

Strong revenue growth momentum drives earnings growth in NM 2012

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Eurofins maintained strong revenue growth momentum in Q3 2012, allowing the Group to achieve organic growth of close to 9% for the first nine months (NM) of 2012, well above the Group's 5% objective. Revenues during the third quarter were EUR 271m, bringing total revenues year to date to EUR 751m, representing 28% growth over NM 2011. Adjusted EBITDA increased 18% to EUR 122m in NM 2012, despite the strong comparable profitability achieved in NM 2011. Furthermore, with the start-ups reaching break-even during the quarter, and the deceleration in losses from companies in significant restructuring, the management believes that the bulk of the reorganization is now behind the Group.

NM 2012 EUR m	NM 2012			NM 2011			+/- % Adjusted Results
	Adjusted Results ¹	Separately disclosed items ²	Statutory Results	Adjusted Results	Separately disclosed items	Statutory Results	
Revenues	751.1		751.1	585.8		585.8	28.2%
EBITDA ³	121.5	-9.8	111.7	102.6	-9.8	92.8	18.4%
EBITAS ⁴	88.4	-16.4	72.0	71.1	-12.4	58.7	24.4%
Net Profit ⁵	58.5	-19.5	39.0	48.8	-15.4	33.4	19.9%
EPS ⁶ (EUR)	4.04	-1.34	2.70	3.31	-1.08	2.23	22.1%
Capex			39.7			32.3	23.1%
Net Operating Cash Flow ⁷			72.9			57.3	27.2%
Net Debt ⁸			306.1			258.2	18.5%
Free Cash (Out)Flow ⁹			5.6			8.3	-32.7%

N.B. Q3 2012 results can be found on page 4 of this press release

Q3 & NM 2012 Results Highlights

- **Revenues** grew 26.7% in Q3 2012 to EUR 270.8m in Q3 2012, bringing revenues year to date to EUR 751.1m, representing growth of 28.2% compared to NM 2011, close to 9% of which was organic. Start-ups and companies in significant restructuring (mainly IPL and the recently-acquired Belgian companies) generated revenues of EUR 42.4m in Q3 2012 (EUR 109.0m year to date).
- **Sustained growth** in most regions, especially in Eurofins' biggest markets. Organic growth in North America, France and Germany, which make up 22.1%, 19.7% and 18.3% of Group revenues respectively, were all well above the Group's stated organic growth objective of 5%.
- **Adjusted EBITDA** of EUR 48.3m in Q3 2012 drove NM 2012 EBITDA up 18.4% to EUR 121.5m, despite no adjusted EBITDA contribution from nearly 15% of NM 2012 revenues (EUR 109m of the EUR 751m total Group revenues corresponding to start-ups and companies in significant restructuring).
- **EBITDA margin of companies not in significant restructuring or in start-up phase** was 18.9% on revenues of EUR 642.1m, a 32 bp expansion over the comparable figure in 2011, despite the inclusion of newly acquired companies that are not yet at Group level in terms of profitability.
- In line with management expectations, **start-ups** have turned EBITDA positive for the first time in Q3 2012, and are on track to break-even for the full year. Furthermore, losses from **companies in significant restructuring** have decelerated during Q3, and should continue to decline for the remainder of the year. Likewise, one-off reorganization costs have also been reduced to EUR 1.3m, compared to EUR 1.7m and EUR 2.7m respectively in Q2 and Q1 2012. These factors signal that the bulk of the restructuring, and hence non-recurring costs, are now behind the Group.

- **Continued growth of adjusted and reported EPS in Q3 2012.** Strong revenue growth in NM 2012 led to an increase of 24.4% and 22.1% in **adjusted EBITAS** and **EPS** to EUR 88.4m and EUR 4.04 respectively. Strong profitability of the core existing mature operations allowed the Group to absorb the impact of losses from the companies that are in significant restructuring, and the temporary dilution from newly-acquired companies that are not yet at Group profitability levels, and post a 21.1% growth in **statutory EPS** to EUR 2.70 per share.
- **Net operating cash flows** rose 27.2% to EUR 72.9m in NM 2012, even though NWC remains seasonally high as a proportion of revenues at the end of Q3. NM 2012 capital expenditures stood at EUR 39.7m, or 5.3% of sales. The Group generated **Free Cash Flow** of EUR 5.6m in NM 2012, completely reversing the outflow in the first half of the year.
- **Net debt** stood at EUR 306.1m at the end of September 2012, versus EUR 310.6m at the end of June 2012, and EUR 258.2m at the end of September 2011. Despite multiple acquisitions during the period, higher profits have led to improvements in debt ratios resulting in **net debt to equity** of 0.86x and **net debt to EBITDA** of 1.84x at the end of September 2012, versus 0.92x and 1.93x respectively at the end of June 2012, and 0.88x and 1.91x respectively at the end of September 2011.

