Eurofins brings forward by one year its objective of reaching EUR 1bn in revenues following strong organic growth in H1 2012

Luxembourg, 30 August 2012
Eurofins upgrades its revenue objective for 2012 from EUR 950m to EUR 1bn, bringing forward its 2013 revenue objective by one year after another quarter of strong organic growth in Q2 2012. Eurofins generated revenues of EUR 480m in H1 2012, representing growth of 29% compared to the same period in the previous year, of which over 9% was generated organically, well above the Group's 5% objective. In Q2 alone, revenues grew 23% to EUR 256m. Adjusted EBITDA increased 27% to EUR 73m in the first half of the year, even compared to the strong operating performance in H1 2011. Excluding the revenues generated by start-ups and the companies in significant restructuring (notably IPL and the recently acquired companies in Belgium), revenues stood at EUR 414m in H1 2012, with an EBITDA margin of 17.7%. Given the strong performance year to date, the management of Eurofins has brought forward its revenue objective of EUR 1bn to 2012 from 2013, and remains confident of achieving its EUR 210m adjusted EBITDA objective in 2013.

	H1 2012			H1 2011			
HY 2012 EUR m	**Adjusted Results[1]**	Separately disclosed items[2]	*Statutory Results*	Adjusted Results	Separately disclosed items	*Statutory Results*	**+/- % Adjusted Results**
Revenues	**480.4**		*480.4*	372.1		*372.1*	*29.1%*
EBITDA[3]	**73.2**	-9.0	*64.2*	57.5	-5.2	*52.2*	*27.4%*
EBITDA Margin	**15.2%**			15.4%			*-20 bp*
EBITAS[4]	**51.8**	-13.2	*38.6*	37.1	-7.1	*30.0*	*39.5%*
EBITAS Margin	**10.8%**			10.0%			*+80 bp*
Net Profit[5]	**34.6**	-15.5	*19.1*	24.0	-10.2	*13.8*	*44.4%*
EPS[6]	**2.41**		*1.33*	1.68		*0.97*	*43.4%*
Capex			**29.0**			20.7	*40.1%*
Net Operating Cash Flow[7]			**40.4**			27.9	*44.8%*
Net Debt[8]			**310.6**			271.1	*14.6%*

N.B.: Q2 2012 results can be found on the last page of this press release

Q2 & H1 2012 Results Highlights

- **Revenues** increased 23.3% to EUR 256.3 in Q2 2012, driving H1 2012 revenues to EUR 480.4m, representing growth of 29.1% versus H1 2011, over 9% of which was organic. Start-ups and recently acquired companies, notably IPL, generated almost EUR 66.6m of revenues in the first half of the year.
- **Adjusted EBITDA** reached EUR 44.5m in Q2, driving H1 2012 adjusted EBITDA up 27.4% to EUR 73.2m. This implies a margin of 15.2%, in line with the previous year, despite the integration of recently acquired loss-making companies, and front-loading of costs ahead of a seasonally stronger H2.
- **EBITDA margin of businesses** not in restructuring or in start-up phase was 17.7% on revenues of EUR 413.8m in H1 2012, versus a margin of 16.4% on revenues of EUR 350.6m in H1 2011, implying a 130bp improvement. The EUR 66.6m in revenues generated by start-ups and recently acquired companies made no contribution to adjusted EBITDA for the first half of the year.
- Strong top line evolution allowed the Group to grow **adjusted EBITAS** by 39.5% and N**et Profit** by 44.4% to EUR 51.8m and EUR 34.6m respectively for H1 2012. Efficiency gains from investments of the last five years offset the impact of IPL losses and restructuring, allowing the Group to post a healthy 38.2% increase in statutory net profit to EUR 19.1m for the first half of 2012.

- **Net Operating Cash Flow** grew 44.8% to EUR 40.4m despite the seasonal increase in Net Working Capital. The management is optimistic that, as with prior years, NWC as a percentage of sales should be managed down closer to 5% by year end. This, in addition to the usual profitability improvements in H2, should result in significant cash flow expansion for the full year.
- **Net Debt** at the end of June 2012 stood at EUR 310.6m. Despite the modest increase in the absolute Net Debt, the Group's debt ratios have improved to 1.9x **Net Debt to EBITDA**[i] and 0.9x **Net Debt to Equity**, versus 2.2x and 1.0x respectively in June 2011, and remain well below the covenant limits of 3.5x and 1.5x respectively.
- **Upgrade of revenue objective for 2012**: In light of the strong organic growth, the fact that the Group remains well above its targets, and current trading patterns, the management of Eurofins is confident of exceeding its revenue objective of EUR 950m for 2012. Eurofins is therefore bringing forward its objective of reaching EUR 1bn in revenues to this year. Furthermore, measures in place allow management to remain positive regarding its medium-term revenue and profitability prospects. In spite of the increasing economic uncertainty across much of Europe, discussions with customers point to a cautiously positive outlook in the medium-term. This positive outlook is also the basis for the formulation of our longer-term objectives of reaching EUR 2bn by 2017 whilst continuing to grow profitability and cash flows.

