Eurofins exceeds its EUR 1 billion revenue objective a full year ahead of schedule

Luxembourg, 04 March 2013

With revenues of EUR 1,044m in 2012, Eurofins exceeded its twice-upgraded revenue objective. Revenues increased by 20% to EUR 293m in the fourth quarter alone, driving revenues for the full year to EUR 1,044m, representing growth of 26%, over 8% of which was organic. Adjusted EBITDA increased 16% to EUR 177m despite the strong comparable profitability achieved in 2011, and the fact that several recently acquired companies did not contribute to EBITDA in 2012. Despite one-off tax benefits in 2011, adjusted EPS still expanded by 19% to EUR 6.27 per share due to continued improvement in profitability of Eurofins' mature operations. Additionally, despite the losses from restructuring, and the incremental costs associated with rapid growth, net operating cash flows grew 22% to EUR 134m. The acceleration of the recognition of one-off costs for the companies in significant restructuring at the end of 2012 substantially reduces further risk to the Group's earnings in 2013. Furthermore, with the start-ups having reached break-even for the full year 2012, and the decreased dilution from companies in restructuring, management expects earnings to continue to increase significantly in 2013.

Highlights from the 2012 Results

- **Revenues** of EUR 1,044m represent a 25.9% year-on-year growth, over 8% of which was organic. In Q4 2012, revenues grew 20.4% to EUR 292.8m on organic growth of 7%. Strong tailwinds continue across Eurofins' businesses, especially in its biggest markets. **Organic growth** in the US, France and Germany, which make up 22.4%, 19.6% and 18.3% of Group revenues respectively, were all well above the Group's stated organic growth objective of 5%.
- Solid developments in Eurofins' new markets, as the Group's **start-up businesses** begin to take market share following capacity build-up and heavy investments. Having generated a modest EBITDA in Q4 2012, Eurofins' start-ups have posted EBITDA break-even for the full year 2012.
- **Leadership** achieved in **new markets**. Eurofins achieved global market leadership in discovery pharmacology in 2012. The Group also became the leader in the Japanese genomics testing market, and in the food testing market in Brazil. In the US, Eurofins has become the second largest food testing service provider.
- To further reinforce its global market leadership, the Group has added over **20,000m²** of new, large state-of-the-art laboratories to its network in 2012.
- **Adjusted EBITDA** of EUR 55m in Q4 2012 pushed full year EBITDA up 16.4% to EUR 176.5m, despite no adjusted EBITDA contribution from 15% of full year 2012 revenues (EUR 153.7m of the EUR 1,044m total Group revenues correspond to start-ups and companies in significant restructuring). This implies that the **margin of the mature companies that contributed to Group EBITDA** was 19.8% in 2012.
- Strong revenue growth drove a 19.8% increase in **adjusted EBITAS** to EUR 131.1m, and a 19.1% expansion in **adjusted EPS** to EUR 6.3 in 2012. The strong profitability of its mature operations allowed the Group to absorb the impact of losses from companies that are in significant restructuring and still post a 16.9% increase in **statutory EPS** to EUR 4.52 per share. An acceleration in the **reorganization programme** of the companies in significant restructuring, notably IPL, in Q4 2012 substantially **reduces further risk to earnings** going forward.

- Given the positive outlook for 2013 and beyond, Eurofins' Board of Directors proposes to raise the **dividends** paid out to shareholders by 25% to EUR 1 per share.
- Eurofins completed over 20 **acquisitions** in 2012, a record in the Company's history. However, the additional revenues and associated integration work are modest in view of the Group's current size.
- **Net Operating Cash Flows** increased 21.6% to EUR 134.2m in 2012 driven by higher profitability.
- **Net debt** at the end of 2012 stood at EUR 300.8m, implying **net debt to EBITDA** of 1.7x and **net debt to equity** of 0.8x, versus its debt covenant limits of 3.5x and 1.5x respectively. These ratios remained stable versus the end of 2011 in spite of over EUR 160m **cash invested in the business** in 2012 for acquisitions (EUR 80m), investment activities (EUR 65m) and start-up and restructuring programs (EUR 25m of separately disclosed items). The recent refinancing of its original hybrid bond not only effectively lengthens the Group's financing maturity profile with no impact on its covenant ratios, but should also benefit the Group from the lower annual coupon of the new bond going forward.

