SHADOWFALL

# EUROFINS: “TOO MUCH CASH” or TOO MUCH CONFUSION?!?

FOR PROFESSIONAL CLIENTS ONLY. ShadowFall Fund is short Eurofins Scientific SE (Eurofins).

Where the market sees a company whose share price performance has been stellar, we perceive it as an increasingly desperate, debt-laden company, arguably heading towards a liquidity crisis. Beneath the surface and delving into the Eurofins complex – a seemingly ever-changing structure incorporating c. 800 subsidiaries – emerges a picture of what we can only describe as a combination of chaos and unorthodoxy. This includes what we view as: strange lending of millions of euros to an ultimately Panamanian owned entity; seemingly elaborate financial engineering; numerous examples of inconsistencies regarding profitability and NAVs among subsidiaries; discrepancies between related party transactions; and many cases of either multiple owners of the same subsidiary or absent owners.
The pièce de-*confusion*-résistance must be our discovery that Eurofins’ CEO, Dr Gilles Martin, reports two differing dates of birth!

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ShadowFall is short Eurofins Scientific SE (Eurofins). Although Eurofins likes to highlight:

> ***"Since its IPO in 1997 Eurofins has been one of the best performing shares in Europe, with a CAGR of its share price of 28% between its IPO on October 24th, 1997, at €1.83 and December 31st, 2018 at €326.0."***
>
> Eurofins 2018 Annual Report

We are astonished that Eurofins has made it this far. Where the market sees a company whose share price performance has been stellar, we perceive it as an increasingly desperate, debt-laden company, arguably heading towards a liquidity crisis. Beneath the surface and delving into the Eurofins complex – a seemingly ever-changing structure incorporating c. 800 subsidiaries – emerges a picture of what we can only describe as chaos. This might be the tip of the iceberg. The below is by no means exhaustive of our findings (we had to stop somewhere). As a flavour of such findings we note:

- Lending of millions of euros to an ultimately Panamanian owned company, with links to Eurofins employees;
- What we view as elaborate financial engineering relating to c. €200m, where a Gibraltar based company is used with contradictory ownership;
- Inconsistencies regarding profitability and Net Asset Values (NAVs) between subsidiaries and the respective holding company filings;
- Multiple owners of the same Eurofins subsidiaries or absent owners[1];
- Apparent round tripping of a business where the initial disposal is financed by Eurofins at zero interest and it is repurchased three years later at a 53% premium to initial sale;
- Profits driven by intra-group transfers that appear to be booked at subsidiary level and reflected up the chain of ownership.

The pièce de résistance regarding such disorder must surely be our discovery that depending on which company filing one reviews, Eurofins' CEO, Dr Gilles Martin, has two dates of birth (page 11). We found numerous examples whereby it has been reported to the Luxembourg and UK authorities that Dr Martin's year of birth occurred in 1963 and then many other examples of Dr Martin arriving into the world in 1969. Whether these copious inconsistencies are simply an honest mistake we do not know, however, the fact that they are so frequent, leaves us with the impression that Eurofins is a chaotic hotchpotch of companies suffering from a lack of attention to detail.

## THE THRILLER OF AQUILA … (PAGE 13)

In Latin, Aquila means eagle. In the Eurofins complex, the Aquila nomenclature seems to be used for an ultimately Panamanian owned company and a Gibraltar based company:

> **Aquila Holdings** – is a Luxembourg based company, ultimately owned by a Panamanian entity, the latter being incorporated by the legendary, Mossack Fonseca of Panama Papers[2] infamy. Soon after Aquila Holdings was incorporated in December 2010, Eurofins began lending the first of many millions of euros to Aquila Holdings. We find a number of links to suggest that Aquila Holdings is either controlled or closely connected to employees of Eurofins that are based in the US. However, Aquila Holdings does

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[1] For example, where one subsidiary claims it is owned by a Eurofins entity but that Eurofins entity fails to report it owns that same subsidiary.
[2] International Consortium of Investigative Journalists

not seem to appear within the Eurofins corporate structure. In 2012, Eurofins lent Aquila Holdings a further €8.8m seemingly so that it could purchase a German based laboratory, BSL Bioservice Scientific Laboratories (BSL), from Eurofins for €8.8m. Just over two years later in 2015, Eurofins appears to buy back the majority of BSL from Aquila Holdings for €13.5m. This is after BSL has apparently paid c. €4.2m in dividends to Aquila Holdings. Whoever owns the Panamanian entity which ultimately owns Aquila Holdings appears to have made a cool €8.9m in just over two years, financed by a forty-year, interest-free loan from Eurofins. In terms of total monies lent, by 2013, Eurofins was lending Aquila Holdings €30.7m. By 2017, we discover that Aquila Holdings has been audited by Luxembourger, Erik Snauwaert. In 2017, Mr Snauwaert, who in March 2017 was temporarily banned in Luxembourg from audit work, audited both Aquila Holdings and Eurofins International Holdings, the latter being the entity lending the former all those millions.

## THE OTHER AQUILA … (PAGE 26)

**Aquila (Gibco)** – is a Gibraltar based company, which according to its filings is owned by Eurofins subsidiaries. However, some of those subsidiary filings would contradict that. During the period 2011 to 2012, a range of seemingly shell companies were incorporated. Several in Luxembourg, one in Gibraltar. Much like the Luxembourg company, Aquila Holdings (mentioned above), the Gibraltarian company, Aquila (Gi**b**co) formed in 2012, was given a similar Avian based title. Also, in 2012, several of Eurofins' major subsidiaries appear to have reorganised their structure through shell companies. This action seems to have generated profits in excess of €150m driven by a mark-up in book value of the related assets. It's unclear whether ultimately these profits rose to be reflected at the parent level of Eurofins Scientific SE; they appear to have been reflected at the one subsidiary down level within Eurofins International Holdings Lux. What seems clearer to us is that while profits were booked, there was little if any cash that changed hands. Rather, a complicated set of receivables and payables appear to have been structured.

Shortly after incorporation, Aquila (Gi**b**co) was capitalised by the transfer of c. €200m of receivables which look to relate to this restructuring. A year later, the same set of receivables appear to have been passed to Eurofins Scientific SE (the parent) whereby they were then used to capitalise Eurofins France Holding SAS. As it happens, by that point, Eurofins France Holding SAS had consolidated the shell companies with the corresponding payables, which it then capitalised, resulting in each side being effectively cancelled. The entire point of this circular state of affairs seems to us to be somewhat elusive since to this day, despite Aquila (Gi**b**co) still being in existence and self-reporting its owner as Eurofins' subsidiaries, it is not listed by Eurofins Scientific SE as a subsidiary. It prompts us to question:

- Why Aquila (Gi**b**co)'s capital rose to c. €200m in 2012 and was swiftly reduced to €1,125 (one thousand, one hundred and twenty-five euros) during 2013?
- Was any potential loss in Aquila (Gi**b**co), from the disposal of the receivables it was capitalised by to an almost zero equity value, shielded from the parent company?
- Why post 2012, was Aquila (Gi**b**co) no longer detailed in the group accounts whereas Aquila (Gi**g**co) was? (Confused? See page 26 for more detail).
- Why was this seemingly complicated structure used?
- What was the purpose of Aquila (Gi**b**co)?
- Why is this structure apparently only used in 2012?

### THE "EVAPORATION" OF OPERON AND MATERIAL INCONSISTENCIES BETWEEN EUROFINS SCIENTIFIC AND EUROFINS GENOMICS … (PAGE 42)

Sizeable subsidiary level impairments of acquired businesses appear to us to occur all too often within the Eurofins complex. Among the first of these looks to have originated in 2007 when Eurofins acquired the Operon Group of companies, including Operon GmbH and Operon Inc. These companies were held under Netherlands based, Eurofins Genomics BV. We calculate that Eurofins paid €14.8m for the Operon Group, comprising €18m in goodwill and intangibles.

German filings suggest that in 2009/10, Operon GmbH's operational business was abandoned and liquidated. By 2010, Operon GmbH appears to be held with a ZERO valuation.

In 2012-13, we find that Eurofins Genomics BV impairs €11.2m of value attributable to Eurofins Genomics Inc. According to its historical filings, Operon Inc was held under Eurofins Genomics Inc suggesting to us that the US segment of Operon was also written down.

As we find to become something of a theme with Eurofins, we are unable to find any of these impairments reflected at a group level.

What others might find as concerning as we do is that by 2012, Eurofins Genomics BV was reported by Eurofins to be its 2nd and then in 2013 its most profitable direct subsidiary. This seems somewhat at odds with the above impairment within the same period. Even more inconsistent is that Eurofins' indicates within the parent accounts that Eurofins Genomics BV achieved a cumulative result of €94.9m in the 2012 to 2013 period. **However, local filings for Eurofins Genomics BV show a cumulative result of €33.7m, i.e. €61.2m lower than the top co reports. It is unclear to us why this material discrepancy exists.**

### THE "HOCUS POCUS" OF EUROFINS BIOPHARMA PRODUCT TESTING UK? … (PAGE 45)

Eurofins bought a business from Exova for £16.2m in cash in July 2016. At the time, Exova suggested its disposed businesses were achieving revenue of c. £17m in 2015. Exova's disposal ended up becoming Eurofins Biopharma Product Testing UK (Eurofins Biopharma). Eurofins Biopharma subsequently reports run-rate revenue of £15m in 2016 and £12.7m in 2017. Eurofins Biopharma reports losses of £411k in 2016 and what we calculate to be losses of £3.3m in 2017. In November 2017, some of Eurofins Biopharma's trade (c. 75% of 2017 revenue) and assets are then transferred to Eurofins Food Testing UK (Eurofins Food) and Eurofins Water Hygiene Testing UK (Eurofins Water).

**In 2017, Eurofins Biopharma recognises a profit of £14m from the disposal of these operations to these other Eurofins companies, so that Eurofins Biopharma's total PROFIT for 2017 is £10.6m and not a LOSS of c. £3.3m. However, there does not appear to us to be any contra entry to offset this internally generated "profit" recognised by the purchasing entities parent.**

Ultimately, each of these companies sit under Eurofins Food Testing Lux, which itself sits under Eurofins International Holdings Lux, which then itself is a direct subsidiary of Eurofins Scientific SE. **Eurofins Food Testing Lux appears to recognise the entire profit from this asset transfer among the lower down subsidiaries and fails to recognise the contra entry. Thus, it appears to us to "magic up" an entirely bogus £14m profit that gets passed up to the top co.** Of course, no actual cash seems to change hands! And three different auditors are involved in the audit of the companies involved, including legendary Luxembourger, Erik Snauwaert.

## The April Fools' Day Massacre: Millipore (U.K.) Limited … (page 50)

Eurofins Pharma Discovery Services UK Limited (Pharma UK) and Eurofins Pharma Bioanalysis Services UK Limited (Bioanalysis UK) were seemingly incorporated as shell companies in September 2013. On April Fools' day 2014, they came to life, acquiring Millipore (U.K.) Limited for £6.6m. Of the acquisition price, £4.1m related to Goodwill. Within three years the combined businesses had racked up operating losses of £3.4m. After those three years, the Goodwill was entirely impaired due to "poor operating performance in preceding years and insignificant future growth". To all intents and purposes the businesses were dead. The Eurofins Pharma site was closed down in March 2018.

**This impairment does not appear to have been reflected in the parent company's P&L and balance sheet. The ultimate top co, Eurofins reported no impairments of Goodwill in 2017, nor 2018 for that matter**.

## The Auditor Resignations, the Accounts that Don't Match and the "Illegal Dividend" … (page 52)

The incredible £14m profit gained by Eurofins Biopharma is not the only concern and oddity we find among Eurofins' UK accounts.

In 2011, Eurofins Agrosciences Services Lux Holding (**Parent**) owned Eurofins Agroscience Services Limited (**Top**), which owned Agrisearch Limited (**Middle**), which owned Eurofins Agroscience Services 2011 Limited (**Bottom**). In that year, Parent purchased assets from Bottom allowing Bottom a gain on disposal of £4.4m. This helped allow Bottom to pay an £11m dividend to Middle. Middle paid a £9.5m dividend to Top. Top paid a £6.8m dividend to Parent. In the same year, Top owed Middle £6.25m, Middle owed Bottom £6.25m, and Bottom owed Top £8.6m, although Top reports Bottom owing it £8.0m. **While all this circular business occurred, in the following year in 2012, the £6.8m dividend paid by Top to Parent was deemed to be "an illegal dividend"**.

Also, in 2011, a separate dividend of £1.5m, paid by Eurofins Food Testing UK Holding Limited, to its parent, Eurofins Food Testing Lux Holding, was in 2013 deemed to be "an illegal dividend".

The combined illegal dividends came to £8.3m or 12.7% of Eurofins Pre-Tax Profit in 2011. Subsequently the illegal dividends were effectively reversed by loans from other Eurofins companies to the illegal dividend payers.

Additionally, since 2010, Eurofins' UK holding company, Eurofins Food Testing UK Holding Limited, saw Menzies resign as auditor in 2010, Ernst & Young resign in 2012, PwC resign in 2014, and it is currently serviced by Mazars.

## The Fleeting existence of ILS and Eurofins Newtec Laboratories … (page 58)

The UK appears to us to be something of a graveyard for Eurofins. Two further businesses that had a shelf life shorter than a French baguette are Eurofins Newtec Laboratories Limited (Newtec) and ILS Limited (ILS).

Newtec was acquired in May 2013. **In 2013, Eurofins' subsidiary filings suggest it had two different owners**. At an operating level it was loss-making every year until 2017 when its operations were then closed down and its value entirely written off.

ILS was purchased in October 2016 for £2m. Within 15 months of its acquisition, ILS's value was entirely impaired and its operations were closed down. As is becoming a familiar theme, we find inconsistencies between ILS' accounts and those of its immediate parent, Eurofins Food Testing UK Holding.

**These impairments do not appear to have been reflected in the parent company's P&L and balance sheet.**

## THE AVARICIOUS PROPERTY DEALS ... (PAGE 62)

> ***"Stocks may rise and fall, utilities and transport systems may collapse. People are no damn good, but they will always need land and they'll pay through the nose to get it!"***
>
> Lex Luthor imparting financial advice to Otis

Lex Luthor was a genius. Eurofins' CEO, Dr Martin appears to be a smart guy too. They both seem to share an interest in land. For example, while Eurofins has relied heavily on acquisitions to grow, these purchases have gone hand in hand with a sizeable increase in non-cancellable property lease commitments. We find that Eurofins' CEO, Dr Martin is frequently on the other side of these non-cancellable property lease commitments. The Dr Martin "property play" on the company is likely already widely known. However, what may be less well known is quite how valuable these property transactions can be to Eurofins' CEO. Take for example the case of BSL Bioservice Scientific Laboratories (BSL). Around the time BSL was "sold" to Aquila Holdings, it would seem that the property of BSL was purchased by Eurofins' CEO, Dr Martin. Given the rent, asset cost, equity and liabilities associated with the property, **we calculate that Dr Martin has received a 132%+ pa Return on Equity from this transaction**. This doesn't strike us as a great deal for Eurofins' shareholders and we have seen other property transactions undertaken by Dr Martin on what we view as similar avaricious terms. For those that might argue that the Martin family which retain 36% of the shares in Eurofins are aligned with the other shareholders' interests, we would point out that despite owning 36% of the stock we calculate that the Martin family make more in rental payments from Eurofins than they do in dividend payments.

## "TOO MUCH CASH"?!? ... (PAGE 71)

> ***"We had too much cash at the end of last year, I found out."***
>
> Dr Gilles Martin, Eurofins CEO, Analyst Conference Call March 2019

Eurofins' management was positively purring regarding the Group's liquidity position in March 2019. Skip forward a few months and in the light of the subsequent deterioration in the Group's financial position, in our view, the nonchalant rhetoric beggars belief. We conclude that for many years Eurofins' P&L has been writing cheques which its balance sheet can't cash. To demonstrate our point, we calculate that in the decade past, **Eurofins has managed to convert an average of 17% of its adjusted EBITDA into Free Cash Flow to Equity**. In H1 2019, **we calculate this fell to -2%**. When considering that as of H1 2019, the Group's current borrowings stood at an eye-watering €882m and that Eurofins states it requires 5% of annualised revenues for a minimum liquidity position, then we calculate that Eurofins will need to convert c. 100% of its EBITDA to cover its current obligations. **In our mind, Eurofins' is arguably headed towards a liquidity crisis**.

## QUESTIONS TO EUROFINS

In recent months, ShadowFall has written to both Eurofins Investor Relations (IR) and Mr Erik Snauwaert of Audit Conseil Services (ACSe). While our correspondence has been acknowledged by Eurofins IR and signed for by ACSe, nonetheless we have received no answers. Our correspondence raised a number of questions, which are detailed in 19-21. Subsequently we delved deeper into Eurofins, which raised further questions that we believe would provide clarity to investors' understanding of events.

1. What is Eurofins' CEO's actual year of birth?
    a. Why is it filed with two different years on numerous filings?

2. What connection does Eurofins or its employees have to Aquila Holdings registered in Luxembourg and its Panamanian top co?
    a. Why did Eurofins provide loans to Aquila Holdings for millions of euros on a 40-year interest free basis[3], culminating in total loans of €30.7m by 2013?
    b. What was the strategic rationale behind selling BSL Bioservice Scientific Laboratories (BSL) for €8.8m to Aquila Holdings in 2012?
    c. Did Eurofins provide loans to Aquila Holdings so that it could purchase BSL from Eurofins?
    d. What was the strategic rationale to reacquire BSL back from Aquila Holdings just a few years later for €13.5m (a 53% increase from original sale), at a point when it appears the business of BSL had deteriorated?
3. What connection does Eurofins or its employees have to Aquila Acquisitions Inc, registered in the United States, and a subsidiary of Aquila Holdings?
    a. Did Eurofins provide loans to Aquila Holdings so that it could also purchase or capitalise Aquila Acquisitions?
4. What outstanding loans does Eurofins have to Aquila Holdings and on what terms?

5. What is the purpose of the Gibraltar entity, Aquila (Gi**b**co)?
    a. Why was Aquila (Gi**b**co) capitalised by €199.8m where intra-group receivables formed the basis for its equity value?
    b. Do these €199.8m in receivables relate to the material profits that were realised by Eurofins Food Testing Lux (profits of €121.8m) and Eurofins Environment Testing Lux (profits of €30.6m) and/or any other profits from a reorganisation of Group subsidiaries?
    c. Were these profits recognised by Eurofins International Holdings Lux as they appear to have been?
    d. Were these profits recognised by Eurofins Scientific SE?
    e. Why was Aquila (Gi**b**co) seemingly only capitalised at €199.8m for a matter of months?
    f. Were these receivables subsequently transferred to Eurofins Scientific SE?
    g. What Eurofins' entity reflected the reduction in Aquila (Gi**b**co's) equity when these receivables were transferred to Eurofins Scientific SE? We note that Aquila (Gi**b**co's) equity reduced from €199.8m in 2012 to **€1,125** (one thousand, one hundred and twenty-five euros) by 2013.

[3] At the time Eurofins appeared to be paying between 3-4% on its debt.

h. Was any potential loss in Aquila (Gi**b**co) from the disposal of these receivables to an almost zero equity value shielded from the parent company?
i. Why was this seemingly complex structure used and only used in late 2012 into early 2013 for what appears to be a matter of months?
j. Why is Aquila (Gi**b**co) not mentioned in Eurofins' Group accounts and yet another Gibraltar entity, Aquila (Gi**g**co) is?
k. Is there such an entity as Aquila (Gi**g**co) since we are unable to find any trace of the company?
l. Why is Aquila (Gi**g**co) detailed in Eurofins' Group accounts as being owned by Eurofins Environment Testing Lux Holding, and yet Eurofins Environment Testing Lux Holding fails to mention it as a subsidiary undertaking and the other entity, Aquila (Gi**b**co) mentions four owners?
m. Fundamentally how has, what we would view as at best, a financially engineered structure, benefitted the asset value of Eurofins? Lest we forget that an initial feature of this structuring appears to have been to generate a material profit from a reorganisation, which we believe would have increased the NAV of the company.

6. Has the Operon Group of companies, originally acquired in 2007 been impaired at a subsidiary level?
   a. If so, has this been reflected at a Group level?
7. In 2012 and 2013 Eurofins reports its Eurofins Genomics BV business as being its 2nd and then most profitable direct subsidiary respectively. Why did Eurofins report in its Group accounts that Eurofins Genomics BV achieved a cumulative result of €94.9m over 2012 to 2013, whereas local filings for Eurofins Genomics BV show a cumulative result of €33.7m during the same period? How does Eurofins explain this €61.2m gap?

8. Post the acquisition of Eurofins Biopharma Product Testing (Eurofins Biopharma) from Exova, did its revenue decline from a run rate of £17m prior to acquisition, to £12.7m in 2017?
   a. When Eurofins Biopharma disposed of its assets to other Eurofins entities and recognised a profit on disposal of £14m in 2017, this appears to have been reflected by its parent, Eurofins Food Testing Lux. However, there appears to have been no contra entry to offset this profit? Why? Was this £14m in profit reflected at top co, Eurofins Scientific SE, level?

9. Were the assets from the Millipore (U.K.) acquisition fully impaired at subsidiary level within three years of purchase in 2017? If so, why wasn't this reflected at Group level?
10. Were the assets from the ILS Limited and Eurofins Newtec Laboratories acquisitions impaired in 2017/18? If so, why wasn't this reflected at Group level?
11. What is the total value of subsidiary level impairments during the period 2007 to H1 2019 that have not been reflected at Group level?

12. Other than the UK subsidiaries we have mentioned above, have any other subsidiary undertakings also been deemed to have paid illegal dividends?
13. When the UK dividends were deemed illegal was this the reasoning behind the auditor resignation at around the same time?
14. Given the numerous inconsistencies among the subsidiary filings within the Eurofins complex (some but not all of which are highlighted in the text that follows), would you consider a review of your full audit and appointing finance personnel who might have a greater propensity for attention to detail?

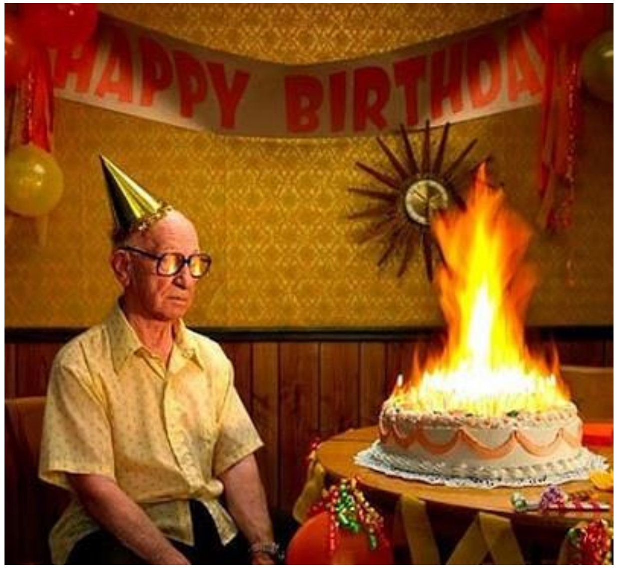
15. How does Eurofins' Management justify the administrative expense of setting up holding companies with the seemingly singular role of owning one company? It appears to us to be an inefficient use of shareholder capital.

16. Regarding property disposals by the Group to Dr Martin, how are rents determined?
17. When Eurofins appears to have spent c. €7m on the land and property at the site of BSL Bioservice Scientific Laboratories (BSL), what determined the subsequent sale value of c. €5.5m to Dr Martin?
    a. Does BSL pay an annual rent of c. €1m to Dr Martin's real estate vehicle as suggested by BSL's accounts?
18. In or around 2012, were the development site costs for Lancaster Laboratories c. $17m?
    a. Did Eurofins pay for this cost of development or did Dr Martin's entity, Lancaster New Holland Real Estate, entity absorb the cost?
    b. Subsequent to this development expenditure, did Lancaster New Holland Real Estate increase its mortgage on the site by $12.5m?

19. From our calculations, free cashflow appears to be negative in 1H19, when adjusting for the cost of hybrid capital and debt.
    €74.9mn FCF to the Firm – €50.8mn Finance Costs + €2.0mn Finance Income – €35.6mn Hybrid Costs = -€9.5mn FCF to Equity excluding the change in debt.
    It wasn't clear to us from the recent analyst call what levers you have available to improve cash generation without putting either your net debt/EBITDA multiple or dividend at risk. It was suggested on the call that you had access to additional liquidity or financing, however the specific quantum of this was not provided as it was indicated that it varies over time. Regardless of the variation over time, as of today, what additional financing facilities do you have?
20. As asked on the recent analyst call – could you clarify the €35.9m IFRS16 adjustment to capital expenditure?
    We assume that this adjustment relates only to capital expenditure related to leased assets.
    There are 2 features which we would welcome your explanation for:
    a. Who owns the assets to which the expenditure relates – is it a Eurofins entity, a related party lessor or a third-party lessor? Given that it is capitalised by yourselves it would strike us that Eurofins owns the asset, consequently we don't see why it falls within the scope of IFRS16. If it is owned by the lessor, then why is this capitalised by Eurofins?
    b. If this is Capex associated with a related party lessor, then would it not be appropriate to detail this as a related party transaction? If it does correspond to a related party lessor could you advise the quantum?
21. We noticed that Eurofins benefited by a cash amount of €100m in 2H18 (€52.8m) and 1H19 (€47.2m), which appears to be related to selling listed equity derivative securities. What listed equities were these derivatives linked to?
    a. What prompted you to dispose of them and for what purpose did Eurofins originally hold them?

