Eurofins delivers solid FY 2018 results with revenues of EUR 3,781m (+27% yoy) and adjusted EBITDA of EUR 720m (19.0% of revenues), in line with its recently upgraded objectives

05 March 2019

- Organic growth[10] was 4.5% in FY 2018, over 6% excluding Clinical Diagnostics which was affected by sharp one-off price reductions in Q4 in France and tests coverage and reimbursement cuts, particularly at Boston Heart Diagnostics in the U.S bringing annual revenues to EUR 3,781m in spite of -2.9% negative FX effect vs. 2017 average rates.
- 2018 was another strong year of M&A activity for the Group, with ca. 50 acquisitions closed during the year, representing annual revenues of ca. EUR 720m in FY 2018, for a total investment of about EUR 1.2bn.
- Adjusted[1] EBITDA[3] of EUR 720m in FY 2018, in line with the Group's objectives (EUR 700m), resulting in a margin of 19.0% (+30bp vs. FY 2017 in spite of negative FX effects also on EBITDA). Reported EBITDA of EUR 651m, a +27% increase vs. the previous year, in line with total revenue growth and representing 17.2% margin.
- The mature scope[11] of the Group, now representing 93% of total Group revenues (EUR 3,505m) up from 91% in 2017, posted an adjusted EBITDA margin of 20.5%, stable yoy, despite the margin dilution caused by 2017 and 2018 acquisitions (2017 acquisitions at 19.5%, +160bp yoy, and 2018 acquisitions at 16.5% adjusted EBITDA margin for the part consolidated in 2018 accounts), thanks to productivity gains and better utilisation of the laboratory infrastructure.
- Third start-up laboratory programme completed in FY 2018 with 15 new openings during the year, bringing the total number of start-ups opened since the beginning of the third programme in 2014 to 102 and to 145 since the year 2000. Start-ups launched during the third programme remain dilutive to Group's margin.
- Basic adjusted earnings per share (EPS) increased 15% to EUR 20.11 in FY 2018 in spite of higher tax rate and finance costs for M&A and not yet benefitting from integrating recent acquisitions.
- Strong operating cash flow[8] generation up 34% to EUR 544m in FY2018, with net working capital below 5% of revenues. Free cash flow to the firm[9] slightly decreased from EUR 192m in 2017 to EUR 183m in 2018, impacted by significant investments in laboratories and systems in order to build a leading global testing platform (capex of EUR 361m in 2018), the ramping up of costs in the Group's third start-up programme and the necessary reorganisations linked to the many acquisitions made in 2017 and 2018 (SDIs[2] of EUR 68m at EBITDA level in 2018, 9.5% of adjusted EBITDA).
- Net debt to adjusted pro-forma EBITDA leverage stood at 3.38x as at 31st December 2018, below the Group's self-imposed limit of 3.5x. Over the coming years, as its five years infrastructure development programme should be completed by the end of 2020, Eurofins intends to deleverage as a result of improved cash flow generation from a reduction in capex, profitability improvement and lower M&A activity and revert back to its historical average leverage level.
- Proposal to distribute a dividend of EUR 2.88 per share, a 20% increase vs. 2017 corresponding to 29% of basic reported EPS[7] attributable to equity holders.
- In FY 2018, the Group made significant improvements to its corporate governance and is expanding its annual report and disclosures on audit coverage, Board Committees' work, organic growth calculation and segment information. The Group's Board of Directors also mandated an independent third party audit on the authorization process of related parties transactions by its existing Governance Committee made up of independent directors only who approve these transactions, and created a Nomination & Remuneration Committee, whose work has been supported by an independent third party benchmark report on Board and CEO compensation.

- Outlook: following two years of intense M&A activity and heavy investments into its leading global platform (mostly in state-of-the-art laboratories, start-ups and proprietary IT solutions), the Group will now increasingly focus on operational performance optimisation, which it expects should also improve its margins and cash flow generation. On the M&A side, after an exceptional level of ca. EUR 700m in revenues added in each of 2017 and 2018, Eurofins intends to be very selective and focus on deleveraging. As such for now, it intends to keep M&A investments under EUR 300m per annum on average in 2019 and 2020 and may not even reach that level in the absence of compelling assets.
- At 2018 average exchange rates, Eurofins management has set the following objectives[14] for the year 2019: EUR 4.5bn revenues, including 5% from organic growth and EUR 100m consolidated from acquisitions, EUR 850m adjusted EBITDA, and EUR 350m Free Cash Flow to the Firm[9]. These objectives reflect the beginning of a stronger focus on margins and cash flow generation and are accompanied by significantly reduced cash outflow resulting from self imposed limits of EUR 300m each for capex spend and M&A spend in 2019 and 2020. Eurofins will be completing its five years infrastructure global development programme in 2019 and 2020 and thus capex in laboratories and IT solutions, which remain relatively high until 2020, should reduce thereafter. The opening of new start-up laboratories should be minimal in 2019 and 2020.

  For 2020, Eurofins' objectives are to achieve EUR 5bn of revenues and EUR 1bn Adjusted EBITDA (at 2018 average exchange rates and on a pro-forma basis), translating into an Adjusted EBITDA margin objective of 20% for 2020 as the benefit of its laboratory network modernisation and streamlining and of IT investments should start to kick in. This is based on the assumption of Eurofins achieving its 5% organic growth objective and acquiring laboratories generating ca. EUR 200m revenues per annum in each of 2019 and 2020 (consolidated at mid-year). 2020 revenues and profit objectives will be fine-tuned when presenting 2019 results as current focus is on deleveraging rather than on M&A.

  We expect Clinical Diagnostics to fare better in 2019 than in 2018. In Europe, we expect strong developments in the non-invasive pre-natal tests market where Eurofins has the broadest service offering as well as a more benign reimbursement environment in France with market expected to return to modest growth. In the U.S., significant measures to restructure Boston Heart Diagnostics which has now unfortunately become smaller and less significant with respect to the Group's overall size and develop sales toward prevention oriented markets are being taken. Eurofins' clinical diagnostics laboratories also have several promising tests in their pipeline, which may receive reimbursement in 2019 or 2020 in some geographies. Trends remain very positive across the rest of the Group's activities. Eurofins expects continued strong organic growth outside of Clinical Diagnostics.

