Eurofins delivers strong growth again in 2019

04 March 2020

As a result of both the major impact of the criminal cyber-attack on Eurofins' operations that hit many laboratories of the Group on 02 June 2019 and the first implementation of IFRS 16 on Eurofins' accounts, FY 2019 reported results are not easily comparable with FY 2018 results. Therefore, in addition to reported and adjusted[1] results, this press release also provides estimates on a comparable adjusted[16] basis. The comparable adjusted basis corrects the adjusted results for the estimated impact of the cyber-attack (EUR 75m at the EBITDA level) and of the implementation of IFRS 16 on Eurofins' FY 2019 consolidated accounts. Were it not for these impacts on profits, investments and cash flows, Eurofins believes it would have achieved all its objectives for FY 2019.

- Total revenues grew 20.7% from EUR 3,781m to EUR 4,563m for the full financial year 2019 (FY 2019), not corrected for the lost revenues following the 02 June 2019 criminal cyber-attack (estimated at EUR 69m). In spite of the cyber-attack, this is well above the Group's EUR 4,500m revenue objective for FY 2019. In Q4 2019, revenues increased 13.4% year-on-year to EUR 1,228m from EUR 1,083m in Q4 2018.
- Organic growth[10] was strong at 5.4% in Q4 2019. Due to the lack of comparability with the revenues of the month of June 2018 as a result of the 02 June 2019 cyber-attack on Eurofins servers, like for like organic growth for the full year 2019 unfortunately cannot be determined. However, organic growth (adjusted for calendar working days' effect) showed increased momentum throughout the year (+4.9% in Q1 2019, +5.1% in Q3 2019, and +5.6% in Q4 2019). Excluding Boston Heart Diagnostics ("BHD") which suffered very large reimbursement reductions in 2019, organic growth (adjusted for calendar working days' effect) was +5.7% in Q1 2019, +6.0% in Q3 2019 and +6.5% in Q4 2019.
- Reported EBITDA[3] increased 27.9% year-on-year in FY 2019, representing an 18.3% reported EBITDA margin, a 110bps improvement year-on-year. At constant accounting rules[15] (i.e. excluding the impact of IFRS 16 application of EUR +131m) and corrected for the estimated impact of the cyber-attack (estimated at EUR -75m), reported EBITDA would have increased by 19.3% year-on-year to EUR 777m, resulting in a 16.8% reported EBITDA margin, a moderate 40bps decrease year-on-year, mainly due to BHD losses and the dilutive margin of TestAmerica, consolidated in full in FY 2019, more than offsetting underlying operational improvements.
- The impact of the loss of revenue and profit on FY 2019 results and the additional expenses incurred as a result of the criminal cyber-attack that hit Eurofins on 02 June 2019 is estimated at EUR -69m on revenues and EUR -75m on EBITDA and EBITAS[4] net of a ca. EUR 10m first insurance payment received in Q3 2019. Eurofins insurance coverage exceeds these estimates, but efforts to determine and agree on exact damages reimbursements will be ongoing for a while. The cyber-attack also had a residual impact on Eurofins' ability to collect receivables. Eurofins ended FY 2019 with a 5.3% net working capital to sales ratio vs. its goal of 4.5% (-0.8%), which would have been a 30bps improvement vs. FY 2018.
- Separately Disclosed Items[2] (SDI) remain elevated at EUR 98m reflecting the ongoing efforts to achieve an optimal hub and spoke network of laboratories following the significant acquisitions completed in 2017 and 2018 as well as BHD losses. SDI comprise EUR 48m of one-off costs from integrations, reorganisations and discontinued operations, and other non-recurring income and costs (of which EUR 7m relates to BHD), and EUR 50m of temporary losses and other costs related to network expansion, start-ups and new acquisitions in significant restructuring (of which EUR 12m relates to BHD). Reorganisation costs relate for a significant part to the consolidation of the business in expanded campuses in Lancaster (Pennsylvania), Hamburg (Germany), Montreal Longueuil (Canada), and

Wiener Neudorf (Austria), as well as site consolidation costs between historical Eurofins U.S.' Environment and Food testing laboratories and TestAmerica and Covance Food Solutions respectively and of Alpa sites with historical Eurofins' activities in France.

- Comparable adjusted EBITDA (i.e. excluding the impact of IFRS 16 application of EUR +131m, and corrected for the estimated EBITDA impact of the cyber-attack of EUR -75m) increased by 22.6% year-on-year to EUR 883m in FY 2019, representing a 19.1% adj. EBITDA margin (+10bps year-on-year) exceeding the Group's EUR 850m adjusted EBITDA objective for FY 2019 (which was set prior to the implementation of IFRS 16 and the cyber-attack). 2018 acquisitions, especially TestAmerica, continued to have a dilutive effect throughout FY 2019. However that company improved its EBITDA margin to a double-digit level.

- The Group's mature scope[11], representing 93% of the Group's revenues (EUR 4,250m), generated a comparable adjusted EBITDA margin (i.e. excluding the impact of IFRS 16 application, and corrected from the impact from the cyber-attack) of 20.5% in FY 2019, stable year-on-year. The Group saw a continued improvement in the profitability of the mature business created or acquired before 2017, which posted a comparable adjusted EBITDA margin of 21.6% in FY 2019 (+40bps vs. FY 2018). Acquisitions made in 2017 and 2018, though still dilutive as a whole, improved their comparable adjusted EBITDA margin to 18.4% in FY 2019, +80bps year-on-year on a proforma basis, whilst 2019 acquisitions had an average of 14.3% comparable adjusted EBITDA margin for the part included in the mature scope.

- Net Operating Cash Flow[8] at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR +130m) stood at EUR 548m, stable year-on-year (+0.7%) despite the large and negative impact of the cyber-attack and the high level of investments in SDIs. Similarly, the Group's net working capital was also impacted by slower collections following the cyber-attack and stood at 5.3% of Group's revenues in 2019 (+50bps year-on-year).

- Net capex spend was EUR 321m (7.0% of Group's revenues at constant accounting rules vs. 9.6% in FY 2018) including EUR 103m for buildings (EUR -29m vs. EUR 132m in FY 2018), representing a 11% decrease year-on-year (EUR 361m in FY 2018). At the end of 2019, Eurofins purchased two large buildings for a total cost of EUR 29m, one near Los Angeles (California) and another one near Heathrow (UK) where it will install laboratories in 2020 and 2021. This was not planned in the 2019 budget and was brought forward due to competitive pressure in these local real estate markets. In addition, before the implementation of IFRS 16, those buildings would have been leased by Eurofins instead of owned. This is why Net capex was slightly above EUR 300m. As investment in M&A was well below the EUR 300m self-imposed maximum, Eurofins could afford those investments while staying well below its EUR 600m total combined cap on M&A and capex.

- Free Cash Flow to the Firm[9] reached EUR 258m and EUR 379m after correcting for the cyber-attack impact on EBITDA (EUR 55m net of tax) and on net working capital (0.8% for EUR 37m) and EUR 29m for buildings that would previously have been leased or purchased later. At constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR +32m), Free Cash Flow to the Firm[9] stood at EUR 226m, a significant increase of 24.0% year-on-year despite the impact from the cyber-attack and those extra investments to own buildings that were purchased ahead of plan in 2019 and where laboratories will start to be set up in 2020 for 2021 delivery only.

- Eurofins closed 26 acquisitions during the year 2019, representing annual revenues of over EUR 130m in FY 2019 and a total investment of EUR 171m, a significant -86% year-on-year decrease as the Group took advantage of exceptional M&A opportunities in 2017 and 2018 and has, at this point, to a large extent already managed to build its desired laboratory platform and geographic footprint.

- Year-end net debt at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR +524m) remained stable year-on-year at EUR 2,721m (vs. EUR 2,737m at the end of June 2019 and EUR 2,651m at the end of December 2018). As a result, Eurofins' leverage (net debt excluding IFRS 16 impact divided by comparable adjusted EBITDA) decreased to 3.08x at the end of December 2019, from 3.61x at the end of June 2019.