# LET THE CONFUSION COMMENCE …

## DR GILLES MARTIN: THE 1963 VINTAGE OR THE 1969 VINTAGE?




Dr Gilles Martin is founder, CEO and Chairman to Eurofins Scientific SE (Eurofins). Dr Martin and his family, the Martin family, own 36.1% of Eurofins and have control over 59.5% of the voting rights. The Martin family's hegemony is expanded further when taking into account the fact that Eurofins' board includes Dr Martin's brother and Dr Martin's spouse. By all accounts, Eurofins' shareholders and financial creditors must place great faith in Dr Martin, especially when Eurofins is such a complex system of entities to manage. Eurofins is essentially a holding company that sits on top of a vast array of c. 800 subsidiary companies. It is also incredibly acquisitive. Since 2017 the group has bought a business at an average rate of one per week. As often as many of these subsidiaries change names, the ownership is also transferred between entities. How Eurofins' management and its auditors handle keeping up with this is impressive. However, it appears to us that Dr Martin may suffer from a lack of attention to detail.

The confusion we find within the Eurofins' complex begins with Dr Martin. Depending on which company filing one reviews, Dr Martin, has two dates of birth. In many instances, it's been reported to the Luxembourg and UK authorities that Dr Martin's year of birth occurred in 1963. In numerous other examples, Dr Martin's year of birth is in 1969. Figure 1 overleaf demonstrates just a few of the examples of inconsistencies we found. To compound matters, some of these examples carry Dr Martin's signature. Whether these inconsistencies are simply an honest mistake we do not know. However, the fact that it has happened on so many occasions combined with what seems to be an endless supply of inconsistencies elsewhere in the Group's accounts, leaves us with the impression that Eurofins is a chaotic hotchpotch of companies suffering from a lack of attention to detail.

## Dr Gilles Martin - the 1963 Vintage

**1** Dénomination ou raison sociale *(Bezeichnung der Gesellschaft oder Firmenname)*

Eurofins International Services LUX

Personne physique:
*(Privatperson)*

| | |
|---|---|
| Nom *(Name)* | MARTIN |
| Prénom(s) *(Vorname(n))* | Gilles |
| Date de naissance *(Geburtsdatum)* | 20/10/1963 (JJ/MM/AAAA) |
| Lieu de naissance *(Geburtsort)* | Paris |
| Pays de naissance *(Geburtsland)* | France |

*Company Name:* **EUROFINS HOLDING LIMITED**

***New Appointment Details***

*Position:* **DIRECTOR** *Date of Appointment:* **12/06/2006**

*Name:* **DR GILLES GERARD MARTIN**

*Date of Birth:* **20/10/1963** *Nationality:* **FRENCH**

*Occupation:* **COMPANY DIRECTOR**

**Company Name in full** AGRISEARCH LIMITED

Date of appointment (Day Month Year): 13 02 2006

†Date of Birth (Day Month Year): 20 10 1963

Appointment as director: X as secretary: 

Please mark the appropriate box. If appointment is as a director and secretary mark both boxes.

**NAME** *Style / Title: *Honours etc:

Forename(s): GILLES GERARD

Surname: MARTIN

I consent to act as **director / ~~secretary~~ of the above named company

**Consent signature** G Martin **Date** 24/2/2006

A director, secretary etc must sign the form below.

## Dr Gilles Martin - the 1969 Vintage

XQ0OZH8Z

*Company Name:* **EUROFINS LABORATORIES LIMITED**

*Details Prior to Change*

*Position:* **DIRECTOR** *Date of Birth:* **20/10/1969**

*Original Name:* **GILLES GERARD MARTIN**

**Company Name in full** Eurofins Genetic Services Limited

Date of appointment (Day Month Year): 13 07 2006

† Date of Birth (Day Month Year): 20 10 1969

Appointment as director: x as secretary: 

Please mark the appropriate box. If appointment is as a director and secretary mark both boxes.

**NAME** * Style / Title: * Honours etc:

Forename(s): Gilles Gerard

Surname: Martin

I consent to act as ** director / ~~secretary~~ of the above named company

**Consent signature** G Martin **Date** 13/7/2006

A director, secretary etc must sign the form below.

**Company Name in full** Direct Laboratory Services Limited

Date of appointment (Day Month Year): 07 04 2005

† Date of Birth (Day Month Year): 20 10 1969

Appointment as director: x as secretary: 

Please mark the appropriate box. If appointment is as a director and secretary mark both boxes.

**NAME** * Style / Title: Mr * Honours etc:

Forename(s): Gilles Gerard

Surname: Martin

I consent to act as ** director / ~~secretary~~ of the above named company

**Consent signature** G Martin **Date** 7/4/05

Figure 1 Filings in the UK and Luxembourg showing Dr Gilles Martin with two different dates of birth. Source: UK Companies House, Registre de Commerce et des Sociétés, ShadowFall.

# The Tip of the Iceberg?

## The Thriller of Aquila:

## ~~The Round Trip~~ … The Vendor Financed Sale & Repurchase of Eurofins BioPharma Product Testing Munich

Aquila Holdings is a Luxembourg company, ultimately owned by a Panamanian entity, the latter being incorporated by the legendary Mossack Fonseca of Panama Papers infamy. Aquila Holdings was incorporated in December 2010 and quickly began borrowing the first of many millions of euros at zero interest from Eurofins. The first €1.8m borrowed in 2011 was spent on buying Aquila Acquisitions US, Inc. Aquila Acquisitions has numerous links to employees of Eurofins including its Vice President of Finance in the US. In 2013, despite Aquila Holdings owning 100% of Aquila Acquisitions, Eurofins looks to have lent Aquila Holdings a further c. €16.6m so that it can be channelled to Aquila Acquisitions.

In 2012, Eurofins appears to have lent Aquila Holdings a separate €8.8m so that it could purchase from Eurofins a German business, BSL Bioservice Scientific Laboratories (BSL) for €8.8m. We are unable to find BSL mentioned as either a subsidiary or a disposal in Eurofins' group accounts. By 2013, Eurofins is lending €30.7m to Aquila Holdings, where €3.5m of it appears to be so that Aquila Holdings could increase its already 100% wholly owned investment in BSL that it purchased from Eurofins in 2012. The next year, BSL appears to have paid Aquila Holdings €4.2m in dividends in 2014.

Just over two years later in 2015, Eurofins buys back most of BSL. More bizarrely, it appears to us that Eurofins may have paid Aquila Holdings €13.5m for the portion of BSL it bought back. This €13.5m to Aquila Holdings would be after Aquila Holdings received €4.2m in dividends, likely from BSL. Aquila Holdings appears to have made gains of €8.9m in just over two years, financed by a 40-year interest-free loan from Eurofins.

We find Aquila Holdings is audited by Erik Snauwaert, who was temporarily banned from audit work in Luxembourg in March 2017. In 2017, Mr Snauwaert audited both Aquila Holdings and Eurofins International Holdings which lent millions of euros to Aquila Holdings. **WHO OWNS THE PANAMANIAN ENTITY BEHIND AQUILA?**

## The Thriller of Aquila

On 17 December 2010, Aquila Holdings S.à.r.l. (Aquila) was registered in Luxembourg. Aquila was incorporated by an Italian national, Gianluca Ninno, who according to press reports has been investigated in the past in connection to money laundering.[i,ii,iii] Mr Ninno also has association to a number of bankrupt companies.

From Aquila's incorporation in 2010 to 16 December 2015, Aquila was owned by another Luxembourg company, Altashet S.A. Altashet was registered on 21 August 2007 and is owned by a Panamanian company, Waberg S.A.

Waberg S.A. was registered in Panama on 6 December 2006 and is detailed as a Mossack Fonseca related entity in the Offshore Leaks Database.[iv]

In 2011, Aquila received a loan for €1.8m from Eurofins International Holdings Lux. In the same year, Aquila acquired a US entity, Aquila Acquisitions US, Inc (Aquila Acquisitions), for €1.8m. Aquila owned 100% of Aquila Acquisitions. By 2013, Eurofins International Holdings Lux had lent Aquila €30.7m.

Aquila Acquisitions was incorporated on 21 December 2010, by Cogency Global Inc (a registration agent), registered to an address Suite 201, 850 New Burton Road, Delaware, USA. The same agent and address have been used to register Eurofins Genomics LLC and other Eurofins companies.[v]

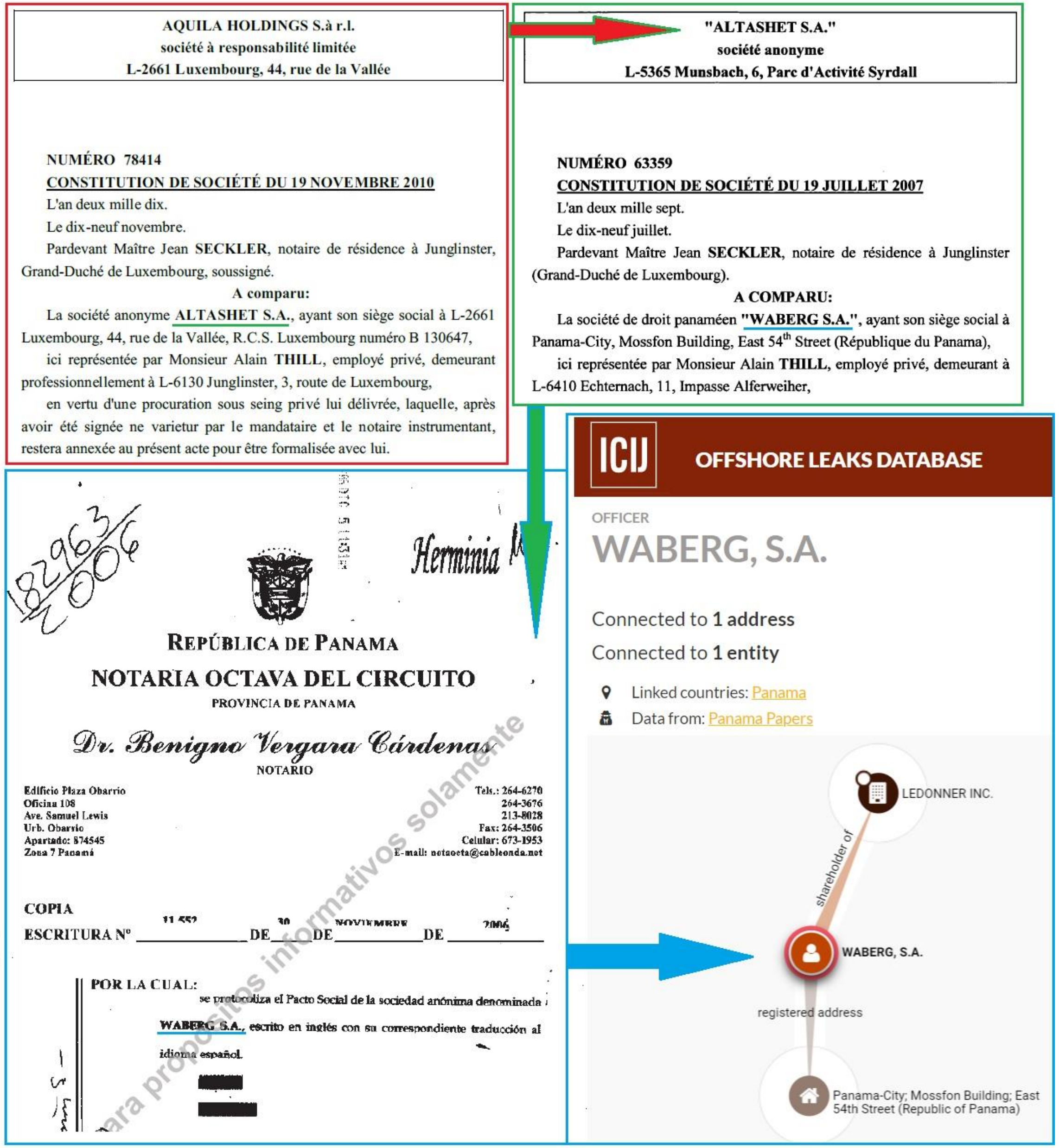



Figure 2 Ownership structure of Aquila Holdings, which is owned by Altashet S.A., which is itself owned by Waberg S.A. Source: Respective company filings, ICIJ, ShadowFall.

[i] Sardinia Post (Dec 2016): The Luxembourg Companies of the Accountant of the Olianas Band -
[ii] Il Giornale Di Vicenza (Nov 2009): Dirty Leather, Finance confiscates the assets of the suspects
[iii] Corriere Del Veneto (Feb 2010): Fraud in the tanning sector
[iv] Offshore Leaks: Waberg SA
[v] In 2004, Eurofins Genomics LLC was incorporated and registered by the same agent, Cogency Global, at the same address in Delaware as Aquila Acquisitions is registered to. A branch of Eurofins Lancaster Laboratories, Inc. has also been registered by Cogency Global to the same Delaware address.

## AQUILA ACQUISITIONS US, INC. LINKS TO EUROFINS AND ITS US VP OF FINANCE

Aquila Acquisitions appears to us to be a company with a strong association to Eurofins and some of its US based employees. In July 2017, a District of Kansas court filing[4] reveals a claim for Breach of Contract and Breach of Fiduciary Duty, which was later dismissed, against Aquila Acquisitions along with three defendants:

- Gary Wnorowski;
- Dan Merkel; and
- Daniel Dickinson.

Messrs Wnorowski and Merkel are long serving employees (since 1988 and 1996 respectively) of Product Safety Labs (PSL), the first US based company acquired by Eurofins in 1997.[5,6] According to his LinkedIn profile, Mr Dickinson has been a VP of Finance or Finance Director at Eurofins US since November 2010.[7] The court filing states that Aquila Acquisitions appointed Messrs Wnorowski, Merkel and Dickinson to a separate company, Xenometrics, LLC, which Aquila Acquisitions owned a controlling 59.4% interest in. Xenometrics was incorporated on 5 November 2014 and Messrs Wnorowski, Merkel and Dickinson are listed among its Officers.[8,9]

Not only are Messrs Wnorowski, Merkel and Dickinson either indirect or direct employees of Eurofins, but the actual court filing addresses the correspondence regarding Aquila Acquisitions and the three individuals to 2394 Route 130, Dayton, New Jersey. This is the same address as PSL, the US business acquired by Eurofins in 1997.[10],[11]

[4] Case 2:17-cv-02385-JAR-KGS Document 1 Filed 07/06/17
[5] The Product Safety Labs team.
[6] See Eurofins Annual Report from 2001.
[7] Dan Dickinson VP Finance at Eurofins US.
[8] Xenometrics incorporation.
[9] Xenometrics was acquired by French based, CiToxLab, in October 2017.
[10] Eurofins 2001 Annual Report - see page 12
[11] Eurofins Celebrating 30 Years (November 2017) - see slide 14

The last time Eurofins appears to list PSL as a subsidiary is in its 2009 Annual Filing, where it is listed as a subsidiary of Eurofins Pharma US Holdings Inc. A filing from the US Environment Protection Agency dated 30 September, 2015, highlights that PSL's former name was Eurofins Product Safety Labs.[12] For all intents and purposes, we believe that PSL remains an entity ultimately controlled by Eurofins.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 2

U.S. Environmental Protection Agency-Reg 2
2015 SEP 30 AM 8: 46
REGIONAL HEARING CLERK

In the Matter of:

Eurofins Product Safety Labs Inc.,

Respondent,

Proceeding Under Section 3008 of the Resource Conservation and Recovery Act as amended.

AMENDMENT TO COMPLAINT
Docket No. RCRA-02-2014-7106

WHEREAS on September 30, 2014, Complainant in this proceeding, the Director of the Division of Enforcement and Compliance Assistance, United States Environmental Protection Agency, Region 2, issued a Complaint and Notice of Opportunity for Hearing (the "Complaint") to Respondent Eurofins Product Safety Labs Inc. ("Respondent").

WHEREAS in a subsequent settlement meeting, Respondent indicated that it had changed its name to Product Safety Labs, Inc.

WHEREAS the Parties have agreed that it is appropriate that the corporate name of "Product Safety Labs, Inc." replace the corporate name of "Eurofins Product Safety Labs Inc." in the caption and other parts of the Complaint.

Copy by Certified Mail,
Return Receipt Requested:

Dated: 9/30/15

Mr. Gary Wnorowski
President
Product Safety Labs, Inc.
2394 US Highway 130
Dayton, New Jersey 08810



Figure 3 Site of Product Safety Labs and US Environmental Protection Agency correspondence showing name change from Eurofins Product Safety Labs to Product Safety Labs. Source: Google Maps, US EPA, ShadowFall.

[12] US Environment Protection Agency Filing, 30 September 2015. Eurofins Product Safety Labs name change to Product Safety Labs.

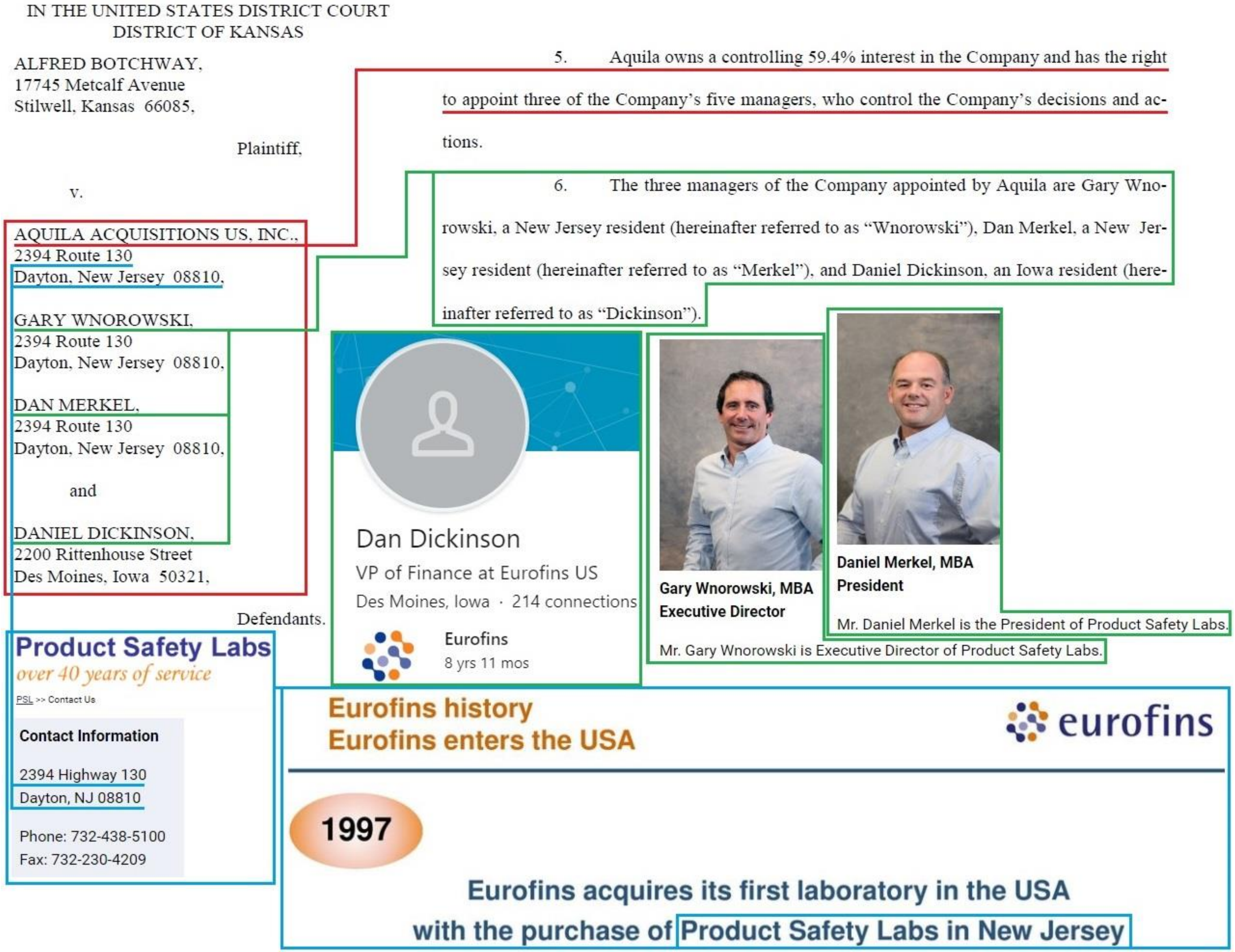



Figure 4 Court filings showing Eurofins and Product Safety Labs employees association to Aquila Acquisitions. Source: Case 2:17-cv-02385-JAR-KGS Document 1 Filed 07/06/17, ShadowFall.

## Eurofins Begins Lending Millions to Aquila

As highlighted above, in 2011, Aquila received the first of its loans (€1.8m) from Eurofins International Holdings Lux. This appears to have been used to capitalise Aquila Acquisitions; the latter being closely connected to three employees of Eurofins, one of which was Eurofins US' Finance Director at the time. Why?

**AQUILA HOLDINGS Sàrl**
**Société à responsabilité limitée**
**Annexe aux comptes annuels (suite)**
Pour l'exercice clos au 31 décembre 2011

| | 2011 EUR |
|---|---|
| **PARTICIPATIONS** | |
| Coût d'acquisition au début de l'exercice | 0,00 |
| Entrées au cours de l'exercice | 1 824 622,00 |
| Sorties au cours de l'exercice | 0,00 |
| Coût d'acquisition à la fin de l'exercice | 1 824 622,00 |

Désignation de la participation:

| Nom de la participation | Coordonnées | Valeur d'acquisition | % de détention |
|---|---|---|---|
| Aquila Acquisitions US, INC | Delaware, United States of America | 1 824 622,00 € | 100% |

NOTE 8 - DETTES (dont la durée est supérieure à un an)

| | 2011 EUR |
|---|---|
| Dettes Eurofins International Holdings LUX SARL | 1 829 322,00 |

Figure 5 Eurofins lending the first of millions of euros to Aquila Holdings. Source: Aquila Holdings filings, ShadowFall.

**By 2012, Eurofins was extending further loans to Aquila. Aquila received additional lending of €8.8m from Eurofins International Holdings Lux in 2012, taking its total borrowings from Eurofins to €10.7m**. Also, in 2012, Aquila acquired BSL Bioservice Scientific Laboratories GmbH (BSL).

BSL was purchased from Eurofins Ventures BV (Netherlands) for €8.8m. Seemingly, Eurofins lent Aquila an additional €8.8m so that it was in the position to purchase BSL from Eurofins.

Eurofins Ventures BV was a direct subsidiary of Eurofins Scientific and according to local filings, in April 2012 was merged with Eurofins Genomic BV. We are unable to find disclosure within Eurofins' 2011 and 2012 group financial statements regarding the existence of BSL as a subsidiary.

Returning to Aquila which borrowed €8.8m from Eurofins to enable it to purchase BSL, Aquila bought BSL with what we calculate it to have as Net Assets of €7.2m and EBIT of €4.0m in 2012. This suggests that Aquila paid a little over book value (1.2x) and as little as 2.2x 2012's EBIT for BSL. 2012's €4.0m in EBIT is after it had paid c. €1m in rent to what appears to be an entity owned by Eurofins CEO.[13]

So far this doesn't seem to us to be a great deal for Eurofins' shareholders. A subsidiary, BSL, which doesn't appear listed in its group filings, appears to dispose of its property to Eurofins' CEO, who looks to make 132%+ ROE per annum on it.[14] And what's left of the subsidiary, BSL, is sold to an entity, which Eurofins lends the money to, at zero interest, in order to complete the purchase. That entity's new owners are on track to cover the cost of acquisition within 2.2 years of profit.

[13] See Section on the Avaricious Property Deals: page 62

[14] Ibid

## The lending by Eurofins to Aquila picks up pace

In 2013, Eurofins International Holdings Lux lends Aquila a further €20.1m; taking its total loans to Aquila to €30.7m. Also, in 2013, BSL lends €1.3m to its new parent, Aquila.

In total, Aquila's borrowings increase by €21.3m in 2013. Also, in 2013 the "acquisition value" of both Aquila Acquisitions US (associated with if not controlled by Eurofins' employees) and BSL increase.

Whereas in 2012, Aquila stated that Aquila Acquisitions US cost €1.8m, by 2013 it claims an acquisition value of €18.4m.

Whereas in 2012, Aquila stated that BSL cost €8.8m, by 2013 it claims an acquisition value of €13.5m. All told, the total increase in acquisition cost ascribed to Aquila's two entities is €21.3m in 2013, which is precisely the increase in Aquila's debt principally provided by Eurofins.