  Beyond 2020, Eurofins will focus on making optimal use of its existing best-in-class network of laboratories - to be completed by then - which should have a positive impact on margins and cash flow generation and potentially on organic growth as new tests receive adoption. With regards to liquidity and leverage, based on achieving the objectives mentioned above, Eurofins is already financed to repay its Hybrid instrument callable in January 2020 (EUR 300m) and does not plan to issue equity in the short term. Beyond 2020, Eurofins should expand mostly via organic growth and modest M&A activities until its leverage ratio[15] is back to its historic secular level.

Comments from the CEO, Dr. Gilles Martin:

"2018 was a pivotal year for Eurofins as the Group made very significant progress towards the objectives of its five year 2015-2020 plan to build a unique global network of state-of-the-art laboratories, market leadership positions, scale and scientific excellence to offer even better, faster, more cost effective and more differentiated services to its clients and as a result significantly improve its competitive advantage, profitability and cash flow generation to benefit its long-term oriented shareholders for years to come. From a financial perspective, the exceptional M&A activity of the last two years and subsequent integration efforts as well as the heavy investments into building an unmatched state-of-the-art laboratory platform (laboratory buildings, start-ups and IT) with significant scale advantages are still weighing on the margins and cash flow generation. In 2019 and 2020, the focus for the Group will be less on M&A, as most strategic acquisitions have been completed, and much more on finalising those internal investments and making progress towards operational excellence, and thus on beginning to improve profitability, cash flow and return on investment. Based on the noncyclical nature of the markets it serves, the very high recurrence of its revenues, the discretionary nature of the largest part of its investments and the market value of its various independent businesses, Eurofins' leadership is very comfortable with its current balance sheet structure but over the next few years it will nonetheless aim at deleveraging back to the historical level it has consistently operated at until 2017."

Business Review

The following figures are extracts from the Consolidated Financial Statements and should be read in conjunction with the Consolidated Financial Statements and the Notes.

Table 1: Full Year 2018 Results Summary

	FY 2018			FY 2017			+/- %	+/- %
In EUR m except otherwise stated	Adjusted[1] Results	Separately disclosed items[2]	Reported Results	+/- % Adjusted Results	Separately disclosed items	Reported Results	Adjusted Results	Reported Results
Revenues	3,781.1	-	3,781.1	2,971.4	-	2,971.4	27.2%	27.2%
EBITDA[3]	719.8	-68.4	651.4	556.7	-43.5	513.2	29.3%	26.9%
EBITDA Margin (%)	19.0%		17.2%	18.7%		17.3%	+30bp	-10bp
EBITAS[4]	520.8	-93.1	427.7	399.6	-62.0	337.5	30.3%	26.7%
EBITAS Margin (%)	13.8%		11.3%	13.4%		11.4%	+30bp	-10bp
Net Profit[6]	355.8	-131.9	223.9	299.1	-82.4	216.8	19.0%	3.3%
Basic EPS[7] (EUR)	20.11	-7.45	12.65	17.49	-4.82	12.68	15.0%	-0.2%
Operating Cash Flow[8]			543.9			405.1		34.3%
Free Cash Flow to the Firm[9]			182.5			192.5		-5.2%
Net Capex			361.4			212.6		
Net Debt			2,651			1,396		
Leverage Ratio (net debt/last 12 months adjusted EBITDA)			3.68x			2.51x		
Leverage Ratio (net debt/pro-forma adjusted EBITDA)			3.38x			2.14x		

Note: Definitions of the terms used can be found at the end of this press release. 2018 numbers are based on FX2018 average rates and 2017 numbers are based on FX2017 average rates, as used in the consolidated financial statements for each year.

Revenues

Revenues grew 28.4% to EUR 1,083.3m in the fourth quarter, bringing revenues for the full year 2018 to EUR 3,781.1m, representing a year-on-year increase of 27.3% (EUR 3,876m at 2017 exchange rates). Organic growth was 4.5% in FY 2018, exceptionally impacted by Clinical Diagnostics, in particular in the fourth quarter (Clinical Diagnostics organic growth was -1.8% in FY 2018 and -3.7% in Q4 2018, negatively impacted by price reductions including a one-off 7.2% reimbursement cut from the French healthcare authorities in the fourth quarter as well as test coverage and reimbursement cuts particularly affecting Boston Heart Diagnostics in the U.S.). Excluding Clinical Diagnostics, organic growth was strong at over 6%, driven by significant market share gains in most geographies, increased customer penetration, as well as continued growth of the markets where Eurofins operates.

Table 2: Organic Growth Calculation and Revenue Reconciliation

	EURm (unless otherwise stated)
2017 reported revenues	**2,971**
+ 2017 acquisitions - revenue part not consolidated in 2017 at 2017 FX*	477
- 2017 revenues of discontinued activities / disposals[13]	-21
= 2017 pro-forma revenues (at 2017 FX rates)	3,427
- 2018 FX impact on 2017 pro-forma revenues	-81
= 2017 pro-forma revenues (at 2018 FX rates) (a)	**3,346**
2018 organic scope revenues (at 2018 FX rates) (b)**	**3,497**
2018 organic growth rate (b/a-1)	**4.5%**
2018 acquisitions - revenue part consolidated in 2018 at 2018 FX	284
2018 reported revenues	**3,781**

** including EUR 9m reclassification on pre-acquisition revenue recognition to align to Eurofins' rules*
*** Organic scope consists of all companies that were part of the group as at 01/01/2018. This corresponds to 2017 pro-forma scope.*