- Basic reported earnings per share (EPS) at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR -0.3) decreased -11.0% to EUR 11.26 in FY 2019, largely driven by the large cost of the cyber-attack as well as a higher tax rate coupled with the Group not yet benefitting from the integration of recent acquisitions.

- As Eurofins' management is confident in the positive cash flow outlook for the Company and in receiving further insurance reimbursements, it intends to propose, at its upcoming general assembly, to distribute a dividend of EUR 3.45 per share, a 20% increase vs. 2018, corresponding to 42% of FY 2019 basic reported EPS attributable to equity holders.

- In FY 2019, the Group continued to improve its Environmental, Social and Governance (ESG) practices, including a revision of its Group Code of Ethics, the publication of eight Group compliance policies and the introduction of a number of non-financial KPIs covering some significant social and environmental matters. Eurofins is also working on expanding its Board of Directors and intends to propose the appointment of at least one new Independent Non-executive Director at its upcoming AGM scheduled for 23 April 2020.

- Corona virus update: With only slightly over 3% of its revenues derived from China, South Korea and Italy Eurofins revenues have so far not been meaningfully affected by the SARS 2-CoV crisis. Eurofins' Food testing laboratories in China have already developed testing methods for SARS 2-CoV to help manufacturers resume their business activities. After a very slow February, our Chinese Food testing laboratories are seeing a significant pick-up of activity this month. Most of Eurofins' laboratories operate in resilient non-cyclical healthcare-related areas, which have historically been less affected by economic crises. Like any company, Eurofins' laboratories are updating their business continuity plans to attempt to mitigate potential supply chain or other interferences to operations. Until last weekend, in countries where Eurofins operates human clinical pathology laboratories, tests for SARS 2-CoV were generally only carried out by public health laboratories. Testing is now increasingly being opened to highly qualified independent high complexity molecular testing laboratories. Eurofins laboratories are finalising the development of their own tests and sourcing some commercially available ones to support health authorities testing needs for the hopefully unlikely case the epidemy were to expand much more broadly. Eurofins Diatherix is also working to integrate SARS 2-CoV in its broad respiratory syndromic panels detecting 32 viruses and bacteria to help healthcare practitioners identify other pathogens causing similar symptoms. Eurofins Technologies is also working to add CoV to its range of virus testing kits for both laboratories and for on-site use by the industry should this become a question in certain environmental or food samples.

- Outlook: Following a strong set of 2019 results in spite of the cyber-attack and a positive outlook on its non-cyclical health focused markets, Eurofins is setting new objectives for 2020 and 2021 as follows (all below objectives include IFRS 16 and are set at constant average 2019 FX rates):

    - For 2020, Eurofins' objectives are to achieve EUR 5bn of revenues, including 5% from organic growth and EUR 100m from acquisitions (EUR200m annual revenues consolidated at mid-year), EUR 1.1bn adjusted EBITDA and EUR 500m Free Cash Flow to the Firm.

    - For 2021, Eurofins' objectives are to achieve EUR 5.45bn revenues, including 5% from organic growth and EUR 100m from acquisitions (EUR200m annual revenues consolidated at mid-year), EUR 1.25bn adjusted EBITDA and EUR 600m Free Cash Flow to the Firm.

  These objectives reflect the continuation of a strong focus on margins and cash flow generation and are accompanied by significantly reduced investments with a self-imposed limit of EUR 700m for Net capex and M&A spend combined in both 2020 and 2021 (i.e. ca. EUR 400m Net capex spend including EUR 100m related to IFRS 16 and ca. EUR 300m M&A spend as previously communicated). In 2020, Eurofins should complete its five year infrastructure development programme and thus Net capex in laboratories and IT solutions, which remain relatively high in 2020, should reduce thereafter towards historical levels as a percentage of revenues. The opening of new start-up laboratories should be limited with majority of focus to be on Asia in 2020 and 2021.

Most of Eurofins' capex spend is discretionary and could be delayed should the SARS 2-CoV crises cause significant supply chain or market disruptions. The objective is for SDIs not to exceed EUR 60m at EBITDA level in 2020 and EUR 30m in 2021.

If Q4 2019 trends in Eurofins' markets continue in 2020, it could be that these revenue and profits objectives may also be achieved with higher levels of organic growth than 5% and less acquisitions. The EUR 700m annual investments including IFRS 16 are a self-imposed cap. As in 2019, Eurofins may not reach this total if it does not identify enough high quality acquisition targets at the right price. The Group's priority remains investment discipline and deleveraging.

As a result, by the end of 2021, Eurofins' objective is to bring its leverage (net debt / adjusted EBITDA) back to ca.2.5x. Beyond 2021 and at least in 2022, Eurofins plans to continue to focus on further deleveraging towards the mid-point of its historical 1.5-2.5x net debt to adjusted EBITDA range.

Comments from the CEO, Dr. Gilles Martin:

"In 2019, following two years of intense M&A activity in 2017 and 2018, the Group moved into the final phase of its five year 2016-2020 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 innovative services to its clients. From a financial perspective, this translated into lower investments, in terms of both M&A and Net capex, as well as continued improvement in the profitability of the mature business created or acquired before 2017, leading to improved free cash flow generation.

Unfortunately, the Group suffered a criminal cyber-attack on 02 June 2019, which severely hit several Group laboratories and temporarily stopped or reduced production. This has significantly impacted the financial performance of the Group in 2019. While operations recovered for the most part within two weeks, many of Eurofins' businesses were still feeling the negative impact of those service interruptions and the ensuing efforts to harden IT systems through H2 2019. Combined with the resulting defocus of management beyond the costs and revenue losses incurred, this cyber-attack has probably delayed progress towards the Group's growth objectives by six months. Any lag should however be neutralised within 2020 and the IT spend normalised. The good performance achieved in Q4 in spite of this incident is encouraging and an indication of the dynamism and resilience of Eurofins' health focused markets as well as Eurofins' strong competitive position in those.

The ongoing integration efforts following the exceptional M&A activity of 2017 and 2018 as well as investments into building an unmatched state-of-the-art laboratory platform (laboratory buildings, start-ups and IT) with significant scale advantages and consolidating businesses therein, continued to weigh on the overall margin and cash flow generation in 2019. In 2020, the Group's focus will continue to be to finalise the internal investments required to complete this five year plan. In particular our focus will be on completing the planned site reorganisations and IT solutions deployment, making progress towards operational excellence, and, as a result, further improving profitability and cash flow generation, with a subsequent continued deleveraging of the balance sheet. Beyond 2020, once the 2016-2020 five year plan shall be completed, the Group expects to benefit from significantly improved competitive advantage and to be ready to enter its next growth cycle, which should be even more innovation led. After having achieved the expansion targets in North America announced in 2011, the Group will be more focused on expansion in Asia and Latin America. We believe that the operational benefits of all investments carried out in the 2016-2020 period should result in significantly improved profitability, cash flow generation and return on investment."

Business Review

02 June 2019 cyber-attack:

In H2 2019, Eurofins teams worked very hard to fully recover from the 02 June cyber-attack and to further harden IT systems.

The impact of the loss of revenue and profit and the additional expenses resulting from the 02 June 2019 cyber-attack, based on the most current estimates, stands at ca. EUR 69m on revenues and ca. EUR 75m on EBITDA and EBITAS net of a ca. EUR 10m first insurance payment received in Q3 2019. These higher estimates than those shared at the time of the Q3 2019 press release are mainly due to IT incident response costs incurred both locally and centrally in the second half of 2019.

The net financial impact (after insurance compensation) is expected to be much lower, as Eurofins has business interruption insurance coverage for an amount exceeding the above estimates and coverage for this criminal cyber-attack has been confirmed. The first payment was received in Q3 2019. The Group expects efforts to determine and agree on exact damage reimbursement to be ongoing for a while. In line with Eurofins' conservative accounting, no future reimbursement has been booked in 2019 accounts.