**<u>We believe this makes little sense and begs the question, why would Eurofins lend Aquila a further €20.1m so that it can buy more of the two entities it already owns 100% outright?</u>**

Document émis électroniquement

**Aquila Holdings S.à R.L.**
Société à Responsabilité Limitée
**Annexe aux comptes annuels**
**31 décembre 2014**

**NOTE 7 - DETTES NON SUBORDONNEES (dont la durée est supérieure à un an)**

| | 2014 EUR | 2013 EUR |
|---|---|---|
| Dettes Eurofins International Holdings LUX S.à r.l. | 27,621,183.41 | 30,716,562.00 |
| Dettes BSL Bioservice Scientific Laboratories GmbH | 500,000.00 | 1,300,000.00 |
| Intérêts sur dettes BSL Bioservice Scientific Laboratories GmbH | 4,854.66 | 2,800.45 |
| | 28,126,038.07 | 32,019,362.45 |

Le prêt de Eurofins International Holdings LUX S. à r.l. est accordé pour une durée de 40 ans et ne porte pas intérêts. La société (et elle seule) a le droit de demander la conversion du prêt en action à tout moment. Le prêteur ne peut refuser la conversion.

Le prêt de BSL Bioservice Scientific Laboratories GmbH est accordé pour une durée illimitée et est porteur d'intérêts (Euribor 3 mois).

**NOTE 3 - IMMOBILISATIONS FINANCIERES**

By 2014, Eurofins was lending Aquila €27.6m. Seemingly this had been spent by Aquila on buying more of the companies (Aquila Acquisitions & BSL) in which it already owned 100% of each.

**PARTICIPATIONS**

| | 2014 EUR | 2013 EUR |
|---|---|---|
| Coût d'acquisition au début de l'exercice | 31,904,762.00 | 10,570,622.00 |
| Entrées au cours de l'exercice | 0.00 | 21,371,140.00 |
| Sorties au cours de l'exercice | 0.00 | -37,000.00 |
| Coût d'acquisition à la fin de l'exercice | 31,904,762.00 | 31,904,762.00 |

Désignation des participations :

| Nom de la participation | Coordonnées | Valeur d'acquisition | % de détention | Résultat exercice | Capitaux propres de la filiale |
|---|---|---|---|---|---|
| Aquila Acquisitions US, INC | Delaware, United States of America | 18,408,762.00 € | 100% | | |
| BSL Bioservice Scientific Laboratories GmbH | Planegg, München, Allemagne | 13,496,000.00 € | 100% | | |

Figure 6 Eurofins lending the many more millions of euros to Aquila Holdings and Aquila's ownership of subsidiaries. Source: Aquila Holdings filings, ShadowFall.

**Document émis électroniquement**

**AQUILA HOLDINGS Sàrl**
Société à responsabilité limitée
Annexe aux comptes annuels (suite)
Pour l'exercice clos au 31 décembre 2011

NOTE 8 - DETTES (dont la durée est supérieure à un an)

| | 2011 EUR |
|---|---|
| Dettes Eurofins International Holdings LUX SARL | 1 829 322,00 |

| PARTICIPATIONS | 2011 EUR |
|---|---|
| Coût d'acquisition au début de l'exercice | 0,00 |
| Entrées au cours de l'exercice | 1 824 622,00 |
| Sorties au cours de l'exercice | 0,00 |
| Coût d'acquisition à la fin de l'exercice | 1 824 622,00 |

Eurofins lends Aquila €1.8m in 2011. In the same year,
Aquila purchases Aquila Acquisitions US, Inc for €1.8m.
Aquila Aquisitions is linked to Eurofins employees,
including Eurofins VP of Finance, Daniel Dickinson.
What is Aquila? Who owns Aquila? Why did Eurofins lend it €1.8m?

Désignation de la participation:

| Nom de la participation | Coordonnées | Valeur d'acquisition | % de détention |
|---|---|---|---|
| Aquila Acquisitions US, INC | Delaware, United States of America | 1 824 622,00 € | 100% |

**BSL Bioservice Scientific Laboratories GmbH**

**Planegg**

**Annual financial statements for the financial year from 01.01.2011 to 31.12.2011**

BSL Bioservice Scientific Laboratories GmbH is a subsidiary of Eurofins Ventures BV, Breda / Netherlands, and is included in the consolidated financial statements of the ultimate parent company, Eurofins Scientific SE, Nantes. The consolidated financial statements are available in Nantes, France.

**Document émis électroniquement**

**Aquila Holdings S.à R.L.**
Société à Responsabilité Limitée
Annexe aux comptes annuels
31 décembre 2012

NOTE 7 - DETTES NON SUBORDONNEES (dont la durée est supérieure à un an)

| | 2012 EUR | 2011 EUR |
|---|---|---|
| Dettes Eurofins International Holdings LUX S. à r.l. | 10,663,922.00 | 1,829,322.00 |

Le prêt est accordé pour une durée de 40 ans et ne porte pas intérêts. La société (et elle seule) a le droit de demander la conversion du prêt en action à tout moment. Le prêteur ne peut refuser la conversion.

A 40 year interest free loan from Eurofins to Aquila?

| PARTICIPATIONS | 2012 EUR | 2011 EUR |
|---|---|---|
| Coût d'acquisition au début de l'exercice | 1,824,622.00 | 0.00 |
| Entrées au cours de l'exercice | 8,746,000.00 | 1,824,622.00 |
| Sorties au cours de l'exercice | 0.00 | 0.00 |
| Coût d'acquisition à la fin de l'exercice | 10,570,622.00 | 1,824,622.00 |

Désignation des participations :

| Nom de la participation | Coordonnées | Valeur d'acquisition | % de détention | Résultat exercice | Capitaux propres de la filiale |
|---|---|---|---|---|---|
| Aquila Acquisitions US, INC | Delaware, United States of America | 1,824,622.00 € | 100% | -15,523.00 € | 1,852,953.00 € |
| BSL Bioservice Scientific Laboratories GmbH | Planegg, Münich, Allemagne | 8,746,000.00 € | 100% | 2,799,121.00 € | 4,714,709.00 € |

A year later in 2012, Eurofins lends Aquila a further €8.8m. In the same year,
Aquila uses this to purchase BSL Bioservice Scientific Laboratories (BSL) from Eurofins.
Why did Eurofins lend Aquila a further €8.8m to purchase BSL from itself?
We are unable to find any mention of BSL as a subsidiary of Eurofins within its filings.
We calculate that BSL had Net Assets of €7.2m and EBIT of €4.0m in 2012,
meaning Aquila paid 1.2x book value and 2.2x EBIT for BSL.
What is Aquila? Who owns Aquila? Why did Eurofins lend it a further €8.8m to buy BSL?

**BSL Bioservice Scientific Laboratories GmbH**

**Planegg**

**Annual financial statements for the financial year from 01.01.2012 to 31.12.2012**

BSL Bioservice Scientific Laboratories GmbH is a subsidiary of AQUILA HOLDINGS S.à.rL, which has its registered office in Luxembourg. The preparation of consolidated financial statements is the responsibility of Luxembourg law.

Figure 7 Eurofins' loans to Aquila Holdings and Aquila using those loans to purchase BSL from Eurofins and capitalise Aquila Acquisitions. Source: Respective company filings, ShadowFall.

While all this occurs, we remind ourselves that we are unable to see any evidence to show that Eurofins received any monies from its sale of BSL to Aquila in 2012. BSL wasn't even listed as a subsidiary within Eurofins' group accounts in 2011 nor 2012.

## Dividends of €4.2m Less Than Two Years After Being Loaned €8.8m Interest Free to Purchase BSL

Aquila Holdings received dividends from its subsidiaries of €4.2m in 2014. It's not clear if this is received from Aquila Acquisitions US or BSL, or both. However, when considering that BSL looks to be the only company reporting any profit in 2012 and 2013 (of €3.9m), we presume the dividend was received from BSL. Then in 2014, BSL reports a loss of €1m.

Within a year of acquiring BSL from Eurofins funded by a 40-year interest-free loan from Eurofins, Aquila already appears to have received almost half the cost back in dividends.

## BSL is Split into Two Companies and Sold Back to Eurofins

In around 2014, BSL is split into two companies:

- BSL Bioservice Scientific Laboratories Munich GmbH (**BSLBS**); and
- Eurofins Biopharma Product Testing Munich GmbH (**Product Testing**).

## Eurofins Repurchases Part of BSL which it Only Sold Less Than 3 Years Prior!

In 2015, not much more than 2 years after seemingly financing its sale of BSL to Aquila, Eurofins bought the majority of BSL back from Aquila. BSL was split as detailed above and the shares of Eurofins BioPharma Product Testing Munich GmbH (**Product Testing**) (the majority of BSL) were transferred by Aquila to Eurofins BioPharma Services Holding GmbH (**BioPharma Services**) on 1 April 2015. BioPharma Services was a new company incorporated on 10 March 2015 and owned by Eurofins Pharma Services Lux S.à.r.l.

Despite the sale back to Eurofins, the General Manager of BSL at the time, Mr Berthold Hackl, remained a director to both the Aquila owned, BSLBS, and the Eurofins owned, Product Testing, until 2017.

According to both Products Testing's and BSLBS' 2016 accounts, Product Testing owed €1.03m in 2015 and €1.37m in 2016 to BSLBS. In both companies' accounts these are described as "liabilities to affiliated companies" raising a question mark as to how they would be classed as affiliated when at that point in time, Eurofins owned Product Testing and Aquila owned BSLBS?

## Having Financed the Sale of ALL of BSL for c. €8.8m in 2012, Eurofins Repurchases Part of BSL for €13.5m?

When Eurofins lent Aquila €8.8m and sold BSL to Aquila for €8.8m in 2012, BSL reported €14.9m in revenue and EBIT of €4.0m in that same year. Two years later and the portion of BSL that Eurofins bought back reported €13.1m in revenue and an operating LOSS of €1.1m. More bizarrely, it appears to us that Eurofins paid Aquila €13.5m for the portion of BSL it bought back; Aquila details an investment disposal in 2015 of €13.5m and the only reduction in its holdings appears to relate to BSL. This €13.5m in proceeds to Aquila would be after it has received €4.2m in dividends from its subsidiaries, we believe from BSL, in 2014. **Aquila which is not owned by Eurofins appears to have made total gains of €8.9m in just over two years, financed by Eurofins at a cost of ZERO. Eurofins' shareholders don't appear to us to be getting a good deal.**

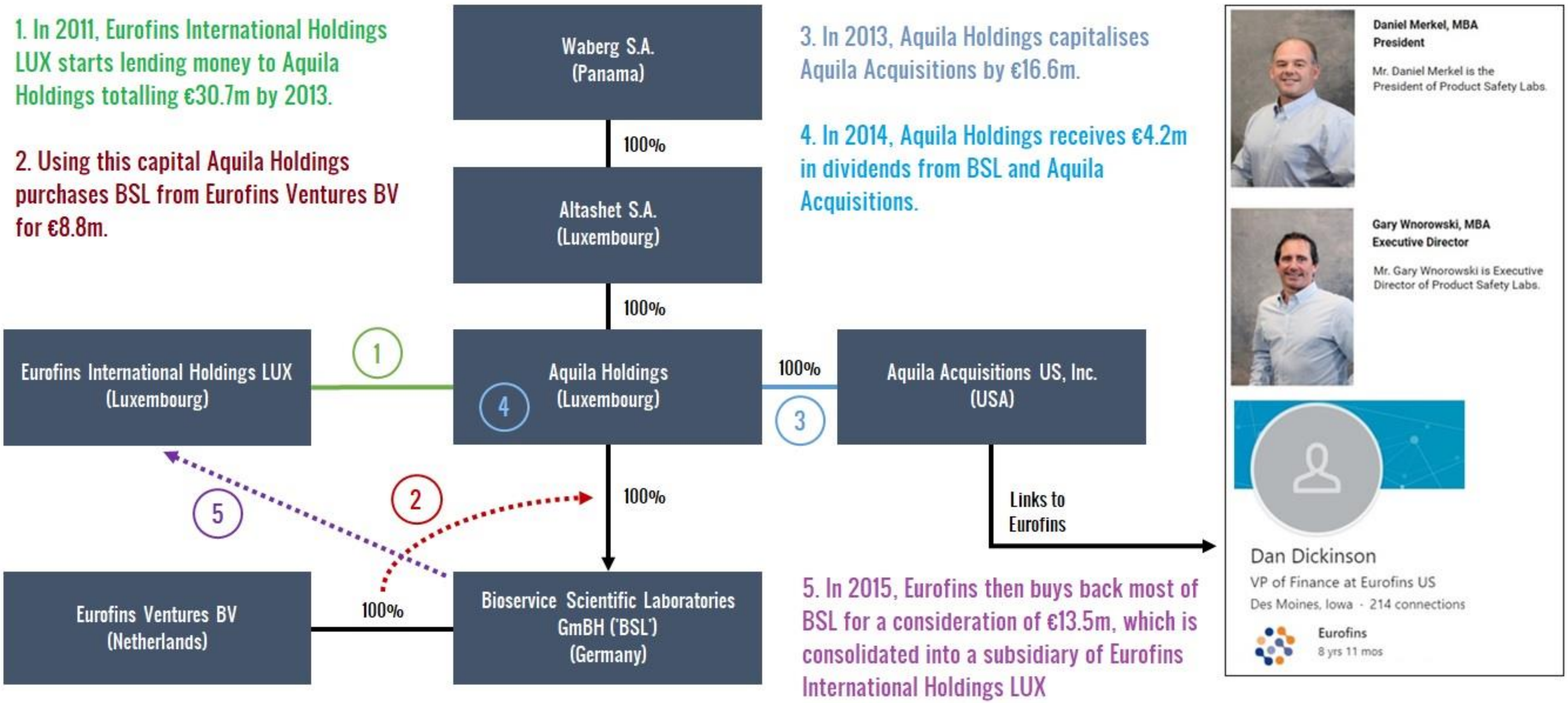



Figure 8 ShadowFall representation of the loans to Aquila Holdings and sale and repurchase of BSL. Source: Respective company filings, ShadowFall.

## Aquila in 2017: Still Borrowing from Eurofins?

In 2016 and 2017, Aquila's filings were audited by Erik Snauwaert, of Audit Conseil Services (ACSe). Eurofins shareholders may be familiar with the fact that until at least 2017, Mr Snauwaert has audited numerous of the Eurofins' Luxembourg based subsidiaries as well as the private entities of Eurofins' CEO, Dr Martin. Mr Snauwaert has also historically been banned by the Luxembourg regulator from performing statutory audit work.[15]

As of 31 December 2017, Aquila still shows borrowings of €9.7m. While it is no longer detailed in its accounts who the lender is, it does mention the fact that this loan relates to a 40-year interest free loan, which is the same terms of the loan provided by Eurofins when it has been detailed as the lender in prior filings.

**Aquila Holdings S.à R.L.**
Société à Responsabilité Limitée
**Annexe aux comptes annuels**
31 décembre 2014

**NOTE 7 - DETTES NON SUBORDONNEES (dont la durée est supérieure à un an)**

The loan from Eurofins International Holdings Lux is granted for a period of 40 years and is not interest bearing. The company (and it alone) has the right to request the conversion of the loan into action at any time. The lender cannot refuse the conversion.

| | 2014 EUR | 2013 EUR |
|---|---|---|
| Dettes Eurofins International Holdings LUX S.à r.l. | 27,621,183.41 | 30,716,562.00 |
| Dettes BSL Bioservice Scientific Laboratories GmbH | 500,000.00 | 1,300,000.00 |
| Intérêts sur dettes BSL Bioservice Scientific Laboratories GmbH | 4,854.66 | 2,800.45 |
| | 28,126,038.07 | 32,019,362.45 |

Le prêt de Eurofins International Holdings LUX S. à r.l. est accordé pour une durée de 40 ans et ne porte pas intérêts. La société (et elle seule) a le droit de demander la conversion du prêt en action à tout moment. Le prêteur ne peut refuser la conversion.

Le prêt de BSL Bioservice Scientific Laboratories GmbH est accordé pour une durée illimitée et est porteur d'intérêts (Euribor 3 mois).

**Aquila Holdings S.à r.l.**
Société à responsabilité limitée

Notes aux comptes annuels
au 31 décembre 2015

**7 Dettes non subordonnées (dont la durée est supérieure à un an)**

The debts as of 31 December 2015 consist only of a loan granted for a period of 40 years and bearing no interest.

| | | 2015 EUR | 2014 EUR |
|---|---|---|---|
| Emprunt à long terme | Same Lender in 2015? | 14.553.491,98 | 27.621.183,41 |
| Dettes (intérêts inclus) | | - | 504.854,66 |
| | | 14.553.491,98 | 28.126.038,07 |

Les dettes au 31 décembre 2015 sont uniquement constituées d'un prêt accordé pour une durée de 40 ans et ne portant pas intérêts. La société (et elle seule) a le droit de demander la conversion du prêt en action à tout moment. Le prêteur ne peut refuser la conversion.

L'emprunt auprès de BSL Bioservice Scientific Laboratories GmbH existant au 31 décembre 2014 a été remboursé pour son nominal ainsi que pour les intérêts courus (Euribor 3 mois) en date du 25 mars 2015.

**Aquila Holdings S.à r.l.**
Société à responsabilité limitée

Notes aux comptes annuels
au 31 décembre 2016

**Dettes (dont la durée est supérieure à un an)**

| | | 2016 EUR | 2015 EUR |
|---|---|---|---|
| Emprunt à long terme | Same lender in 2016? | 13.390.472,94 | 14.553.491,98 |
| | | 13.390.472,94 | 14.553.491,98 |

Les dettes au 31 décembre 2016 sont uniquement constituées d'un prêt accordé pour une durée de 40 ans et ne portant pas intérêts. La société (et elle seule) a le droit de demander la conversion du prêt en action à tout moment. Le prêteur ne peut refuser la conversion.

**Aquila Holdings S.à r.l.**
Société à responsabilité limitée

Notes aux comptes annuels
au 31 décembre 2017

**Dettes (dont la durée est supérieure à un an)**

| | | 2017 EUR | 2016 EUR |
|---|---|---|---|
| Emprunt à long terme | Same lender in 2017? | 9.689.448,46 | 13.390.472,94 |
| | | 9.689.448,46 | 13.390.472,94 |

Les dettes au 31 décembre 2017 sont uniquement constituées d'un prêt accordé pour une durée de 40 ans et ne portant pas intérêts. La société (et elle seule) a le droit de demander la conversion du prêt en action à tout moment. Le prêteur ne peut refuser la conversion.

Figure 9 Disclosed loans by Eurofins to Aquila Holdings and more recent filings suggesting loans by Eurofins to Aquila Holdings remain outstanding. Source: Aquila Holdings filings, ShadowFall.

15 March 2017 release from the Luxembourg regulator, the Commission de Surveillance du Secteur Financier (CSSF).

## AQUILA IN 2017: AUDITED BY THE LEGENDARY AUDITOR, ERIK SNAUWAERT

ACSe
Audit Conseil Services
Cabinet de Révision Agréé

**RAPPORT DU RÉVISEUR D'ENTREPRISES AGRÉÉ**

A l'associé de

**Aquila Holdings**
Société à responsabilité limitée
L-1150 Luxembourg, 291, route d'Arlon
R.C.S. Luxembourg: B 157 384

***Rapport sur l'audit des états financiers***

***Opinion***

Nous avons effectué l'audit des états financiers de **Aquila Holdings S.à r.l** (la « Société »), comprenant le bilan au 31 décembre 2017 ainsi que le compte de profits et pertes pour l'exercice clos à cette date, et les notes aux états financiers, incluant un résumé des principales méthodes comptables.

Strassen, le 16 mai 2018

Audit Conseil Services S.à r.l.

Cabinet de Révision Agréé

Erik Snauwaert

ACSe
Audit Conseil Services
Cabinet de Révision Agréé

**RAPPORT DU RÉVISEUR D'ENTREPRISES AGRÉÉ**

A l'associé de

**Eurofins International Holdings LUX**
Société à responsabilité limitée
L-1526 Luxembourg – 23 Val Fleuri
RCS Luxembourg n. B 157 959

***Rapport sur l'audit des états financiers***

***Opinion***

Nous avons effectué l'audit des états financiers de **Eurofins International Holdings LUX Sàrl**, (la « Société »), comprenant le bilan au 31 décembre 2017 ainsi que le compte de profits et pertes pour l'exercice clos à cette date, et les notes aux états financiers, incluant un résumé des principales méthodes comptables.

Strassen, le 26 avril 2018

Audit Conseil Services S.à r.l.

Cabinet de Révision Agréé

Erik Snauwaert

Figure 10 Erik Snauwaert ass auditor to both Aquila Holdings and Eurofins International Holdings, the latter which lent Aquila Holdings many millions of euros. Source: Respective company filings. ShadowFall.

## Matters further develop in 2015

Eurofins BioPharma Product Testing Munich GmbH (**Product Testing**) was bought back from Aquila in 2015 and became owned by Eurofins BioPharma Services Holding GmbH (**BioPharma Services**) which is owned by Eurofins Pharma Services Lux S.à.r.l. (**Pharma Services**).

Pharma Services holds BioPharma Services with an equity value of €5.5m in 2015. BioPharma Services equity value includes €13.5m in investments (we presume the investment value is the €13.5m in value attributable to Product Testing that Aquila reflects as disposed of) and €8.2m in loans from Eurofins GSC Finance Succursale Lux S.à.r.l.

In 2016, BioPharma Services is acquired by MWG-Biotech AG (another Eurofins entity) for €19.0m. Whereas Pharma Services held BioPharma Services at €5.5m, given that it was acquired by MWG-Biotech AG for €19.0m, we would have expected to see Pharma Services report a €13.5m profit on disposal. The disposal of €5.5m is reflected by Pharma Services but we are unable to locate detail of a €13.5m profit.

Also, in 2016:

- MWG-Biotech AG begins 2016 being owed €16.2m from the ultimate top co, Eurofins Scientific SE. It ends 2016 apparently having been repaid the €16.2m by Eurofins Scientific SE.
- MWG-Biotech AG begins 2016 owing other Eurofins companies €4.0m. It ends the year owing other Eurofins companies €16.2m (mainly to Eurofins GSC Finance Succursale).

# THE GIBRALTARIAN GOLDEN EAGLE
## *SCIENTIFIC NAME: AQUILA* [GIBCO]

During the period 2011 to 2012, a range of seemingly shell companies were incorporated. Several in Luxembourg, one in Gibraltar. Much like the Luxembourg company, Aquila Holdings, which was owned by the Panamanian entity, this time a Gibraltarian company, formed in 2012, was also given an Avian based title: its full name being Aquila (Gi**b**co). Also, in 2012, several of Eurofins' major subsidiaries appear to have reorganised their structure, seemingly generating profits in excess of €150m. It's unclear whether ultimately these profits rose to be reflected at a parent level; it appears to us that they were passed up to at least the subsidiary level directly below the ultimate parent. What seems clearer to us is that while profits were booked at a subsidiary level, there was little if any cash that changed hands. Rather, a complicated set of receivables and payables appear to us to have been structured in relation to the "profitable" reorganisation. In 2012, Aquila (Gi**b**co) was capitalised by the transfer of c. €200m of these receivables. A year later, the same set of receivables appear to have been passed to Eurofins Scientific SE (the parent) whereby they were then used to capitalise Eurofins France Holding SAS. As it happens, by that point, Eurofins France Holding SAS also had liability for the corresponding payables resulting in each side being effectively cancelled. However:

- It's unclear why Aquila (Gi**b**co)'s capital reduced from c. €200m to €1,125 during 2013? Was any potential loss in Aquila (Gi**b**co) from the disposal of these receivables to an almost zero equity value shielded from the parent company?
- Why post 2012, was Aquila (Gi**b**co) no longer detailed in the group accounts whereas Aquila (Gi**g**co) was?
- Why when Aquila (Gi**g**co) is detailed with a 100% owner in Eurofins' parent accounts, do the local filings of the "owner" not reflect it amongst its holdings?
- Why was this seemly complex structure used? What was the purpose of Aquila (Gi**b**co)? Why is this structure apparently only used in 2012?

## Eagle-eyed

For the ornithologists out there, they may notice Aquila surfacing in Eurofins' group accounts. In 2012, Eurofins capitalised a Gibraltarian company by the name of Aquila (Gi**b**co) Limited. While we do enjoy the use of Latin terms in accounts here at ShadowFall[16], unlike the majority of Eurofins' numerous subsidiaries, Aquila (Latin for Eagle) stood out to us for several reasons, the main reason being:

**Aquila appears to be the chosen name for a number of entities with connections to the Eurofins complex**. As the previous section shows, Eurofins lent millions of euros to Aquila Holdings, an entity ultimately owned by a Panamanian company. **With regards to Aquila (Gibco), Eurofins transferred almost two hundred million euros worth of intra-group receivables into the Gibraltarian entity**.

## Aquila (Gibco)

Incorporated in Gibraltar on 19 Dec 2012, Aquila (Gi**b**co) was owned by four Eurofins' subsidiaries:

- Eurofins Food Testing LUX Holding (40.32%),
- Eurofins Environment Testing LUX Holding (28.23%),
- Eurofins International Holdings LUX (21.24%),
- Eurofins Pharma Services LUX Holding (10.21%) – although the holding is undeclared in Eurofins Pharma Services' accounts.