Table 3: Geographical Revenue Breakdown

(EUR m)	2018	*As % of total*	2017	*As % of total*	*Growth %*
France	766.1	20.3%	677.8	22.8%	13.0%
Germany	426.3	11.3%	342.5	11.5%	24.5%
Benelux	251.4	6.6%	214.8	7.2%	17.0%
Nordic Countries	242.1	6.4%	212.4	7.1%	14.0%
UK & Ireland	239.7	6.3%	161.6	5.4%	48.3%
Total Western Europe	1,925.6	50.9%	1,609.1	54.2%	19.7%
North America	1,256.7	33.2%	902.8	30.4%	39.2%
Rest of the World	598.8	15.8%	459.5	15.6%	30.3%
Total	**3,781.1**	100 %	**2,971.4**	100 %	**27.3%**

In North America, revenues increased 39.2% to EUR 1,257m in FY 2018, with the region now amounting to ca. 33% of total Group revenues. Organic growth was above Group average in FY 2018, with the BioPharmaceutical, Food, and Environmental testing business lines continuing to be the main drivers of this growth. The region saw exceptional M&A activity during the year, in particular with the acquisitions of Covance Food Solutions and TestAmerica in 2018, which enabled Eurofins to reach new leadership positions in both Food and Environment testing services in the U.S., the largest testing market in the world. EAG, Covance Food Solutions and TestAmerica integration processes are progressing in line with plan, should be finalised in 2019 for EAG and for the later two is expected to be completed by the end of 2020. By line of activities, BioPharma testing services, the largest vertical, representing one third of North American revenues, delivered high single-digit organic growth during the year, thanks to tailwinds in the industry mainly linked to continued high levels of R&D spending by large BioPharma companies and the biotech industry and the increased importance these companies place on outsourcing to reduce fixed costs, speed up drug development cycles and maintain strategic flexibility to meet changing project requirements. The Food and Feed Testing business delivered double-digit organic growth in North America in 2018, supported by strong fundamentals in the U.S. food testing market and as the Group started reaping the benefits of its multi-year programme to build a network of food microbiology testing laboratories throughout the country. In the fourth quarter in particular, the Group won a number of customers at newly opened sites. Eurofins continued to strongly focus on innovation, in order to reinforce its scientific leadership and long-term growth potential. As an example, the chemistry testing units produced new supplement testing assays of ginger and industrial hemp cannabinoids, all recognised by the AOAC. The North American Environment Testing business delivered above group average organic growth in FY 2018. The significant turnaround vs. the previous year was underpinned by the strengthening economy, regulatory drivers - specifically in the air, groundwater and drinking water sectors, the results of ongoing restructuring and consolidation of less effective laboratories as well as an increased operational focus, leading to market share gains. The planning for integrations of TestAmerica, and EnvironeX acquisitions, both closed on the 31st of October 2018, is tracking to plan. Progress to date includes planning and initial execution of site rationalisations and consolidations to optimise Eurofins' laboratory network, workload balancing and insourcing, technical collaboration, back office & support service rationalisation and resource/programme sharing, and rebranding. The rollout of the industry "gold standard" TestAmerica Laboratory Information Management System across the existing network of North American environment testing laboratories has commenced and is scheduled for completion over a two year programme. The Clinical Diagnostics business delivered negative organic growth in North America in FY 2018, impacted by difficulties at Boston Heart Diagnostics where revenues declined by EUR 22m (resulting in ca. -70bp drag to Group organic growth), driven by pressure on reimbursement for many tests and coverage decisions for innovative tests as well as regulatory and insurance policy changes.

In France, Eurofins' second largest market with c.20% of total Group sales, revenues increased 13.0% to EUR 766m. Organic growth was below Group average at ca. 2% in FY 2018, due to negative organic growth in Clinical Diagnostics services (over 40% of France revenues) and despite a strong performance in a number of businesses, notably in Environmental, Food and Agroscience testing services. The French Clinical Diagnostics business was impacted by price compression. The French health insurance authority reduced its reimbursement fees by -3.8% in 2018, including a sharp one-off decrease in the fourth quarter (-7.2%) to remain within the nationally negotiated envelope of clinical tests spend taking into account expected volume growth which later turned out to be lower than planned. As a result, overall, the total reimbursement by the French state insurance (CPAM) to all private clinical testing laboratories unexpectedly decreased by 1% in 2018 compared to an increase of 1% in 2017 and a planned increase of 1.4% in 2019. Excluding Clinical Diagnostics, organic growth was strong in France at over 7% in FY 2018. The Food testing business performed well in France in 2018, with organic growth slightly above group average, as the business leveraged its nationwide footprint of food microbiology testing laboratories, a testimony of the network effect in the industry given Eurofins is a long-established leader in Food testing in France. The network provides food manufacturing plants with close access to Eurofins testing capabilities, allowing for short turnaround times and unparalleled service in case of microbiology outbreaks. The network was further extended with two new acquisitions in 2018. In 2018, the French Food testing business also enjoyed robust growth in Food Chemistry testing, reaping the benefits of the Nantes campus extension, which became fully operational in 2018 and of the investments made over the last two years to consistently reduce turnaround times. In Environmental testing, Eurofins won new contracts, notably in water testing and polluted soils testing. In particular, Eurofins has been selected as the laboratory of choice for all the construction companies active in the Grand Paris project. In Agroscience, the Group expanded its offering into seed testing services.

Revenue contribution from Germany, which makes up 11% of Group revenues, was EUR 426m in 2018, representing 24.5% increase vs. the previous year. Organic growth was above Group average, with particularly strong developments in Environmental and BioPharma testing services. In Environmental testing, the business delivered high single digit organic growth driven by the successful deployment of its customer facing online platform Eurofins OnLine, the strengthening of its regional footprint and a strong German economy. The BioPharma testing business saw double digit organic growth as the BioPharma market remained well funded while strategic outsourcing continued to increase. In order to respond to the increasing demand for its services, Eurofins has significantly expanded its BioPharma laboratories in Planegg (Munich) adding over 6,000m^2 of state-of-the-art surface area including ample spare capacity to accommodate customers' growing demand in the future. In addition, the site in Planegg has expanded its service offering for biologics by adding protein analytics to its portfolio, making it a uniquely positioned one-stop shop for biologics stability and release testing in the region. The Genomics services business achieved some key milestones during the year. Following the acquisition of GATC, Eurofins Genomics Services is now by far the largest provider of sequencing services in Europe, in both the traditional Sanger sequencing field, as well as in the Next Generation Sequencing field. Additionally, by combining powerful sequencing and oligonucleotides synthesis platforms, the Group has been able to significantly strengthen and speed-up its offering in the synthetic biology field with GeneStrands delivered all over Europe within 48 hours and full synthetic genes within 4 days.