Comments from the CEO, Dr. Gilles Martin:

“The 9% organic growth achieved so far this year is particularly impressive given the strong comparable base in the previous year, and the weakening economy in Europe. Earnings growth despite the temporary dilution from start-ups and new acquisitions demonstrates the strong profitability that we have built into our existing mature laboratories during our last investment programme. Looking ahead, with the combination of our existing core network and these new investments, Eurofins is better-placed than ever to secure sustainable growth and strengthen its market leadership in the food, pharmaceuticals and environment laboratory testing industry.”

Revenues

Strong top line growth had been sustained throughout the first nine months of the year, especially in Eurofins' biggest markets. The recent investments in its laboratories have expanded the Group's capacity and resulted in an increasing share of market volumes. These market share gains allow Eurofins to exceed market growth rates, and continue to increase its share of its customers' testing spend.

In Q3 2012, Eurofins maintained operating momentum, growing its revenues to EUR 270.8m, representing growth of 26.7% from the prior year period. Organic growth of over 7% during the quarter was particularly impressive given the strong comparable performance in Q3 2011. Of the total revenues for the quarter, businesses that are not in start-up phase or in significant restructuring (i.e. mature businesses) that have been part of the Group prior to 30 June 2011 generated EUR 216.5m. About EUR 11.9m was generated by new profitable companies acquired after 30 June 2011 (which do not require significant restructuring), whilst EUR 42.4m was generated by start-ups and the businesses in significant restructuring (most of which also acquired after 30 June 2011).

The sustained top line performance brought revenues for NM 2012 to EUR 751.1m, an increase of 28.2% compared to NM 2011 (of which close to 9% was organic), which already had the positive impact from the consolidation of Lancaster from Q2 2011.

For the first nine months of 2012, newly-acquired companies that are in significant restructuring, in addition to the Group's start-up businesses, which are mainly in new markets, generated revenues of EUR 109.0m, compared to EUR 34.4m in NM 2011. Whilst these companies currently require varying levels of restructuring, they expand the Group's strategic footprint, and will reinforce Eurofins' competitive position.

Profitability

Adjusted EBITDA stood at EUR 48.3m in Q3 2012, bringing NM 2012 adjusted EBITDA to EUR 121.5m, representing an 18.4% increase over the comparable figure last year, despite no adjusted EBITDA contribution from EUR 109.0m of the total EUR 751.1m of revenues corresponding to start-ups and laboratories in significant restructuring.

Eurofins' management does not believe that total Group EBITDA as a percent of total Group Revenue is an appropriate indicator of the Company's performance due to the continuous addition of various revenues and costs from start-ups and acquisitions which exhibit varying levels of profitability or losses. Therefore, although this is a lot of data for quarterly reporting, a breakdown is given below.

In Q3 2012, companies which were part of the Group before 30 June 2011 excluding start-ups and companies undergoing significant restructuring generated revenues of EUR 216.5m, and adjusted EBITDA of EUR 46.4m, or 21.4% of revenues. For Q3 2011, the comparable adjusted EBITDA was EUR 45.1m on EUR 200.8m of revenues, or a 22.5% margin.

Acquisitions made since 30 June 2011 which are not in significant restructuring generated an adjusted EBITDA margin of over 10% on revenues of EUR 11.9m. Start-ups and companies in significant restructuring made no adjusted EBITDA contribution on revenues of EUR 42.4m in Q3 2012. Therefore, the last two blocs of companies diluted the profitability margin of the first group of mature companies which had been part of Eurofins prior to 30 June 2011.

The slight margin contraction in Q3 2012 of the first perimeter compared to Q3 2011 can be attributed to (i) a particularly strong Q3 2011 in some countries, specifically in the Nordic region; (ii) the completion of a large, one-off contract in Denmark at the end of 2011; (iii) the temporary business disruption/defocus from moving to the new Wolverhampton laboratory in the UK; and (iv) the slightly slower revenue growth in Germany, relative to personnel expenditures set at a level commensurate to a higher planned growth.

Furthermore, the impact of 0.8 less working days in Q3 2012 compared to Q3 2011 amounted to EUR 3.3m less in revenues, whilst fixed costs (mainly personnel) do not change proportionately according to variances in the number of working days. Therefore, the fewer working days in Q3 2012 also had a slight negative impact on the Group's profitability.

In NM 2012, for the "mature" historic businesses that generated the EUR 121.5m of adjusted EBITDA, revenues stood at EUR 642.1m, implying a margin of 18.9% on those revenues, close to the Group's adjusted EBITDA margin objective of above 20%. This represents a 32 bp expansion over the comparable figure in NM 2011, despite inclusion as discussed above of new businesses that are not yet at Group level since 30 June 2011.

Overall, despite the exceptional costs year to date, 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, some profitable acquisitions that are not yet at Group target margin, 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 16.8% to EUR 39.0m in the first nine months of 2012 and adjusted and statutory EPS continued to expand in Q3.