However, we note that while the subsidiaries list Aquila (Gi**b**co) as a holding, **the ultimate parent, Eurofins Scientific SE, makes no mention of it in its 2012 annual filing**. We find this lack of mention surprising as Eurofins provided capital to Aquila (Gibco) valued at €199.8m in 2012. From the Gibraltar filings for Aquila (Gibco) we find that the capital came in the form of bestowing Aquila (Gibco) the receivables owed to the providing company by other Eurofins' entities. The ownership percentages relate to the quantum of the receivable passed on. For example, Eurofins Pharma Services Lux Holding is owed €20.3m by Eurofins Pharma Services **France** Lux Holding following the 100% sale of shares in Eurofins **Pharma France Holding** to Eurofins Pharma Services **France** Lux Holding. The €20.3m represents a little over 10% of the total €199.8m receivables resulting in a 10.2% share ownership.

| Nom de la société (forme juridique) | Siège | Fraction de capital détenu (%) | Date de clôture du dernier exercice | Devises | Capitaux propres (hors résultat de l'exercice) à la date de clôture de la société concernée |
|---|---|---|---|---|---|
| **Eurofins Food Testing LUX Holding Comptes annuels au 31 décembre 2012** | | | | | |
| Aquila (Gibco) Ltd* | Gibraltar | 40.32 % | 31/12/2012 | EUR | 199,760,000.00 |
| **Eurofins Environment Testing LUX Holding Comptes annuels au 31 décembre 2012** | | | | | |
| Aquila (Gibco) Ltd* | Gibraltar | 28.23% | 31/12/2012 | EUR | 199,760,000.00 |
| **Eurofins International Holdings LUX Comptes annuels au 31 décembre 2012** | | | | | |
| Aquila (Gibco) Ltd* | Gibraltar | 21.24 % | 31 décembre 2012 | EUR | 199 760 000,00 |

**Eurofins Environment Testing LUX Holding Sarl**

**Eurofins Food Testing Lux Holding Sarl**

**Eurofins International Holdings LUX Sarl**

**Eurofins Pharma Services LUX Holdings Sarl**

**- and -**

**Aquila (Gibco) Limited**

**CONTRIBUTION AND SUBSCRIPTION AGREEMENT**

20th December 2012

| Subscriber | No. of Ordinary Shares | No. of Redeemable Preference Shares |
|---|---|---|
| **Eurofins Environment Testing LUX Holding Sarl** | 2 | 315 |
| **Eurofins Food Testing Lux Holding Sarl** | 2 | 450 |
| **Eurofins International Holdings LUX Sarl** | 2 | 121 |
| **Eurofins Pharma Services LUX Holdings Sarl** | 2 | 114 |

Figure 11 Aquila (Gibco)'s ownership structure reflected by Aquila (Gibco) and Eurofins' subsidiary filings. Source: Respective company filings, ShadowFall.

[16] ShadowFall Reflections: Pro-Forma Ultimo

We note that the €199.8m capital (and receivables) relate to the intra-company sale of subsidiaries which occurred on 12 December 2012 and 19 December 2012. As such, we would assume these relate to the restructuring programme the company was pursuing at the time. However, we note that Eurofins reported in its 2012 Annual Report:

> "Eurofins reported EBITDA of EUR 161.2m for the full year 2012, representing a 15.8% increase from the previous year, despite the 23.5% increase in one-off costs related to the integration and reorganization of newly-acquired companies in significant restructuring, mainly IPL and the Belgian companies acquired at the end of 2011 and the beginning of 2012 respectively. The management's decision to accelerate the restructuring programme for these companies resulted in recognized one-off costs of EUR 7.4m in the fourth quarter, pushing one-off restructuring costs to EUR 13.1m for the full year 2012."

It seems to us that the above had nothing to do with the reorganisation driven profits at subsidiary level, nor the Aquila (Gibco) related structuring.

For example, in 2012, Eurofins Food Testing Lux reported (from Google translate):

***"The result of this reorganization by the contribution of related businesses or the transfer of related businesses, generating a gain of EUR 121,820,083"***

This brought the profit for the period up to €140.8m. In a similar fashion, Eurofins Environment Testing Lux reported a €30.6m gain from a reorganization of its subsidiaries, bringing its profit in 2012 to €34.1m. Both Eurofins Food Testing Lux and Eurofins Environment Testing Lux were owned by Eurofins International Holdings Lux in 2012.

These combined profits from reorganisation of €152.4m appear to be reflected by Eurofins International Holdings LUX in 2012, which is itself directly owned by Eurofins Scientific.

**Exercice du** 01 01/01/2012 **au** 02 31/12/2012 (en 03 EUR )

Eurofins Food Testing LUX Holding
10A, Rue Henri M. Schnadt
L-2530 Luxembourg

| | | Exercice concerné | | Exercice précédent |
|---|---|---|---|---|
| **6. Produits des immobilisations financières** | 715 | 141.069.583,06 | 716 | 3.939.800,00 |
| a) provenant d'entreprises liées | 717 | 141.069.583,06 | 718 | 3.939.800,00 |
| **12. Profit de l'exercice** | 639 | 140.764.581,66 | 640 | 0,00 |

Le groupe Eurofins Scientific SE, dont la Société est une filiale, a procédé en 2012 à une réorganisation de ses filiales, générant de nombreuses transactions avec des entreprises liées. Le résultat de cette réorganisation se traduit par la contribution d'entreprises liées ou à la cession d'entreprises liées, générant un gain de EUR 121 820 083,00.

The Eurofins Scientific SE Group, of which the Company is a subsidiary, carried out a reorganization of its subsidiaries in 2012, generating numerous transactions with related companies. The result of this reorganization results in the contribution of related companies or the sale of related companies, generating a gain of EUR 121,820,083.00.

**Exercice du** 01 01/01/2012 **au** 02 31/12/2012 (en 03 EUR )

Eurofins Environment Testing LUX Holding
10A, Rue Henri M. Schnadt
L-2530 Luxembourg

| | | Exercice concerné | | Exercice précédent |
|---|---|---|---|---|
| **6. Produits des immobilisations financières** | 715 | 34.372.655,99 | 716 | 12.220.249,80 |
| a) provenant d'entreprises liées | 717 | 34.372.655,99 | 718 | 12.220.249,80 |
| **12. Profit de l'exercice** | 639 | 24.527.484,92 | 640 | 12.142.300,50 |

Le groupe Eurofins Scientific SE, dont la Société est une filiale, a procédé en 2012 à une réorganisation de ses filiales, générant de nombreuses transactions avec des entreprises liées. Le résultat de cette réorganisation se traduit par la contribution d'entreprises liées ou à la cession d'entreprises liées, générant un gain de EUR 30 640 406,00.

The Eurofins Scientific SE Group, of which the Company is a subsidiary, carried out a reorganization of its subsidiaries in 2012, generating numerous transactions with related companies. The result of this reorganization results in the contribution of related companies or the sale of related companies, generating a gain of EUR 30,640,406.00.

**Eurofins International Holdings LUX**
**Comptes annuels au 31 décembre 2012**

***Notes aux comptes annuels au 31 décembre 2012***

| Nom de la société (forme juridique) | Siège | Fraction de capital détenu (%) | Date de clôture du dernier exercice | Devises | Capitaux propres (hors résultat de l'exercice) à la date de clôture de la société concernée | Résultat du dernier exercice |
|---|---|---|---|---|---|---|
| Aquila (Gibco) Ltd* | Gibraltar | 21.24 % | 31 décembre 2012 | EUR | 199 760 000,00 | 0,00 |
| Eurofins Food Testing LUX Holding S.à r.l. | Luxembourg, Luxembourg | 100 % | 31 décembre 2012 | EUR | 200 573 020,00 | 140 783 317,00 |
| Eurofins Environment Testing LUX Holding S.à r.l. | Luxembourg, Luxembourg | 100 % | 31 décembre 2012 | EUR | 116 980 850,00 | 34 101 623,00 |

Figure 12 Profits recognised at subsidiary level as a result of the reorganisation of internal assets. Source: Respective company filings, ShadowFall.

## Were the Profits from Reorganisation Reflected at the Parent Level?

A question we find ourselves asking is whether these profits from reorganisation were ultimately reflected by Eurofins Scientific SE?

We note that Eurofins International Holdings Lux reported €73.1m in profit in 2012, which was also reflected by Eurofins Scientific. Eurofins International Holdings Lux itself generates revenue of zero. Our issue is that when reviewing its report of its subsidiary holdings' profits, if we are to subtract the reorganisation profit contribution, which we calculate to be €152.5m from the €209.5m in total, then we calculate that Eurofins International Holdings Lux profit in 2012 would be closer €57.0m, and not the €73.1m declared by Eurofins International Holdings Lux and Eurofins Scientific SE.

We remind ourselves that also in 2012, we are unable to reconcile the profit which Eurofins Scientific SE reports Eurofins Genomics BV achieved and contributed. Eurofins Scientific SE reports that Eurofins Genomics BV achieved profit of €44.1m in 2012, whereas Eurofins Genomics BV reports €32.3m (see page 42).

According to Eurofins Scientific SE the two main profit contributors in 2012 were Eurofins International Holdings Lux and Eurofins Genomics BV. The implication of the above is that we believe that at least €27.9m of 2012's profit is tricky to reconcile, which would represent c. 34.5% of Eurofins total reported profit before tax in 2012.

The questions that investors may seek answers to are:

1. If the reorganisation were intragroup, was a profit recognised at parent level?
2. Why were the receivables transferred to a Gibraltar entity which was seemingly specifically set up for this process and apparently lasted for all of one year?

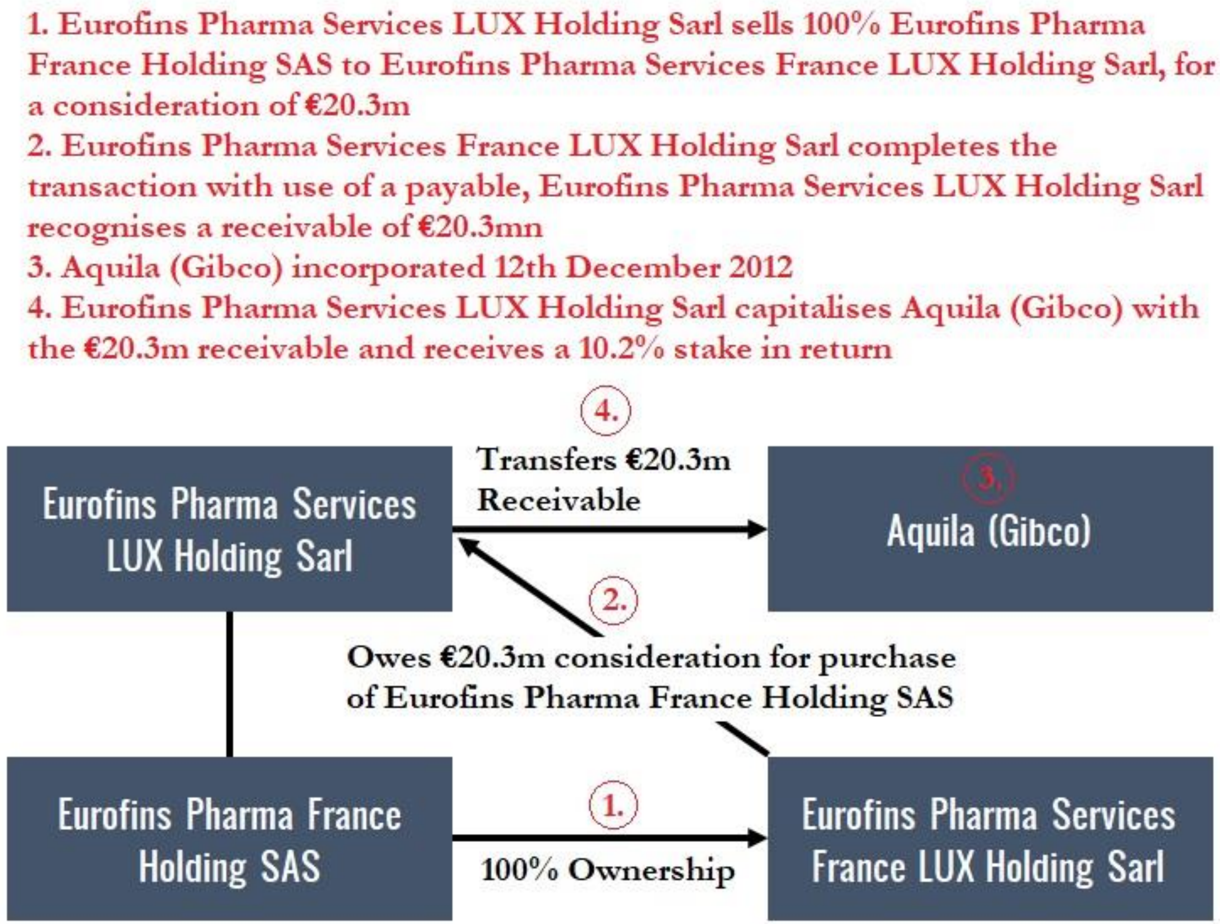



Figure 13 ShadowFall representation of the financial engineering employed by Eurofins regarding the Aquila (Gibco) capitalisation. Source: Respective company filings, ShadowFall.

| Details of Receivable | Amount |
|---|---|
| Receivable arising from funds owing to Eurofins Food testing Lux Holding Sarl by Eurofins Food Chemistry Testing France LUX Holding Sarl pursuant to a Share Purchase Agreement dated 12 December 2012 regarding 100% of the issued shares in the share capital of Eurofins Food Chemistry Testing France Holding SAS | EUR 58,700,000 |
| Receivable arising from funds owing to Eurofins Food testing Lux Holding Sarl by Eurofins Hygiene Alimentaire France LUX Holding Sarl pursuant to a Share Purchase Agreement dated 12 December 2012 regarding 100% of the issued shares in the share capital of Eurofins Hygiene Alimentaire France Holding SAS | EUR 21,800,000 |
| Receivable arising from funds owing to Eurofins Environment Testing LUX Holding Sarl by Eurofins Analyses pour la Construction France LUX Holding Sarl pursuant to a Share Purchase Agreement dated 12 December 2012 regarding 100% of the issued shares in the share capital of Eurofins Analyses pour la Construction France Holding SAS | EUR 39,800,000 |
| Receivable arising from funds owing to Eurofins Environment Testing LUX Holding Sarl by Eurofins Analyses pour l' Environnement France LUX Holding Sarl pursuant to a Share Purchase Agreement dated 12 December 2012 regarding 100% of the issued shares in the share capital of Eurofins Analyses pour l' Environnement France SAS | EUR 14,600,000 |
| Receivable arising from funds owing to Eurofins Environment Testing LUX Holding Sarl by Eurofins Hydrologie France LUX Holding Sarl pursuant to a Share Purchase Agreement dated 12 December 2012 regarding 100% of the issued shares in the share capital of Eurofins Hydrologie France Holding SAS | Eur 2,000,000 |
| Receivable arising from funds owing to Eurofins International Holdings LUX Sarl by Eurfins France Holding SAS pursuant to a Share Purchase Agreement dated 12 December 2012 regarding 100% of the issued shares in the share capital of Eurofins Forensics Lux Holding Sarl | EUR 21,700,000 |
| Receivable arising from funds owing to Eurofins Pharma Services LUX Holding sarl by Eurofins Pharma Services France LUX Holding sarl pursuant to a Share Purchase Agreement dated 12 December 2012 regarding 100% of the issued shares in the share capital of Eurofins Pharma France Holding SAS | EUR 20,300,000 |
| Receivable arising from funds owing to Eurofins International Holdings LUX Sarl by Eurfins Genomics LUX Holding Sarl pursuant to a Share Purchase Agreement dated 19 December 2012 regarding 100% of the issued shares in the share capital of Eurofins Ventures I DE GmbH | Eur 20,860,000 |

Figure 14 Reported contributions to the capitalisation of Aquila (Gibco) by Eurofins' subsidiaries. Source: Aquila (Gibco) filings, ShadowFall.

Eurofins International Holdings LUX
Comptes annuels au 31 décembre 2012

*Notes aux comptes annuels au 31 décembre 2012*

| Nom de la société (forme juridique) | Siège | Fraction de capital détenu (%) | Date de clôture du dernier exercice | Devises | Capitaux propres (hors résultat de l'exercice) à la date de clôture de la société concernée | Résultat du dernier exercice | Profit from re-organisation |
|---|---|---|---|---|---|---|---|
| Eurofins Latin American Ventures SL | Barcelona, Spain | 100 % | 31 décembre 2012 | EUR | 7 595 768,00 | -154 869,00 | |
| Aquila (Gibco) Ltd* | Gibraltar | 21.24 % | 31 décembre 2012 | EUR | 199 760 000,00 | 0,00 | |
| Eurofins Scientific Italia Srl | Torino, Italy | 100 % | 31 décembre 2012 | EUR | 6 325 198,00 | 439 714,00 | |
| Eurofins Food Testing LUX Holding S.à r.l. | Luxembourg, Luxembourg | 100 % | 31 décembre 2012 | EUR | 200 573 020,00 | 140 783 317,00 | 121 820 083,00 |
| Eurofins Environment Testing LUX Holding S.à r.l. | Luxembourg, Luxembourg | 100 % | 31 décembre 2012 | EUR | 116 980 850,00 | 34 101 623,00 | 30 640 406,00 |
| Eurofins Pharma Services LUX Holding S.à r.l. | Luxembourg, Luxembourg | 100 % | 31 décembre 2012 | EUR | 174 228 732,00 | 768 928,00 | |
| Eurofins GSC LUX S.à r.l. | Luxembourg, Luxembourg | 100 % | 31 décembre 2012 | EUR | 19 336 396,00 | 32 295 777,00 | |
| Eurofins Agrosciences Services LUX Holding S.à r.l. | Luxembourg, Luxembourg | 100 % | 31 décembre 2012 | EUR | 25 359 541,00 | 380 548,00 | |
| Eurofins Product Testing LUX Holding S.à r.l. | Luxembourg, Luxembourg | 100 % | 31 décembre 2012 | EUR | 21 890 186,00 | 1 065 692,00 | |
| Eurofins Support Services LUX Holding S.à r.l. | Luxembourg, Luxembourg | 100 % | 31 décembre 2012 | EUR | 3 682 510,00 | -22 135,00 | |
| Eurofins Genomics LUX Holding S.à r.l. | Luxembourg, Luxembourg | 100 % | 31 décembre 2012 | EUR | 11 430 827,00 | 721 292,00 | |
| Eurofins Discovery Services LUX Holding S.à r.l.* | Luxembourg, Luxembourg | 100 % | 31 décembre 2012 | EUR | 23 100 000,00 | -11 638,00 | |
| | | | | | | 209 488 821,00 | - 152 460 489,00 = 57 028 332,00 |

Figure 15 Eurofins International Holdings Lux statement of subsidiary results, which appears to include the reorganization related profits included within Eurofins Food Testing Lux and Eurofins Environment Testing Lux results. Source: Respective company filings, ShadowFall.

## Related Parties

When a Eurofins director is required for Aquila (Gibco), filings are signed off by Luca Cozzani, Eurofins' current Head of Tax and Legal. Additionally, Aquila (Gibco)'s 2014 Annual Return lists Luca Cozzani and Hugues Vaussy - whose LinkedIn profile[17] lists him as Eurofins' Finance Director, Head of Group Treasury, Group Insurance and Risk Management, Investors Relations and Corporate Communication - as directors of Aquila (Gibco).

Given the shared directors and the significant scale of assets involved, we struggle to understand why Aquila (Gibco), is a year later (in 2013) no longer disclosed in the group accounts as a subsidiary undertaking? It seemingly disappears off the group accounts no longer being recognised as a subsidiary ever again. This is odd as:

- First, the annual returns for Aquila (Gibco) from 2013 and 2014 still lists the same initial four entities as shareholders in the company.
- Secondly, upon inspection of the companies which hold the corresponding payables to Aquila (Gibco)'s receivables (i.e. how it was capitalised), 2013 shows a write up to equity equal to the value of the payables, and a reduction in the payables of the same value. We can only assume that the payable has thus been written off, incurring a loss in the payee and a profit in the payer. Perhaps this is why Aquila (Gibco) is not listed as a subsidiary from 2013, in order for Eurofins' Management to shield a write-off of this not insignificant €199.8m receivable from investors?
- We therefore seem to have a series of transactions which have the potential to internally generate profits at two points in time. 1) the initial internal sale of divisions which is offset by a payable in another subsidiary and 2) the writing off of a payable in a consolidated entity – seemingly without the corresponding receivable write off being consolidated.

While we would be amazed that Eurofins generated c.€200m of profit and the negation of any associated cash as a result of these transactions, Eurofins' investors may be interested to seek clarification on a number of points:

1. Was any profit recognised at the parent level as a result of these transactions?
2. Can Eurofins clarify why its management seemingly went to these lengths to implement what should be a simple restructuring process?
3. Was the set-up of Aquila (Gibco) a method to generate tax efficiencies and if so, could this be explained?
4. What happened to both the receivables and the payables involved in these transactions? As we highlight, we can see that the payables were written off but were the receivables also written off?
5. Why did this structure appear to have a shelf life of no more than one year?
6. Why is Aquila (Gibco) called Aquila (Gibco)? Does it have any relation to Aquila Holdings, the company ultimately owned by a Panamanian entity with links to Eurofins employees? Or is the name a coincidence?
7. Why is Aquila (Gibco) not listed as a subsidiary in the group filings despite still being an active company and according to its filings owned by Eurofins subsidiaries?

[17] Hugues Vaussy LinkedIn profile

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement on the date first above written.

SIGNED for and on behalf of
Subscribers

Eurofins Food Testing Lux Holding Sarl

Eurofins Environment Testing LUX Holding Sarl

Eurofins International Holdings LUX Sarl

Eurofins Pharma Services LUX Holdings Sarl (LUCA COZZANI)

SIGNED for and on behalf of
Aquila (Gibco) Limited

Director
(LUCA COZZANI)

Figure 16 Luca Cozzani signing the allotment of shares in 2012. Source: Aquila (Gibco) filings, ShadowFall.

**Company Number:** 108982[redacted] **Date of Incorporation:** 19-Dec-2012 **Date last A/R:** 19-Dec-2013

(Private Company)
*"THE COMPANIES ACT"*

**Form of Annual Return of a Company having a Share Capital**
As required by Part IV of The Companies Act (Section 153)

REGISTRY OF COMPANIES 19 DEC 2014 GIBRALTAR

Annual Return of **Aquila (Gibco) Limited**

Made up to the **19th day of December, 2014**

Address of Registered Office: **10/8 International Commercial Centre, Casemates Square, Gibraltar**

Particulars of the Directors and Secretaries of **Aquila (Gibco) Limited** at the date of the Annual Return*.

| **The present Christian Name or Names and Surname | Any former Christian Name or Names or Surname | Nationality | Nationality of Origin (if other than the present Nationality) | Usual Residential Address | ***Other Business Occupation, if any. If none, state so. |
|---|---|---|---|---|---|
| Luca Cozzani | | Italian | | Route Gouvemementale 148<br>1950 Kraainem<br>Belgium | Employee/Director |
| Hugues Pierre M Vaussy | | French | | Rue de Stassart 95<br>1050 Ixelles<br>Belgium | Employee/Director |

Figure 17 Confirmation of the same directors being present in 2014. Source: Aquila (Gibco) filings, ShadowFall.

List of Persons holding Shares in **Aquila (Gibco) Limited** on the **19th day of December, 2014**

| Folio in Register Ledger containing Particulars | NAMES AND OCCUPATIONS: SURNAME | OCCUPATION | *Number of Shares held by existing Members at date of Return.+ |
|---|---|---|---|
| | | | Ordinary A Shares Shares |
| | Eurofins Pharma Services LUX Holding Sarl | Limited Company | 116 |
| | Eurofins Environment Testing LUX Holding Sarl | Limited Company | 318 |
| | Eurofins Food Testing LUX Holding Sarl | Limited Company | 452 |
| | Eurofins International Holdings LUX Sarl | Limited Company | 239 |
| | | | 1,125 |

Figure 18 Aquila (Gibco)'s ownership structure as of 19 December 2014. Source: Aquila (Gibco) filings, ShadowFall.

| | |
|---|---|
| Receivable arising from funds owing to Eurofins International Holdings LUX Sarl by Eurfins Genomics LUX Holding Sarl pursuant to a Share Purchase Agreement dated 19 December 2012 regarding 100% of the issued shares in the share capital of Eurofins Ventures I DE GmbH | Eur 20,860,000 |

**BILAN ABRÉGÉ**

**Exercice du** 01/01/2013 **au** 31/12/2013 (en EUR)

Eurofins Genomics LUX Holding
10A, rue Henri M. Schnadt
L-2530 Luxembourg

| | Exercice courant | Exercice précédent |
|---|---|---|
| **TOTAL DU BILAN (ACTIF)** | 34.324.621,84 | 33.016.269,60 |
| **A. Capitaux propres** | 34.307.106,17 | 12.152.119,36 |
| **D. Dettes non subordonnées** | 12.780,67 | 20.863.625,24 |

**Eurofins International Holdings LUX**

***Notes aux comptes annuels au 31 décembre 2013***

| Nom de la société (forme juridique) | Siège | Fraction de capital détenu (%) | Date de clôture du dernier exercice | Devises | Capitaux propres (hors résultat de l'exercice) à la date de clôture de la société concernée | Résultat du dernier exercice |
|---|---|---|---|---|---|---|
| Eurofins Genomics LUX Holding S.à r.l. | Luxembourg, Luxembourg | 100% | 31/12/2013 | EUR | 33,662,119.00 | 924,987.00 |

Figure 19 Increase in equity for Eurofins Genomics Lux seemingly as a result from the write-off of the receivable due to Eurofins International Holdings Lux. Source: Respective company filings, ShadowFall.