The Group's laboratories in the Benelux achieved revenues of EUR 251m, representing 7% of total Group revenues, and an increase of 17.0% compared to 2017. During the year, Eurofins Forensics won a 4-year contract with the Ministry of Justice and Security in the Netherlands to perform blood samples analyses for alcohol and drugs testing in traffic cases. In Q4 2018, Eurofins BioPharma Product Testing in the Netherlands signed an agreement with two major innovative pharmaceutical companies for method transfer and subsequent EU release testing of a significant number of products. Eurofins' laboratories in the Nordic Region grew 14.0% to EUR 242m of revenues in 2018, making up 6% of total sales. During the year, the Norwegian team developed and launched a new method for the detection of micro-plastics in food and the environment, a critical issue for the food & beverage industry. This test is now being made available across the entire Eurofins network. The Group has already won a worldwide contract with a top ten global food manufacturer and sees a strong pipeline for this new test. Revenues from the UK & Ireland grew 48.3% to EUR 240m and represent 6% of Group revenues. Organic growth was negative, particularly affected by poor performance in the Pharma and Agroscience testing services verticals as the Group continues to consolidate its operations in the region and uncertainties over Brexit led clients to move European market access work elsewhere.

Eurofins continues to expand its operations and footprint in emerging markets and Asia Pacific, which contributed revenues of EUR 352m, an increase of 29.4% versus 2017 with double digit organic growth. During the year, Eurofins expanded its market presence into three new countries as the Group continued to gradually expand its footprint in Emerging Markets.

Overall, except for Clinical Diagnostics in France and Boston Heart Diagnostics in the U.S. and its UK business affected by Brexit and reorganisations, the Group delivered strong revenue growth across almost all geographic areas and businesses, supported by its investments to build the best laboratory network infrastructure in its markets through acquisitions, laboratory expansion, start-up laboratories and IT investments.

The strong results achieved in 2018 reflect Eurofins' historic investments towards securing leadership and strengthening its competitive advantage in each of its areas of competence.

Profitability

Group adjusted EBITDA increased 29.3% to EUR 720m, now representing 19.0% of revenues, a 30bp year-on-year improvement, in spite of negative FX effects on the consolidation of its U.S. results.

Start-up losses and restructuring costs as disclosed in the separately disclosed items (SDIs) amounted to EUR 68m, +EUR 25m vs. 2017 largely driven by the high volume of companies acquired in 2017 and 2018. This included EUR 31m losses on start-ups and acquisitions in significant restructuring (+EUR 7m vs. last year, mostly due to Boston Heart Diagnostics difficulties, as the rest of the scope reduced its losses by 8% vs. last year in spite of 15 new start-ups coming on line in 2018), EUR 30m of one-off expenses, mostly linked to restructuring and site reorganisation / consolidation costs across various geographies and business lines (including Dundee in Scotland, California in the U.S., Eeronkatu in Finland, and Shardlow in the UK) corresponding to 3% of the revenues acquired in 2016 and 2017 and EUR 8m of network expansion costs related to acquisitions (0.7% of EUR 1.2bn acquisitions spend).

As a result, reported EBITDA amounted to EUR 651m, a +27% increase vs. the previous year, in line with total revenue growth.

Table 4: Breakdown of Reported EBITDA by Operating Segment

(EUR m)	2018	% of revenues	2017	% of revenues	*Growth %*
Western Europe	327.8	17.0%	307.1	19.1%	6.7%
North America	274.3	21.8%	161.0	17.8%	70.4%
Rest of the World	92.5	15.5%	83.1	18.1%	11.4%
Other[1]	-43.1	-1.1%	-37.9	-1.3%	13.8%
Total	**651.4**	**17.2%**	**513.2**	**17.3%**	**26.9%**

(1) Other corresponds to Group Services Centres costs.

The reported EBITDA margin in Western Europe decreased by 210bps vs last year, mostly impacted by one-off price reductions in Clinical Diagnostic services in France, one-time costs linked to the preparation for the deployment of our NG LIMS platform in our Food and Environment testing laboratories, and the dilutive impact of LGC in Forensics.

The reported EBITDA margin in North America increased by 400bps vs last year, mostly due to the accretive impact of EAG and Covance Food Solutions, as well as from strong improvement of our operations in Environmental testing activities.

The reported EBITDA margin in the rest of the world decreased by 260bps vs last year, mostly due to the one-time gain recorded in 2017 on the sale of an unused building in Taiwan.

The mature business (93% of total Group revenues vs. 91% in 2017) generated stable adjusted EBITDA margin at 20.5% of revenues despite the overall dilutive impact from the acquisitions made in the last two years. The Group saw a continued improvement in the profitability of the mature business created or acquired before 2017, which posted an adjusted EBITDA margin of 21.2% (+50bp vs. 2017), whilst acquisitions made during the year 2018 were dilutive to Group margin, generating 16.5% adjusted EBITDA margin in 2018. Acquisitions made in 2017 remained slightly dilutive, despite a strong +160bp improvement in their adjusted EBITDA margin from 17.9% in 2017 to 19.5% in 2018.

Depreciation and amortisation remained stable at 5.9% of revenues, whilst acquisition-related expenses (75% non cash) significantly increased to 1.9% of revenues (+80bp vs. last year) due to the high volume of acquisitions made in 2017 and 2018. As a result, Eurofins generated EUR 344m of reported EBIT, +16% vs. previous year, representing 9.1% of revenues.

Net financial result improved by 20bp yoy to -1.4% of revenues or EUR 55m thanks mostly to a sharp decrease of the average interest paid (2.2% of average debt vs 2.7% in 2017).