Comments from the CEO, Dr. Gilles Martin:

"I am pleased to report the Group's strong performance in 2012. The early achievement of our EUR 1bn revenue objective reflects the successful execution of our strategy to pursue sustainable growth. Our ability to grow earnings despite losses from companies that are in significant restructuring, and the temporary dilution from new acquisitions that are not yet at Group level, demonstrate the strong inherent profitability of our business as a whole. It also reflects the core operating leverage we have built, and continue to build, into our laboratory network, which enabled our mature operations to achieve 19.8% adjusted EBITDA margin. Whilst there is still work for us to do, especially in completing the restructuring programme for some of our recent acquisitions to enable them to reach Group profitability levels, we are optimistic that we will be able to continue leading our markets and expanding our footprint. Our next objective is to double in size over the next five years to reach EUR 2bn in revenues by 2017, whilst reaching and maintaining adjusted EBITDA margin above 20%.

Summary of FY 2012 results

	FY 2012			FY 2011			
FY 2012 EUR m	**Adjusted Results[1]**	Separately disclosed items[2]	*Statutory Results*	Adjusted Results	Separately disclosed items	*Statutory Results*	**+/- % Adjusted Results**
Revenues	**1,044.0**		1,044.0	828.9		828.9	*25.9%*
EBITDA[3]	**176.5**	-15.3	161.2	151.6	-12.4	139.2	*16.4%*
EBITAS[4]	**131.1**	-24.7	106.4	109.4	-16.2	93.3	*19.8%*
Net Profit[5]	**91.8**	-27.9	63.9	76.7	-20.0	56.6	*19.7%*
EPS[6]	**6.27**	-1.75	4.52	5.26	-1.39	3.87	*19.1%*
Capex			**64.5**			53.6	*20.4%*
Net Operating Cash Flow[7]			**134.2**			110.3	*21.6%*
Net Debt[8]			**300.8**			255.2	*17.9%*

N.B. Q4 2012 results can be found on page 5 of this press release

Revenues

Revenues increased by 20.4% in the fourth quarter to EUR 292.8m, driving full year 2012 revenues up 25.9% to EUR 1,044. Continued growth in the testing market, notably in the US, in addition to market share gains in most of the Group's mature markets, underpins robust organic growth across the Group. Organic growth in Q4 was 7%, and stood at over 8% for the full year, well ahead of the Group's 5% objective.

Eurofins operates in markets that grow faster than GDP, and its growing scale and footprint also allows it to capture greater market share, and expand its share of existing customers' testing spend. Of the EUR 1,044m total Group revenues, the portion generated by companies that are not in significant restructuring or start-up mode (i.e. mature businesses) was EUR 890.2m.

In 2012, Eurofins continued to reinforce its leading market position in most of its markets, and entered new markets that strategically complement its existing footprint and competencies. As a validation of its strategy to consolidate and lead the markets where it operates, organic growth was strongest in Eurofins' biggest markets.

The US, now Eurofins' biggest market generating 22.4% of total Group revenues, posted double-digit organic growth during the year. The domestic food testing market benefits from a steady increase in volumes in the wake of multiple food scandals[i], and as food producers and retailers pre-empt the expected wave of new regulations associated with the FSMA enforcement[ii]. Eurofins is currently reinforcing its food testing capabilities in the US by adding capacity to its existing sites, transferring technologies from its food competence centres in Europe, and through targeted acquisitions, e.g. the acquisition of DQCI in early 2012, which provided Eurofins an entry into the dairy testing market in the Midwest. In environmental testing, Eurofins continues to reinforce its footprint through strategic acquisitions. Reference contracts, such as the one won from the US Environmental Protection Agency (EPA) for water testing, reflect the benefits of scale in specialized markets. In the pharmaceutical products testing market, Eurofins continues to build on Lancaster's strong position to expand its market leadership.