## DÉJÀ VU?

When looking in Eurofins Scientific's accounts to reconcile our findings, we were surprised as Aquila (Gi**b**co) doesn't appear in 2012. However, in 2013 Aquila (Gi**g**co), another Gibraltar entity appears as a subsidiary undertaking and recurs in Eurofins Scientific's 2014, 2015, 2016, 2017 Annual Reports before disappearing in 2018.

According to Eurofins, Aquila (Gi**g**co) is 100% consolidated within Eurofins Environment Testing LUX Holding (Environment Testing). However, when we review the Environment Testing accounts, we see no sign of either Aquila (Gibco) or Aquila (Gigco) as a subsidiary. Why is this? **We tried to trace the routes of Aquila (Gigco) and were unable to find any trace of the company being registered in Gibraltar with that name**. Is this a typo, as according to the Annual Reports the date of entry was December 2012, the same as the founding of Aquila (Gibco)? If it is a typo in the 2014 Annual Report then why is it recurring in future reports? Additionally, why is it listed as a subsidiary of Environment Testing when it would appear the major shareholder is Eurofins Food Testing Lux Holding?

List of Persons holding Shares in **Aquila (Gibco) Limited** on the **19th day of December, 2014**

| Folio in Register Ledger containing Particulars | NAMES AND OCCUPATIONS: SURNAME | OCCUPATION | *Number of Shares held by existing Members at date of Return.+ |
|---|---|---|---|
| | | | Ordinary A Shares Shares |
| | Eurofins Pharma Services LUX Holding Sarl | Limited Company | 116 |
| | Eurofins Environment Testing LUX Holding Sarl | Limited Company | 318 |
| | Eurofins Food Testing LUX Holding Sarl | Limited Company | 452 |
| | Eurofins International Holdings LUX Sarl | Limited Company | 239 |
| | | | 1,125 |

There is no mention of Aquila (Gibco) in Eurofins parent filings despite being capitalized with €199.8m, in 2012.

In the 2013-2015 annual filings, Aquila (Gigco) is listed as a subsidiary, but according to the Eurofins top company it is 100% owned by Eurofins Environment Testing LUX Holding. However:

1) There is no Aquila (Gigco) incorporated in Gibraltar.
2) Where we have documents related to Aquila (Gibco), these show 4 entities as owners.
3) Eurofins Environment Testing LUX Holding has no mention of either Aquila (Gigco) or Aquila (Gibco) in its filings.

At best, this seems a remarkable lack of attention to detail regarding a Gibraltarian entity with such a significant quantum of assets.

At worst, we believe this could be construed as a method to obfuscate the origin of significant profits related to nothing more than a re-organization of internal assets.

eurofins **2012 Annual Report**

**5.2 Principal subsidiary undertakings**

The Companies below are fully consolidated (at 100%). The % of voting rights is identical to the % ownership in the Group Subsidiaries.

| Company | Country ISO Code | Subsidiary of : | % of interest | Date of entry |
|---|---|---|---|---|
| **Eurofins Scientific S.E.** | LU | Parent | | 04/89 |
| Eurofins Laboratoire de Pathologie Végétale SAS | FR | Eurofins IPL Nord SAS | 100 | 12/11 |
| Eurofins Agroscience Services KfT | HU | Eurofins Agrosciences Services LUX Holding SARL | 100 | 09/07 |

? ?

eurofins **2013 Annual Report**

**5.2 Principal subsidiary undertakings**

The Companies below are fully consolidated (at 100%). The % of voting rights is identical to the % of ownership in the Group's Subsidiaries.

| Company | Country ISO Code | Subsidiary of : | % of interest | Date of entry |
|---|---|---|---|---|
| EVGS SAS | FR | Eurofins Food Chemistry Testing France Holding SAS | 51 | 12/12 |
| Aquila (Gigco) Ltd. | GI | Eurofins Environment Testing LUX Holding SARL | 100 | 12/12 |
| Eurofins Agroscience Services KfT | HU | Eurofins Agrosciences Services LUX Holding SARL | 100 | 09/07 |

eurofins **2014 Annual Report**

**5.2 Principal subsidiary undertakings**

The Companies below are fully consolidated (at 100%). The % of voting rights is identical to the % of ownership in the Group's Subsidiaries.

| Company | Country ISO Code | Subsidiary of : | % of interest by the Group | Date of entry |
|---|---|---|---|---|
| Eurofins Analyses pour le Bâtiment Sud-Ouest SAS | FR | Eurofins Analyses pour le Batiment France Holding SAS | 100 | 09/13 |
| Aquila (Gigco) Ltd. | GI | Eurofins Environment Testing LUX Holding SARL | 100 | 12/12 |
| Eurofins Agroscience Services KfT | HU | Eurofins Agrosciences Services LUX Holding SARL | 100 | 09/07 |

eurofins **2015 Annual Report**

**5.2 Principal subsidiary undertakings**

The Companies below are fully consolidated (at 100%). The % of voting rights is identical to the % of ownership in the Group's Subsidiaries.

| Company | Country ISO Code | Subsidiary of : | % of interest by the Group | Date of entry |
|---|---|---|---|---|
| Eurofins Product Testing France Holding SAS | FR | Eurofins Product Testing LUX Holding SARL | 100 | 12/14 |
| Aquila (Gigco) Ltd. | GI | Eurofins Environment Testing LUX Holding SARL | 100 | 12/12 |
| Eurofins Agroscience Services KfT | HU | Eurofins Agrosciences Services LUX Holding SARL | 100 | 09/07 |

**Eurofins Environment Testing LUX Holding**

***Notes aux comptes annuels au 31 décembre 2013***

Les entreprises dans lesquelles la Société détient au moins 20 % du capital ou dans lesquelles elle est associée indéfiniment responsable sont les suivantes :

| Nom de la société (forme juridique) | Siège | Devises | Fraction de capital détenu (%) | Date de clôture du dernier exercice | Capitaux propres à la date de clôture de la société concernée | Résultat du dernier exercice |
|---|---|---|---|---|---|---|
| Eurofins Environment Testing Australia Pty Ltd. * | Oakleigh - Australia | AUD | 90.56% | 31/12/2013 | 2,505,529.00 | -422,543.0C |
| Eurofins Belgium NV | Nazareth - Belgium | EUR | 100% | 31/12/2013 | 612,977.00 | 455,681.0C |
| Eurofins Environment Testing Belgium Holding NV | Nazareth - Belgium | EUR | 100% | 31/12/2013 | 10,186,015.00 | -51,265.0C |
| Eurofins Environment Testing Belgium NV | Nazareth - Belgium | EUR | 100% | 31/12/2013 | 1,262,963.00 | -1,079,943.0C |
| Eurofins Pharmaceutical Product Testing NV | Brugge - Belgium | EUR | 100% | 31/12/2013 | 823,630.00 | -349,261.0C |
| O.C.B. NV | Brugge - Belgium | EUR | 100% | 31/12/2013 | 76,233.00 | -25,506.0C |
| Envirocontrol NV | Wingene - Belgium | EUR | 100% | 31/12/2013 | 554,435.00 | -212,321.0C |
| Eurofins Umwelt GmbH | Hamburg - Germany | EUR | 100% | 31/12/2013 | 2,492,076.00 | 1,113,777.0C |
| Eurofins Environment Testing Germany Holding West GmbH | Hamburg - Germany | EUR | 100% | 31/12/2013 | 1,668,728.00 | 202,669.0C |
| Eurofins 2. Verwaltungsgesellschaft mbH | Hamburg - Germany | EUR | 100% | 31/12/2013 | -20,119.00 | -6,979.0C |
| Eurofins Environment Denmark Holding A/S | Galten - Denmark | EUR | 100% | 31/12/2013 | 20,407,646.00 | 9,738,611.0C |
| Eurofins NDSC Environnement France Holding SAS | Nantes - France | EUR | 100% | 31/12/2013 | 528,099.00 | -4,961.0C |
| Eurofins Environment Testing Italy Srl * | Padova - Italy | EUR | 100% | 31/12/2013 | 1,733,656.00 | -1,528,072.0C |
| Eurofins Nihon Kankyo KK | Tokyo - Japan | JPY | 100% | 31/12/2013 | 821,183,115.00 | 21,600,235.0C |
| Eurofins Industrial Testing LUX SARL | Luxembourg | EUR | 100% | 31/12/2013 | 5,692,179.00 | -16,961.0C |
| Eurofins Water Testing LUX SARL | Luxembourg | EUR | 100% | 31/12/2013 | 12,166,496.00 | -15,320.0C |
| Eurofins Environment Testing Netherlands Holding BV | Breda - Netherlands | EUR | 100% | 31/12/2013 | 16,118,246.00 | -127,609.0C |
| Eurofins Environment Testing Norway Holding AS | Moss - Norway | EUR | 100% | 31/12/2013 | 10,024,097.00 | -4,046,400.0C |
| Eurofins Environmental Laboratory Services Limited | Wellington - New Zealand | NZD | 100% | 31/12/2013 | 1,112,130.00 | 295,888.0C |
| Eurofins Portugal Lda * | Porto - Portugal | EUR | 100% | 31/12/2013 | 563,253.00 | 101,767.0C |

Figure 20 No mention of Aquila (Gi**b**co) in Eurofins Scientific accounts but a mention of Aquila (Gi**g**co). We are unable to locate any trace of a company called Aquila (Gigco). Eurofins reports Aquila (Gigco) as owned at subsidiary level by Eurofins Environment Testing Lux, however, Eurofins Environment Testing Lux does not mention it as a subsidiary undertaking. Source: Respective company filings, ShadowFall.

## THE PROCESS …

To attempt to explain the complicated nature of these restructuring transactions, we provide the example below and in figures 21 & 22, which centres on:

- Eurofins Analyses pour la Construction France Holding (**Target**).

Eurofins appears to follow a 7-step process in the restructuring:

1. A Luxembourg shell company is set up with a similar name just prior to the restructuring e.g. Eurofins Analyses pour la Construction France **LUX** Holding (**Shell**).
2. In 2011, Target is owned by Eurofins Environment Testing Lux Holding (**Seller**) and is reported to have a book value of €30,951. On 12 December 2012, the **Shell** purchases the **Target** from the **Seller**. When acquired, the **Shell** reports the **Target** with a book value of €19.9m. **Shell** pays the **Seller** a value of €39.8m for the **Target**. Instead of payment in cash, **Shell** has a payable due to the **Seller** for €39.8m.
3. On 19 December 2012, Aquila (Gibco) (**Consolidator 1**) is incorporated. On 20 December 2012, **Consolidator 1** is part capitalised with the receivable which is due from the **Shell** to the **Seller** related to the restructuring, in 2012. Essentially **Consolidator 1** consolidates all of the receivables from the restructuring. **Seller** recognises a profit on disposal to **Shell**. For **Target** and a further two targets, this profit totals €30.6m in 2012.
   **Shell** is owned by Eurofins France Holdings SAS (**Consolidator 2**), which consolidates the payable related companies in the restructuring.
4. At some stage in 2013, the receivables held by **Consolidator 1** appear to have been transferred to Eurofins Scientific SE (**Parent**).
5. In 2013, **Consolidator 2** appears to purchase these receivables from the **Parent** and in lieu of the cash for the receivables, and the **Parent** receives additional shares (equity) in **Consolidator 2**.
6. In a similar manner, **Consolidator 2** appears to sell these receivables to the **Shell** companies, the latter which also have the payables. In lieu of cash for the receivables, **Consolidator 2** looks to receive additional shares (equity) in the **Shells**. Effectively the receivables and the payables have now cancelled each other out.
7. **Consolidator 1**'s equity value has reduced by the value of receivables which have been transferred to the **Parent** and then effectively on to the **Shells**. However, we can see no obvious sign where this is reflected within **Consolidator 1**'s filings. **Consolidator 1**'s accounts show the capital reduction but no indication why it has reduced and no loss is reported. **Consolidator 1** is not mentioned as a subsidiary in the **Parent**'s accounts. A similar-sounding company to **Consolidator 1** is detailed in the **Parent**'s accounts but ownership is ascribed to an entity whose accounts fail to mention this. We can find no such trace of the company with the similar sounding name to **Consolidator 1**.

We have reason to believe that step 3 in this process is misleading and potentially incorrect.

First, the documents we have obtained and shown in figures 24 clearly state that Aquila (Gibco) (**Consolidator 1**) was incorporated with the receivables related to the restructuring. This is also consistent with Eurofins' subsidiary accounts. In 2013, Eurofins France Holding SAS (**Consolidator 2**) discloses that it is capitalised by Eurofins Scientific SE (**Parent**) with the capital contribution being these receivables. Therefore, Eurofins Scientific SE (Parent) must at some point have purchased these receivables from Aquila (Gibco) (Consolidator 1).

The 2013 annual report of Aquila (Gibco) (Consolidator 1) shows Equity Shareholders' Fund of €1,125 (one thousand, one hundred and twenty-five euros), comprised of debtors of €1,125 and cash of €0. This compares to an equity value of €199.8m reported by both Eurofins' subsidiary filings and Aquila (Gibco)'s (Consolidator 1's) incorporation filing at year end 2012. If the receivables were purchased at face value, then we would expect to see an unchanged equity value at Aquila (Gibco) (Consolidator 1) between 2012 and 2013; i.e. we would expect to see the purchased receivables replaced with either cash or another asset to the same value of €199.8m and not a resulting equity value of €1,125. We can find no trace of Aquila (Gibco) (Consolidator 1) in Eurofins Scientific SE's (Parent's) 2013 accounts despite Aquila (Gibco's) (Consolidator 1's) filings showing an unchanged ownership structure in its 2012, 2013, and 2014 annual returns. We believe that this raises a number of questions, foremost of which are:

1. Which Eurofins' entity reflected the reduction in Aquila (Gibco's) equity when these receivables were passed onto Eurofins Scientific SE? As we note, Aquila (Gibco)'s equity value had seemingly reduced to €1,125 (one thousand, one hundred and twenty-five euros) by 2013 from €199.8m in 2012. Was any potential loss in Aquila (Gibco) from the disposal of these receivables to an almost zero equity value shielded from the parent company?
2. Why is this seemingly complex structure used? What was the purpose of Aquila (Gibco)? Why is this structure apparently only used in 2012?
3. Why is Aquila (Gibco) never disclosed in Eurofins Scientific's filings despite as recently its filing from 14 June 2019 suggesting it still an active company?
4. Why is Aquila (Gibco) never mentioned after 2012 as a subsidiary undertaking by its original four owners, despite Aquila (Gibco's) filings showing its ownership structure hasn't changed after 2012?
5. Why is Aquila a common name of entities that appear to have what we view as unorthodox purposes?
6. Fundamentally how has, what we would view as at best a "financially engineered structure" benefited the asset value of the company? Lest we forget that an initial feature of this structuring appears to have been to generate a material profit from a reorganisation, which we believe would have increased the NAV of the company.

**Participants:**

**Shell** – Eurofins Analyses pour la Construction France LUX Holding

**Target** – Eurofins Analyses pour la Construction France Holding

**Seller** – Eurofins Environment Testing LUX Holding

**Consolidator 1** – Aquila (Gibco)

**Consolidator 2** – Eurofins France Holding SAS

**Parent** – Eurofins Scientific SE

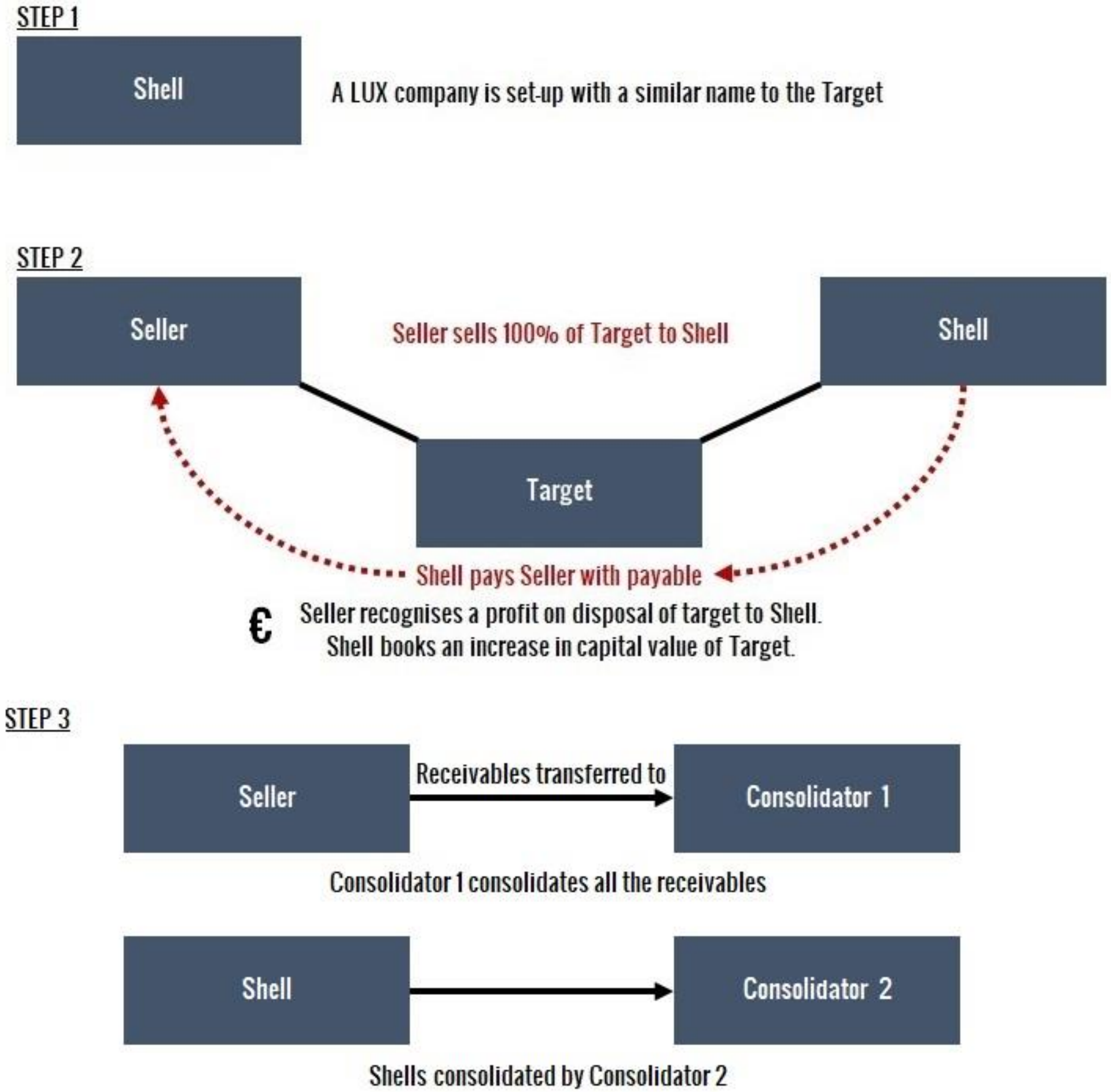



Figure 21 ShadowFall representation of the financial engineering employed by the use of Aquila (Gibco). Source: Respective company filings, ShadowFall.

*1) No mention of Consolidator 1 in accounts.
2) Possible typo used to obfuscate trace.
3) Capital reduction from €199.8m in 2012 to €1,125 in 2013. No indication why capital is reduced. No loss reported.

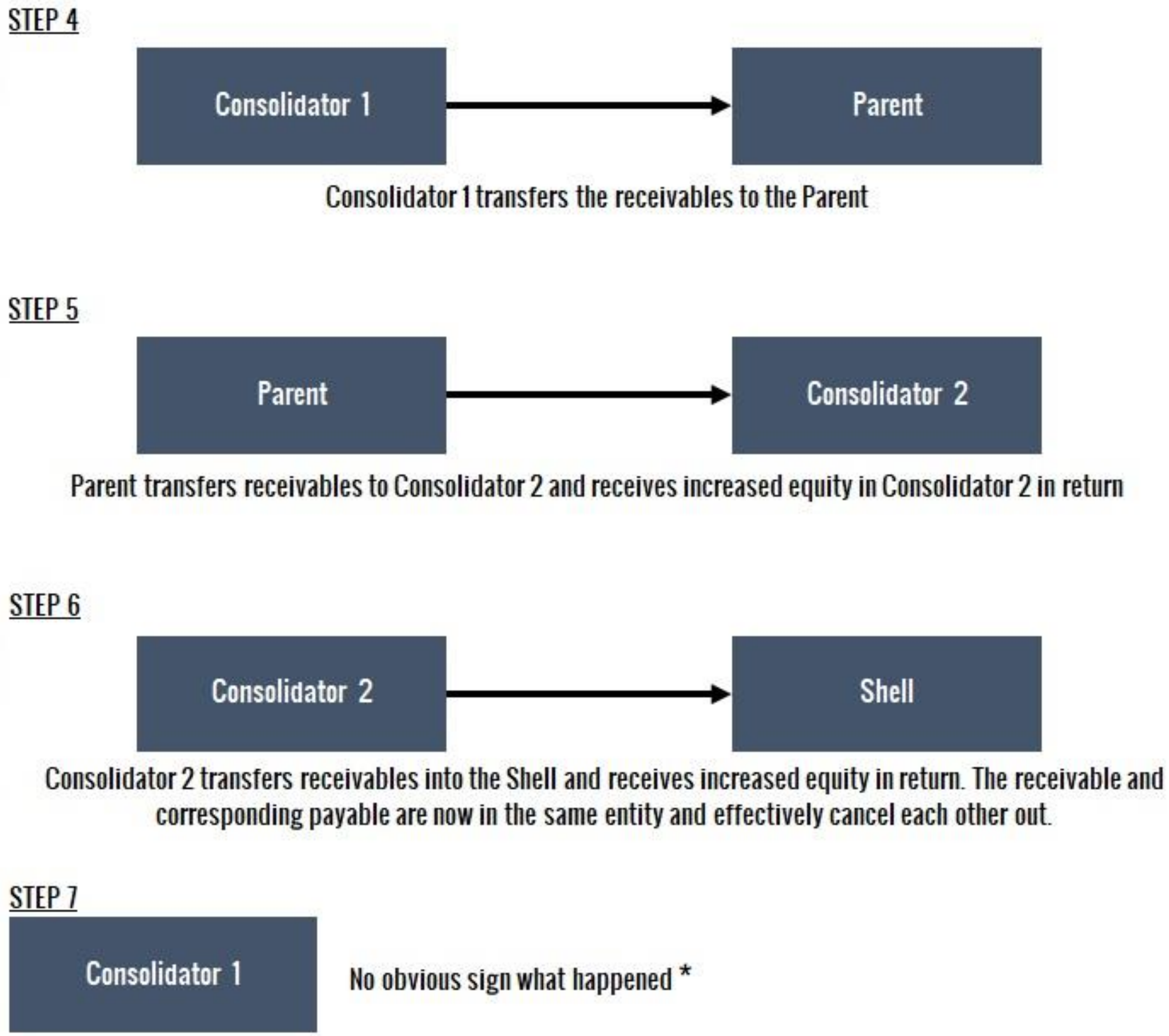



Figure 22 ShadowFall representation of the financial engineering employed by the use of Aquila (Gibco). Source: Respective company filings, ShadowFall.

Step 1: A Lux company is set-up with a similar name to Target.

**Eurofins Analyses pour la Construction France LUX Holding** Shell
**Société à responsabilité limitée**
**Siège social: L-2530 Luxembourg**
**10A, Rue Henri M. Schnadt**

**Numéro 2332/2011**
**CONSTITUTION DE SOCIETE**
**du 22 décembre 2011**

Step 2: Seller sells 100% of Target to Shell.
Seller recognises a profit on disposal of Target to Shell.
Shell books an increase in capital value of Target (in this case capital increases from €30,951 to €19.9m).

**Eurofins Analyses pour la Construction France LUX Holding** Shell
**Comptes annuels au 31 décembre 2012**

***Notes aux comptes annuels au 31 décembre 2012***

Les entreprises dans lesquelles la Société détient au moins 20 % du capital ou dans lesquelles elle est associée indéfiniment responsable sont les suivantes :

| Nom de la société (forme juridique) | Siège | Fraction de capital détenu (%) | Date de clôture du dernier exercice | Capitaux propres (hors résultat de l'exercice) à la date de clôture de la société concernée (EUR) | Résultat du dernier exercice (EUR) |
|---|---|---|---|---|---|
| Eurofins Analyses pour la Construction France Holding SAS | Nantes- France | 100 % | 31/12/2012 | 19 869 204,00 | -157 392,00 |

Target (assumed same entity)

**Eurofins Environment Testing LUX Holding** Seller
**(formerly Eurofins Environmental Testing LUX)**
Société à Responsabilité Limitée
R.C.S. Luxembourg B 122860

Annexe légale aux comptes annuels arrêtés au 31 décembre 2011

| Dénomination, forme, siège | % détenu | Devise | Capitaux propres hors résultat de l'exercice | Résultat de l'exercice | Dernier arrêté |
|---|---|---|---|---|---|
| Eurofins Analyses pour la Construction France SAS (France) | 100 | EUR | 30 951,00 | 44 474,00 | 31.12.2011 |

Target

Figure 23 Company filings supporting ShadowFall's representation of the financial engineering employed by the use of Aquila (Gibco). Source: Respective company filings, ShadowFall.