Comments from the CEO, Dr. Gilles Martin:

"The results in the first half of the year demonstrate not only the resilience of the analytical testing industry during these uncertain times, but also our strong position in the various markets that we serve. The increased operating leverage from the 2006-2010 investment cycle has also allowed us to invest in other assets that, once restructured, will further strengthen our market leadership. This means that the underlying profitability of our more mature operations offset the temporary costs and lower margins of the new investments without jeopardizing our objectives of generating EUR 1bn in revenues this year and EUR 210m adjusted EBITDA in 2013. At the same time, these investments position us well for future growth. Longer-term, Eurofins is laying the foundations for the next phase of its growth cycle, and is well-positioned to aim for EUR 2bn in revenues by 2017, while generating and maintaining EBITDA margins above 20% and expanding cash flows.

Revenues

In the second quarter, revenues grew 23.3% to EUR 256.3m, as activities across the Group's businesses remained on the uptrend. Whilst acquisitions during the first semester boosted Eurofins' performance, organic growth of about 8% in Q2 is well within the range of the last six quarters, and is impressive given the strong growth in Q2 2011, following the consolidation of Lancaster. The continued growth in Q2 puts revenues year to date at EUR 480.4m, representing a 29.1% increase over the same period in 2011, and translates to organic growth of over 9% for H1 2012.

Continued growth in the testing market, notably in the US, now Eurofins' largest market in terms of revenues, in addition to market share gains in some of the Group's mature markets, underpins robust revenue growth across the Group.

Geographical Revenue Breakdown

(EUR m)	H1 2012	*As % of total*	H1 2011	*As % of total*
Benelux	44.1	9%	36.8	10%
UK & Ireland	25.3	5%	21.5	6%
France	96.5	20%	68.9	19%
Germany	87.5	18%	81.5	22%
North America	104.7	22%	58.3	16%
Nordic Countries	68.8	14%	66.6	18%
Other (including Emerging Markets)	53.4	11%	38.4	10%
Total	**480.4**	**100%**	**372.1**	**100%**

[i] EBITDA adjusted for one-off costs from reorganization and discontinued operations, but including losses related to network expansion (start-ups)

In France, the increased volume in food testing following the capacity expansion last year, and increased activities in pharmaceutical testing, in addition to the revenue contribution from IPL, have resulted in 40% growth in revenues in H1 2012 versus H1 2011. Our leading market position in Germany has allowed us to deliver modest revenue growth of over 7%, demonstrating our ability to grow even in a mature market. In the US, the positive effect of stricter regulations following multiple food scares, and a general catch-up in food testing, is evident in increased volumes coming through to the market. In addition, Eurofins Lancaster benefits from increased testing activities in the market for biologics, on top of continued growth in its core market in pharmaceutical product testing. Eurofins is also starting to make meaningful progress in environmental testing in the US, as reflected in the recently-concluded outsourcing agreement with MWH Global. Overall, Eurofins achieved revenue growth of almost 80% in the US for the first half of 2012. Furthermore, Lancaster contributes not only to strong revenue growth, but also provides a solid platform to further develop all Eurofins' businesses as tailwinds across all divisions support a strong outlook in the US.

Eurofins continues to see the fastest growth in its small, but increasingly important emerging market activities. The build-up in the number of customers in China is slowly translating into a ramp-up in volumes. Eurofins' presence in the rapidly-growing testing market in the Asia-Pacific region, which generated organic growth of over 45%, was reinforced by the acquisition of Nihon Kankyo in Japan, and NZ Labs in New Zealand in the first half of the year. In Brazil, the acquisition of ALAC strengthens the Group's position in the local consumer and export markets for food and produce testing.

Across our businesses, growth in food testing is supported by positive trends driven by regulation and brand protection, especially as the supply chain widens. This has been most evident in markets where there is regulatory catch-up (US), or increased trade and wealth (emerging markets). For Eurofins' environmental business, most of the incremental growth was generated from market share gains either through acquisitions, or weakened competition. The pharmaceutical product testing business remains robust supported by strong volumes driven by continued production across the pharmaceutical industry. Furthermore, as mentioned above, Eurofins Lancaster benefits from being one of the first players in the increasingly attractive biologics market, given its unique ability to offer the most comprehensive services, including biochemistry, cell/molecular biology, and virology, all in a single site. Although the market for biologics is still in the nascent stages, Eurofins Lancaster's first-mover advantage is likely to be critical following recent completion of the draft guidelines from the Food and Drug Administration (FDA) on production of generic versions of biologics.

