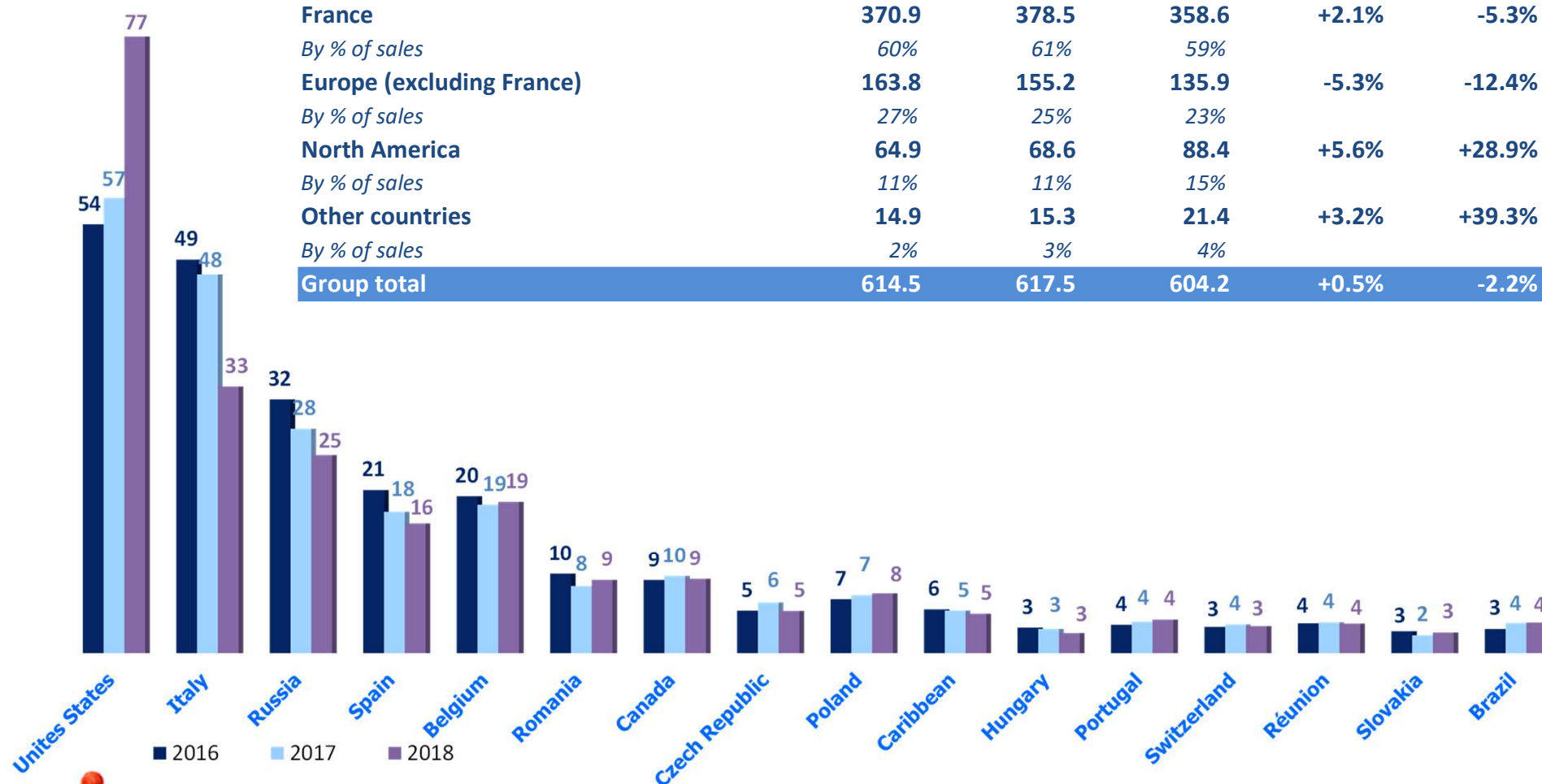




Multi-year data

Sales by countries

	2016	2017	2018	Change 2016/2017	Change 2017/2018
France	370.9	378.5	358.6	+2.1%	-5.3%
<i>By % of sales</i>	<i>60%</i>	<i>61%</i>	<i>59%</i>		
Europe (excluding France)	163.8	155.2	135.9	-5.3%	-12.4%
<i>By % of sales</i>	<i>27%</i>	<i>25%</i>	<i>23%</i>		
North America	64.9	68.6	88.4	+5.6%	+28.9%
<i>By % of sales</i>	<i>11%</i>	<i>11%</i>	<i>15%</i>		
Other countries	14.9	15.3	21.4	+3.2%	+39.3%
<i>By % of sales</i>	<i>2%</i>	<i>3%</i>	<i>4%</i>		
Group total	614.5	617.5	604.2	+0.5%	-2.2%