## Step 3: Consolidator 1 incorporated and consolidates the receivables due to Seller from Shell for Target.

**Company Number: 108982**

*THE COMPANIES ACT*

**Return of Allotments**
Pursuant to Section 60(1)

REGISTRY OF COMPANIES
16 JAN 2013
GIBRALTAR

(a) **made on the 20 December 2012**

Name of Company **Aquila (Gibco) Limited** Consolidator 1

Presented by **10/8 International Commercial Centre, Casemates Square, Gibraltar.**

| | |
|---|---|
| *Receivable arising from funds owing to Eurofins Environment Testing LUX Holding Sarl by Eurofins Analyses pour la Construction France LUX Holding Sarl pursuant to a Share Purchase Agreement dated 12 December 2012 regarding 100% of the issued shares in the share capital of Eurofins Analyses pour la Construction France Holding SAS* | *EUR 39,800,000* |

## Step 3: Consolidator 2 consolidates the payables due by Shell to Seller for Target.

CFR059 - EUROFINS FRANCE HOLDING Consolidator 2
Rue Pierre Adolphe BOBIERRE
44300 Nantes

Filiales

| Dénomination<br>Siège Social | Capital<br>Capitaux Propres | Q.P. Détenue<br>Divid.encaiss. | Val. brute Titres<br>Val. nette Titres | Prêts, avances<br>Cautions | Chiffre d'affaires<br>Résultat |
|---|---|---|---|---|---|
| EUROFINS FORENSICS LUX HOLDING | 300 000<br>19 622 978 | 100.00 %<br>975 000 | 28 843 000<br>28 843 000 | | 968 590 |
| EUROFINS PHARMA SERVICES FRANCE LUX HOLDING | 500 000<br>20 290 618 | 100.00 % | 20 312 500<br>20 312 500 | | -13 560 |
| EUROFINS FOOD CHEMISTRY TESTING FRANCE LUX HOLDING | 1 100 000<br>62 245 483 | 100.00 %<br>3 450 000 | 62 228 500<br>62 228 500 | | 3 476 502 |
| EUROFINS HYGIENE ALIMENTAIRE FRANCE LUX HOLDING | 600 000<br>26 963 944 | 100.00 %<br>4 930 000 | 26 951 500<br>26 951 500 | | 4 952 489 |
| EUROFINS ANALYSES POUR LA CONSTF FRANCE LUX HOLDING | 750 000<br>39 790 102 | 100.00 % | 39 812 500<br>39 812 500 | | -14 076 |
| EUROFINS ANALYSES POUR L'ENVIRONI FRANCE LUX HOLDING | 575 000<br>17 740 672 | 100.00 %<br>10 180 000 | 17 662 500<br>17 662 500 | | 10 270 943 |
| EUROFINS ANALYSES POUR LES INDUS' FRANCE LUX HOLDING | 12 500<br>-1 660 | 100.00 % | 12 500<br>12 500 | | -4 708 |
| EUROFINS HYDROLOGIE FRANCE LUX HOLDING | 175 000<br>347 695 | 100.00 %<br>3 355 000 | 3 030 500<br>3 030 500 | | 682 007 |

Figure 24 Company filings supporting ShadowFall's representation of the financial engineering employed by the use of Aquila (Gibco). Source: Respective company filings, ShadowFall.

Steps 4, 5 & 6: Consolidator 1 transfers the receivables to the Parent.
Consolidator 2 is capitalised with the receivables by the Parent.
Consolidator 2 now holds the receivables and the payables, which offset against each other and cancel out.

CFR059 - EUROFINS FRANCE HOLDING
Rue Pierre Adolphe BOBIERRE
44300 Nantes

***FAITS MARQUANTS***

En date du 15 mars 2013, la société EUROFINS France HOLDING SAS a racheté à sa mère EUROFINS SCIENTIFIC S.E. les créances que cette dernière détenait sur les différentes filiales luxembourgeoises, pour un montant de 178 900 000 euros.

Le détail est le suivant :

- Eurofins Forensics Lux Holding pour 21 700 000 €,
- Eurofins Pharma Services France Lux Holding pour 20 300 000 €,
- Eurofins Food Chemistry Testing France Lux Holding pour 58 700 000 €,
- Eurofins Hygiene Alimentaire France Lux Holding pour 21 800 000 €,
- Eurofins Analyses pour la Construction France Lux Holding pour 39 800 000 €,
- Eurofins Analyses pour l'environnement France Lux Holding pour 14 600 000 €,
- Eurofins Hydrologie France Lux Holding pour 2 000 000€

Puis la société EUROFINS France HOLDING SAS a procédé à une augmentation de capital de même montant de 178 900 000 € au profit de la société mère EUROFINS SCIENTIFIC S.E. par compensation de la créance.

De la même façon, les sociétés Holdings Luxembourgeoises ont procédé à des augmentations de capital par émission d'actions nouvelles en numéraire, au profit de leur société mère EUROFINS France HOLDING SAS, souscrites par compensation des différentes créances.

As of March 15, 2013, Eurofins France Holding SAS bought back from its Parent, Eurofins Scientific S.E., the claims it had on the various Luxembourg subsidiaries, for an amount of € 178,900,000.

The detail is as follows:
Eurofins Forensics Lux Holding for €21,700,000,
Eurofins Pharma Services France Lux Holding for €20,300,000,
Eurofins Food Chemistry Testing France Lux Holding for €58,700,000,
Eurofins Hygiene Alimentaire France Lux Holding for €21,800,000,
Eurofins Analyses pour la Construction France Lux Holding for €39,800,000,
Eurofins Analyses pour l'environnement France Lux Holding for €14,600,000,
Eurofins Hydrologie France Lux Holding for €2,000,000.

Then Eurofins France Holding SAS proceeded with a capital increase of the same amount of € 178,000,000 to the parent company, Eurofins Scientific S.E., by offsetting the receivable.

In the same way, the Luxembourg Holding companies proceeded with a capital increase by issuing new shares in cash, for the benefit of their parent company Eurofins France Holding SAS, subscribed for by offsetting the various receivables.

Figure 25 Company filings supporting ShadowFall's representation of the financial engineering employed by the use of Aquila (Gibco). Source: Respective company filings, ShadowFall.

# THE "EVAPORATION" OF OPERON?
# MATERIAL INCONSISTENCIES BETWEEN EUROFINS SCIENTIFIC SE AND EUROFINS GENOMICS BV

Sizeable subsidiary level impairments of acquired businesses appear to us to occur all too often within the Eurofins complex. Among the first of these looks to have originated in 2007, when Eurofins acquired the Operon Group of companies, including Operon GmbH and Operon Inc. These companies were held under Netherlands based, Eurofins Genomics BV. We calculate that Eurofins paid €14.8m for the Operon Group, comprising €18m in goodwill and intangibles.

According to German filings, in 2009, Operon GmbH's operational business was abandoned and in early 2010 it was liquidated. By 2010, Operon GmbH appears to be held with a ZERO valuation.

In 2012-13, we find that Dutch based, Eurofins Genomics BV, impairs €11.2m of value attributable to Eurofins Genomics Inc. According to its historical filings, Operon Inc was held under Eurofins Genomics Inc suggesting to us that the US segment of Operon was also written down.

As we find to become something of a theme with Eurofins, we are unable to find any of these impairments reflected at a group level.

What others might find as concerning as we do is that by 2012, Eurofins Genomics BV was reported by Eurofins to be its 2nd and then in 2013 its most profitable direct subsidiary. This seems somewhat at odds with the above impairment within the same period. Even more inconsistent is that Eurofins' indicates within the parent accounts that Eurofins Genomics BV achieved a cumulative result of €94.9m in the 2012 to 2013 period. **However, local filings for Eurofins Genomics BV show a cumulative result of €33.7m, i.e. €61.2m lower than the top co reports. It is unclear to us why this material discrepancy exists.**

Annual Report 2007

**3.19 Business combinations**

During 2007 the Company acquired new companies and carried out outsourcing/ asset deals (List in Note 5.1). The two main acquisitions have been:

- In the last quarter 2007, the Operon group offering genomic services (e.g. custom production of synthetic nucleic acid, DNA analysis, proteomic services) in Germany, Japan and the USA has been acquired.

The goodwill and intangibles related to acquisition of Analycen and Operon represents respectively €33 million and €18 million, the fixed assets 5.7 million and 5.0 million, the trade accounts receivables 10.5 million and 3.8 million, the suppliers 4.0 million and 4.7 million and the other liabilities €4.9 million and € 7.3 million.

- In the scope of the acquisition of the companies Operon GmbH and Operon Inc by Eurofins Genomics BV, the company Eurofins Ventures BV has guaranteed the respect of some conditions concerning the building of Ebersberg in favour of the vendors (Operon Holdings Inc and Qiagen North American Holdings Inc).

| | | | | | | |
|---|---|---|---|---|---|---|
| Eurofins Genomics Inc. | USA | Eurofins Genomics BV | 100 | 100 | Full consolidation | 12/07 |
| Operon Biotechnologies Inc. | USA | Eurofins Genomics Inc. | 100 | 60.48 | Full consolidation | 12/07 |
| Operon Biotechnologies GmbH | Germany | Eurofins Genomics BV | 100 | 72 | Full consolidation | 12/07 |

**MWG Biotech AG**
**Financial Statements as of December 31, 2010**

As at 31 December 2010, financial assets include the following interests in affiliated companies:

| | 2010 | 2009 |
|---|---|---|
| | T € | T € |
| Eurofins MWG Synthesis GmbH, Ebersberg | 2073 | 25 |
| Operon Biotechnologies GmbH iL, Cologne | 0 | 100 |
| Eurofins MWG GmbH, Ebersberg | 157 | 25 |
| MWG Biotech Srl, Florence, Italy | 0 | 0 |
| | 2230 | 150 |

On January 8, 2009 and effective January 1, 2009, MWG-Biotech AG acquired all shares in Operon Biotechnologies GmbH, Cologne, from Eurofins Genomics BV, Breda, The Netherlands, for a purchase price of € 314 thousand plus liabilities acquired. As part of the optimal use of synergy potential, Operon Biotechnologies GmbH was integrated into the operative business of the MWG Group. With purchase agreement dated April 1, 2009 and with effect from 1. With a few exceptions, Operon Biotechnologies GmbH transferred all assets and debts to the companies of the MWG Group. With this step, the Operon Biotechnologies GmbH has abandoned its operational business. At the beginning of the financial year 2010, the company entered into liquidation. The announcement in the electronic Federal Gazette took place on 31 May 2010. In order to eliminate its negative equity, MWG-Biotech AG contributed € 30 thousand to Operon Biotechnologies GmbH in the 2010 financial year.

Eurofins acquired Operon GmbH and Operon Inc in 2007. We believe Eurofins paid over €14m for the Operon businesses, of which €18m was in goodwill and intangibles.

The Operon businesses were ultimately owned by Eurofins Genomics BV.

In 2009, Operon GmbH appears to have abandoned its operational business and entered liquidation in early 2010. By 2010, MWG Biotech AG holds Operon GmbH with a ZERO valuation.

Not long after, in 2012, Eurofins Genomics seems to impair €11.2m in value attached to Eurofins Genomics Inc (which appears to own Operon Inc), based on a net realisable value-calculation.

**FINANCIAL REPORT AT 31 DECEMBER 2013**

**OF**

**EUROFINS GENOMICS B.V.**

The Company's share participations in other companies comprise the following:

| Company name | Participation |
|---|---|
| MWG Biotech AG (Munich, Germany) | 89.6% |
| Eurofins Genomics Inc. (Des Moines, USA) | 100.0% |

The total impairment for subsidiary Eurofins Genomics Inc. for 2012 and 2013 amounts to € 11,198,000. The cost price of subsidiary Eurofins Genomics Inc. as of 31 December 2013 amounts to € 20,865,000 (31 December 2012: € 20,865,000).

De impairment charge is based on the net realisable value-calculation of Eurofins Genomics Inc., since there is an intention to disinvest Eurofins Genomics Inc. within 12 months after balance sheet date.

Figure 26 Eurofins acquisition of the Operon businesses and subsequent impairments. Source: Respective company filings, ShadowFall.

**Shares in affiliated undertakings**

| EUR Thousands | Registered office | Book value of capital held Gross | Book value of capital held Net | % of capital held | Net turnover (Unaudited) | Result for the financial year (Unaudited) | Net equity (Unaudited) | Dividends received |
|---|---|---|---|---|---|---|---|---|
| Eurofins Genomics BV | Bergschot 71, NL-4817PA Breda | - | - | 100 | - | 44,055 | 60,772 | 2,612 |
| Eurofins International Holdings LUX S.À R.L. | 10A rue Henry M. Schnadt, L-2530 Luxembourg | 623,369 | 623,369 | 100 | - | 73,053 | 706,315 | 9,800 |
| Eurofins International Services LUX S.À R.L. | 10A rue Henry M. Schnadt, L-2530 Luxembourg | 13 | 13 | 100 | - | -3 | 10 | - |
| | | 823,991 | 811,594 | | | | | 25,433 |

The information is based on the Balance Sheet at the December 31, 2012.

**Shares in affiliated undertakings**

| EUR Thousands | Registered office | Book value of capital held Gross | Book value of capital held Net | % of capital held | Net turnover (Unaudited) | Result for the financial year (Unaudited) | Net equity (Unaudited) | Income from financial fixed assets (Unaudited) |
|---|---|---|---|---|---|---|---|---|
| Eurofins Genomics BV | Bergschot 71, NL-4817PA Breda | - | - | 100 | - | 50,841 | 36,875 | 28,076 |
| Eurofins International Holdings LUX S.à r.l. | 10A rue Henri M. Schnadt, L-2530 Luxembourg | 468,265 | 468,265 | 100 | - | 37,334 | 560,145 | 28,400 |
| Eurofins International Support Services LUX S.à r.l. | 10A rue Henri M. Schnadt, L-2530 Luxembourg | 13 | 13 | 100 | - | 137 | 146 | - |
| | | 945,706 | 936,831 | | | | | 66,870 |

The information is based on the Balance Sheet at the December 31, 2013.

eurofins **EUROFINS GENOMICS B.V.**

**Company income statement for 2013**

| | Note | 2013 € | 2012 € |
|---|---|---|---|
| Other operating expenses | | 18,839 | 146,719 |
| TOTAL OPERATING EXPENSES | | 18,839 | 146,719 |
| OPERATING RESULT | | -18,839 | -146,719 |
| Financial income and expense | 7 | 1,471,331 | 32,397,500 |
| RESULT BEFORE TAX | | 1,452,492 | 32,250,781 |
| Taxes on result on ordinary activities | | 0 | 0 |
| RESULT AFTER TAX | | 1,452,492 | 32,250,781 |
| Minority interest | | 0 | 0 |
| NET RESULT | | 1,452,492 | 32,250,781 |

A further inconsistency we find within the Eurofins complex is between Eurofins (the top co) and Eurofins Genomics BV (Genomics): the latter seemingly being one of Eurofins' major contributing subsidiaries in 2012 and 2013. Eurofins (top co) reports Genomics achieving €44.1m and €50.1m in profit in 2012 and 2013 respectively. However, Genomics reports PBT of €32.3m and €1.5m in 2012 and 2013 respectively. It's unclear to us why there is a cumulative difference of €61.2m over the two year period.

Figure 27 Reconciliation of Eurofins Scientific SE's version of Eurofins Genomics BV account. Source: Respective company filings, ShadowFall.

# THE "HOCUS POCUS" OF EUROFINS BIOPHARMA PRODUCT TESTING UK?

Eurofins bought a business from Exova for £16.2m in cash in July 2016. At the time, Exova suggested its disposed businesses were achieving revenue of c. £17m in 2015. Exova's disposal ended up becoming Eurofins Biopharma Product Testing UK (Eurofins Biopharma). Eurofins Biopharma subsequently reports run-rate revenue of £15m in 2016 and £12.7m in 2017. Eurofins Biopharma reports losses of £411k in 2016 and what we calculate to be losses of £3.3m in 2017. In November 2017, some of Eurofins Biopharma's trade (c. 75% of 2017 revenue) and assets are then transferred to Eurofins Food Testing UK (Eurofins Food) and Eurofins Water Hygiene Testing UK (Eurofins Water).

**In 2017, Eurofins Biopharma recognises a profit of £14m from the disposal of these operations to these other Eurofins companies, so that Eurofins Biopharma's total PROFIT for 2017 is £10.6m and not a LOSS of c. £3.3m. However, there does not appear to us to be any contra entry to offset this "profit" recognised by the purchasing entities' parent.**

In fact, ultimately, each of these companies sit under Eurofins Food Testing Lux, which itself sits under Eurofins International Holdings Lux, which then itself is a direct subsidiary of Eurofins Scientific SE. **Eurofins Food Testing Lux appears to recognise the entire profit from this asset transfer among the lower down subsidiaries and fails to recognise the contra entry. Thus, it appears to us to "magic up" an entirely bogus £14m profit that gets passed up to the top Co.** Of course, no actual cash seems to change hands! And three different auditors are involved in the audit of the companies involved, including legendary Luxembourger, Erik Snauwaert.

## EUROFINS BIOPHARMA PRODUCT TESTING UK IS BORNE

Eurofins Biopharma Product Testing UK (Eurofins Biopharma) was incorporated in the UK on 24 March, 2016. Originally it was called Exova 2016 Limited, renamed to Eurofins UK 2016 Limited (Eurofins UK) and then again renamed to Eurofins Biopharma.

Shortly after Eurofins Biopharma's incorporation, the trade and assets of part of Exova (UK) (Exova a formerly listed material testing business), were transferred to Eurofins Biopharma. Exova reports selling a "portfolio of nine well-established, accredited laboratories across the UK" which "generated revenue of around £17m in 2015". In return, Exova received a cash consideration of £16.2m on 1 July 2016.

Eurofins Biopharma became a 100% wholly-owned subsidiary of Luxembourg based, Eurofins Food Testing Lux.

In the nine months to 31 December 2016, Eurofins Biopharma reports £7.6m in revenue, an operating loss of £0.4m and net assets of £1.4m.

In the twelve months to 31 December 2017, Eurofins Biopharma reports £3.2m in continuing revenue and continuing operating losses of £5.6m. However, **a profit from discontinued operations of £16.6m is recognised by Eurofins Biopharma**. These discontinued operations were transferred to two other UK based entities, Eurofins Food Testing UK Limited (Eurofins Food) and Eurofins Water Hygiene Testing UK Limited (Eurofins Water) on 30 November 2017.

In the 11 months to transfer, the disposed assets reported £8.7m in revenue and PBT of £2.6m.

If the disposed assets had remained with Eurofins Biopharma, then we calculate that its 2017 revenue would have been £12.7m (assuming an extra month). This seems to contrast poorly with Exova's indication that it disposed of revenue of c. £17m. **More importantly, rather than reporting a £10.6m profit, we calculate that Eurofins Biopharma would have reported a LOSS before tax of £3.3m.**

| **Eurofins Biopharma Product Testing UK** | | **Continuing operations** | **Discontinued operations** | **Discontinued operations and continuing operations** |
|---|---|---|---|---|
| £ | **9 months to 31 Dec 2016** | **12 months to 31 Dec 2017** | **11 months to 30 Nov 2017** | |
| Revenue | 7,554,152 | 3,236,859 | 8,709,201 | 11,946,060 |
| Cost of sales | (2,436,109) | (2,245,142) | | |
| Gross profit | 5,118,043 | 991,717 | | |
| General and admin expenses | (5,523,489) | (6,634,688) | | |
| Total expenses | (7,959,598) | (8,879,830) | (6,085,468) | (14,965,298) |
| Other operating income | 3,919 | | | |
| Operating loss | (401,527) | (5,642,971) | | |
| Profit after income tax for discontinued operations | | 2,623,733 | | |
| **Gain on sale of divisions after income tax** | | **13,952,000** | | |
| **Profit from discontinued operations** | | **16,575,733** | | |
| Finance costs | (9,931) | (296,341) | | (296,341) |
| **Profit/(loss) before income tax** | **(411,458)** | **10,636,421** | **2,623,733** | **(3,315,579)** |
| Income tax expense | | | | |
| Profit/(loss) for the period | (411,458) | 10,636,421 | 2,623,733 | (3,315,579) |

Figure 28 Eurofins Biopharma Product Testing UK's P&L. Source : Eurofins Biopharma Product Testing UK's filings, ShadowFall.

## Two Different Auditors Keeping Track of the UK Companies …

At the time of these transactions between the Eurofins' UK companies:

- Eurofins Biopharma is a 100% subsidiary of Eurofins Food Testing Lux Holding. Eurofins Biopharma is audited by Mazars LLP.
- Eurofins Food Testing UK is a subsidiary of Eurofins Food Testing UK Holding. Eurofins Food Testing UK is audited by PricewaterhouseCoopers LLP.
- Eurofins Water Hygiene Testing UK is also a subsidiary of Eurofins Food Testing UK Holding. Eurofins Water is audited by Mazars LLP.
- Eurofins Food Testing UK Holding is a 100% subsidiary of Eurofins Food Testing Lux Holding. Eurofins Food Testing UK Holding is audited by Mazars LLP.

## … And in Luxembourg, Mr Snauwaert for Eurofins Food Testing Lux

Thanks to the transfer between the Eurofins' UK entities, Eurofins Biopharma reported a profit of £10.6m in 2017. At the time, Eurofins Biopharma was a 100% wholly-owned subsidiary of the Luxembourg based, Eurofins Food Testing Lux. Eurofins Food Testing Lux then reports the Eurofins Biopharma profit of £10.6m in 2017. I.e. Eurofins Food Testing Lux appears to realise the "profit" that Eurofins Biopharma made from "selling" trade and assets to Eurofins Food and Eurofins Water. There does not appear to us to have been any contra entry to offset this "profit" that was booked due to the internal transfer of assets. The "profit" again seems to have simply been passed up the chain of Eurofins' subsidiaries. **In our view, this is pure "hocus pocus".**

Eurofins Food Testing Lux was audited in 2017 by Erik Snauwaert. For those that are unfamiliar with Mr Snauwaert, he works for a relatively small audit firm, Audit Conseil Services (ACSe), which is based in Luxembourg, and historically has performed extensive audit work for a number of Eurofins subsidiaries as well as the private entities of Eurofins' CEO, Dr Martin. According to the Luxembourg Commission de Surveillance du Secteur Financier (CSSF), Mr Snauwaert was subject to "a temporary ban to sign statutory audit reports" for twelve months in March 2017.[18]

## Of Course, No Actual Cash is Involved?

Eurofins Biopharma reports a "net cash inflow from investing activities (inflow from the sales of the division)" of £13.95m from the transfer of its assets to Eurofins Food and Eurofins Water. However, no actual cash appears to have changed hands. Instead, Eurofins Biopharma reported "amounts owed by group undertakings" of £15.8m in 2017 (2016: £0.02m), which seems to mostly reflect the "net cash inflow" of £13.95m. Meanwhile, Eurofins Food reports owing £9.9m to Eurofins Biopharma in 2017 (2016: £0.01m). Eurofins Water reports owing £4.6m to Eurofins Biopharma in 2017 (2016: £0). Combined, they owed £14.5m in 2017 (2016: £0.01m).

[18] https://www.cssf.lu/fileadmin/files/Publications/Newsletter/Newsletter_2017/newsletter195eng.pdf

### ABRACADABRA

Following the transfer between the UK subsidiaries, Eurofins Food now owes Eurofins Biopharma £9.9m in 2017. This resulted in Eurofins Food having net current liabilities of £9.5m in 2017. To remain a going concern, Eurofins Food converted £7.6m of the monies it owed to group undertakings into equity, while a further £9.7m of loans from group undertakings was refinanced with another group undertaking.