France, now Eurofins' second largest market following the acquisition of IPL, generated 19.6% of revenues, and continues to see strong growth in food testing, supported by increased capacity following the completion of the expansion of the flagship laboratory in Nantes at the end of 2011. In environmental testing, the Group benefitted from the first full year consolidation of IPL, which has given Eurofins the leading market share in the domestic water testing market. The Group's third largest market, Germany, which contributed 18.3% of revenues, posted high organic growth despite strong comparable figures in the previous year.

Eurofins' scale and strong reputation continue to drive growth, allowing the Group to keep winning market share, as evidenced by the preferred partnership or outsourcing agreements concluded with TÜV SÜD in Germany for all its dioxin testing, MWH and QTA/BASF in the US, amongst others.

Finally, the share of revenues from Eurofins' operations in Asia and emerging markets, stood at 7.3% of total Group revenues, from 4.8% in the previous year, as capacity build-up and acquisitions steadily transform into volume ramp-up. The acquisition of strategic assets such as ALAC in Brazil and Nihon Kankyo in Japan reinforce the Group's scale in these markets, allowing it to further increase market share, whilst NZ Labs in New Zealand, and more recently in 2013 mgt-LabMark in Australia, provide the Group solid entry into this attractive, high-growth region.

In general, growth in food testing is highest 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 positive trends in production across the pharmaceutical industry.

Profitability

Adjusted EBITDA in Q4 increased 12.2% to EUR 55m driving full year 2012 adjusted EBITDA to EUR 176.5m, representing a 16.4% growth over the comparable figure in 2011. The management's decision to accelerate the restructuring programme for IPL and the recently-acquired Benelux companies resulted in recognized one-off costs of EUR 7.4m in the fourth quarter, pushing one-off restructuring costs to EUR 13.1m for the full year 2012. Including EUR 2.2m in temporary losses related to network expansion, start-ups and new acquisitions in significant restructuring, this means that 8.7% of Eurofins' adjusted EBITDA was invested to achieve productivity gains by network expansion and optimization in 2012 (8.2% in 2011).

The management is optimistic that this move should significantly reduce further risk to earnings going forward. On the other hand, the marked profitability improvement that started in Q3 from the Group's start-up businesses continued, having reversed the losses of the first half, and posting EBITDA break-even for the full year 2012. Going forward, the elimination of losses from the start-up businesses should reduce the dilution in the Group's total profitability.

More importantly, the strong profitability of the Group's mature businesses was evident in the adjusted EBITDA growth of that perimeter. Of the EUR 292.8m total Group revenues in Q4 2012, the portion generated by companies that are not in significant restructuring or start-up mode was EUR 248.1m. This same perimeter generated the EUR 55.0m in adjusted EBITDA (22.2% margin), a 12.2% improvement from the EUR 49.0m adjusted EBITDA in Q4 2011. For the full year 2012, the mature perimeter generated revenues of EUR 890.2m, and adjusted EBITDA of EUR 176.5m, a 16.4% year-on-year increase, and implies a margin of 19.8%[iii]. This is all the more notable given that some of the profitable acquisitions made in the last 24 months are not yet at the 20% Group target level, and thus still represent margin dilution for the mature scope.

Overall, despite the exceptional costs incurred in the course of its strategy to secure sustainable growth and leadership of its markets, mainly the one-off restructuring charges from IPL and the Belgian companies acquired in 2011 and 2012, the cost of integrating recent acquisitions that have varying degrees of profitability, 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, as well as one-off tax savings in 2011, statutory earnings still increased by 16.9% to EUR 4.52 per share compared to 2011.

Cash Flow

Strong top line growth increased profit before taxes by 15.9% to EUR 81.7m in 2012. Despite slightly higher net working capital (NWC), the higher pre-tax profit boosted Net Operating Cash Flow by 21.6% to EUR 134.2m in 2012, versus EUR 110.3m achieved in the previous year. The 0.9% marginal uptick in NWC/Sales to 6.3% was due to the slightly negative effect of NWC of acquired companies and faster payment of suppliers at year end. Therefore, given the increase in Net Operating Cash Flow, even with higher interest paid due to the higher gross debt, the increase in hybrid dividend payments, and the higher capital expenditures, the Group's Free Cash Flows remained stable at EUR 37.1m.

