



Eurofins tops up hybrid bond to optimize balance sheet

February 15, 2011

Eurofins announces today that it has successfully extended its subordinated hybrid bond originally issued in May 2007 to optimize its balance sheet and allow it to respond swiftly to any potential compelling opportunities for acquisition. The EUR 50m* raised is drawn from the same bond instrument issued in May 2007 and bears the same structure as the EUR 100m from the original issue, bringing the total nominal value of Eurofins' Hybrid bond to EUR 150m.

The issue structure ensures that the bond is accounted for as 100% equity according to international financial reporting standards (IFRS). This provides equity-like capital that complements Eurofins' current financial resources without any dilution for Eurofins current shareholders. It also allows the Company to maintain substantial headroom in its financing capacity as debt ratios are kept well below its debt covenant limits. The company ended 2010 with a substantially reduced net debt position of EUR 169m, compared to EUR 184m in the previous year. Given the steady improvements in Eurofins' operating cash flows especially over the last year, net debt to clean** EBITDA*** as of December 31, 2010 stood at 1.5x, whilst net debt to equity stood at 0.7x, compared to the maximum limits of 3.5x and 1.5x respectively. The additional hybrid further reduces pro-forma net debt as of December 31, 2010 to EUR 118m, implying net debt to clean EBITDA and net debt to equity ratios of 1.1x and 0.4x respectively (see table below). Furthermore, the consequent reduction in debt ratios enhances Eurofins' debt profile, which in turn, should also reduce Eurofins' average cost of debt.

Dr Gilles Martin, CEO, comments, "The transaction provides Eurofins an attractive mix in its funding structure. It enhances the Group's ability to execute on its business plan of growing organically and through selective acquisitions that will complement and strengthen our service offering whilst delivering high returns on capital and minimizing risk. The hybrid bond is a non-dilutive option that also reduces our debt ratios, thereby lowering our cost of debt, which in turn further strengthens our funding capacity. It complements the Group's improving free cash flow generation and available credit lines, as a solid suite of funding capabilities to take advantage of opportunities swiftly. The completion of the above transaction demonstrates the attractiveness of Eurofins' business model both from a strategic and financial perspective."

Eurofins is taking pre-emptive steps to strengthen its financing capabilities in light of its intention to take advantage of selective opportunities as and when they arise. As highlighted in the medium-term objectives published on 28 January, Eurofins is looking to generate EUR 1bn in revenues by 2013, partly through acquisitions. However, the Group is determined to maintain a disciplined approach to valuation, with strict criteria based on operational fit and potential return on investment. Management is also focusing on larger and more profitable laboratories which should have little or no negative impact on its own margins. Therefore, whilst the Group endeavours to

strengthen its financial position to respond to opportunities, it will not enter into transactions indiscriminately and therefore may not entirely utilize funds raised.

The increase in the hybrid bond, along with increased free cash flow generation, reinforces Eurofins' funding position to drive growth without raising leverage risk. Along with the EUR 174m proceeds from the OBSAAR issued in June 2010, the Group is more than sufficiently funded for both its organic and external growth plans. Additionally, whilst the OBSAAR issue in 2010 lengthens the maturity profile of the company's financing, the increased hybrid slightly reduces its weighted average cost of capital (WACC) through reduced average cost of debt and lower cost than straight equity.

The securities were placed with institutional investors around Europe, with the transaction well received and completed very swiftly. The bonds bear a fixed coupon of 8.081% and have a perpetual maturity but are callable at par by Eurofins in May 2014. The additional securities issued will be immediately fungible with the existing hybrid bond and will be listed under the same ISIN code FR0010474627 on the Frankfurt Freiverkehr (unregulated) market. The issue was led and managed by HSBC.

The following table sets out a basic illustration of the effect of the hybrid issue:

EUR m	Preliminary unaudited 31/12/2010	Pro Forma 2010 incl Hybrid
Net debt (IFRS)	169.2	118.2
Clean EBITDA	111.3	111.3
Net debt/ clean EBITDA	1.5x	1.1x
Net debt/Equity	0.7x	0.4x

* Nominal value. In real terms, the exercise raised EUR 51m (EUR 48m in net proceeds plus EUR 3m on accrued coupon).

** Clean - excludes one-off costs from reorganization and discontinued operations, but includes losses related to network expansion (17 start-ups)

*** EBITDA – Earnings before interest, tax, depreciation and amortization

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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 40,000 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 Stock Exchange (ISIN FR0000038259, Reuters EUFI.PA, Bloomberg ERF FP).

Important disclaimer:

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