The following figures are extracts from the Consolidated Financial Statements and should be read in conjunction with the Consolidated Financial Statements and Notes for the period ended 31 December 2019.

Table 1: Full Year 2019 Results Summary

***Not corrected for missing revenues and margin related to the cyber-attack**

	FY 2019 (including IFRS 16)			**FY 2018**			**+/- % Adjusted Results**	**+/- % Reported Results**
In EUR m except otherwise stated	**Adjusted[1] Results ***	Separately disclosed items[2]	Reported Results	Adjusted Results	Separately disclosed items	Reported Results		
Revenues	4,562.8	-	4,562.8	3,781.1	-	3,781.1	*20.7%*	*20.7%*
EBITDA[3]	930.7	-97.8	833.0	719.8	-68.4	651.4	*29.3%*	*27.9%*
EBITDA Margin (%)	20.4%		18.3%	19.0%		17.2%	*+140bps*	*+110bps*
EBITAS[4]	573.5	-136.5	437.0	520.8	-93.1	427.7	*10.1%*	*2.2%*
Net Profit[6]	359.4	-164.1	195.2	355.8	-131.9	223.9	*+1.0%*	*-12.8%*
Basic EPS[7] (EUR)	20.19	-9.22	10.97	20.11	-7.45	12.65	*+0.4%*	*-13.3%*
Net Operating Cash Flow[8]			677.9			543.9		*24.6%*
Free Cash Flow to the Firm[9]			258.2			182.5		*41.4%*
Net capex[13]			419.7			361.4		*16.1%*
Net Debt[14]			3,244.7			2,651.0		*22.4%*

Note: Definitions of the terms used can be found at the end of this press release

Revenues

Revenues increased 13.4% year-on-year to EUR 1,228m in Q4 2019 from EUR 1,083m in Q4 2018. For the full financial year 2019, total revenues grew 20.7% from EUR 3,781m during the same period last year to EUR 4,563m. Revenues were reduced as a result of the cyber-attack (estimated at EUR 69m in revenue lost). In spite of this severe criminal act, Eurofins exceeded its EUR 4,500m revenue objective for FY 2019. Organic growth was strong at 5.4% in Q4 2019 and 6.3% corrected for BHD. Due to the lack of comparability between the revenues of June 2018 and June 2019 as a result of the 02 June 2019 cyber-attack on Eurofins' servers, like for like organic growth for the full year 2019 unfortunately cannot be determined. However, organic growth (adjusted for calendar working days effect) showed increased momentum throughout the year (+4.9% in Q1 2019, +5.1% in Q3 2019, and +5.6% in Q4 2019). Excluding BHD which suffered very large reimbursement reductions in 2019, organic growth (adjusted for calendar working days effect) was +5.7% in Q1 2019, +6.0% in Q3 2019 and +6.5% in Q4 2019.

Table 2: Breakdown of Revenue by Operating Segment

(EUR m)	FY 2019	As % of total	FY 2018	*As % of total*	*Growth %*
Europe	2,500.6	54.8%	2,209.9	58.4%	13.1%
North America	1,677.2	36.8%	1,256.7	33.2%	33.5%
Rest of the World	385.0	8.4%	314.5	8.3%	22.4%
Total	**4,562.8**	**100.0%**	**3,781.1**	**100.0%**	**20.7%**

In Europe, Eurofins' largest market which accounts for 55% of Group revenues, revenues increased 13.1% to EUR 2,501m in FY 2019. Q4 2019 organic growth was above Group average in Europe with double digit growth in BioPharma services, mid to high single digit organic growth in both Clinical Diagnostics and Environment testing, whilst Food testing organic growth was slightly below Group average. The very strong performance of BioPharma services in Europe in Q4 2019 was driven by a particularly buoyant demand for the Group's services from the BioPharma industry both for R&D-related and quality control testing services. The recent completion of building extensions in Ireland, Germany, Italy, Belgium and Sweden will enable the Group to continue to meet this demand and will provide an increased panel of services to the BioPharma and Medical Device industries. The Clinical Diagnostics business in Europe delivered organic growth above Group average in Q4 2019 thanks to very positive developments in its innovative test portfolio as well as an easy comparable basis and despite the strikes in France which had an adverse effect on the routine laboratories, particularly in the Paris area. Eurofins saw particularly strong growth in non-invasive prenatal testing ("NIPT") across Europe, cementing its leadership position in that segment. In France, the strong performance of NIPT followed the decision made by the French National Healthcare system last year to reimburse such tests. The Environment testing business saw strong momentum in most European countries driven by demand in its main segments, market share gains, as well as innovation, particularly in the areas of PFAS, microplastics and pesticides testing, all delivering double digit organic growth. The Food and Feed testing business experienced low to mid-single digits organic growth in Europe in Q4 2019. The growth remained very robust, above Group average, in several countries including France, Southern Europe and the Nordics, where the Group continued to benefit from its leadership position and very large network of local laboratories and competence centres offering clients an unrivalled portfolio of tests and a unique level of services. The Forensics business also rebounded strongly following the cyber-attack, delivering double digit organic growth in Q4 2019.

In North America, Eurofins' second largest market which accounts for 37% of Group sales, revenues increased 33.5% to EUR 1,677m in FY 2019. The strong increase is partly attributable to the acquisitions of Covance Food Solutions and TestAmerica, which were both acquired in the second half of 2018 and therefore consolidated for a full year in 2019. Organic growth in Q4 2019 was slightly below Group average despite double-digit growth in BioPharma services and a solid performance, in-line with Group average, in Food testing, somewhat tempered by a negative contribution from the Clinical Diagnostics business driven by continued significant reimbursement challenges at BHD. The BioPharma business, which accounted for a third of North America revenues in Q4 2019, continued to benefit from strong R&D spend, high levels of biotech funding and increased levels of strategic outsourcing. In particular, Eurofins' position as a leading player in the fast-growing biologics and gene/cell therapy markets helped fuel growth. Thanks to the expansion of the Lancaster Laboratories campus, significant additional capacity has become available allowing for further expansion of advanced capabilities in both traditional biologics and advanced therapy medicinal products. The expansion of both drug substance and drug product capabilities into an integrated CDMO offering at the Toronto biopharma campus has also enabled Eurofins to optimise its service portfolio in early phase drug development, allowing its clients to accelerate time to clinic and ultimately time to market. The Food and Feed testing business also delivered solid organic growth in North America in Q4 2019, in line with Group average. This business was supported by innovation, for example, through the development of a new method for the detection of microplastic particles in food and water, which is expected to experience good adoption rates in light of increased legislation in environmentally-conscious States in the U.S.. A laboratory in Canada was successfully audited by the European Medicinal Agency for the testing of cannabinoids, a growing market as a result of legislative changes. The integration of Covance Food Solutions continues as planned, with the relocation of the main hub in Madison to a new building scheduled for Q1 2021. In Environment testing, a positive regulatory environment fuelled above target growth in Drinking Water, Specialty Services, and Built Environment (Asbestos, Mold, Legionella and Industrial Hygiene). This growth occurred against a backdrop of laboratory rationalisations (Nashville and Richland) and relocations (Massachusetts/Rhode Island, Specialty Metals and Montreal), setting the business up for a strong 2020. The integration of TestAmerica progressed ahead of schedule and delivered cost savings in excess of USD 10m in FY 2019, leading to significantly improved margins. Eurofins continues to roll out the TestAmerica Laboratory Information Management System ("LIMS") across its U.S. Environment testing sites in order to operate across a unified market leading IT platform. In Quebec, the Environment testing business completed two site integrations in Montreal and Quebec City, consolidated the LIMS on a single system and is well positioned to take market share in 2020. During Q4 2019, the North America Clinical Diagnostics business saw negative organic growth, as continued strong performance in testing for organ transplants and infectious diseases as well as new product launches could not fully offset the revenue losses at BHD. BHD was reorganised during 2019 and its service portfolio refocused on preventive health offerings for patients looking to improve their health and companies willing to invest in the long-term health of their employees. BHD represented less than 1% of Group revenues in 2019. In H1 2019, Eurofins bought Transplant Genomics, a start-up offering TruGraf® a patented, highly-innovative molecular test which detects silent rejection after kidney transplantation. In late November 2019, Eurofins successfully launched the TruGraf® test after receiving reimbursement approval for Medicare patients at a level of $2,840.75 per test performed. TruGraf® is the first and only non-invasive test on the market that can rule out subacute rejection in kidney transplant patients with stable renal function. TruGraf® will benefit from Eurofins' existing relationship with a large number of transplant hospitals in the U.S. This test was launched in November 2019 and since December the number of samples tested is increasing over 30% from one month to the next. In addition, in December 2019, Eurofins successfully worked with AMA/CPT® to secure a Proprietary Laboratory Analyses (PLA) code for TRAC™, a proprietary donor derived cell-free DNA assay for use in transplant rejection monitoring. TRAC™ has been assigned to the gapfill process in 2020 to establish a payment rate for the test under the Medicare Clinical Laboratory Fee Schedule. In April 2019, Eurofins received approval from the New York State Department of Health for MaternalFetalScreenSM, the only test to combine first-trimester aneuploidy risk assessment with early onset preeclampsia (EOPE) in one report, providing patients with a comprehensive, personalised risk assessment as early as 10 weeks gestation.