The income tax expense for the full year 2018 is EUR 66m, representing 23% of the profit before tax. This represents a significant increase vs. last year mostly due to the unfavourable comparable created by the tax reforms in the U.S. and France in 2017. Income tax paid (in cash flow statement) stood at EUR 68m in 2018, representing 23% of the profit before tax and a year-on-year decrease of 15%, thanks to last year's reduction in corporate tax rates in the U.S. and France which should continue to benefit Eurofins in the future.

Adjusted net profit attributable to equity holders increased by 19% to EUR 356m in the full year 2018. Reported net profit increased by 2% to EUR 224m in the full year 2018. The basic reported earnings per share (EPS) was stable at EUR 12.65 and the basic reported EPS attributable to equity holders slightly decreased to EUR 9.91. The basic adjusted earnings per share (EPS) increased 15% to EUR 20.11 in spite of finance costs for M&A, higher tax and not yet benefitting from integrating recent acquisitions.

Cash Flow & Financing

Operating cash flow in the year 2018 grew by 34% to EUR 544m. Net working capital remained below 5% of revenues (4.8% vs 4.4% in 2017), despite some dilution from companies acquired in 2017 and 2018.

Capex spend increased significantly to EUR 361m or 9.6% of 2018 revenues as the Group continued with a high level of investments in its laboratory footprint as part of its 2015-2020 global infrastructure development plan. Buildings and laboratory equipment represented three quarters of the total capex spend of the Group in FY 2018. Capex spent on laboratory equipment amounted to ca. EUR 150m, up +EUR 50m vs. last year, with large investments particularly at Lancaster in the U.S., Nantes in France, Hamburg and Konstanz in Germany, Shanghai in China and Mississauga in Canada. Expenditures on buildings and leasehold improvements totalled ca. EUR 125m, up EUR 50m vs. 2017, with particularly large investments in Eurofins' large campuses at Lancaster in the U.S., Mississauga in Canada, Hamburg and Konstanz in Germany, Melbourne in Australia, Nantes in France, Dungarvan in Ireland, and Vienna in Austria. The Group also continued its investment efforts into IT infrastructure and bespoke IT solutions with ca. EUR 60m in capex in FY 2018, and has made strong progress on the deployment of its next generation electronic laboratory information management systems and online customer facing platform Eurofins OnLine.

As a result of those exceptionally high investments and last group of start-ups in Eurofins' 2015 – 2020 five years expansion plan, free cash flow to the firm (before interest paid) slightly decreased from EUR 192m in 2017 to EUR 183m in 2018, and free cash flow to equity (after interest paid) also decreased from EUR 147m in 2017 to EUR 129m in 2018.

During 2018, the Group continued to reduce its average cost of funding whilst extending the maturity of its debt instruments at low fixed interest rates, limiting the potential negative impact of a rising interest rate environment and giving the Group visibility on its financing structure and costs. In July 2018, the group issued a Schuldschein loan raising EUR 550m, with a blended interest rate of 1.38% and 5 years average maturity. In November 2018, the Group redeemed its 3.125% EUR 300m Eurobond issued in November 2013, resulting in an average cost on senior debt below 2% thereafter.

At the end of December 2018, net debt amounted to EUR 2,651m (+EUR 1,255m vs. last year) mainly driven by another strong year in terms of M&A activity in 2018 and heavy investments in expanding our laboratories footprint. The Group's leverage ratio stood at 3.38x net debt/pro-forma adjusted EBITDA, within our 3.5x self-imposed limit.

The Group closed the year with a strong liquidity position, with EUR 506m of cash on its balance sheet, and significant undrawn credit facilities. This confirms that Eurofins is well funded to pursue its growth objectives.

Acquisitions

In 2018, Eurofins completed ca. 50 acquisitions to strengthen its leadership in existing markets, to further develop the Group's footprint in new geographies, and to enter new market segments within the Group's areas of competency. A number of these acquisitions also provided Eurofins access to new large customer accounts, which may demand further analytical testing services from the Group's portfolio. Some of Eurofins' acquisitions during the year are discussed below (additional information is available in Note 3.19 "Business combinations" to Consolidated Financial Statements in the 2018 Annual Report).

In June 2018, Eurofins acquired VTT Expert Services Ltd. ("VTT ES") and Labtium Ltd. ("Labtium"), two wholly owned subsidiaries of VTT Technical Research Centre of Finland Ltd. ("VTT"). These subsidiaries cover all of VTT's testing, inspection and certification (TIC) operations. VTT ES offers its clients versatile expert services including calibration services, certification services, structural safety testing, building material testing, electronics testing, fire safety testing and product failure and safety testing. Labtium offers advanced analytical services including environment testing, geochemistry, fuel and combustion chemistry, pulp mill chemistry, mineral processing services and material and products testing. The two companies operate 16 facilities in Finland. In 2017, they generated annual revenues in excess of EUR 27m.

In June 2018, Eurofins acquired PHAST Gesellschaft für Pharmazeutische Qualitätsstandards mbH, one of Europe's leading service providers in the field of pharmaceutical products quality. PHAST, with more than 10 years of Good Manufacturing Practice (GMP) and Food and Drug Administration (FDA) compliance, significantly reinforced Eurofins' global scientific leadership in the growing biopharmaceutical product testing market. Headquartered in Homburg, Germany, and with additional sites in Constance, Germany, as well as in Switzerland, PHAST generated revenues of around EUR 24m in 2017 with 300 staff.

In August 2018, Eurofins acquired Laboratorios Ecosur S.A., one of the leaders of the Food testing market in Spain. As a result, Eurofins became the leader in this market and significantly strengthened its service offering in South East Spain, a key agricultural area in Europe for fruits and vegetables. In 2009, Ecosur expanded into Turkey opening a new laboratory in the Izmir Region. The company employs more than 150 staff and generated revenues above EUR 8m in 2017.