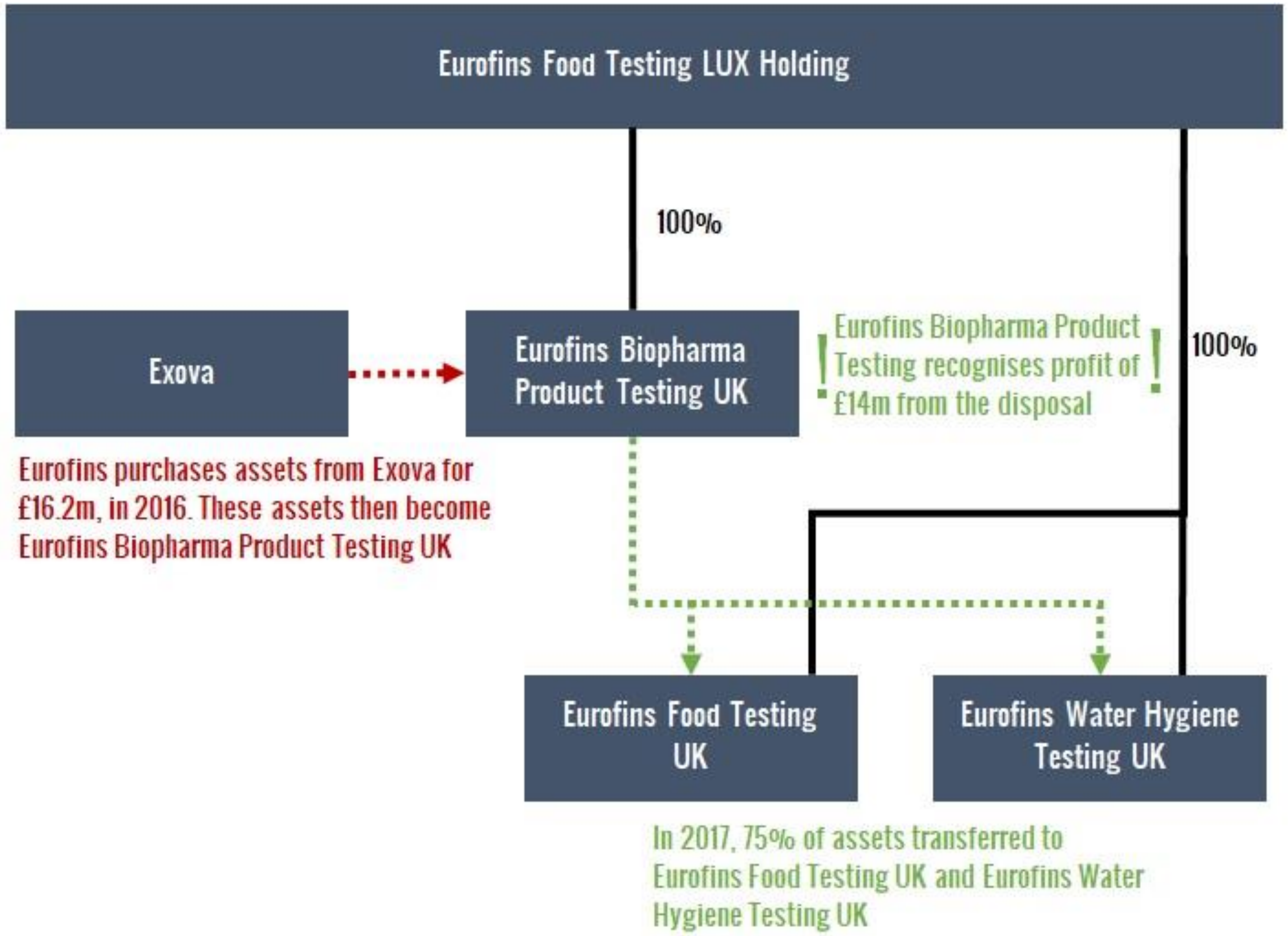



Figure 29 ShadowFall representation of the purchase and disposal of the Eurofins Biopharma Product Testing UK business. Source: ShadowFall.

## ONE MORE SHUFFLE OF THE PACK

For some reason, while it had been held under Eurofins Food Testing Lux, ownership and control of Eurofins Biopharma was transferred to Eurofins Pharma Services Lux Holding on 20 June 2018.

**Eurofins Biopharma Product Testing UK Limited (Formerly known as Eurofins UK 2016 Limited)**

**Statement of Comprehensive Income for the year ended 31 December 2017**

| | Note | 2017 £ | 2016 £ |
|---|---|---|---|
| Sale of services | | 3,236,859 | 7,554,152 |
| **Revenue** | | 3,236,859 | 7,554,152 |
| Cost of sales | | (2,245,142) | (2,436,109) |
| **Gross profit** | | 991,717 | 5,118,044 |
| General and administrative expenses | | (6,634,688) | (5,523,489) |
| Other operating income | | – | 3,919 |
| **Operating loss** | 5.1 | (5,642,971) | (401,527) |
| Profit from discontinued operation | 22 | 16,575,733 | – |
| Finance costs | 5.3 | (296,341) | (9,931) |
| **Profit/(Loss) before income tax** | | 10,636,421 | (411,458) |
| Income tax expense | 7 | – | – |
| **Profit/(Loss) for the period** | | 10,636,421 | (411,458) |
| **Other comprehensive income for the year, net of tax** | | – | – |
| **Total comprehensive profit/(loss) for the year, net of tax** | | 10,636,421 | (411,458) |

All the activities of the Company are classed as continuing.

Eurofins Food Testing LUX Holding

Les entreprises dans lesquelles la Société détient au moins 20% du capital ou dans lesquelles elle est associée indéfiniment responsable sont les suivantes :

| Nom de la société (forme juridique) | Siège | Fraction de capital détenu (%) | Devise | Capitaux propres (hors résultat de l'exercice) à la date de clôture de la société concernée* | Résultat du dernier exercice* |
|---|---|---|---|---|---|
| Eurofins Food Testing UK Holding Limited | Wolverhampton - Royaume-Uni | 100.00% | GBP | 8 434 432.00 | -1 727 276.00 |
| Eurofins Biopharma Product Testing UK Limited | Wolverhampton - Royaume-Uni | 100.00% | GBP | 1 362 068.00 | 10 677 632.00 |

In November 2017, Eurofins Biopharma transferred operations to Eurofins Food and Eurofins Water. As a result, Eurofins Biopharma recognised a profit from discontinued operations of £16.6m, supporting a total profit for the year of £10.6m. Eurofins Biopharma's parent, Eurofins Food Testing Lux, appears to have then recognised this entire profit which resulted from an internal transfer of trade assets.
There does not appear to us to have been any counter entry to offset this profit. We view this as "hocus pocus".

**22. Discontinued Operations**

**(a) Description**

On 30 November 2017 the group reorganised its activities with Eurofins Biopharma Product Testing UK Limited selling its food and water divisions to other Eurofins group companies; Eurofins Food Testing UK Limited and Eurofins Water Hygiene Testing UK Limited respectively. Financial information relating to the performance of the discontinued operation for the period up to the date of disposal is set out below.

Figure 30 Disposal of Eurofins Biopharma Product Testing UK assets to other Eurofins entities and profit recognised on disposal. Source: Respective company filings, ShadowFall.

## The April Fools' Day Massacre: Millipore (U.K.) Limited

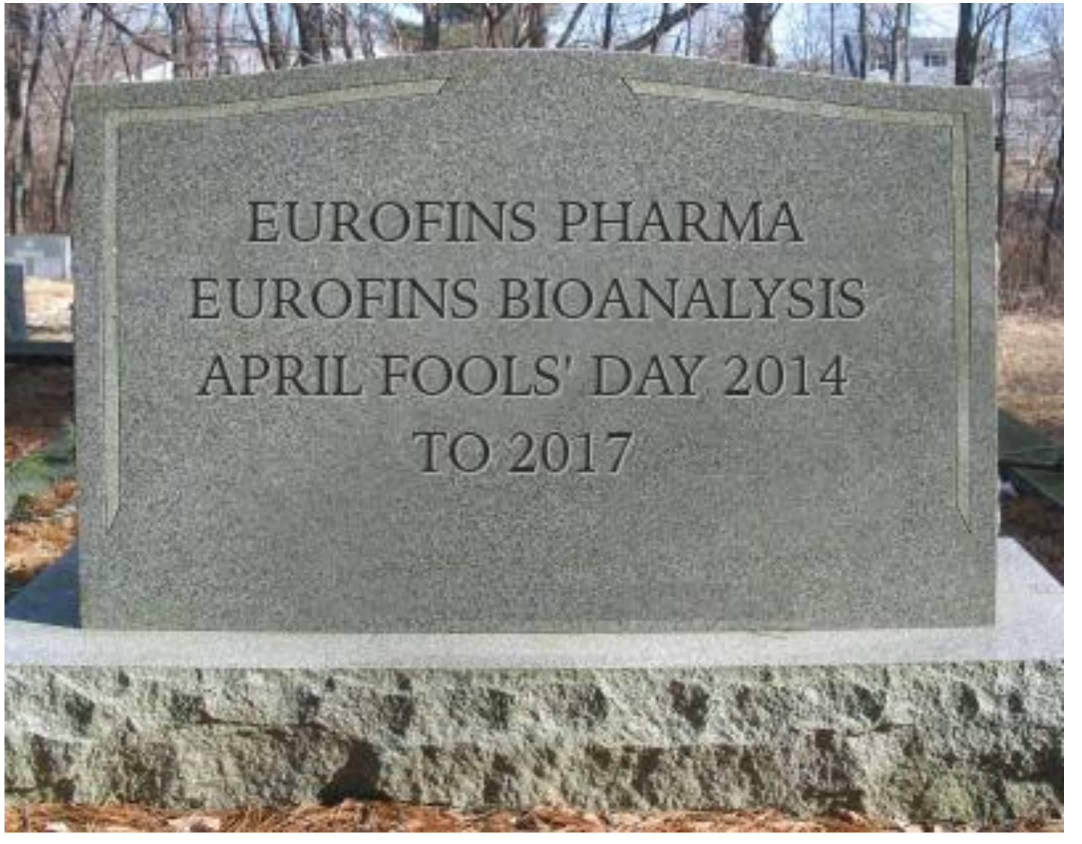



Figure 31 www.tombstonebuilder.com

Eurofins Pharma Discovery Services UK Limited (Pharma UK) and Eurofins Pharma Bioanalysis Services UK Limited (Bioanalysis UK) were seemingly incorporated as shell companies in September 2013. On April Fools' day 2014, they came to life acquiring Millipore (U.K.) Limited for £6.6m. Of the acquisition price, £4.1m related to Goodwill. Within three years the combined businesses had racked up operating losses of £3.4m. After those three years, the Goodwill was entirely impaired due to "poor operating performance in preceding years and insignificant future growth". To all intents and purposes, the businesses were dead. The Eurofins Pharma site was closed down in March 2018.

This impairment and its impact do not appear to have been reflected in the parent company's P&L and balance sheet. The ultimate top Co, Eurofins also reported no impairments of Goodwill in 2017, nor 2018 for that matter.

## The April Fools' Day Acquisition

On 1 April 2014, the UK based, Eurofins Pharma Discovery Services UK Limited (Pharma UK) and Eurofins Pharma Bioanalysis Services UK Limited (Bioanalysis UK) acquired the drug discovery business of Millipore (U.K.) Limited (Millipore). Pharma UK paid £4,990,243; Bioanalysis UK paid £1,577,379; a combined total of £6,567,622.

Of £6.6m in acquisition cost, £4.1m related to Goodwill; £3.5m to Pharma UK and £0.7m to Bioanalysis UK.

Both Pharma UK and Bioanalysis UK were owned by Luxembourg based, Eurofins Discovery Services Lux Holding (Discovery Services).

Pharma UK and Bioanalysis UK each steadily grew revenues from acquisition to 2017; combined revenues rose by c. 39% over the course of three years. Each was also considerably loss-making; cumulative combined operating losses totalled £3.4m from acquisition. Matters deteriorated to such a degree that in 2017 the entirety of the Goodwill for Pharma UK and Bioanalysis UK was impaired, and in March 2018, the Pharma UK site operations were closed down.

This Goodwill impairment and corresponding impact on the P&L and balance sheet in both businesses does not appear to have been reflected in the parent company, Discovery Services. Discovery Services carries the entirety of the NAV in and reflects the profits of the UK businesses pre-Goodwill impairment. Eurofins the top co, also reported no impairments of Goodwill in 2017, nor 2018 for that matter.

Eurofins Pharma Discovery Services UK Limited

**Statement of Comprehensive Income**

**for the year ended 31 December 2017**

| | Notes | 2017 £ | 2016 £ |
|---|---|---|---|
| Sale of services | | 3,568,126 | 2,646,562 |
| *Revenue* | | 3,568,126 | 2,646,562 |
| Cost of sales | | (972,374) | (813,582) |
| *Gross profit* | | 2,595,752 | 1,832,980 |
| General and administrative expenses | | (2,839,928) | (3,160,195) |
| *Operating loss* | 5.1 | (244,176) | (1,327,215) |
| Impairment of goodwill | 5.1 | (3,451,885) | – |
| Finance costs | 5.3 | (204,832) | (182,802) |
| *Loss before tax* | | (3,900,893) | (1,510,017) |
| Income tax | 7 | – | – |
| *Loss for the year* | | (3,900,893) | (1,510,017) |
| *Other comprehensive income for the year* | | – | – |
| *Total comprehensive loss for the year* | | (3,900,893) | (1,510,017) |

All the activities of the Company are classed as continuing.

Eurofins Pharma Bioanalysis Services UK Limited

**Statement of Comprehensive Income**

**for the year ending 31 December 2017**

| | Notes | 2017 £ | 2016 £ |
|---|---|---|---|
| Sale of services | | 3,601,241 | 3,212,230 |
| *Revenue* | | 3,601,241 | 3,212,230 |
| Cost of sales | | (976,493) | (707,578) |
| *Gross profit* | | 2,624,748 | 2,504,652 |
| General and administrative expenses | | (2,930,313) | (2,924,334) |
| *Operating loss* | 5.1 | (305,565) | (419,681) |
| Impairment of goodwill | 5.1 | (680,207) | – |
| Finance costs | 5.3 | (99,980) | (94,479) |
| *Loss before tax* | | (1,085,752) | (514,160) |
| Income tax | 7 | – | – |
| *Loss for the year* | | (1,085,752) | (514,160) |
| *Other comprehensive income for the year* | | – | – |
| *Total comprehensive loss for the year* | | (1,085,752) | (514,160) |

All the activities of the Company are classed as continuing.

**Registre de Commerce et des Sociétés**
Numéro RCS : B172972
Référence de dépôt : L180069215
Déposé et enregistré le 04/05/2018

ZYRPHFX20180502T10592701_001

No. RCSL : B172972 | Matricule : 2012 2446 787

Date d'entrée eCDF : 03/05/2018

Eurofins Discovery Services LUX Holding
23, Val FLeuri
L-1526 Luxembourg

**BILAN ABRÉGÉ**

**Exercice du** 01 01/01/2017 **au** 02 31/12/2017 (en 03 EUR )

| Nom de la société (forme juridique) | Siège | Fraction de capital détenu (%) | Devise | Capitaux propres (hors résultat de l'exercice) à la date de clôture de la société concernée * | Résultat du dernier exercice * |
|---|---|---|---|---|---|
| Eurofins CEREP SA | Celle L'Evescault - France | 100.00% | EUR | 18 176 952.00 | 3 679 417.00 |
| Eurofins Panlabs Taiwan Ltd | Taipei - Taïwan | 100.00% | TWD | 81 845 495.00 | 772 985 730.00 |
| Pharmacology Discovery Services Taiwan, Ltd. | Taipei - Taïwan | 100.00% | TWD | 32 301 900.00 | 17 620 810.00 |
| Eurofins Panlabs Discovery Services Taiwan, Ltd. | Taipei - Taïwan | 100.00% | TWD | 72 367 215.00 | 105 300 726.00 |
| Eurofins Pharma Bioanalysis Services UK Limited | Wolverhampton - Royaume-Uni | 100.00% | GBP | -128 475.00 | -406 513.00 |
| Eurofins Pharma Discovery Services UK Limited | Wolverhampton - Royaume-Uni | 100.00% | GBP | 1 000 412.00 | -449 076.00 |
| Eurofins Pharma BioAnalytics Services US, Inc. | St. Charles - Etats-Unis | 100.00% | USD | 16 125 590.00 | -1 102 196.00 |

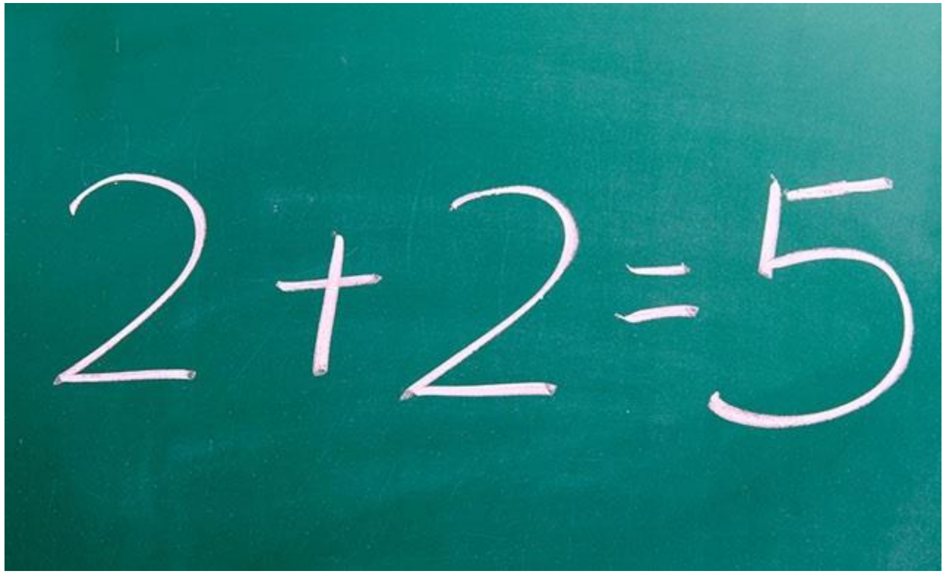
The entire Goodwill of
Eurofins Pharma Discovery Services UK
&
Eurofins Pharma Bioanalysis Services UK
was impaired in 2017.

The impairment totalled £4.1m in 2017.

Eurofins does not reflect this at either the parent company, Eurofins Discovery Services Lux
nor
the ultimate top co, Eurofins Scientific SE.

Figure 32 Impairments of businesses which don't appear to be reflected at parent level. Source: Respective company filings, ShadowFall.

## THE AUDITOR RESIGNATIONS, THE ACCOUNTS WHICH DON'T MATCH AND THE "ILLEGAL DIVIDEND"




The incredible £14m profit gained by Eurofins Biopharma is not the only concern and oddity we find among Eurofins' UK accounts. Since 2010, Eurofins has gone through no less than four different auditors. For example, its UK holding company, Eurofins Food Testing UK Holding Limited, saw Menzies resign as auditor in 2010, Ernst & Young resign in 2012, PwC resign in 2014, and it is currently serviced by Mazars. The 2018 accounts are now overdue.

In 2011, Eurofins Agrosciences Services Lux Holding (**Parent**) owned Eurofins Agroscience Services Limited (**Top**), which owned Agrisearch Limited (**Middle**), which owned Eurofins Agroscience Services 2011 Limited (**Bottom**). In that year, Parent purchased assets from Bottom allowing Bottom a gain on disposal of £4.4m. This helped allow Bottom to pay an £11m dividend to Middle. Middle paid a £9.5m dividend to Top. Top paid a £6.8m dividend to Parent. In the same year, Top owed Middle £6.25m, Middle owed Bottom £6.25m, and Bottom owed Top £8.6m, although Top reports Bottom owing it £8.0m. While all this circular business occurred, in the following year in 2012, the £6.8m dividend paid by Top to Parent was deemed to be "an illegal dividend".

Also, in 2011, a separate dividend of £1.5m, paid by Eurofins Food Testing UK Holding Limited, to its parent, Eurofins Food Testing Lux Holding, was in 2013 deemed to be "an illegal dividend".

The combined illegal dividends came to £8.3m or 12.7% of Eurofins Pre-Tax Profit in 2011. Subsequently, the illegal dividends were effectively reversed by loans from other Eurofins companies to the illegal dividend payers.

## THE AUDITOR RESIGNATIONS …

While Eurofins maintained PwC as auditor and remained loyal to using Erik Snauwaert for many years, at subsidiary level in the UK, the group has faced a frequent number of audit resignations. For example, with regards to Eurofins Food Testing UK Holding Limited and other UK subsidiary entities, Menzies resigned as auditor in 2010, Ernst & Young resigned in 2012, PwC resigned in 2014 thereafter Mazars took over as auditor. We note that Eurofins Food Testing UK Holding Limited's 2018 annual report is now overdue.[19]

MENZIES 2010

menzies

Midas House
62 Goldsworth Road
Woking
Surrey GU21 6LQ

T +44 (0)1483 755000
DX 2928 WOKING

E woking@menzies co uk
www menzies co uk

6 July 2010

RL/sg

08 JUL 2010

The Directors
Eurofins Holding Limited
318 Worple Road
London
SW20 8QU

Dear Sirs

**Eurofins Food 1 UK Limited**
**Eurofins Laboratories Limited** - 5009315
**Eurofins Genetic Services Limited**
**Eurofins Environmental Services Limited**
**Eurofins Agro-science Services Limited**
**Eurofins Holding Limited**
**CPA Laboratories Limited**
**Agrisearch Limited**
**Eurofins Agro-sciences 1 UK Limited**

We hereby give notice of our resignation as auditors to the above companies in accordance with Section 516 of the Companies Act 2006

As required by Section 519, we would confirm that there are no circumstances connected with our resignation which we consider should be brought to the notice of members or creditors of the Companies

A copy of this letter has been sent to the Registrar of Companies and we would remind you that the Companies are required to forward a further copy to the Registrar within fourteen days of receipt

Yours faithfully

Menzies LLP

**Menzies LLP**

SATURDAY *ARCSHM5D* A61 31/07/2010 61 COMPANIES HOUSE

Praxity

ERNST & YOUNG

E&Y 2012

Ernst & Young LLP
100 Barbirolli Square
Manchester M2 3EY
Tel 0161 333 3000
Fax 0161 333 3001
www ey com/uk

The Directors
Eurofins Food Testing UK Holding Limited
154 Business Park
Valiant Way
Wolverhampton
WV9 5GB

21 November 2012

Dear Sirs

In accordance with section 516 of the Companies Act 2006, we write to notify you of our resignation as auditor of Eurofins Food Testing UK Holding Limited, registered number 06202944 This resignation takes effect from the date on which you receive this letter

In accordance with section 519(2) of that Act, we confirm that there are no circumstances connected with our resignation which we consider should be brought to the attention of the members or creditors of the company

We draw your attention to the fact that Eurofins Food Testing UK Holding Limited has its own statutory obligations where we have ceased to hold office (as detailed, in particular, in Sections 517, 520 and 523 of the Act), including, depending on the circumstances, the requirement to notify the appropriate audit authority if we cease to hold office before the end of our term of office as auditors

Further guidance on this notification has been issued by the appropriate audit authorities - the Professional Oversight Board (POB) and the Institute of Chartered Accountants in England and Wales (ICAEW) and can be found on http //www frc org uk/pob/regulation/companies cfm and http //www icaew com/index cfm?route=155861 respectively

If you have any questions on your legal obligations we recommend that you seek legal advice

Yours faithfully

Ernst & Young LLP

cc Companies House

SATURDAY *A1MCP5CB* A36 24/11/2012 #74 COMPANIES HOUSE

INVESTOR IN PEOPLE

pwc

PwC 2014

The Registrar
Companies House
Crown Way
Cardiff
CF14 3UZ

26 September 2014

Dear Sirs

**Section 519 Statement**

In accordance with Section 521(1) of the Companies Act 2006 (the "Act"), we enclose a copy of the statement that was deposited at Eurofins Food Testing UK Holding Limited, 154 Business Park, Valiant Way, Wolverhampton, WV9 5GB, the registered office of Eurofins Food Testing UK Holding Limited, registered no 06202944 (the "Company") on 28 August 2014 pursuant to section 519 of the Act.

Yours faithfully,

For and on behalf of PricewaterhouseCoopers LLP

Ian Wall
Director

WEDNESDAY *A3J16C3E* A24 22/10/2014 #64 COMPANIES HOUSE

*PricewaterhouseCoopers LLP, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT*
*T +44 (0) 121 265 5000, F +44 (0) 121 265 5050, www pwc co uk*

Figure 33 Audit resignations of the UK subsidiaries. Source: Respective company filings, ShadowFall.

[19] Eurofins Food Testing UK Holding Limited 2018 accounts overdue

## THE "ILLEGAL DIVIDEND"(S) …

In 2011:

**Parent** – Eurofins Agrosciences Services Lux Holding owned:

**Top** – Eurofins Agroscience Services Limited, which owned:

**Middle** – Agrisearch Limited, which owned:

**Bottom** – Eurofins Agroscience Services 2011 Limited.

In 2011, Parent purchased assets from Bottom allowing Bottom to book a gain on disposal of £4.4m. This helped to allow Bottom to pay an £11m dividend to Middle.

In 2011, Middle paid a £9.5m dividend to Top.

In 2011, Top paid a £6.8m dividend to Parent.

Also, in 2011, Top owed Middle £6.25m, Middle owed Bottom £6.25m, and Bottom owed Top £8.6m, although Top reports Bottom owing it £8.0m.

Then in 2012, Top acquired Bottom for the amount of £8.0m, which it reported Bottom owing to it, and impaired its investment in Middle by £6.2m. It then liquidated both Middle and Bottom. Top received a further £6.25m dividend in 2012, although it is unclear whether this was paid by Middle of Bottom. What is also unclear to us is how either Middle or Bottom were in a position to pay total dividends of £15.8m in the two years (2011-12). In 2011, Middle had total equity of £1,634 and Bottom had total equity of £11,463. Further, Top reported a profit of just £701,207 in 2012.

While all this circular business occurred, in the following year in 2012, the £6.8m dividend paid by Top to Parent was deemed to be "an illegal dividend".

Similarly, Eurofins Food Testing UK Holding Limited also paid "an illegal" dividend in 2011 of £1.5m, which was subsequently reversed in 2012.

1. In 2011, Eurofins Agrosciences Services LUX Holdings purchased assets from Eurofins Agroscience Services 2011 Limited generating a gain on disposal of £4.4m.