Eurofins generated EUR 385.0m of revenues in the Rest of the World in FY 2019, an increase of 22.4% versus FY 2018 and representing 8% of Group revenues as Eurofins continues to invest in expanding its reach and service offering in Asia Pacific and emerging markets. The region delivered high single digit organic growth during Q4 2019, with Food and Feed testing, Environment testing and BioPharma services all recording double digit organic growth. The region remains a focus area for organic growth and should continue to benefit from a growing customer demand for Food, Environment and Pharmaceuticals testing, increased regulation and maturing supply chains. In Asia Pacific, the business saw particularly strong growth in Food testing services in China, India, Taiwan and Vietnam and in Environment testing services in Japan, South Korea and Singapore. The year 2019 was marked by the acceleration of a start-up programme in Asia, with the completion of new laboratories in Hanoi (Food, Vietnam), Can Tho (Food & Environment, Vietnam), Dalian (Food, China), Singapore (Food & Clinical Diagnostics) and a major expansion in Hamamatsu, Japan (Asbestos). This programme will continue into 2020 with several other laboratories currently under construction. In Latin America, the Brazilian Food testing business delivered solid growth, well in excess of targets, underpinned by specialty services and key global and regional account activity whilst the Chilean business was resilient to the local civil unrest that took place in the latter part of the year. The Australia and New Zealand Environment testing laboratories delivered double digit organic growth. The business commissioned and relocated into a world-class Lean 5,200 m² full service state-of-the-art laboratory campus in Melbourne, upgraded and expanded two full service laboratories in Sydney and Brisbane, and commissioned express turnaround time laboratories in Perth and Auckland. The business continued to invest in advanced technologies and specialty services. Further major laboratory expansions are expected in 2020. The Australian Biopharma Product testing business completed the acquisition of Melbourne-based Chemical Analysis, further complementing the successfully-performing Sydney-based Eurofins AMS business. The Australia and New Zealand BioPharma Product testing business now offers a full range of services across Microbiological and Chemistry testing.

Profitability

Comparable adjusted results

2019 reported and adjusted results are not easily comparable as a result of the major impact of the 02 June 2019 cyber-attack on Eurofins' operations and of the implementation of IFRS 16 on Eurofins' accounts. The table below attempts to facilitate comparison. Due to the difficulty of determining what results would have been achieved should Eurofins not have been hit by the cyber-attack, the numbers presented are only estimates. In fact several of Eurofins' businesses continued to be impacted in H2 2019 by the reverberation of the attack on quality of service. Neither this, nor the time lost by Eurofins' leadership on remedial actions as opposed to focusing on the growth of the business can be evaluated.

Table 3: Comparable Adjusted Results excluding IFRS 16 and cyber-attack impacts

	FY 2019					**FY 2018**	
In EUR m except otherwise stated	**Comparable Adjusted Results (excluding IFRS 16 and corrected for estimated cyber-attack impact)**	IFRS 16 impact	Estimated Cyber-attack impact	IFRS 16 and cyber-attack impacts already included in SDI	Adjusted[1] Results*	**Adjusted Results**	**+/- % Comparable Adjusted Results**
Revenues	4,632.1		-69.3	-	4,562.8	3,781.1	*22.5%*
EBITDA[3]	882.7	130.8	-75.2	-7.6	930.7	719.8	*22.6%*
EBITDA Margin (%)	19.1%				20.4%	19.0%	*+10 bps*
Depreciation and amortisation	-256.5	-110.8	-	10.0	-357.2	-199.1	*28.8%*
EBITAS[4]	626.2	20.0	-75.2	2.5	573.5	520.8	*20.3%*
Net Profit[6]	417.4	-5.2	-55.4	2.5	359.4	355.8	*17.3%*
Basic EPS[7] (EUR)	23.45	-3.26			20.19	20.11	*16.6%*

Comparable adjusted EBITDA increased by 22.6% year-on-year to EUR 883m in FY 2019, representing a 19.1% adjusted EBITDA margin (+10bps year-on-year). This is above the Group's EUR 850m adjusted EBITDA objective for FY 2019 (which was set prior to the implementation of IFRS 16 and the cyber-attack).

Separately disclosed items (SDIs) as a proportion of adjusted EBITDA stood at 10.5% in FY 2019 vs. 9.5% in FY 2018 reflecting the effort to align the Group's structure towards its optimal target hub and spoke model. Following the significant acquisitions completed in 2017 and 2018, many sites are being consolidated into larger campuses, for example the chemistry laboratories acquired from Covance Food Solutions in Battle Creek (Missouri) and Boulder (Colorado) were moved to the existing Madison (Wisconsin) campus in 2019 and several TestAmerica sites were or are in the process of being consolidated in other existing sites of the Group or into a new site being built in California. BHD also generated material losses in FY 2019. Indeed BHD remained very dilutive both in terms of revenue growth (90bps headwind to Group organic growth in Q4 2019) and profits, but the settlement reached with the U.S. Department of Justice and previous owners in late 2019 will enable BHD to now start growing a business focused on innovation and preventive cardiovascular tests.

Reported results

Reported EBITDA increased 27.9% year-on-year to EUR 833m in FY 2019, representing an 18.3% reported EBITDA margin, a 110bps improvement year-on-year.

Table 4: Breakdown of Reported EBITDA by Operating Segment

(EUR m)	FY 2019 (including IFRS 16)	% of segment revenues	FY 2018	% of segment revenues	*Growth %*
Europe	464.0	18.6%	373.8	16.9%	24.1%
North America	385.1	23.0%	274.3	21.8%	40.4%
Rest of the World	74.0	19.2%	46.5	14.8%	59.1%
Other[1]	-90.1	-2.0%	-43.2	-1.1%	109.0%
Total	833.0	18.3%	651.4	17.2%	27.9%

(1) Other corresponds to Group Service Centres and includes significant cyber remediation costs in FY 2019

The reported EBITDA margin in FY19 was significantly impacted by the implementation of IFRS16 accounting standard on leases and the cyber-attack, and therefore is not directly comparable to FY18 reported EBITDA margin. Nevertheless, Europe saw some good progress in its reported EBITDA margin, thanks to a better pricing environment in Clinical diagnostics in France and Spain, as well as a good operating environment in Biopharma services. With regards to North America, where overall EBITDA margin remained accretive for the Group, the full year consolidation of Covance brought significant accretion which largely compensated for dilution resulting from BHD losses, while Test America, though still dilutive, generated a double digit EBITDA margin. Finally, the profitability in the Rest of the world segment, significantly improved, especially in Asia-Pacific, and in FY19 was almost on par with the Group average reported EBITDA margin.