Since the first half of 2011, Eurofins has acquired a number of new companies, generating varying degrees of profitability, or requiring varying levels of restructuring, notably IPL in France. Along with the start-ups which are mainly in new markets, these acquisitions expand the Group's strategic footprint in those markets where they operate, and will reinforce Eurofins' future growth engine and competitive position. For the first half of 2012, these acquisitions, together with the start-ups, contributed EUR 66.6m in revenues, compared to EUR 21.5m in H1 2011.

Profitability

Group adjusted EBITDA rose to EUR 44.5m in Q2 2012, a 16.6% increase versus a very strong Q2 2011, which was the first time Lancaster was consolidated into the Group. Adjusted EBITDA for the first half of the year stood at EUR 73.2m, a 27.4% expansion compared to the same period in the previous year, as margin remained broadly stable due to the dilutive effect of recent acquisitions in restructuring. The relatively high cost inflation in H1 2012 is partly due to some headcount duplication as Eurofins is scaling up its leadership and IT teams in anticipation for growth, and is staffing new/larger sites in anticipation of the consolidation of subcritical units. Differences in cost controls and operating procedures from some of the recently acquired companies have also resulted in temporarily higher operating costs. These should normalize going forward. Finally, as in previous years, the rate of cost inflation, especially for the mature part of the business, is expected to decelerate compared to revenue appreciation for the rest of the year. In Q2, for example, personnel costs as a proportion of revenues already declined to 49.7%, compared to 52.6% in the previous quarter.

Looking at the Group's core businesses[ii] that generated the EUR 73.2m adjusted EBITDA, revenues stood at EUR 413.7m, implying a 17.7% margin. Comparatively, similar adjustments to the H1 2011 results yield 16.4% margin, indicating a 130 bp expansion over the last 12 months for these businesses.

Due to the strong top line evolution, adjusted EBITAS rose 39.5% to EUR 51.8m in H1 2012 despite the temporary negative impact of some recently acquired companies. Adjusted net profit for the first half of 2012 therefore increased 44.4% to EUR 34.6m.

More notably, even taking into account the exceptional costs during the period, namely the one-off restructuring charges and ongoing losses from IPL and the recently acquired companies in Belgium, the cost of integrating all the recent acquisitions, losses from start-ups, and the legal and administrative costs related to the transfer of the corporate seat of Eurofins Scientific SE (the Group's holding company) to Luxembourg, statutory net profit still rose 38.2% to EUR 19.1m.

Balance Sheet

Total assets for the Group stood at EUR 1,091.5m at the end of June 2012, largely unchanged from the end of 2011, with the reduction in cash used for acquisition payments offset by the increase in long-term assets. Despite payments for multiple acquisitions, Eurofins still ended the first half reporting period with cash and cash equivalents of EUR 121.5m, which, in addition to expected further strengthening of cash flow, ensures sufficient funding for the Group's growth plans.

Furthermore, despite the above cash disbursements, the Group's debt profile remains solid, with a net debt of EUR 310.6m as of June 30, 2012 (EUR 271.1m in June 2011). The debt ratios therefore remain well below the covenant limits at net debt/ EBITDA of 1.9x and net debt/equity of 0.9x, versus the limits of 3.5x and 1.5x respectively.

Net working capital (NWC) increased to 7.2% of revenues as of June 30, 2012, versus 5.9% at the end of March and 7.1% at the end of June 2011. The growth and timing of payments, and the resulting increase in NWC led to a temporary seasonal cash flow compression. As communicated earlier, and in line with previous annual trends, management is confident of managing NWC closer to 5% of revenues by the end of the year, according to its annual target, and significantly increasing Free Cash Flow for the rest of 2012.

Cash Flow

The strong revenue growth drove the Group's profit before taxes up to EUR 26.5m year to date, an increase of 28.5% compared to the same period last year. Despite the temporary seasonal increase in NWC, the strong operating profit boosted Net Operating Cash Flow by 44.8% to EUR 40.4m.

Capital expenditures in Q2 2012 came to EUR 17.2m (EUR 11.9m in Q2 2011), representing an increase to 6.7% of revenues, versus 5.7% in Q2 2011. Year to date, capital expenditures stand at EUR 29.0m, or 6.0% of revenues, compared to 5.6% in H1 2011. The increase in capex is mainly due to the timing of projects ahead of expected business activities in H2. Management expects that capex as a proportion of revenues should decline for the remainder of the year, and reiterates its commitment to keep capex around 6% of revenues for the full year. Therefore, the exceptional costs related mainly to the restructuring of IPL, the short-term increase in NWC, and the quadrupled dividends paid to shareholders, resulted in a Free Cash Outflow[9] of EUR 6.2m, versus an outflow of EUR 6.6m, in H1 2011. Management reiterates NWC should be fully normalized by year end, and together with declining capital expenditures as a proportion of sales and the expected strengthening in operating results, should allow the Group to deliver improved Free Cash Flow for the full year 2012 compared to 2011.