The increase in capital expenditures in Q4 2012 was driven by progress made in building projects for various sites including the extension of the Lancaster building to house a food testing facility, extension projects to add capacity to the sites in Vergeze, France, in Vejen, Denmark, in Hamburg, Germany, amongst others. In addition, the Group ramped-up its investment in its "One IT" programme during the year to ensure modern, robust IT infrastructure to support future growth. This brought net capital expenditures for 2012 to EUR 64.5m, close to the Group's objective of 6% of revenues. The expected reduction in one-off restructuring costs, and the removal of losses from start-ups, should strengthen the Group's cash flows going forward.

Balance Sheet

Total assets for the Group at the end of December 2012 were EUR 1,159.1m, compared to EUR 1,074.6m in December 2011. Despite multiple acquisitions during the year, Eurofins ended 2012 with cash and cash equivalents of EUR 134.3m, providing sufficient liquidity for the Group to respond swiftly to compelling growth opportunities as and when they arise. The 25.2% reduction in cash and cash equivalents compared to the previous year is due to the higher cash balance at the end of 2011 related to the proceeds from the Schuldschein loan issued in July 2011. The reduction in cash, however, was offset by the 28.3% increase in fixed assets to EUR 209.3m from the Group's ongoing investments in its laboratory network.

Continued strengthening of profitability despite one-off restructuring costs, and a sound funding mix allow Eurofins to maintain a robust balance sheet. In spite of the significant level of capital expenditures and acquisitions in 2012, the Group's debt ratios have remained stable at net debt/clean EBITDA of 1.7x and net debt to equity of 0.8x, in line with the ratios in 2011. Therefore, even with the 17.9% increase in net debt to

EUR 300.8m at the end of 2012, and in spite of over EUR 160m cash invested in the business during the year, the Group's debt ratios remain well below its debt covenant limits of 3.5x net debt/clean EBITDA and 1.5x net debt to equity.

The successful issuance in January 2013 of a new EUR 150m deeply subordinated (hybrid) bond to refinance part of the original hybrid bond issued in 2007 and 2011 effectively lengthens the Group's average financing maturity profile at a lower annual coupon, whilst maintaining optimum flexibility to enable to Group to pursue growth opportunities regardless of financial market developments in the near to medium term. Following the expiry of the tender offer to redeem the original hybrid bond issued in May 2007, EUR 96.5m of the EUR 150m original principal amount has been tendered and repurchased by Eurofins.

2013 Outlook:

The management of Eurofins believes that the Group should be able to grow revenues to EUR 1.2bn in 2013, and remains confident of achieving its objective of generating adjusted EBITDA in excess of EUR 210m. In the medium term, the Group believes that its business and geographical exposure is sufficiently diversified to enable growth regardless of macroeconomic conditions. Furthermore, the management is confident that the Group is strategically positioned in markets with the highest growth potential in laboratory testing in the medium term. Therefore, as communicated previously, the management is optimistic that the Group should be able to double in size over the next five years, to reach EUR 2bn in revenues by 2017. This implies annual growth expectation of less than 14%, based on organic growth target of 5% on average over the period, with the remainder to be achieved through acquisitions, equivalent to ca. EUR 120m per year. The Group has also communicated its objective of reaching and maintaining adjusted EBITDA margin above 20% over the next five years after completion of the integration of recently-acquired companies to enable them to get closer to the Group's margin objectives.

Based on the results achieved in the last two years, ongoing channel checks, and prospects in each of its markets as can be judged today, the management is confident of achieving its five-year objectives. Eurofins expects to achieve its growth objective by offering a unique range of testing services at unmatched levels of quality, efficiency and delivery times. To achieve this and strengthen its existing competitive advantage in its fields, in addition to the amount earmarked for acquisitions, Eurofins is currently planning to invest approximately EUR 500m in capital expenditures over the next 5 years in the most modern laboratories, analytical technology and IT systems (about 6% of average annual target revenues over the period).