Due to the strong impact of IFRS 16 and the cyber-attack on these reported results, the discussion below is focused on comparable adjusted results.

The Group's mature scope[11], representing 93% of the Group's revenues (EUR 4,250m), generated a comparable adjusted EBITDA margin at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR +118.4m) and correcting for the impact of the cyber-attack (estimated at EUR -70.3m for this scope) of 20.5% in FY 2019, stable year-on-year. The Group saw a continued improvement in the profitability of the mature business created or acquired before 2017, which posted a comparable adjusted EBITDA margin of 21.6% in FY 2019 (+40bps vs. FY 2018), whilst acquisitions made in 2017 and 2018, though still dilutive as a whole, improved their profitability to 18.4% comparable adjusted EBITDA margin in FY 2019, or +80bps year-on-year on a proforma basis. 2019 acquisitions averaged a 14.3% comparable adjusted EBITDA margin for the part included in the mature scope.

Depreciation and amortisation at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR +110.8m) increased slightly year-on-year to 6.2% of the Group's revenues in FY 2019 vs. 5.9% in FY 2018, reflecting the significant investments made in IT and the Group's network of laboratories in recent years.

Finance costs at constant accounting rules as a percentage of the Group's revenues decreased year-on-year to 1.6% in FY 2019 vs. 1.8% in FY 2018.

Profit before tax at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR -7.2m) decreased slightly from EUR 290m in FY 2018 to EUR 279m in FY 2019, mostly driven by the impact of the cyber-attack.

Income tax rate increased to 28.1% in 2019 from 22.9% in 2018, mainly driven by a differing geographic mix in terms of profit distribution and a higher contribution from the U.S. to the Group's taxable income as well as a conservative approach to deferred tax assets not recognised for tax losses generated by a number of loss making start-ups and recently acquired companies.

Net profit to equity holders at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR -5.2m) decreased to EUR 200.4m in FY 2019 vs. EUR 223.9m in FY 2018, resulting in basic reported earnings per share (EPS) at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR -0.3) to decrease -11.0% to EUR 11.26 in FY 2019, largely impacted by the cyber-attack.

Cash Flow & Financing

Table 5: Cash Flows Reconciliation

(EURm)	FY 2019 excluding IFRS 16	IFRS 16 impact	FY 2019 reported	FY 2018 reported	*Y-o-Y variation* *FY 2019 excl. IFRS 16 vs. FY 2018*
Net Cash from Operations	548	130	678	544	+4
Net capex (i)	-321	-98	-420	-361	+40
Free Cash Flow to the Firm	226	32	258	183	+44
Acquisitions spend and other investments (ii)	-121	-	-121	-1,196	+1,075
Net Cash from Investing (i) + (ii)	-442	-98	-540	-1,557	+1,115
Net Cash from Financing	-310	-32	-342	691	-1,001
Net decrease in Cash and cash equivalents and banks overdrafts	-200	0	-200	-321	+121
Cash and cash equivalents at end of period and banks overdrafts	295	0	295	495	-200

Net Operating Cash Flow at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR +130m) stood at EUR 548m in FY 2019, stable year-on-year (+0.7%) despite the impact of the cyber-attack on EBITDA of EUR -75 m. Net working capital stood at 5.3% of Group's revenues (+50bps year-on-year) impacted by difficulties in collections resulting from disruptions to the billing and dunning systems of several Eurofins companies, as a result of the cyber-attack.

In the second half of 2019, Net Operating Cash Flow at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR +69m) increased by 15.7% vs. the same period of 2018. This was achieved despite continued adverse change in net working capital mainly due to collateral cyber-attack effects and higher income tax paid.

In the second half of 2019, Free Cash Flow to the Firm at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR +6m) also increased by 30.4% vs. the same period of 2018 to EUR 177m in spite of the cyber-attack impact and still heavy SDI investments.

Net capex spend at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR +98m) was EUR 321m (7.0% of Group's revenues vs. 9.6% of Group's revenues in FY 2018), representing a -11.1% decrease year-on-year despite continued investments into large building extensions and construction in 2019 including extensions to its Lancaster campus in the U.S. (adding over 15,000 m^2) and its Hamburg campus in Germany (adding over 14,800 m^2), construction of new buildings like its Wiener Neudorf campus in Austria (3,500 m^2), new campuses in Hungary (over 2,000 m^2) and Romania (ca. 4,000 m^2) and a new Food testing laboratory in Heerenveen in the Netherlands (adding 2,800 m^2) as well as investments to harden Eurofins' IT systems. The Group is now nearing the end of its five year 2016-2020 plan to build a unique global network of state-of-the-art laboratories and, as a result, management expects Eurofins' Net capex to sales ratio to trend below 6% from 2021 onwards (at constant accounting rules).

Free Cash Flow to the Firm at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR +32m for FY 2019) increased significantly by 24.0% to EUR 226m for FY 2019 vs. FY 2018. Eurofins has managed to improve its cash flow generation in 2019, despite the substantial headwinds from the cyber-attack on profits and net working capital, and expects ongoing further improvements over the coming years.

M&A spend stood at EUR 171m in FY 2019, representing a significant -86.4% year-on-year decrease as the Group took advantage of exceptional M&A opportunities in 2017 and 2018 and has, to a large extent, now managed to build its desired laboratory platform and geographic footprint. Net capex and M&A spend in 2019 totalled EUR 492m at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR +98m on Net capex spend) well below the Group's self-imposed limit of EUR 600m. This is in line with the deleveraging priority Eurofins has set for 2019-2022.

Year-end net debt at constant accounting rules (i.e. excluding the impact of IFRS 16 application of EUR +524m) remained stable year-on-year at EUR 2,721m (vs. EUR 2,737m at the end of June 2019 and EUR 2,651m at the end of December 2018). As a result, Eurofins' leverage (net debt of EUR 2,721m excluding IFRS 16 impact divided by comparable adjusted EBITDA of EUR 883m) decreased to 3.08x at the end of December 2019 from 3.61x at the end of June 2019. This is below the Group's self-imposed limit of 3.5x and on track to revert to the historical range of 1.5-2.5x.

The implementation of IFRS 16 (EUR +524m net debt, EUR +118m adjusted EBITDA) only had a minor impact on leverage, bringing the ratio of net debt to adjusted EBITDA, corrected for the estimated impact of the cyber-attack, to 3.24x at the end of December 2019.

During 2019, 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 potentially rising interest rate environment and giving the Group visibility on its financing structure and costs. In September/October 2019, the Group successfully redeemed its 7% €300m hybrid bond and issued a new 2.875% €300m hybrid bond, bringing the average cost of dividend coupons on Hybrid capital from 4.86% to below 3.7%. This had a negative impact of EUR 19.8m on the FY 2019 cash flow statement as the January 2020 coupon was included in the redemption costs of 2019.

The Group closed the year with a solid liquidity position, with EUR 297m of cash on its balance sheet, and over EUR 500m of undrawn and available committed bank credit lines, with an average remaining life greater than three years, in addition to those used to back the commercial paper issued by Eurofins.

Acquisitions

During 2019, the Group completed 26 acquisitions, representing annual revenues of over EUR 130m in FY 2019 for a total investment of EUR 171m.

In June 2019, Eurofins closed the acquisition of Transplant Genomics Inc. ("TGI"), a molecular diagnostics company committed to improving organ transplant outcomes with non-invasive serial monitoring guided by genomics. The initial acquisition price paid was USD 27.5m with a preliminary deferred element (related to expected reimbursement price per test and future revenues during the period between 2020 and 2024) recorded for USD 44m. This "pre-revenue" company generated USD 0.6m of revenues and a negative EBITDA of USD 3.7m with 11 employees in 2018.