Operating income by activity

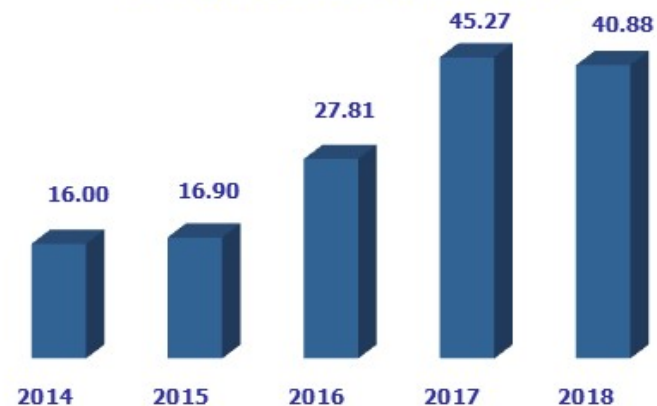
	2016	2017	2018	Change 2016/2017	Change 2017/2018
Sales	614.5	617.5	604.2	+0.5%	-2.2%
Industrial production costs	-125.2	-128.2	-134.7	+2.4%	+5.1%
<i>By % of sales</i>	<i>20%</i>	<i>21%</i>	<i>22%</i>		
Distribution and preparation costs	-133.9	-130.5	-128.5	-2.6%	-1.5%
<i>By % of sales</i>	<i>22%</i>	<i>21%</i>	<i>21%</i>		
Marketing costs	-141.0	-149.9	-155.6	+6.4%	+3.8%
<i>By % of sales</i>	<i>23%</i>	<i>24%</i>	<i>26%</i>		
Research costs	-4.0	-3.6	-3.8	-9.3%	+6.7%
<i>By % of sales</i>	<i>1%</i>	<i>1%</i>	<i>1%</i>		
Regulatory affairs costs	-7.5	-9.8	-11.2	+30.6%	+14.7%
<i>By % of sales</i>	<i>1%</i>	<i>2%</i>	<i>2%</i>		
Support function costs	-78.6	-78.0	-76.8	-0.8%	-1.6%
<i>By % of sales</i>	<i>13%</i>	<i>13%</i>	<i>13%</i>		
Other	5.3	7.4	12.4		
<i>By % of sales</i>	<i>1%</i>	<i>1%</i>	<i>2%</i>		
Operating income	129.7	125.0	106.0	-3.6%	-15.2%
<i>By % of sales</i>	<i>21%</i>	<i>20%</i>	<i>18%</i>		