After the recent hybrid issuance, the management of Eurofins believes that the Group is sufficiently funded, and its balance sheet is adequately strong, to carry out its planned investment and acquisition program for the next five years without the need for additional equity.

Given the positive outlook for 2013 and for the medium-term, the Board of Directors proposes to raise the amount of dividends paid out to shareholders from the profits generated by the Group in 2012. The Board proposes to increase the dividend payment by 25% to EUR 1.00 per share.

Table 1: Q4 Results Highlights

	Q4 2012			**Q4 2011**			**+/- % Adjusted Results**
Q4 2012 EUR m	**Adjusted Results**	Separately disclosed items	*Statutory Results*	Adjusted Results	Separately disclosed items	*Statutory Results*	
Revenues	**292.8**		292.8	243.1		243.1	*20.4%*
EBITDA[3]	**55.0**	-5.5	49.5	49.0	-2.6	46.4	*12.2%*
EBITAS[4]	**42.7**	-8.3	34.4	38.3	-3.8	34.6	*11.4%*
Net Profit[5]	**33.3**	-8.4	24.9	27.9	-4.7	23.3	*19.3%*
EPS[6]	**2.23**	-0.39	1.84	1.95	-0.32	1.64	*14.1%*
Capex			**24.8**			21.3	*16.6%*
Net Operating Cash Flow[7]			**61.2**			53.0	*15.5%*
Net Debt[8]			**300.8**			255.2	*17.9%*

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 integration, reorganization and discontinued operations and other non-recurring costs, temporary losses related to network expansion, start-ups and new acquisitions undergoing significant restructuring, amortisation of intangible assets 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

FY 2012 Separately disclosed items:	FY 2012	FY 2011
One-off costs from integrations, reorganizations and discontinued operations, and other non-recurring costs	13.1	7.9
Temporary losses related to network expansion, Start-ups and new acquisitions in significant restructuring	2.2	4.4
EBITDA impact	15.3	12.4
Depreciation costs specific to start-ups and new acquisitions in significant restructuring	9.5	3.8
EBITAS impact	24.7	16.2
Amortisation of intangible assets related to acquisitions, goodwill impairment, transaction costs related to acquisitions and non-cash accounting charges for stock options	5.2	6.8
Tax effect from the adjustment of all separately disclosed items	-2.0	-2.9
Total impact on Net Profit	27.9	20.0
Impact on EPS	-1.75	-1.39

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

4 EBITAS – Earnings before Interest, Tax, non-cash accounting charges for stock options, impairment of goodwill, and amortisation of intangible assets and transaction costs related to acquisitions.

5 Net Profit – Net profit before non-controlling interests and 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 income taxes paid

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)

(i) Contamination of peanut butter, mangoes, alfalfa beans; multi-state E.coli and salmonella outbreaks, and lean beef mis-labelling to name a few in 2012 alone in the US.

(ii) For more information on the US Food Safety Modernization Act (FSMA) signed into law on 04 January, 2011: http://www.fda.gov/Food/FoodSafety/FSMA/ucm247546.htm

(iii) In 2011, the Group excluding start-ups generated an adjusted EBITDA of 19.4% on EUR 781.9m revenues.

For details of the FY 2012 results, including consolidated financial statements and related notes, please visit:
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, discovery pharmacology and central laboratory services.

With over 13,000 staff in more than 170 laboratories across 34 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 in 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:

This press release contains forward-looking statements and estimates that involve risks and uncertainties. The forward-looking statements and estimates contained herein represent the judgement of Eurofins Scientific' management as of the date of this release. These forward-looking statements are not guarantees for future performance, and the forward-looking events discussed in this release may not occur. Eurofins Scientific disclaims any intent or obligation to update any of these forward-looking statements and estimates. All statements and estimates are made based on the data available to the Company as of the date of publication, but no guarantee can be made as to their validity.