Focus on Scientific Innovation

Eurofins is structured as a network of intrapreneur-led companies. This decentralised structure promotes closer relationships with and more individualised services for clients and fosters business agility and scientific innovation. Here are a few highlights demonstrating innovation achievements in 2019 alone:

Tackling Microplastics in Food and the Environment

The presence of microplastics (plastic fragments less than 5mm and greater than 1um), is a growing concern in both food and the environment with legislation under way. Polluting the environment through multiple channels, microplastics contain or can carry hazardous chemicals that may have a negative impact on nature and human health. Their ingestion through air, water, or food such as fish or shellfish, is of particular concern. Eurofins has recently expanded its offering in microplastics testing:

- Eurofins Australia is the first laboratory to offer a commercial service for Microplastic detection using the innovative Laser Direct Infra-Red (LDIR) imaging system. This technique enables the sizing of Microplastic particles to <10 µm and also identifies polymer types against standard published Infra-Red libraries. This technology has significantly reduced the time it takes to obtain results from days to several hours for complex samples;
- Eurofins' Norwegian teams, using Pyrolytic Gas Chromatography Mass Spectrometry (GC-MS) for detection, have developed new methodologies with custom filtration in a polymer-dust-free laboratory environment, increasing processing speed by up to 60 times;

- Eurofins SF Analytical Laboratories in the U.S. was the first laboratory to make dye imaging and NOAA methodology under Fourier-Transform Infra-Red (FTIR) spectroscopy and microscopy technologies commercially available. The method may become an industry benchmark for Microplastics testing in California where pending legislation is expected to mandate Microplastics testing by the end of 2021.

Developing Per- and Polyfluorinated Alkyl Substances (PFAS) and Non-Target Detection Techniques in Environment Testing

- Demand for PFAS analysis continues to grow globally. Whilst much of the focus has been on the regulated PFAS compounds, Perfluorooctane Sulfonate (PFOS) and Perfluorooctannoic Acid (PFOA), there are an estimated 4,000 other PFAS compounds in the environment with minimal toxicological data. Demand for identification of these unknowns is increasing and Eurofins has responded by developing methodologies using state-of-the-art Liquid Chromatography Quadrupole Time-of-Flight instrumentation (LC-QToF) to concurrently enhance regulated compound detection whilst also building a library of non-target compounds for future identification and quantification;
- LC-QToF adopted by Eurofins in Europe, the U.S. and Australia has also provided Eurofins' scientists with new tools to detect "known unknowns" (emerging target compounds) and "unknown unknowns" (non-target compounds) thereby facilitating the identification of previously unquantified emerging contaminants. This powerful tool can elucidate the presence of compounds that may be of greater toxicological significance than regulated target compounds.

Tackling Silent Rejection in Kidney Transplants with Patented Test TruGraf®

In H1 2019, Eurofins acquired a start-up called Transplant Genomics, a company which offers TruGraf®, a patented test to determine silent transplant rejection, to kidney transplant recipients. This test has received financial coverage from the U.S. Medicare healthcare reimbursement body. The acquisition further strengthens Eurofins' position as a market leader in the pre- and post-transplant testing market in the U.S.:

- TruGraf® is the first and only blood test available that allows physicians to reassure kidney transplant patients with stable renal function that their graft is not harbouring silent rejection (approximately 25% of transplant patients suffer from this[1]). The test provides an alternative to performing an invasive, risky and costly surveillance biopsy. As the only non-invasive test reimbursed for use as a surveillance tool, TruGraf® enables early intervention, before indicative signs of kidney damage can be detected;
- TruGraf® is one of Eurofins' first proprietary clinical genetic assays to achieve reimbursement, with a significant market potential;
- Separately, in 2020, Eurofins is launching a proprietary cell-free DNA test called TRAC that can help guide physician treatment decisions when acute rejection is suspected.

Innovating in the Area of Non-Invasive Pre-Natal Testing (NIPT)

NTD Eurofins received approval from the New York State Department of Health (NYSDOH) for the addition of Y chromosome assessment to its MaternalFetalScreen℠ | T1 test. This is the only test to combine first-trimester aneuploidy risk assessment with early onset preeclampsia (EOPE) testing in one report, providing patients with a comprehensive, personalised risk assessment, as early as at 10 weeks' gestation. Through the measurement of five serum markers, MaternalFetalScreen℠ | T1 casts a wide net from which it can identify maternal and fetal issues, such as aneuploidy, preeclampsia, low birth weight, fetal loss and stillbirth. With this new test, NTD Eurofins has added the category of Genetic Testing (Molecular) to its NYSDOH permit.

Eurofins has also developed a unique range of Next-Generation Sequencing (NGS) based NIPT tests and achieved significant sales growth in this area in Europe in 2019.

[1] Estimate to the best of Eurofins' knowledge, based on data available to the Group

Developing a Comprehensive and Customisable Cell and Gene Therapy Testing Offering to Support the Development of Advanced Therapy Medicinal Products (ATMPs) both for Traditional Use as well as for Use in Personalised Medicine in BioPharma Product Testing

- The development of ATMPs, such as gene and cell therapy products, has resulted in significant progress in the treatment of many diseases, including cancer, genetic and autoimmune disorders. By their nature, these technologies are very complex and vastly different to traditional biopharmaceutical products, especially in terms of their use in personalised medicine. These complexities span the development pipeline, creating challenges in relation to manufacturing, testing requirements, regulatory approval, and commercialisation. The U.S. Food and Drug Administration (FDA) expects more than 200 new investigational drug applications for cell and gene therapies by 2020[2], which has prompted the agency to significantly strengthen its regulatory programme;
- Eurofins provides Good Manufacturing Practice (GMP) compliant Chemistry, Manufacturing and Controls (CMC) testing support to ensure the identity, potency, purity and safety of starting materials, cell and virus banks, intermediate products, vectors and final drug products, as well as supporting manufacturing process development and validation. The Group's broad testing portfolio coupled with its state-of-the-art IT solutions, which ensure standardised best practices across its global network of laboratories, make Eurofins BioPharma Product Testing a supplier of choice for global biopharmaceutical companies requiring support regarding the incredibly complex testing requirements for ATMPs.

The "Focus on Scientific Innovation" section of the annual report 2019 (pages 9 to 12) contains more detailed information and additional examples.

Infrastructure Programme

As of the end of 2019, Eurofins occupied more than 1,400 sites throughout the world (laboratories, offices, phlebotomy sites, storage/warehouses, etc.). The total net floor area of these sites amounted to about 1.35 million m^2, of which more than 1.0 million m² is laboratory space.

Between 2005 and 2019, Eurofins has added or brought to the most modern standards close to 815,000 m^2 of laboratory and office surface (including space used by companies acquired during this period). 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 2020 and 2021, Eurofins has planned an additional ca. 100,000 m^2 expansion and modernisation of its laboratory network. These investments represent the final stage of Eurofins' exceptional 2016-2020 infrastructure and IT solutions investment programme.

In 2019, over 40 real estate projects were delivered to build, expand, renovate, relocate or acquire new state-of-the-art laboratories and offices. At the same time, in an effort to rationalise and consolidate Eurofins' footprint, a significant number of buildings were vacated and leases terminated in order to move into new or expanded existing sites. In total, ca. 65,000 m^2 of new or renovated laboratory and office space was added in 2019.

Following the acquisition of TestAmerica in the U.S. in 2018, site rationalisations and reorganisations are progressing according to plan. TestAmerica sites in Richland (Washington) and Nashville (Tennessee) have been exited with workload redistributed throughout the network. The Eurofins Frontier Specialty metals laboratory located in Bothell (Washington) has been relocated to the TestAmerica Seattle (Washington) site and a number of Eurofins and TestAmerica service centres have been co-located. In Tustin (California), a new site has been purchased, with the design phase in progress to facilitate the co-location of the TestAmerica Irvine and Eurofins (Garden Grove) Calscience sites. This project is expected to be completed in 2021.