Investments

Net investments



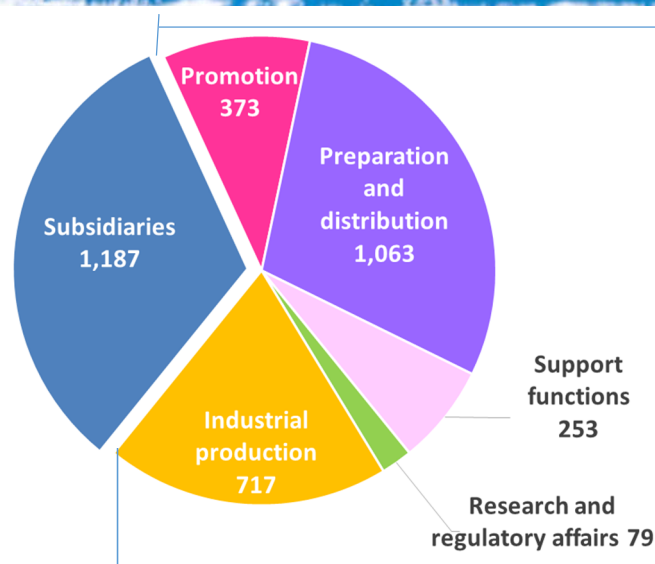
Tangible investments



Intangible investments

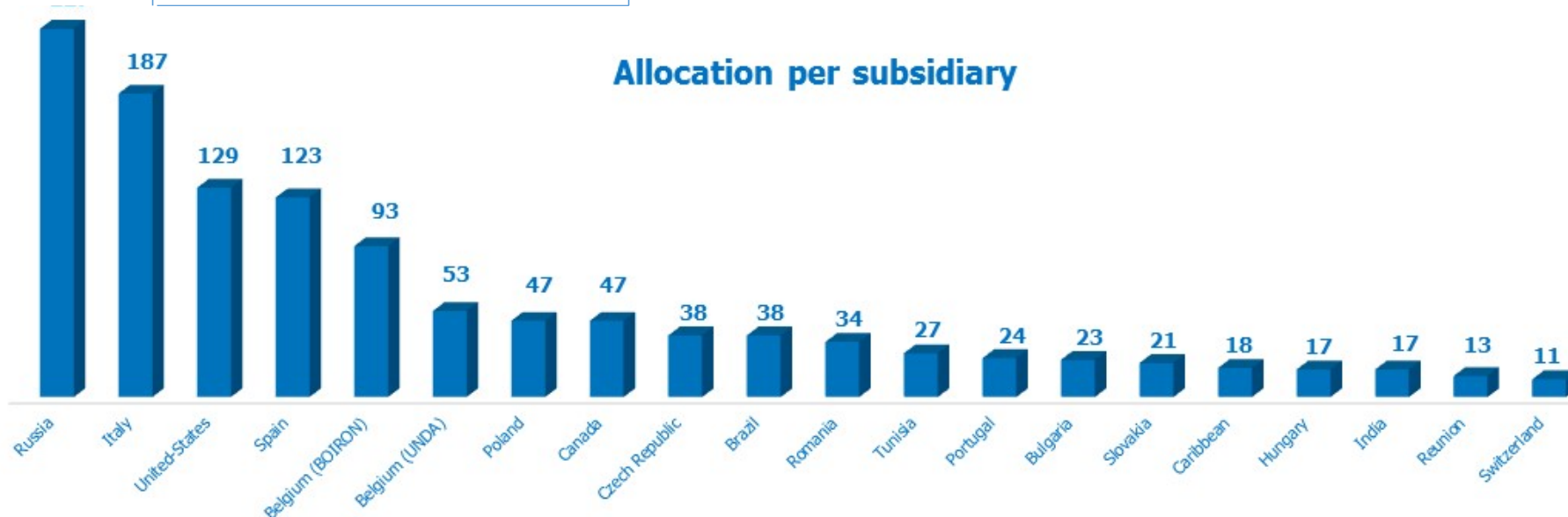


Actual workforce: 3,672 people



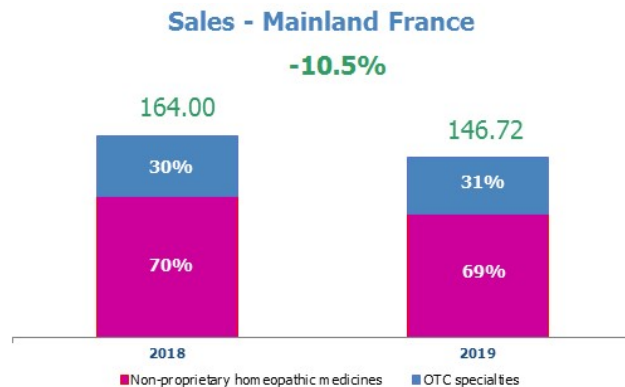
Boiron parent company
2,485

Allocation per activity	2018	2,017
Industrial production	762	753
Preparation and distribution	1,252	1,298
Promotion	1,116	1,125
Research	13	12
Regulatory affairs	94	92
Support functions	435	438
GROUP TOTAL	3,672	3,718



Review of the group's main subsidiaries

BOIRON parent company – Mainland France



In **Mainland France**, unwarranted and discriminatory attacks against homeopathy:

- Decrease in **non-proprietary homeopathic medicines** (-€14.38 million).
- Launch of **Arnigel® in roll-on format** (+€0.99 million).
- Decrease in OTC specialties (-€2.99 million), mainly **Oscilloccinum®**, **Sédatif PC®** and **Calendula cream**.
- Decrease in **production costs** due to the decrease of activity and personnel expenses.
- Decline of **preparation and distribution costs** (€3.65 million) due to the decrease in workforce which was mitigated by the commissioning of the logistics platform in Les Olmes.
- Increase in **promotion costs** (€1.05 million) with the costs of the MonHoméoMonChoix mobilization campaign and an increase in advertising expenses.
- Savings on **support function fees** (€0.65 million) especially legal fees.
- Unfavorable basis of comparison related to the Levallois-Perret site sale (€6.21 million) in 2018.

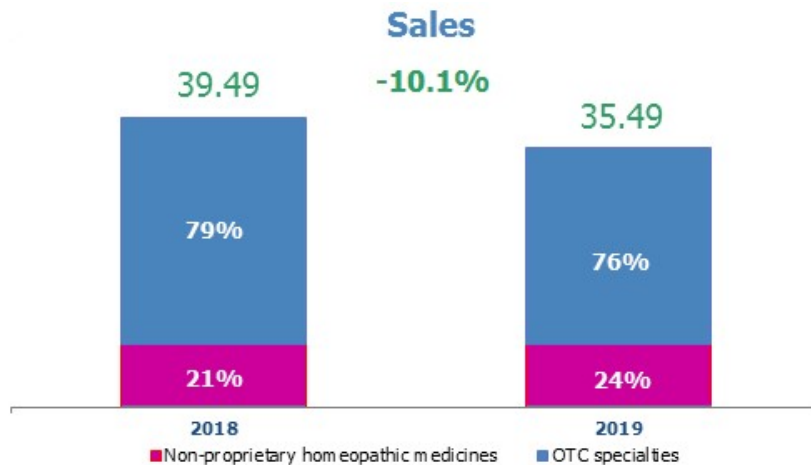
BOIRON parent company - Export



Export:

- Sales development on **Hong-Kong, China and Taiwan** (+€1.99 million) on **Calendula cream, Homéoplasmine®** and **Cicaderma®**,
- Mitigated by the decrease in sales in **Colombia** (-€1.52 million on **Oscillococcinum®**).

United-States

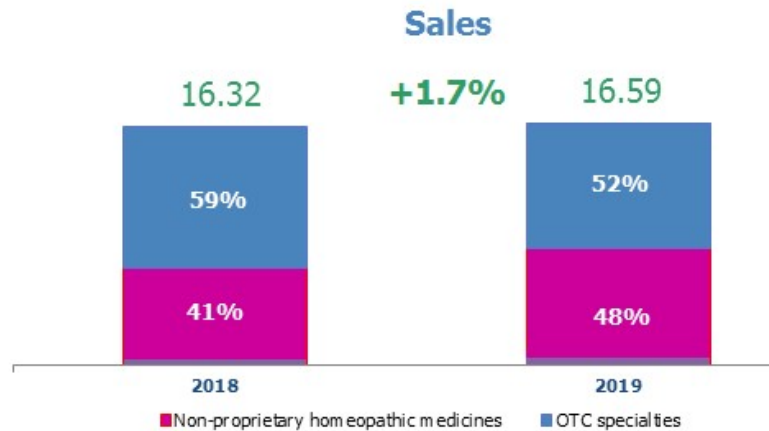


- Decrease in activity by 10.1%: unfavorable basis of comparison related to the exceptional activity in 2018 (as a reminder €27,7 million realized in the first half-year 2017).
- Decrease particularly observed on **Oscillococcinum®** (-€7.35 million).
- Increase in **arnica gels and creams** (+€2.21 million).
- Exchange rate positive impact of dollar (+€2.38 million). At constant exchange rate, decrease in activity by 16.0%.



- Increase in **distribution costs** (€0.60 million) in storage costs and distribution outsourcing.
- Increase in **promotion costs** (€1.77 million) especially in advertising costs (€1.22 million) and personnel expenses (€0.34 million).
- Savings on **legal fees** (€0.31 million).