Balance Sheet

At the end of September 2012, total assets for the Group stood at EUR 1,107.8m, broadly unchanged from June 2012, and from the end of 2011. The reduction in cash used for acquisition payments since the end of 2011 is offset by the increase in long-term assets. Even having paid for multiple acquisitions year to date, Eurofins still ended the first nine months with cash and cash equivalents of EUR 123.5m, which, in addition to expected further strengthening of cash flow, ensures sufficient funding for the Group's growth plans.

Net debt stood at EUR 306.1m as of September 30, 2012 (EUR 258.2m in September 2011). Higher profits have led to improvements in debt ratios resulting in a net debt to equity of 0.86x and net debt to EBITDA of

1.84x at the end of September 2012, versus 0.92x and 1.93x respectively at the end of June 2012, and 0.88x and 1.91x respectively at the end of September 2011.

Cash Flow

Strong top line growth brought the Group's profit before taxes up to EUR 53.7m year to date, representing growth of 22.4% compared to NM 2011. Despite the temporary seasonal increase in NWC (7.9% of sales at the end of September 2012 versus 7.6% at the end of September 2011), the higher operating profit expanded Net Operating Cash Flow by 27.2% to EUR 72.9m.

Capital expenditures in Q3 2012 were EUR 11.7m, versus the EUR 11.8m spent in Q3 2011, and represents a decline to 4.3% of sales, from 5.6% in Q3 2011, and 6.4% in the previous quarter Q2 2012. This brings capital expenditures year to date to EUR 39.7m, or 5.3% of sales, compared to EUR 32.3m, or 5.5% of sales spent in NM 2011, and is in-line with management's objective of managing capex below 6% of revenues for the full year. Therefore, strong revenue growth and higher profits have enabled the Group to generate Free Cash Flows of EUR 5.6m for the first nine months, completely reversing the outflow in the first half of the year.

Outlook

Results year to date allow management to remain confident of achieving its near-term objectives of generating EUR 1bn in revenues this year, and at least EUR 210m in adjusted EBITDA in 2013. The Group believes its revenue and geographical exposure is sufficiently diversified to enable it to achieve its midterm growth objectives. The management is confident that the reorganizations already undertaken, and which will continue, will allow the Group to respond to market conditions swiftly and appropriately. Consequently, Eurofins should be able to embark on the next phase of its growth plans, with the objective to double its revenues to EUR 2bn by 2017, while reaching and maintaining an EBITDA margin above 20% and expanding cash flows.

Additionally, as part of Eurofins' move to more closely align with industry practice, which started in Q1 2012 with dispensing with full financial reports for each quarter, the Company will, from 2013 onwards, only be reporting revenues and revenue growth in its Q1 and Q3 interim updates.

Table 1: Q3 Results Highlights

Q3 2012 EUR m	Q3 2012			Q3 2011			+/- % Adjusted Results
	Adjusted Results	Separately disclosed items	Statutory Results	Adjusted Results	Separately disclosed items	Statutory Results	
Revenues	270.8		270.8	213.7		213.7	26.7%
EBITDA	48.3	-0.8	47.5	45.1	-4.5	40.6	7.0%
EBITAS	36.6	-3.2	33.4	34.0	-5.2	28.7	7.8%
Net Profit	24.1	-3.9	20.2	24.0	-5.2	18.7	0.7%
EPS (EUR)	1.65	-0.27	1.38	1.63	-0.36	1.27	1.2%
Capex			11.7			11.8	-1.1%
Net Operating Cash Flow			32.5			29.4	10.6%
Net Debt			306.1			258.2	18.5%
Free Cash (Out)Flow			11.7			14.9	-21.2%

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

NM 2012 Separately disclosed items:	NM 2012	NM 2011
One-off costs from integrations, reorganizations and discontinued operations, and other non-recurring costs	5.7	5.5
Temporary losses related to network expansion, start-ups and new acquisitions in significant restructuring	4.1	4.3
<i>EBITDA impact</i>	9.8	9.8
Depreciation costs specific to start-ups and new acquisitions in significant restructuring	6.6	2.6
<i>EBITAS impact</i>	16.4	12.4
Amortisation of intangible assets related to acquisitions, goodwill impairment, transaction costs related to acquisitions and non-cash accounting charges for stock options	4.0	4.1
Tax effect from the adjustment of all separately disclosed items	-1.0	-1.1
Total impact on Net Profit	19.5	15.4
Total impact on EPS	1.34	1.08

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 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)

For more information, please visit www.eurofins.com or contact:

Eurofins Investor Relations

Phone: +32-2-766 1620

E-mail: ir@eurofins.com

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 agrosience, genomics and central laboratory services.

With over 12,500 staff in more than 170 laboratories across 33 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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