Following the acquisition of Covance Food Solutions in the U.S. in 2018, Eurofins has started to organise its U.S. Food testing laboratory network around larger Centres of Excellence where customers can be better served with shorter testing times, personalised service and innovative testing offerings. The chemistry laboratories from

[2] https://www.fda.gov/news-events/press-announcements/statement-fda-commissioner-scott-gottlieb-md-and-peter-marks-md-phd-director-center-biologics

Battle Creek (Missouri) and Boulder (Colorado) were moved to the existing Madison (Wisconsin) laboratory. In Madison, Eurofins purchased a new site and the construction of a new 10,000 m^2 state-of-the art laboratory is fully underway in order to move the existing operations to the new laboratory early 2021. This new site will become the Centre of Excellence for much of the Group's U.S. specialty food chemistry departments serving the nutritional supplements market and other large food industry clients.

In Q4 2019, Eurofins purchased a new building located close to Heathrow (U.K.) in order to consolidate Eurofins' major Forensic DNA, drugs, toxicology, food and water testing laboratories away from rented premises into new 5,500 m^2 owned facilities by 2021. Eurofins Environment testing Canada also consolidated its footprint and moved its Pointe Claire (Quebec) operations to the expanded 3,600 m^2 facilities in Longueuil (Quebec), previously occupied by EnvironeX.

In October 2019, Eurofins Food Testing Singapore has expanded and moved its business location to a new 1,000 m^2 laboratory in Singapore.

Earlier in 2019, several strategic new laboratories and extensions to existing campuses were delivered and are now operational. Among these were a 15,000 m^2 extension to the Lancaster (Pennsylvania) campus, a 15,000 m^2 extension to the Hamburg (Germany) campus, and the delivery of the new campus in Wiener Neudorf (Austria) (3,500 m^2). Further building, expansion and renovation projects were successfully completed in 2019, of which the most significant are the new 2,800 m^2 building in Heerenveen (The Netherlands) for Food testing, the renovation and expansion of 1,200 m^2 in Nazareth (Belgium) for Food testing, and the new Clinical Diagnostics presence at Médipôle in Lyon (France). In China, Eurofins EAG Laboratories have also moved into a newly renovated 3,400 m^2 facility in Shanghai significantly increasing capacity to serve its customers in the area.

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 in terms of acquisitions or in developed markets where Eurofins transfers technology developed by its R&D and Competence Centres abroad or expands geographically.

In 2019, the Group opened 15 new start-up laboratories, bringing the total number of start-ups created since 2000 to 160. The 160 start-up laboratories opened since the year 2000 had a 90bps contribution to Group organic growth for the period January–May 2019, 120bps in Q3 2019 and 90bps in Q4 2019.

Of these 160 start-ups, over 40% are located in Europe, ca. 20% in North America and close to 40% in the Rest of the World. By business line, ca. 40% are in Food & Feed testing, ca. 20% are in Pharma/Biotech/Agroscience services, ca. 20% in Environment testing, and ca. 6% in Clinical Diagnostics.

Of the 15 start-ups opened in 2019, a large majority (60%) are located in the Rest of the World, over 25% in North America and over 10% in Europe, as the Group has, to a large extent, now built its desired laboratory platform and geographical footprint in its two home markets (Europe and North America) and is on track to deliver the Group's plan to rebalance business towards Asia Pacific over the coming years. By business line, close to 50% of start-ups are in Food & Feed testing, ca. 40% in Clinical Diagnostics and over 5% in Pharma/Biotech/Agroscience services.

Post-Closing Events

Change of scope:

Since the beginning of 2020, Eurofins has completed the acquisition of three small companies / asset deals: one in Norway, one in the U.S. and one in India. The total annual revenues of these acquisitions were ca. EUR 5m in 2019.

In February 2020, TestAmerica Air Emission Corporation divested its stack emission testing business Metco in the U.S. (annual revenues of ca. EUR 5m in 2019).

Table 6: Separately Disclosed Items[2]

In EUR m except otherwise stated	FY 2019	FY 2018
One-off costs from integrations, reorganisations and discontinued operations[12], and other non-recurring income and costs	-48.0	-29.6
Temporary losses and other costs related to network expansion, start-ups and new acquisitions in significant restructuring	-49.8	-38.7
EBITDA[3] impact	-97.8	-68.4
Depreciation costs specific to start-ups and new acquisitions in significant restructuring	-38.7	-24.7
EBITAS[4] impact	-136.5	-93.1
Share-based payment charge and acquisition-related expenses, net[5]	-70.5	-83.7
Net finance costs related to borrowing and investing excess cash and one-off financial effects (net of finance income)	1.3	5.6
Tax effect from the adjustment of all separately disclosed items	40.6	38.7
Non-controlling interest on separately disclosed items	0.9	0.6
Total impact on Net Profit[6]	-164.1	-131.9
Impact on Basic EPS[7] (EUR)	-9.22	-7.45

Summary financial statements:

Table 7: Summarised Income Statement

	FY 2019			FY 2018
In EUR m except otherwise stated	Excluding IFRS 16 impact	IFRS 16 impact	Reported Results	Reported Results
Revenues	4,562.8	-	4,562.8	3,781.1
Operating costs, net	-3,860.6	130.8	-3,729.8	-3,129.7
EBITDA	702.2	130.8	833.0	651.4
EBITDA Margin	15.4%		18.3%	17.2%
Depreciation and amortisation	-285.1	-110.8	-395.9	-223.7
EBITAS	417.0	20.0	437.0	427.7
Share-based payment charge and acquisition-related expenses, net	-70.5	-	-70.5	-83.7
EBIT	346.6	20.0	366.6	344.0
Finance income	5.2	-	5.2	13.7
Finance costs	-73.7	-27.1	-100.9	-68.2
Share of profit of associates	0.6	-	0.6	0.4
Profit before income taxes	278.7	-7.1	271.5	289.8
Income tax expense	-78.3	2.0	-76.3	-66.3
Net profit for the year	200.4	-5.2	195.3	223.6
Attributable to:				
Equity holders of the Company and hybrid capital investors	200.4	-5.2	195.2	223.9
Non-controlling interests	0.0	-	0.0	-0.4
Earnings per share (basic) in EUR				
- Total	11.26	-0.29	10.97	*12.65*
- Attributable to hybrid capital investors	2.79	-	2.79	2.75
- Attributable to equity holders of the Company	8.47	-0.29	8.18	9.91
Earnings per share (diluted) in EUR				
- Total	10.75	-0.28	10.47	12.24
- Attributable to hybrid capital investors	2.66	-	2.66	2.66
- Attributable to equity holders of the Company	8.08	-0.27	7.81	9.58
Weighted average shares outstanding (basic) - in millions	17.8		17.8	17.7
Weighted average shares outstanding (diluted) - in millions	18.6		18.6	18.3