Italy

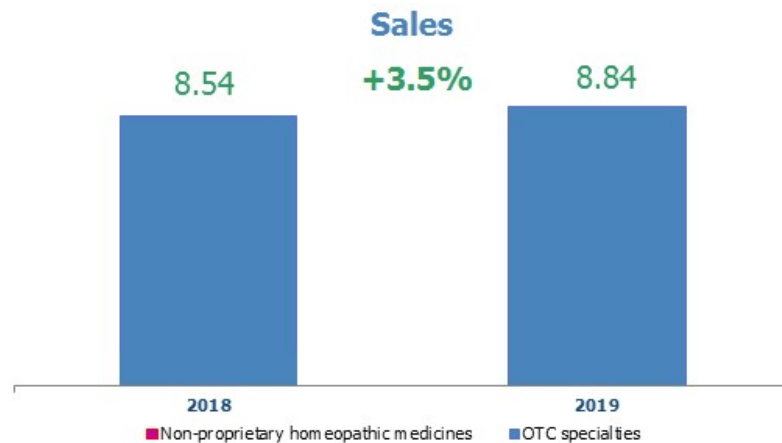


- Increase in **non-proprietary homeopathic medicines** (+€1.31 million).
- Decrease in **Calendula cream** (-€1.41 million).
- Launches of **Camilia®** 30 unidoses, **Arnigel®** 45 grams and **Euphrasia®** 10 unidoses.



- Savings on **personnel costs** (€0.44 million) especially in **promotion**.
- Stability of other operating expenses.

Russia

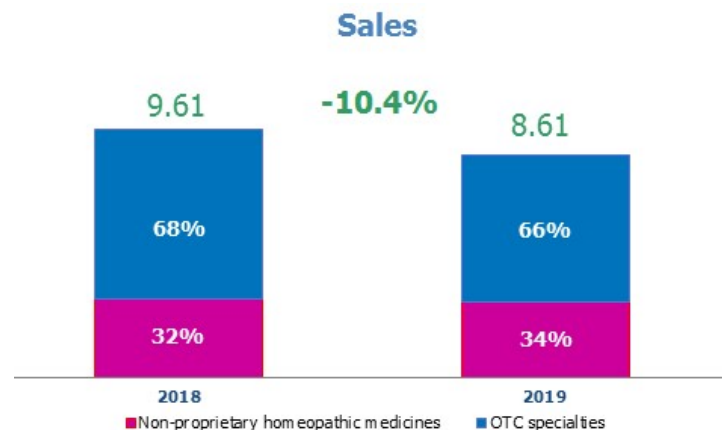


- Increase in **Camilia®** (+€0.48 million) and **Stodal®** (+€0.24 million, withdrawal of a competing product).
- Decrease in **Oscillococcinum®** (-€0.62 million).
- Unfavorable currency impact (-€0.21 million), at constant exchange rate, increase of 6.0% of activity.



- Savings on **advertising costs** (€0.59 million at constant exchange rate).
- Increase in **support function costs** (0.25 million at constant exchange rate) especially in **IT costs**.

Belgium (BOIRON + UNDA)

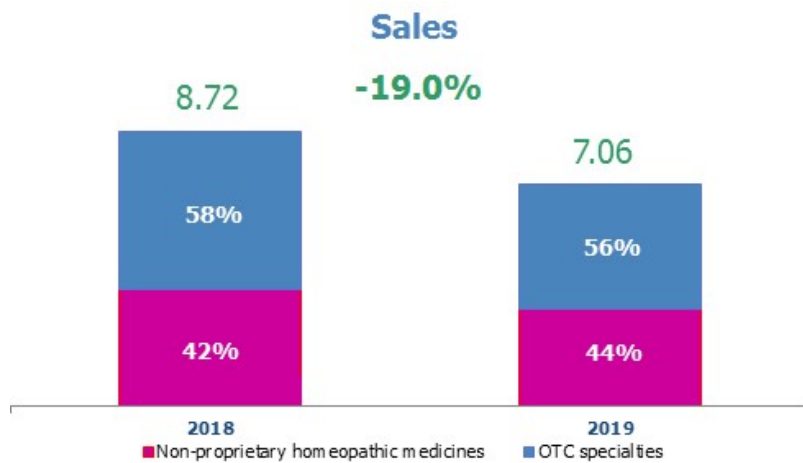


- Decrease in **OTC specialties** (-€0.83 million) mainly on **Oscillococcinum®** (-€0.55 million) and **Euphrasia®** (-€0.18 million). Low winter pathology.
- Decrease in **non-proprietary homeopathic medicines** (-€0.14 million).