In August 2018, Eurofins acquired Covance Food Solutions from LabCorp (LH: NYSE), a leading global life sciences company. Covance Food Solutions offers an extensive portfolio of laboratory testing and consulting services focused on ensuring product integrity, food safety, quality and adherence to internal and external standards for food, beverage and dietary supplement products. Covance Food Solutions was one of the pioneers in food testing in the U.S. and has, over the years, built strong client relationships with most of the top North American food and beverage multinational corporations. This acquisition provided Eurofins with a leadership position in the U.S. food testing sector, the largest food testing market in the world. This acquisition represented a unique opportunity for the Group to make significant progress towards its 2020 objectives to build an unprecedented global, one of a kind testing platform with world class infrastructure, science and IT solutions. Covance Food Solutions operates an integrated network of 12 facilities across the globe (9 in the United-States, 2 in the United Kingdom and 1 in Singapore). It employs approximately 850 staff and generated revenues of approximately USD 150m in 2017. The acquisition price is USD 670m on a cash free debt free basis and is fully tax deductible.

In August 2018, Eurofins acquired Nanolab Technologies Inc. in Silicon Valley, a provider of advanced materials and analytical solutions such as microscopy and advanced imaging to a USD 3bn high technology market comprised of equipment suppliers, original design manufacturers (ODMs) and original equipment manufacturers (OEMs). Nanolab Technologies and its materials scientists, engineers and analysts complement the world-class capabilities acquired last year through EAG Laboratories. The company employs over 100 highly skilled staff and generated revenues in excess of USD 35m in 2017.

In August 2018, Eurofins acquired Clinical Research Laboratories, one of the leaders in the Cosmetic Testing market in North America. As a result of this acquisition, Eurofins now has a global cosmetic and personal care testing footprint and is becoming the leading company serving the cosmetics and personal care industries worldwide. Eurofins can now offer its clients the most comprehensive cosmetics testing portfolio from its global network of 40 state-of-the-art personal care products and cosmetics testing laboratories in Europe, Asia, Australia and now the U.S. Founded in 1992, the company is focused in clinical safety and efficacy testing for the cosmetic, beauty products, personal care and pharmaceutical industries. Headquartered in central New Jersey and with subsidiaries in North Carolina and Texas, the company employs over 100 highly skilled staff and generated revenues of around USD 12m in 2017.

In October 2018, Eurofins acquired TestAmerica Environmental Services LLC from the JTSI Group. TestAmerica is the leading environmental testing laboratory group in the U.S., delivering innovative technical expertise and analytical testing services to its clients for many years. TestAmerica significantly expanded the range of services Eurofins offers to its clients with over 45,000 accredited methods managed over a combined listing of 449 State or Federal accreditation programs/licenses (e.g., U.S. Department of Agriculture (USDA), U.S. Fish & Wildlife). Furthermore, TestAmerica's industry leading proprietary laboratory information management system (LIMS) will be leveraged across Eurofins' North American environment testing laboratory network. TestAmerica generated revenues of over USD 230m in 2018 and employs over 2,000 staff. The acquisition price was USD 175m on a cash free debt free basis.

In October 2018, Eurofins closed the acquisition of EnvironeX Group Inc., a leading provider of testing services to the Environment, AgriFood and Health and Pharmaceuticals sectors in Quebec, Canada. EnvironeX has grown steadily over the last decade, servicing a broad customer base, including industrial clients, municipalities, engineering firms and environmental consultants in sectors such as Agrifood, Agriculture, Health and Pharmaceuticals. EnvironeX operates three laboratories and one service point, employs 275 staff and generated revenues of over CAD 25m in 2017.

With the acquisitions of Covance Food Solutions and TestAmerica, Eurofins was able to rebalance its activity between the U.S. and Europe. Furthermore, Eurofins achieved the leadership position in the U.S. food testing market and in the U.S. environment testing market, the largest food and environment testing markets in the world.

Total acquisition spend in 2018 was about EUR 1.2bn for combined total annualised revenues of ca. EUR 720m.

Acquisitions completed in 2018, taken as a whole, were dilutive to the Group's EBITDA margin with an average EBITDA margin of ca. 14.8% in FY 2018. However, they represent long term strategic investments linked to

Eurofins' 2020 objectives to build an unprecedented global, one of a kind laboratory testing platform with world class infrastructure, science and IT solutions to provide an unmatched depth and quality of service to its clients.

Infrastructure Programme

As of the end of 2018, Eurofins occupies ca. 1,300 sites throughout the world (laboratories, offices, storage/warehouses, etc.). The total net floor area of these sites amounts to about 1.25 million m^2, of which more than 1.0 million m^2 for our laboratories.

Between 2005 and 2018, Eurofins has added or brought to the most modern standards close to 750,000 m^2 of laboratory space. This is a clear demonstration of Eurofins' commitment to continue to invest significantly in new buildings, extensions and renovations to build the largest and most efficient state-of-the-art laboratory network in its industry. In 2019 and 2020, Eurofins has planned an additional ca. 135,000 m^2 of expansion and modernisation of its laboratory network, of which ca. 60,000 m^2 are planned to be completed in 2019. These investments represent the final part of Eurofins' 2015-2020 exceptional infrastructure and IT solutions investment programme.

In 2018, more than 50 real estate projects were delivered to build, expand, renovate, relocate or acquire new state-of-the-art laboratories and offices, totalling 64,000 m^2. In addition, 180,000 m^2 of mostly rented laboratories and offices were acquired through M&A activities, in particular as part of the acquisitions of TestAmerica and Covance Food Solutions.

Among the new and extended sites delivered in 2018, Eurofins opened a new Food Testing laboratory in Suzhou, China, with a surface area of 2,300 m^2. The new laboratory is nearly twice the size of the previous laboratory. The Group also opened a Service Delivery Centre (SDC) for IT Infrastructure and Operations in Costa Rica. Costa Rica represents the third SDC and strategic IT infrastructure location for Eurofins, next to Bangalore (India, open 24/7) and Penang (Malaysia). A new site houses Eurofins Australia's Food testing laboratory start-up, in addition to the relocated Melbourne Environmental testing laboratory. The stage 1 development comprises 8,000 m^2, and houses the Environmental & Food testing laboratories, as well as management & administration support services. The site also has a further 5,000 m^2 spare space to be developed in future years in order to allow for additional growth. The Biopharma division extended its capacity at the Dungarvan (Ireland) campus by 4,400 m^2. This extension adds bioassay services, allowing full EU release from this location. This one-stop-shop service offering is in high demand from Biopharma clients and represent a good opportunity to secure new business. Biopharma Product Testing also added a new 4,900 m^2 building and is renovating a further 900 m^2 in its existing building in Planegg, near Munich (Germany). This addition was done with a modular design that will not only provide the foundation for the future growth of Biopharma Product Testing's Munich operations, but also set standards regarding flexibility by minimising future investment requirements. Further significant projects delivered in 2018 included the new Food Testing laboratory at our Taipei (Taiwan) campus, the consolidation of our IT Solutions teams in Bangalore (India), the expansion of the Food Testing footprint in Fresno (California), the renovation and extension of the Nazareth (Belgium) Food Testing laboratory, adding a new microbiology laboratory, the extension of the Katowice (Poland) laboratory and a new building in Wesseling to cater for the growth of the Environmental testing business in Germany.