Table 8: Summarised Balance Sheet

	FY 2019			FY 2018
In EUR m except otherwise stated	Excluding IFRS 16 impact	IFRS 16 impact	Reported Results	Reported Results
Property, plant and equipment	1,106.2	487.3	1,593.5	1,018.0
Goodwill	3,608.8		3,608.8	3,418.3
Other intangible assets	918.2		918.2	946.9
Investments in associates	5.3		5.3	5.1
Financial assets and other receivables	49.2		49.2	67.6
Deferred tax assets	34.3	9.7	44.0	44.2
Total non-current assets	**5,722.0**	496.9	**6,218.9**	**5,500.0**
Inventories	79.3		79.3	66.4
Trade receivables and contract assets	1,001.2		1,001.2	864.9
Prepaid expenses and other current assets	153.0		153.0	148.0
Current income tax assets	73.4		73.4	73.1
Derivative financial instruments assets	0.3		0.3	46.8
Cash and cash equivalents	297.0		297.0	506.2
Total current assets	**1,604.1**		**1,604.1**	**1,705.4**
Total assets	**7,326.2**	496.9	**7,823.1**	**7,205.4**
Share capital	1.8		1.8	1.8
Treasury shares	-0.2		-0.2	-0.2
Hybrid capital	1,000.0		1,000.0	1,000.0
Other reserves	978.2		978.2	954.8
Retained earnings	745.7	-26.8	718.9	659.2
Currency translation reserve	139.8		139.8	53.6
Total attributable to equity holders of the Company	2,865.4	-26.8	2,838.6	2,669.2
Non-controlling interests	59.5		59.5	53.0
Total shareholders' equity	**2,924.9**	-26.8	**2,898.1**	**2,722.2**
Borrowings	2,680.7	406.1	3,086.9	2,766.2
Derivative financial instruments liabilities	-		-	-
Deferred tax liabilities	124.5		124.5	138.6
Amounts due for business acquisitions	51.7		51.7	57.8
Employee benefit obligations	75.3		75.3	64.1
Provisions	5.1		5.1	6.0
Total non-current liabilities	**2,937.3**	406.1	**3,343.4**	**3,032.6**
Borrowings	337.2	117.6	454.8	391.1
Interest and earnings due on hybrid capital	50.0		50.0	66.0
Trade accounts payable	409.8		409.8	373.0
Contract liabilities	116.4		116.4	102.7
Current income tax liabilities	20.7		20.7	39.4
Amounts due for business acquisitions	62.2		62.2	66.0
Provisions	22.0		22.0	16.3
Other current liabilities	445.6		445.6	396.2
Total current liabilities	**1,464.0**	117.6	**1,581.6**	**1,450.7**
Total liabilities and shareholders' equity	**7,326.2**	496.9	**7,823.1**	**7,205.4**

Table 9: Summarised Cash Flow Statement

	FY 2019			FY 2018
In EUR m except otherwise stated	Excluding IFRS 16 impact	IFRS 16 impact	Reported Results	Reported Results
Cash flows from operating activities				
Profit before income taxes	278.7	-7.2	271.5	289.8
Adjustments for:				
Depreciation and amortisation	285.1	110.8	395.9	223.7
Share-based payment charge and acquisition-related expenses, net	70.5		70.5	83.7
Other non-cash effects	5.2	-0.5	4.6	1.6
Financial income and expense, net	68.9	27.1	96.1	52.1
Share of profit from associates	-0.6		-0.6	-0.4
Transactions costs and income related to acquisitions	-8.3		-8.3	-17.5
Increase/decrease in provisions employee benefit obligations	7.3		7.3	-0.6
Change in net working capital	-64.2		-64.2	-20.8
Cash generated from operations	642.6	130.3	772.9	611.7
Income taxes paid	-95.0		-95.0	-67.8
Net cash provided by operating activities	547.6	130.3	677.9	543.9
Cash flows from investing activities				
Purchase of property, plant and equipment	-280.2	-100.6	-380.8	-322.2
Purchase, capitalisation of intangible assets	-44.3		-44.3	-42.2
Proceeds from sale of property, plant and equipment	3.2	2.2	5.4	3.1
Net capex	-321.4	-98.3	-419.7	-361.4
Free cash Flow to the Firm	226.2	31.9	258.2	182.5
Acquisitions of subsidiaries net of cash acquired and proceeds from disposals of subsidiaries	-171.0		-171.0	-1,254.3
Change in investments, financial assets and derivative financial instrument, net	47.6		47.6	53.9
Interest received	2.9		2.9	4.3
Net cash used in investing activities	-441.9	-98.3	-540.2	-1,557.4
Cash flows from financing activities				
Proceeds from issue of share capital	23.4		23.4	19.9
Proceeds from borrowings	194.7	100.1	294.8	1,189.4
Repayments of borrowings	-340.1	-104.9	-445.0	-367.0
Proceeds from issuance of hybrid capital	297.6		297.6	
Change in hybrid capital	-300.0		-300.0	-0.1
Dividends paid to shareholders and non-controlling interests	-51.4		-51.4	-42.6
Earnings paid to hybrid capital investors	-68.4		-68.4	-48.6
Interest paid	-66.1	-27.1	-93.3	-60.0
Net cash provided by financing activities	-310.3	-31.9	-342.2	691.1
Net effect of currency translation on cash and cash equivalents and bank overdrafts	4.1		4.1	1.5
Net increase (decrease) in cash equivalents and bank overdrafts	-200.5		-200.5	-321.0
Cash and cash equivalents and bank overdrafts at beginning of period	495.0		495.0	816.0
Cash and cash equivalents and bank overdrafts at end of period	294.5		294.5	495.0

1 Adjusted - reflects the ongoing performance of the mature[11] and recurring activities excluding "separately disclosed items[2]".

2 Separately disclosed items - includes one-off costs from integration, reorganisation, discontinued operations[12] 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[5], 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 – EBITDA less depreciation and amortisation.

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 Net Operating Cash Flow – Net cash provided by operating activities.

9 Free Cash Flow to the Firm - Net cash provided by operating activities, 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 01 January Y-1. All revenues from businesses acquired since 01 January Y are excluded from the calculation.

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 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.

12 Discontinued activities / disposals: discontinued operations are a component of the Group's core business or product lines that have 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 3.18 of the Consolidated Financial Statements for the year ended 31 December 2019.

13 Net capex – Purchase of intangible assets (incl. capitalisation) property, plant and equipment, less proceeds on sale of same assets.

14 Net debt – Borrowings, less cash and cash equivalents

15 Constant accounting rules – reported figures excluding IFRS 16

16 Comparable adjusted figures – reported figures, less separately disclosed items, excluding IFRS 16 and corrected for the estimated cyber-attack impact

The Full Year Report 2019 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 the performance of Eurofins, as well as its outlook, and will be followed by a questions and answers (Q&A) session.

Click here to Join Call >>

No need to dial in. From any device, click the link above to join the conference call. Alternatively you may dial-in to the conference call via telephone using one of the numbers below:

U.K. +44 3333 009 274
U.S. +1 833 526 8382
France +33 172 040 035
View the complete list of access numbers

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

Investor Relations
Eurofins Scientific
Phone: +32 2 766 1620
E-mail: ir@eurofins.com

Notes for the editor:

About Eurofins – a global leader in bio-analysis

Eurofins Scientific, through its subsidiaries (hereinafter "Eurofins" or "the Group"), believes it is a global leader in food, environmental, pharmaceutical and cosmetics products testing and in agroscience CRO services. It is also one of the global independent market leaders in certain testing and laboratory services for genomics, discovery pharmacology, forensics, CDMO, advanced material sciences and in the support of clinical studies. In addition, Eurofins is one of the leading global emerging players in esoteric clinical diagnostic testing. With over 47,000 staff across a network of more than 900 independent companies in over 50 countries generally specialised by end client markets and operating more than 800 laboratories, Eurofins offers a portfolio of over 200,000 analytical methods to evaluate the safety, identity, composition, authenticity, origin, traceability and purity of biological substances and products, as well as providing innovative clinical diagnostic testing services. The Group's objective is to provide customers with high-quality and innovative services, accurate results on time and, when requested, 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 a very large range of testing methods.

As one of the most innovative and quality-oriented international companies in its industry, Eurofins is ideally positioned to support its clients' increasingly stringent quality and safety standards and the increasing demands of regulatory authorities and healthcare practitioners around the world.

Shares in Eurofins Scientific are listed on the Euronext Paris Stock Exchange (ISIN FR0000038259, Reuters EUFI.PA, Bloomberg ERF FP).

Until it has been lawfully made public widely by Eurofins through approved distribution channels, this document contains inside information for the purpose of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, as amended.

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 guarantees can be made as to their completeness or 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 close and 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 our competitors. 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 2019 in Notes 1.27 and 1.28.