- Savings on **support function costs** (€0.76 million): basis of comparison in **legal fees** in the Ce.M.O.N. / UNDA litigation (€0.62 million).
- **Assets impairment and provisions related to the sale of UNDA goodwill and fixed assets at the end of 2019** (€4.79 million):
 - €2.71 million of tangible fixed assets impairments,
 - €1.74 million of inventories impairments,
 - €0.34 million of reorganization provision.

Spain

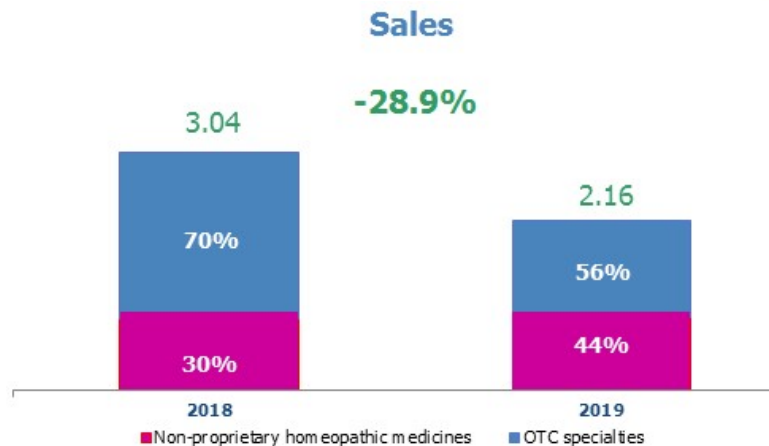


- Decrease in **non-proprietary homeopathic medicines** (-€0.59 million). Attacks against homeopathy.
- OTC specialties are decreasing (-€1.05 million) especially **Oscillococcinum**[®] (-€0.30 million), **Stodal**[®] (-€0.23 million) and **Sédatif PC**[®] (-€0.13 million).



- Increase in **regulatory affairs costs** (€0.11 million): progression in workforce for the registration of medicines under the Ministerial Order and service reorganization.
- Savings on other operating expenses, especially on **promotion costs** (€0.56 million) and **support function costs** (€0.13 million): reduction of workforce and cost reduction policy.

Poland

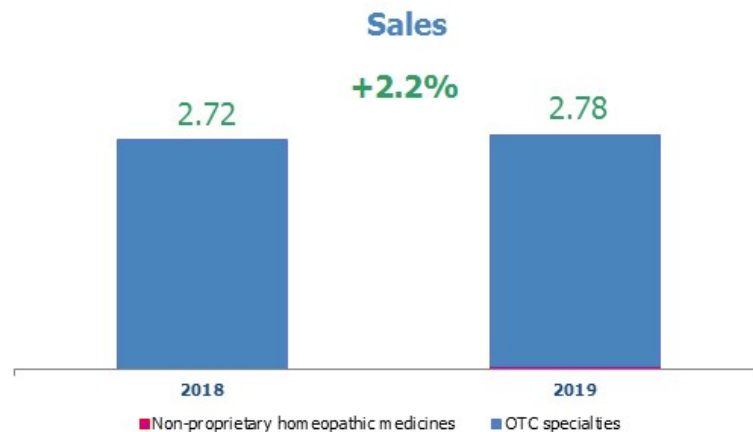


- Stability of **non-proprietary homeopathic medicines** (+€0.02 million).
- Significant decline of **OTC specialties** (-€0.91 million), especially on **Stodal®** (-€0.41 million), **Oscillococcinum®** (-€0.23 million) and **Drosetux®** (-€0.15 million). Low winter pathology and high stocks at distributors.
- Launch of **Arnicrème®**.



- Increase in **promotion costs** (€0.17 million) mitigated by savings on **support function costs** (€0.17 million).

Brazil



- Unfavorable impact of Brazilian real (-€0.13 million).
- Growth of activity by 7.5% at constant exchange rate, especially on **Stodal®** (+25.7%).



- Increase in all operating expenses of **distribution** (€0.17 million), **promotion** (€0.13 million) and **support function** (€0.12 million) in relation to the opening of a pharmacy in São Paulo in October 2018.