Outlook

The sustained momentum in H1 2012 reinforces management's confidence of reaching its EUR 1bn revenue objective this year, i.e., one year earlier than originally targeted. Discussions with customers and other channel checks point to a cautiously positive outlook in the medium-term despite growing uncertainty in Europe. For the longer-term, Eurofins has diversified its geographical exposure, with increased presence in markets where current regulatory structures suggest high growth potential in analytical testing. Consequently,

[ii] Businesses not in restructuring or start-up phase. In H1 2012, the most notable restructuring entity is IPL

the management of Eurofins believes that the Group should be able to double its revenues to EUR 2bn in five years (by 2017), while reaching and maintaining an EBITDA margin above 20% and expanding cash flows.

Table 1: Q2 Results Highlights

	Q2 2012			Q2 2011			
EURm	**Adjusted Results**[1]	Separately disclosed items[2]	*Statutory Results*	Adjusted Results	Separately disclosed items	*Statutory Results*	**+/- % Adjusted Results**
Revenues	**256.3**		*256.3*	207.8		*207.8*	*23.3%*
EBITDA	**44.5**	-5.2	*39.3*	38.1	-3.2	*34.9*	*16.8%*
EBITDA Margin	**17.3%**			18.4%			*-110 bp*
EBITAS	**34.3**	-8.2	*26.0*	27.4	-4.1	*23.4*	*25.2%*
EBITAS Margin	**13.4%**			13.2%			*20 bp*
Net Profit	**24.1**	-9.3	*14.8*	18.6	-5.9	*12.7*	*29.6%*
Capex			*17.2*			*11.9*	*45.1%*
Net Operating Cash Flow			*17.5*			*21.1*	*-17.2%*
Net Debt			*310.6*			*271.1*	*14.6%*

1 Adjusted – reflects the ongoing performance of the mature and recurring activities excluding "separately disclosed items[2]"

2 Separately disclosed items - includes one-off costs from integrations, reorganizations and discontinued operations and other non-recurring costs, temporary losses related to network expansion and start-ups, amortisation of intangible assets related to acquisitions, goodwill impairment, transaction costs related to acquisitions, non-cash accounting charges for stock options, and the relevant tax effect from the adjustment of all separately disclosed items.

Table 2: Separately disclosed items

HY 2012 Separately disclosed items:	H1 2012	H1 2011
One-off costs from integrations, reorganizations and discontinued operations, and other non-recurring costs	4.4	2.8
Temporary losses related to network expansion, Start-ups and new acquisitions in significant restructuring	4.6	2.4
EBITDA impact	*9.0*	*5.2*
Depreciation costs specific to start-ups and new acquisitions in significant restructuring	4.2	1.9
EBITAS impact	*13.2*	*7.1*
Amortisation of intangible assets related to acquisitions, goodwill impairment, transaction costs related to acquisitions and non-cash accounting charges for stock options	2.6	2.8
Tax effect from the adjustment of all separately disclosed items	-0.2	0.2
Total impact on Net Profit	15.5	10.2

3 EBITDA – Earnings before Interest, Tax, Depreciation and Amortisation

4 EBITAS – Earnings before Interest, Tax, Amortisation of intangible assets related to acquisitions, impairment of goodwill and non-cash accounting charge for stock options

5 Net Profit – Net profit for equity holders after non-controlling interests but before payment to Hybrid holders

6 EPS – earnings per share before payment of dividends to hybrid bond holders

7 Net Operating Cash Flow – net cash provided by operating activities after tax

8 Net Debt – long and short-term borrowings less cash and cash equivalents

9 Free Cash (Out)Flow – Net Operating Cash Flow, less interest and hybrid dividend paid and cash used in investing activities (but excluding acquisition payments)

Full disclosure can be found in the First Half Year Report 2012, including further management commentary, consolidated financial statements and accompanying summary notes. The First Half Year Report 2012 can be found on the Eurofins website at the following location: http://www.eurofins.com/en/investor-relations/reports--presentations.aspx

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Notes for the editor:

Eurofins – a global leader in bio-analysis

Eurofins Scientific is the world leader in food and pharmaceutical products testing. It is also number one in the world in the field of environmental laboratory services and one of the global market leaders in agroscience, genomics and central laboratory services.

With over 12,000 staff in more than 170 laboratories across 32 countries, Eurofins offers a portfolio of over 100,000 reliable analytical methods for evaluating the safety, identity, composition, authenticity, origin and purity of biological substances and products. The Group provides its customers with high-quality services, accurate results on time and expert advice by its highly qualified staff.

Eurofins is committed to pursuing its dynamic growth strategy by expanding 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 and analytical chemistry 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 expanding 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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