The ca. 60,000 m^2 planned to be completed in 2019, include the expansion of the Lancaster campus in the U.S., a new laboratory in Vienna to consolidate the local Food and Environmental testing laboratories, the extension of the Hamburg campus in Germany to further consolidate this city's food and pharmaceutical product testing laboratories on one single site, as well as the opening or expansion and renovation of laboratories in Bucharest, Romania, Heerenveen, the Netherlands, Nove Zamky, Slovakia, Quindao and Guangzhou, China, Maxéville, France and Singapore.

Start-ups Programme

Start-ups or green-field laboratories are generally undertaken in new markets, and in particular in emerging markets, where there are often limited viable options for acquisitions or in developed markets when Eurofins transfers technology developed by its R&D and Competence Centres abroad or expands geographically.

In 2018, the Group opened 15 new start-ups, bringing the total number of start-ups created since 2000 to 145 and for the third programme only (2014-2018) to 102.

Of the 145 start-ups, less than half are in Europe, close to 30% in APAC, close to 20% in North America and close to 10% in Latin America. By business line, ca. 40% are in Food & Feed testing, over 20% are in Pharma/Biotech/Agroscience services, over 20% in Environment testing, and less than 5% are in Clinical Diagnostics.

The revenues of these 145 start-ups amounted to EUR 209m in FY 2018, ie. more than 5% of the Group's consolidated revenue and contributed 60bp to the Group's organic growth.

During their ramp-up phase, start-up activities go through various stages of development before reaching optimal efficiency levels. On average, start-up periods last for 2 to 3 years in mature markets and 2 to 5 years in emerging markets in order to reach breakeven before they become profitable. The development process includes the creation or construction of the laboratory, hiring the appropriate staff, obtaining relevant accreditations and clients' approval, deployment of the Group's proprietary IT infrastructure and dedicated IT solutions, developing the sales and marketing channels, and building up volumes and the revenue base.

Consequently, start-ups remained dilutive to Group margin overall, generating 5.5% adjusted EBITDA margin in 2018 but this is mostly due to the losses incurred in recently launched start-ups (Programme 3). The profitability of start-ups of the first two programmes is in line with that of the total Group.

Misleading Market Rumours

The existence of anonymous documents and market rumours, some of which including blatantly false or misleading assertions or insinuations, has been reported to Eurofins. These rumours have sparked concerns among some investors as they also saw a concurrent sharp increase of short-selling activities on Eurofins Scientific stock in the last couple of months. Eurofins is concerned by this situation and has therefore approached the competent authorities, the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg and the Autorité des Marchés Financiers (AMF) in France and will share with competent authorities the results of its ongoing investigations about the source of such rumours.

Post-Closing Events

In January 2019, Eurofins acquired the assets of food and environmental testing laboratories in France at insolvency proceeding.

Additionally since the beginning of 2019, Eurofins has completed the acquisition of six companies: one in France, three in Germany, one in the UK and one in Spain. The total annual revenues of these six acquisitions were in excess of EUR 20m in 2018.

Share Buyback

Eurofins Board of Directors will propose to the shareholders meeting to renew and expand the company's mandate to buy back its own shares. The company may use this possibility if it considers its share price to be too disconnected from the sum of the value of its independent businesses.

Table 5: Separately Disclosed Items[2]

In EUR m except otherwise stated	**FY 2018**	**FY 2017**
One-off costs from integrations, reorganizations and discontinued operations, and other non-recurring income and costs	-29.6	-12.4
Temporary losses and other costs related to network expansion, Start-ups and new acquisitions in significant restructuring	-38.7	-31.1
EBITDA[3] impact	-68.4	-43.5
Depreciation costs specific to start-ups and new acquisitions in significant restructuring	-24.7	-18.6
EBITAS[4] impact	-93.1	-62.0
Share-based payment charge and acquisition-related expenses, net[5]	-83.7	-40.7
Net finance costs related to borrowing and investing excess cash and one-off financial effects (net of finance income)	5.6	-4.0
Tax effect from the adjustment of all separately disclosed items	38.7	23.2
Non-controlling interest on separately disclosed items	0.6	1.1
Total impact on Net Profit[6]	-131.9	-82.4
Impact on Basic EPS[7] (EUR)	-7.45	-4.82

1 Adjusted - reflect the ongoing performance of the mature and recurring activities excluding "separately disclosed items[2]".

2 Separately disclosed items - includes one-off costs from integration, reorganisation, discontinued operations and other non-recurring income and costs, temporary losses and other costs related to network expansion, start-ups and new acquisitions undergoing significant restructuring, share-based payment charge, impairment of goodwill, amortisation of acquired intangible assets, negative goodwill, loss/gain on disposal and transaction costs related to acquisitions as well as income from reversal of such costs and from unused amounts due for business acquisitions, net finance costs related to borrowing and investing excess cash and one-off financial effects (net of finance income) and the related tax effects.

3 EBITDA – Earnings before interest, taxes, depreciation and amortisation, share-based payment charge, impairment of goodwill, amortisation of acquired intangible assets, negative goodwill, loss/gain on disposal and transaction costs related to acquisitions as well as income from reversal of such costs and from unused amounts due for business acquisitions.

