



Eurofins finalises its accelerated programme to bring all laboratories up to Group standards

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At its biennial Leadership conference, Eurofins Scientific will today update its senior management on the progress that the Group made in 2009 and its objectives going forward. In his keynote speech to open the conference Eurofins' Chief Executive Dr. Gilles Martin will present a view of the Group where its investment in a leaner operational structure in 2008 and 2009 should pay off in increasing profitability from 2010 onwards. During the fourth quarter of 2009, following the previously published intention to accelerate the bringing of all acquired laboratories up to Group standards, Eurofins finalised its planning for this process. The Group has also now completed a large proportion of its five-year investment programme. Finally, the conference will also consider the preliminary unaudited figures for 2009, which see underlying profitability in line with management expectations before the one-off/reorganisation costs associated with this consolidation programme.

The Group mid-term objective of reaching €1 billion in revenues will be reaffirmed but the global recession led to 2009 being a lost year in the progress towards this objective with organic growth under 2% and no significant acquisitions. This is due to the following combination of factors: i) negative developments in some markets (primarily some environment and preclinical testing areas) ii) the discontinuation or sale of certain activities (e.g. BSE testing in cows is no longer required or considerably reduced in most European countries) iii) the fall of the British Pound and Swedish Krona compared to the Euro and iv) a high degree of prudence on acquisitions. As indicated at the Q3 results, those markets that had been slowing down most, namely the Environmental and Early Stage Pharma markets, seem to have stabilised. However, no substantial pickup was felt in Q4.

As a consequence of these markets slowing down, in the second half of 2009 Eurofins' leaders took the opportunity to focus on the acceleration of the programme that aims to bring all of the Group's Under Development laboratories up to Eurofins standards. As a result of the stepping up of these efforts, Eurofins is pleased to report that this programme has essentially been finalised by the end of 2009 or where it was impossible (due to the need for new buildings for example), the associated reorganisation has been planned in detail and wherever possible the related costs provisioned in Q4 2009.

As a direct result of this accelerated reorganisation programme, in the last quarter of 2009 Eurofins took an accounting charge of close to €30m. Added to the one-off/reorganisation costs already incurred in the first nine months of 2009 this makes an exceptionally high level of charges of €40m for the full year (€33m at EBITDA* level). After this charge Eurofins will unfortunately report a net loss after one-off/reorganisation costs of about €-12m for 2009. This will lead to an EPS net loss attributable to equity holders of over €1.4 per share. The break down of the one-off/reorganisation charges includes the following:

- About €16m cash already paid out in 2009
- About €14m cash to be paid out after 31/12/2009 (mainly rental of empty sites)
- €10m non-cash expenses (mainly goodwill and leasehold improvement write-offs)

Eurofins Group preliminary unaudited results for 2009 before costs linked to this reorganisation are an EBITDA of about €92m (2008 €90m) and an EBIT of about €54m (2008 €56m) on revenues of €640m (2008 €632.8m). Before these one-off/reorganisation costs the 2009 Up to Standard perimeter generated a full-year "clean" run rate EBITDA of €97m on revenues of €513m and the Under Development perimeter run

rate EBITDA was €-5m on revenues of €127m. The 2009 Under Development perimeter contains mainly i) start ups (about €10m of revenues) which will as a whole remain loss-making in 2010 ii) discontinued operations (less than €10m of revenues in 2009) and iii) laboratories which, due to the accelerated programme that was planned or completed in 2009, should become Up to Standards in 2010 (about €100m of revenues). Within this last group, companies representing €50m of revenues were already almost up to standards in 2009 and generated about €5m of clean EBITDA. Taking this into account a summarised breakdown of Eurofins Group reported EBITDA of €59m for 2009 is as follows:

1. Contributing companies representing about €610m revenues and €102m "clean" EBITDA
2. start ups and investments for the future representing minimal revenues and an EBITDA loss of about €10m
3. One-off/ reorganisation costs representing €33m EBITDA

The areas where the bulk of the one-off/reorganisation costs were spent include:

- consolidation and disposal of a number of sites in Scandinavia, including the loss on disposal of the Labnett business in Norway, the sale of which was forced by the Norwegian competition authorities;
- the closure cost of Eurofins' Netherlands Oosterhout Environment testing site, now being consolidated into the expanded and modernised Barneveld site, as a result of overlapping and superfluous tests;
- the discontinuation of the Viralliance business in Kalamazoo, USA as a result of disputes regarding certain of its intellectual property assets. Eurofins is involved in legal proceedings with BioAlliance S.A., the seller of that business, for non-disclosure of purported IP infringements but as of today no certainty exists as to the recoverability of these damages;
- closure/consolidation cost of sites serving industries which were severely affected by the recession in Germany;
- other smaller site consolidation costs throughout Europe, closure of non-core activities associated with recent acquisitions and the programme to bring all Group laboratories up to standards.