4 EBITAS – Earnings before interest, taxes, share-based payment charge, impairment of goodwill, amortisation of acquired intangible assets, negative goodwill, loss/gain on disposal and transaction costs related to acquisitions as well as income from reversal of such costs and from unused amounts due for business acquisitions.

5 Share-based payment charge and acquisition-related expenses, net – Share-based payment charge, impairment of goodwill, amortisation of acquired intangible assets, loss/gain on disposal, negative goodwill and transaction costs related to acquisitions as well as income from reversal of such costs and from unused amounts due for business acquisitions.

6 Net Profit - Net profit for equity holders after non-controlling interests but before payment to Hybrid capital holders.

7 Basic EPS – earnings per share (basic) total (to equity holders before payment of dividends to Hybrid capital holders).

8 Operating Cash Flow – Net cash provided by operating activities (after tax).

9 Free Cash Flow to the Firm - Operating Cash Flow, less Net capex.

10 Organic growth for a given period (Q1, Q2, Q3, Half Year, Nine Months or Full Year) - non-IFRS measure calculating the growth in revenues during that period between 2 successive years for the same scope of businesses using the same exchange rates (of year Y) but excluding discontinued operations.
For the purpose of organic growth calculation for year Y, the relevant scope used is the scope of businesses that have been consolidated in the Group's income statement of the previous financial year (Y-1). Revenue contribution from companies acquired in the course of Y-1 but not consolidated for the full year are adjusted as if they had been consolidated as from 1st January Y-1. All revenues from businesses acquired since 1st January Y are excluded from the calculation.
For example, businesses acquired and consolidated during the full year to 31st December 2017 are included in the organic growth calculation for the full year to 31st December 2018 (for that purpose, the full year to 31st December 2017 accounts were restated as if businesses acquired during the year had been part of the group for the full year).
Eurofins has applied the same consistent calculation methodology since its annual accounts for the year 2000; which for 2018 organic growth calculations, translates into comparing the 2018 full year revenues of the businesses consolidated in 2017 (and not disposed of, or discontinued since then), to their 2017 pro-forma full year revenues at 2018 FX rates.
Had the company used the twelve-months rolling technique to calculate its organic growth (i.e. include acquired businesses only after 12 months of ownership, which for 2018 organic growth calculation would have translated into including the revenues from businesses acquired in 2017, only for the same exact months in 2018 than they were consolidated for in 2017), Eurofins organic growth would have been 4.5% as well for the year ended December 31st 2018.
It is to be noted, that in 2018 again, as expected, the organic growth of companies acquired in 2017 was on average lower than that of the Group.

11 Mature scope: excludes start-ups and acquisitions in significant restructuring. A business will generally be considered mature when: i) The Group's systems, structure and processes have been deployed; ii) It has been audited, accredited and qualified and used by the relevant regulatory bodies and the targeted client base; iii) It no longer requires above-average annual capital expenditures, exceptional restructuring or abnormally large costs with respect to their current revenues for deploying new Group IT systems. The list of entities classified as mature is reviewed at the beginning of each year and is relevant for the whole year. In FY 2018, 93% of total Group revenues were included in the mature scope up from 91% in FY 2017.

12 FX impact on revenues corresponds to the difference in EUR for the translation of the last year revenues in EUR of the foreign group entities not in the Euro-area, using the 2018 Average FX rates versus 2017 Average FX rates used in consolidation the previous year.

13 Discontinued activities / disposals: discontinued operations are a component of the Group's core business or product lines that has been disposed of, or liquidated; or a specific business unit or a branch of a business unit that has been shut down or terminated, and is reported separately from continued operations. Disposals correspond to the sale by Eurofins of business assets to a third party. For more information, please refer to Note 3.19 of the Consolidated Financial Statements.

14 At average 2018 FX rates.

15 Leverage = net debt to pro-forma adjusted last twelve-months (L12M) EBITDA.

The Full Year Report 2018 can be found on Eurofins website at the following location:
https://www.eurofins.com/investor-relations/reports-presentations/

Conference Call

Eurofins will hold a conference call with analysts and investors today at 15:30 pm CET to discuss the results and performance of Eurofins, as well as its outlook, followed by questions and answers (Q&A).
In order to listen to the conference call by telephone dial one of the numbers below and enter the following access code: **5895069**.

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Notes for the editor:

Eurofins – a global leader in bio-analysis

Eurofins Scientific through its subsidiaries (hereinafter sometimes "Eurofins" or "the Group") believes it is a scientific leader in food, environment and pharmaceutical products testing and in agroscience CRO services. It is also one of the independent market leaders in certain testing and laboratory services for genomics, discovery pharmacology, forensics, CDMO, advanced material sciences and for supporting clinical studies. In addition, Eurofins is one of the emerging players in specialty clinical diagnostic testing in Europe and the USA. With about 45,000 staff in more than 800 laboratories across 47 countries, Eurofins offers a portfolio of over 200,000 analytical methods for evaluating the safety, identity, composition, authenticity, origin and purity of biological substances and products, as well as for innovative clinical diagnostic. The Group objective is to provide 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 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 judgment of Eurofins Scientific's 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 information available to the Company's management as of the date of publication, but no guarantee can be made as to their validity. Eurofins provides in the Income Statement certain alternative performance measures (non-IFRS information such as "Adjusted Results[1] and Separately Disclosed Items[2]") that exclude certain items because of the nature of these items and the impact they have on the analysis of underlying business performance and trends.

In addition, Eurofins shows the following measures: "EBITDA[3], EBITAS[4]" in the Income Statement and "Organic growth[10]" with the objective to be consistent with the information used in internal Group reporting to measure the performance of Group companies and information published by other companies in the sector.

Management believes that providing these APMs (Alternative Performance Measures) enhances investors' understanding of the company's core operating results and future prospects, consistent with how management measures and forecasts the company's performance, especially when comparing such results to previous periods or forecasts and to the performance of comparable companies. This information should be considered in addition to, but not in lieu of, information prepared in accordance with IFRS. These APMs are described in more detail in the Consolidated Financial Statements 2018 in Notes 1.27 and 1.28.