The split of these one-off/ reorganization costs by geography is approximately as follows: Scandinavia €6m, Benelux €5m, USA €6m, Germany €8m, UK €6m and Others €9m.

Outlook

Eurofins remains confident that over the mid term its market will still enjoy strong growth as they are fuelled by the converging mega-trends of health protection, globalisation, biotechnology development (scientific discovery and innovation) and outsourcing of testing to specialised players. Annual organic growth rates of around 10% thus remain a mid term objective. At this time however it is difficult to identify when the softness observed in some markets in 2009 will end.

As a result of this uncertainty, in 2010, although some growth is expected, Eurofins intends to continue its current policy not to issue a specific revenue growth guidance. Eurofins' leadership reaffirms its commitment to the €1 billion revenue objective announced at the previous conference in 2008 but considers that it may be delayed by around two years from the initial goal of 2011, depending on the timing of acquisitions. During 2009 the Group's position on M&A remained one of prudence, continuing to make only very few selective small acquisitions exclusively where all key factors were right. In 2010 this position is not expected to change.

In 2010 Eurofins' focus will remain on further improving the services it offers to its clients and its efficiency in delivering these. Capital expenditure of €50m has been earmarked for this last year of Eurofins' programme to expand and modernise all its sites to bring these to the most recent technological standards. The last five large sites of this five-year programme should start operating in 2010 in Cologne (Germany), Barneveld (The Netherlands), Des Moines (USA), Shanghai (China) and Birmingham (UK). The remaining one-off reorganisation cost that could not be booked in 2009 will be included in 2010 but, as can be assessed today, total full-year one-off costs should be minimal (under €10m).

In parallel, as part of this capex budget, Eurofins will keep on investing for the future in its 15 start-up businesses. These start ups include large investment in high-growth countries such as China, Brazil and India as well as organic expansion in North America and Eastern Europe. This is focused in specialised lines of business where Eurofins is a market leader in Western Europe and as a result of clients requesting global coverage. Eurofins' management estimates that its operations in China (3 sites), India, Brazil, Singapore and Eastern Europe in particular will start contributing meaningfully to its overall growth from 2011. In 2010 Eurofins plans to allocate about €10m of its EBIT to those start-ups and they will be reported in the Under Development perimeter. Eurofins' other major area of investment in 2010 will be in the completion of its One-IT programme, whereby state-of-the-art standardised IT solutions and web interface with clients are deployed throughout the Group. With over €50m cash at 31/12/2009 and ample available credit lines, Eurofins' management feels the Group is well funded to complete these investments and pursue its growth plans.

The result of this focus on efficiency and best practice will be a leaner, fit-for-purpose Eurofins Group. With the end of the costs to bring up to standard all (non- start up) laboratories and the low level of planned M&A activities, Eurofins leadership is of the opinion that, in spite of those continued investments for the future its profitability should improve significantly in 2010.

The full annual results will be presented in Paris and Frankfurt on the 3rd March. Further details on all 2009 results will be given at that stage.

* EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation

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Notes for the editor:

Eurofins – a global leader in bio-analysis

Eurofins Scientific is a life sciences company operating internationally to provide a comprehensive range of analytical testing services to clients from a wide range of industries including the pharmaceutical, food and environmental sectors.

With 8,000 staff in more than 150 laboratories across 30 countries, Eurofins offers a portfolio of over 25,000 reliable analytical methods for evaluating the authenticity, origin, safety, identity, composition and purity of biological substances and products. The Group is committed to providing its customers with high quality services, accurate results in time and, if requested, expert advice by its highly qualified staff.

The Eurofins Group is the world leader in food testing and one of the global market leaders in pharmaceuticals and environmental testing. It intends to pursue its dynamic growth strategy and expand both its technology portfolio and its geographic reach. Through R&D and acquisitions, the Group draws on the latest developments in the field of biotechnology to offer its clients unique analytical solutions and the most comprehensive range of testing methods.

As one of the most innovative and quality oriented international players in its industry, Eurofins is ideally positioned to support its clients' increasingly stringent quality and safety standards and the demands of regulatory authorities around the world.

The shares of Eurofins Scientific are listed on the NYSE Euronext Paris (ISIN FR0000038259) and Frankfurt (WKN 910 251) Stock Exchanges (Reuters EUFI.PA, Bloomberg ERF FP).

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