2a. Aided by this, Eurofins Agroscience Services 2011 Limited was able to pay an £11m dividend to Agrisearch Limited.
2b. Agrisearch Limited paid a £9.5m dividend to Eurofins Agroscience Services Limited.
2c. Eurofins Agroscience Services Limited then paid a £6.8m dividend to Eurofins Agrosciences Services LUX Holdings. In 2012, this £6.8m dividend was deemed to be "an illegal dividend".

3a. Also in 2011, Eurofins Agroscience Services Limited owed Agrisearch Limited £6.25m.
3b. Similarly, Agrisearch Limited owed Eurofins Agroscience Services 2011 Limited £6.25m.

4. Eurofins Agroscience Services 2011 Limited owed Eurofins Agroscience Services Limited £8.6m, although Eurofins Agroscience Services Limited reports Eurofins Agroscience Services 2011 Limited owing it £8.0m.

*Excluding the impact from capital reductions*

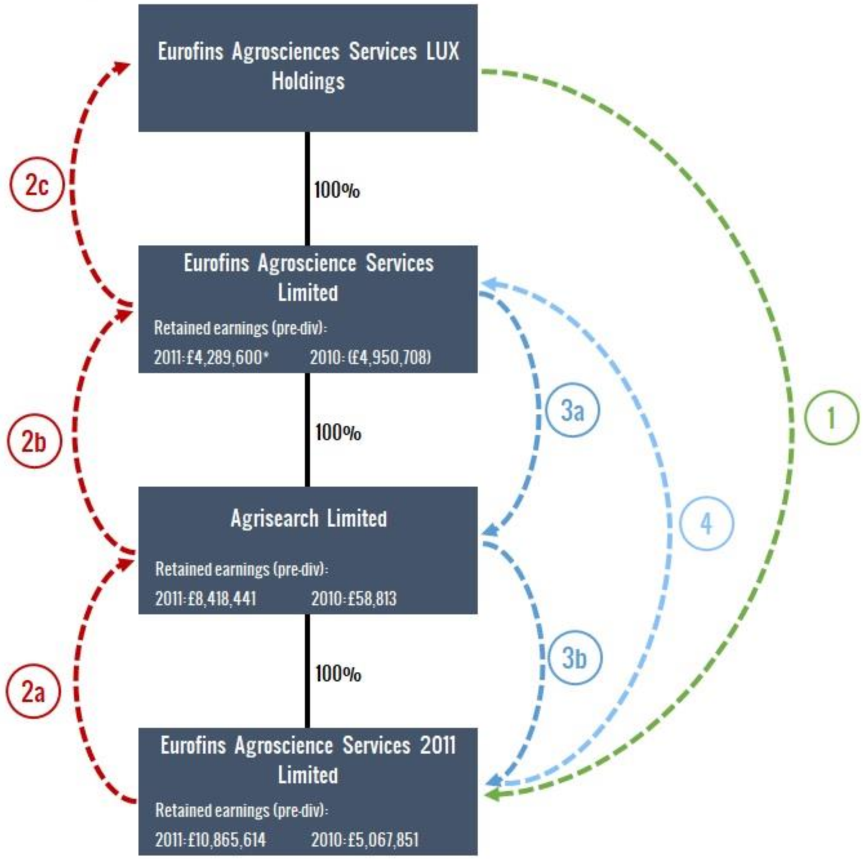



Figure 34 ShadowFall representation of the dividend payments up stream. Source: Respective company filings, ShadowFall.

**Eurofins Agroscience Services Limited (formerly Eurofins Agroscience Services UK Holding Limited)**

Registered No 06202994

**Results and dividends**

The profit for the year amounted to £701,207 (2011 – profit of £9,240,308) The directors do not recommend a final dividend

The Directors acknowledge that in 2011 an illegal dividend of £6,800,000 was declared and paid No further distributions have been made and the Directors have reversed this dividend and recognised a loan which is recoverable from the shareholder The Directors acknowledge that no further distributions can be made until there are sufficient profits available for that purpose

**Eurofins Food Testing UK Holding Limited**

Registered No 06202944

**Results and dividends**

The profit for the year amounted to £128,101 (2012 – loss of £56,966) The directors do not recommend a final dividend

The Directors acknowledge that in 2011 an illegal dividend of £1,500,000 was declared and paid This dividend was reversed in 2012 and a loan was recognised which was recoverable from the shareholder The Directors acknowledged that no further distributions could be made until there were sufficient profits available for that purpose In 2013 sufficient profits were available for the dividend to be re-paid to the shareholder

Figure 35 Acknowledgment of the illegal dividends at subsidiary level. Source: Respective company filings, ShadowFall.

## THE ACCOUNTS WHICH DON'T MATCH …

Below are by no means the only instance of inconsistencies we found between the Eurofins' subsidiary filings. However, as an example, in 2017, while Eurofins Food Testing Lux reported Eurofins Food Testing UK Holding as having capital of £8.4m and a loss of £1.7m, in the same year, Eurofins Food Testing UK Holding itself reports equity of £4.0m and a loss of 4.4m.

Eurofins Food Testing LUX Holding

Les entreprises dans lesquelles la Société détient au moins 20% du capital ou dans lesquelles elle est associée indéfiniment responsable sont les suivantes :

| Nom de la société (forme juridique) | Siège | Fraction de capital détenu (%) | Devise | Capitaux propres (hors résultat de l'exercice) à la date de clôture de la société concernée* | Résultat du dernier exercice* |
|---|---|---|---|---|---|
| Eurofins Food Testing UK Holding Limited | Wolverhampton - Royaume-Uni | 100.00% | GBP | 8 434 432.00 | -1 727 276.00 |

**Eurofins Food Testing UK Holding Limited**

**Statement of Financial Position**
**As at 31 December 2017**

| | Notes | 2017 £ | 2016 £ |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 14 | 7,420,000 | 4,720,000 |
| Retained earnings | | (3,419,210) | 987,932 |
| **Total equity** | | 4,000,790 | 5,707,932 |

Eurofins Food Testing Lux owns
Eurofins Food Testing UK Holding

The Lux entity reports Net Assets of £8.4m
The UK subsidiary reports Net Assets of £4.0m

The Lux entity reports a loss of £1.7m
The UK subsidiary reports a loss of £4.4m

**Eurofins Food Testing UK Holding Limited**

**Statement of Comprehensive Income**
**for the year ended 31 December 2017**

| | Notes | 2017 £ | 2016 £ |
|---|---|---|---|
| **Revenue** | | – | – |
| **Gross Profit** | | – | – |
| General and administrative expenses | 5.1 | (1,381,185) | (1,125,949) |
| Dividend income | 5.3 | 17,611 | 773,360 |
| **Operating loss** | | (1,363,574) | (352,589) |
| Impairment of investments | 5.1 | (2,707,365) | – |
| Impairment of intercompany receivables | 5.1 | – | (1,766,259) |
| Finance costs | 5.4 | (336,204) | (295,786) |
| **Loss before income tax** | | (4,407,143) | (2,414,634) |
| Income tax expense | 6 | – | – |
| **Loss for the year** | | (4,407,143) | (2,414,634) |
| **Other comprehensive income for the year, net of tax** | | – | – |
| **Total comprehensive loss for the year** | | (4,407,143) | (2,414,634) |

All the activities of the Company are classed as continuing.

Figure 36 Reconciliation issues among subsidiaries. Source: Respective company filings, ShadowFall.

Further down the subsidiary chain, we find that in 2017, while Eurofins Food Testing UK Holding reports its subsidiary, Eurofins Food Testing UK as having capital of £4.0m, by contrast, Eurofins Food Testing UK itself reports equity of MINUS £4.5m.

In the light of this small example of confusing reconciliations, it makes the repeated UK audit resignations perhaps easier to understand. It may also explain why a number of the 2018 UK subsidiary annual reports are now overdue.

**Eurofins Food Testing UK Holding Limited**
**Notes to the financial statements**
**for the year ended 31 December 2017 (continued)**

**8. Investments in subsidiaries (continued)**

| Name | Class of shares held | Capital and reserves 2017 | Profit/(loss) 2017 |
|---|---|---|---|
| Wolverhampton i54 Real Estate Limited | Ordinary | 66,113 | 173,766 |
| Eurofins Food Testing UK Limited | Ordinary | 4,027,422 | 236,624 |
| Public Analyst Scientific Services Limited | Ordinary | 83,081 | 63,822 |
| Eurofins Newtec Laboratories Limited | Ordinary | (654,815) | (669,585) |
| Eurofins Water Hygiene Testing Limited | Ordinary | (201,851) | (311,554) |
| ILS Limited | Ordinary | 1,091,000 | (591,000) |
| Eurofins Agro Testing UK Limited | Ordinary | (17,057) | (147,157) |
| Ashwood UK Limited | Ordinary | 574,884 | 83,461 |

**8. Investments in subsidiaries (continued)**

| Name | Class of shares held | Capital and reserves 2016 | Profit/(loss) 2016 |
|---|---|---|---|
| Romsey Real Estate Limited | Ordinary | (1,207,654) | (1,854,210) |
| Eurofins Food Testing UK Limited | Ordinary | 3,196,248 | (2,264,591) |
| Public Analyst Scientific Services (NI) Limited | Ordinary | 1 | Nil |
| Public Analyst Scientific Services Limited | Ordinary | 19,259 | (684,052) |
| Eurofins Newtec Laboratories Limited | Ordinary | 38,180 | (212,478) |
| Eurofins Acton Limited | Ordinary | 109,703 | (340,298) |
| ILS Limited | Ordinary | 1,682,000 | (1,650,000) |

**Eurofins Food Testing UK Limited**
**Statement of financial position**
**As at 31 December 2017**

| | Note | 31 Dec 2017 £ | 31 Dec 2016 £ |
|---|---|---|---|
| **Equity attributable to the owners of the parent** | | | |
| Equity share capital | 15 | **4,311,621** | 3,811,621 |
| Capital contribution reserve | | **363,911** | 269,361 |
| (Accumulated losses)/retained earnings | | **(648,110)** | (884,734) |
| Other reserve | | **(8,551,000)** | - |
| **Total equity** | | **(4,523,578)** | 3,196,248 |

Eurofins Food Testing UK Holding owns Eurofins Food Testing UK

Eurofins Food Testing UK Holding reports Eurofins Food Testing UK's equity as £8.6m higher than the net liabilites Eurofins Food Testing UK reports.

Figure 37 Reconciliation issues among subsidiaries. Source: Respective company filings, ShadowFall.

## THE COMPANY WITH TWO DIFFERENT OWNERS …

It would appear that Eurofins' finance team continues to suffer from a lack of attention to detail. Wolverhampton i54 Real Estate Limited owns the i54 Business Park which serves as the registered address for several of Eurofins' UK subsidiaries. When tracing the ownership trail of the assets one can observe the company was previously known as "Romsey Real Estate Limited" before it was given the current name in May 2017.

Romsey Real Estate Limited in 2016 was consolidated within Eurofins Food Testing UK Holding before being transferred to Eurofins Real Estate Lux Holding in May 2017. However, upon inspection of the Eurofins Food Testing UK Holdings accounts for 2017, Wolverhampton i54 is still listed as a subsidiary and states a profit for 2017! We wonder if this profit has been double counted in Eurofins' accounts and if so, does this occur anywhere else?

Wolverhampton i54 Real Estate Limited (Formerly Romsey Real Estate Limited)

**Notes to the financial statements (continued)**

**For the year ended 31 December 2016**

**Ultimate parent undertaking and controlling party**

Eurofins Food Testing UK Holding Limited, a company incorporated in England, is the immediate parent of the Company. The ultimate parent and controlling party is Eurofins Scientific SE, a company incorporated in Luxembourg.

**Notes to the financial statements (continued)**

**For the year ended 31 December 2017**

**Ultimate parent undertaking and controlling party**

Eurofins Real Estate Lux Holding Sarl, a company incorporated in Luxembourg, is the immediate parent of the Company. The ultimate parent and controlling party is Eurofins Scientific SE, a company incorporated in Luxembourg.

**Eurofins Food Testing UK Holding Limited**

**Notes to the financial statements**

**for the year ended 31 December 2017 (continued)**

**8. Investments in subsidiaries**

The Company holds investments in following entities:

| Name | Country of incorporation | Nature of business | % equity interest 2017 | % equity interest 2016 |
|---|---|---|---|---|
| Subsidiaries | | | ???? | |
| Romsey Real Estate Limited | United Kingdom | Real estate | 100% | 100% |

**Investments in subsidiaries (continued)**

| Name | Class of shares held | Capital and reserves 2017 | Profit/(loss) 2017 |
|---|---|---|---|
| Wolverhampton i54 Real Estate Limited | Ordinary | 66,113 | ! 173,766 ! |

Figure 38 Reconciliation issues among subsidiaries. Source: Respective company filings, ShadowFall.

Companies House

**CS01(ef)**

**Confirmation Statement**

Company Name: **WOLVERHAMPTON I54 REAL ESTATE LIMITED**
Company Number: **08146410**

Received for filing in Electronic Format on the: **18/07/2017** X6AXZCUH

Company Name: **WOLVERHAMPTON I54 REAL ESTATE LIMITED**

Company Number: **08146410**

Confirmation Statement date: **17/07/2017**

**Full details of Shareholders**

The details below relate to individuals/corporate bodies that were shareholders during the review period or that had ceased to be shareholders since the date of the previous confirmation statement.

Shareholder information for a non-traded company as at the confirmation statement date is shown below

Shareholding 1: **500001 transferred on 2017-05-22**
**0 ORDINARY shares held as at the date of this confirmation statement**
Name: **EUROFINS FOOD TESTING UK HOLDING LIMITED**

Shareholding 2: **1600001 ORDINARY shares held as at the date of this confirmation statement**
Name: **EUROFINS REAL ESTATE LUX HOLDING SARL**

Figure 39 Reconciliation issues among subsidiaries. Source: Respective company filings, ShadowFall.

# THE FLEETING EXISTENCE OF ILS LIMITED AND EUROFINS NEWTEC LABORATORIES LIMITED

The UK appears to us to be something of a graveyard for Eurofins. Two further businesses that had a shelf life shorter than a French baguette are Eurofins Newtec Laboratories Limited (Newtec) and ILS Limited (ILS).

Newtec was acquired in May 2013. In 2013, Eurofins' subsidiary filings suggest it had two different owners. At an operating level it was loss making every year until 2017 when its operations were then closed down and its value entirely written-off.

ILS was purchased in October 2016 for £2m. Within 15 months of its acquisition, ILS's value was entirely impaired and its operations were closed down. As is becoming a familiar theme, we find inconsistencies between ILS' accounts and those of its immediate parent, Eurofins Food Testing UK Holding.

## EUROFINS NEWTEC LABORATORIES

Eurofins acquired the UK based Newtec Laboratories Limited (renamed Eurofins Newtec Laboratories (Newtec)) on 14 May 2013. Newtec was acquired for £925,049.

From 2013 to 2017, Eurofins Newtec reported cumulative operating losses of £1.05m, with the greatest loss in 2017 at £636,753. Also, in 2017, Newtec received a further £615,519 in loans from related parties and made £442,614 of purchases from related parties.

Initially, there was some confusion as to which entity owned Newtec. Newtec reported in 2013 that it was owned by Eurofins Genomics Lux Holding, however in the same year, Eurofins Food Testing UK Holding reported that it owned Newtec.

Having paid £925,049 for Newtec in 2013, lent it £728,242 and capitalised it by an additional £100,000, in 2017, Newtec's operations were closed down and Eurofins Food Testing UK Holding impaired its investment in Newtec.

We are unable to find any impairment mentioned in Eurofins' group accounts in 2017 or 2018 relating to this.

**Eurofins Newtec Laboratories**

| £ | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Revenue | 904,423 | 680,757 | 894,727 | 1,212,570 | 747,349 |
| Cost of sales | (264,907) | (223,650) | (299,426) | (504,584) | (316,735) |
| Gross profit | 639,516 | 457,107 | 595,301 | 707,986 | 430,614 |
| General and admin expenses | (658,008) | (501,638) | (737,896) | (915,961) | (1,067,367) |
| Operating profit | (18,492) | (44,531) | (142,595) | (207,975) | (636,753) |
| | | | | | |
| Finance costs | (796) | (29) | (155) | (4,503) | (18,062) |
| **Profit/(loss) before income tax** | **(19,288)** | **(44,560)** | **(142,750)** | **(212,478)** | **(654,815)** |
| Income tax | (185) | 9,770 | 21,464 | (52,950) | |
| Profit for the period | (19,473) | (34,790) | (121,286) | (265,428) | (654,815) |
| | | | | | |
| Sales to related parties | | 11,687 | 14,045 | 43,785 | 16,641 |
| Sales to related parties as % of total revenue | | 1.7% | 1.6% | 3.6% | 2.2% |
| Purchases from related parties | | (101,328) | (151,574) | (164,756) | (442,614) |
| **Purchases from related parties as % of cost of goods and opex** | | **14.0%** | **14.6%** | **11.6%** | **32.0%** |
| **Increase in loan from related party** | | | | **112,723** | **615,519** |

Figure 40

| Goodwill<br>EUR Thousands | 2018 | 2017 |
|---|---|---|
| Opening net book amount | 2,505,337 | 1,584,644 |
| Currency translation differences | 42,233 | -86,776 |
| Change in consolidation scope | 870,757 | 1,007,469 |
| Impairment | - | - |
| Closing net book amount | 3,418,328 | 2,505,337 |
| | | |
| Cost | 3,431,375 | 2,518,385 |
| Accumulated amortisation | -13,048 | -13,048 |
| Net book amount | 3,418,328 | 2,505,337 |

Impairment of ILS and Eurofins Newtec Laboratories?

Figure 41 Impairment of Eurofins Newtec Laboratories and no impairments reported by Eurofins Scientific SE. Source: Respective company filings, ShadowFall.

Eurofins Newtec Laboratories (Newtec) aquired in 2013. Initial confusion over which entity owns it: Newtec says Eurofins Genomics but Eurofins Food Testing says it owns Newtec.

**Eurofins Newtec Laboratories Limited (formerly Newtec Laboratories Limited)**

**Notes to the financial statements**

**for the year ended 31 December 2013 (continued)**

**18. Ultimate parent undertaking and controlling party**

Eurofins Genomics LUX Holding SARL is the immediate parent of the company The ultimate parent undertaking and controlling party is Eurofins Scientific SE, a company incorporated in Luxembourg

Eurofins Scientific SE is the only company to consolidate the financial statements of Eurofins Newtec Laboratories Limited (formerly Newtec Laboratories Limited)

**Eurofins Newtec Laboratories Limited (formerly Newtec Laboratories Limited)**

**Balance sheet**

**As at 31 December 2013**

| | | 2013 £ | 2012 £ |
|---|---|---|---|
| **Net assets** | | 306,734 | 326,207 |
| **Capital and reserves** | | | |
| Called up share capital | 13 | 250,000 | 250,000 |
| Profit and loss account | 14 | 56,734 | 76,207 |
| **Total shareholders' funds** | 15 | 306,734 | 326,207 |

**Eurofins Newtec Laboratories Limited**

**Statement of Financial Position**

**As at 31 December 2017**

| | | 2017 £ | 2016 £ |
|---|---|---|---|
| **Net liabilities** | | (669,585) | (14,770) |
| **Equity attributable to the owners of the parent** | | | |
| Equity share capital | 15 | 350,000 | 350,000 |
| Accumulated losses | | (1,019,585) | (364,770) |
| **Total equity** | | (669,585) | (14,770) |

**Statement of Cash Flows**

**for the year ended 31 December 2017**

| | Notes | 2017 £ | 2016 £ |
|---|---|---|---|
| **Financing activities** | | | |
| Increase in loan from related party | | 615,519 | 112,723 |
| Capital received | | - | 100,000 |

?
?
?
?
?

**Eurofins Food Testing UK Holding Limited**

**Notes to the financial statements**

**for the year ended 31 December 2013 (continued)**

**8. Investments in subsidiaries**

The company holds investments in following entities

| Name | Country of incorporation | Nature of business | % equity interest 2013 | 2012 |
|---|---|---|---|---|
| Subsidiaries | | | | |
| Eurofins Food Testing UK Limited | United Kingdom | Food testing | 100% | 100% |
| Public Analyst Scientific Services (NI) Limited | United Kingdom | Food testing /consultancy | 100% | 100% |
| Public Analyst Scientific Services Limited | United Kingdom | Food testing /consultancy | 100% | 100% |
| Eurofins Newtec Laboratories Limited | United Kingdom | Food testing | 100% | – |

During the year the company acquired Eurofins Newtec Laboratories Limited for a total consideration of £925,049 For more information please refer to note 9

When it bought Newtec, its net assets were £306,734 and it had accumulated profits of £56,734. Within four years Newtec had NET LIABILITIES of £669,585 and ACCUMULATED LOSSES of £1,019,585.

Having paid £925,049 for Newtec, lent it a further £728,242 and capitalised it with an additional £100,000, its parent, Eurofins Food Testing UK Holding impaired Newtec and closed down its operations in 2017. By 2017, 32% of Newtec's costs were due to purchases from related parties.

**Eurofins Food Testing UK Holding Limited**

**Notes to the financial statements**

**for the year ended 31 December 2017 (continued)**

**8. Investments in subsidiaries**

| | |
|---|---|
| **At 1 January 2017** | 13,155,033 |
| **Additions** | 2,554,664 |
| **Impairment** | (2,707,365) |
| **At 31 December 2017** | 13,002,332 |

During 2017 the Company acquired Ashwood UK Limited for £1,994,665. Eurofins Newtec Laboratories Limited and ILS Limited closed down operations and thus there was an impairment of Eurofins Food Testing UK Holding' investment in these entities.

Figure 42 Confusion over which entity owns Eurofins Newtec Laboratories and its subsequent closure. Source: Respective company filings, ShadowFall.

## ILS LIMITED

UK based ILS Limited (ILS) was acquired by Eurofins on 18 October 2016.

ILS was purchased for £2,000,000 and held under Eurofins Food Testing UK Holding. ILS reported an operating loss of £2.3m in 2016 and a further loss of £0.6m in 2017.

According to its parent, in 2017 ILS's operations were closed down and there was an impairment of the investment in ILS. Similarly, to Eurofins Newtec Laboratories, we can find no mention of this impairment within the group accounts.

Further, whereas ISL reports a £2.3m loss in 2016, its parent reports a loss of £1.65m attributable to the business.

**Eurofins Food Testing UK Holding Limited**

**Notes to the financial statements**
**for the year ended 31 December 2016 (continued)**

**Investments in subsidiaries**

| | Subsidiaries £ |
|---|---|
| Cost and net book value | |
| At 1 January 2015 | 9,511,671 |
| Additions | 1 |
| **At 31 December 2015** | 9,511,672 |
| **At 1 January 2016** | **9,511,672** |
| **Additions** | **3,643,361** |
| **At 31 December 2016** | **13,155,033** |

During 2016 the Company acquired ILS Limited for £2,000,000. Public Analyst Scientific Services (NI) Limited was dissolved on 1 April 2017.

**Eurofins Food Testing UK Holding Limited**

**Notes to the financial statements**
**for the year ended 31 December 2017 (continued)**

**8. Investments in subsidiaries**

| | Subsidiaries £ |
|---|---|
| Cost and net book value | |
| At 1 January 2016 | 9,511,672 |
| Additions | 3,643,361 |
| At 31 December 2016 | 13,155,033 |
| **At 1 January 2017** | **13,155,033** |
| **Additions** | **2,554,664** |
| **Impairment** | **(2,707,365)** |
| **At 31 December 2017** | **13,002,332** |

Within 15 months of acquiring ILS Limited for £2m, Eurofins had closed down its operations and written it off.

During 2017 the Company acquired Ashwood UK Limited for £1,994,665. Eurofins Newtec Laboratories Limited and ILS Limited closed down operations and thus there was an impairment of Eurofins Food Testing UK Holding' investment in these entities.

Figure 43

**ILS Limited**

**Statement of Comprehensive Income**
**for the year ended 31 December 2017**

ILS reports a loss of £2.13m in 2016. Its parent, Eurofins Food Testing UK Holding, indicates ILS reported a loss of £1.65m.

| | Note | 2017 £000 | 2016 £000 |
|---|---|---|---|
| **Turnover** | 3 | 4,359 | 4,695 |
| Cost of sales | | (1,503) | (3,897) |
| **Gross profit** | | 2,856 | 798 |
| Administrative expenses | | (3,429) | (3,047) |
| **Operating loss** | 4 | (573) | (2,249) |
| Interest payable and similar charges | 7 | (18) | (19) |
| **Loss before income tax** | | (591) | (2,268) |
| Tax on loss on ordinary activities | 8 | – | 138 |
| **Loss for the year** | | (591) | (2,130) |
| **Other comprehensive loss for the year, net of tax** | | – | – |
| **Total comprehensive loss for the year, net of tax** | | (591) | (2,130) |

**Eurofins Food Testing UK Holding Limited**

**Notes to the financial statements**
**for the year ended 31 December 2017 (continued)**

During 2017 the Company acquired Ashwood UK Limited for £1,994,665. Eurofins Newtec Laboratories Limited and ILS Limited closed down operations and thus there was an impairment of Eurofins Food Testing UK Holding' investment in these entities.

Summary of subsidiaries details:

| Name | Class of shares held | Capital and reserves 2016 | Profit/(loss) 2016 |
|---|---|---|---|
| Wolverhampton i54 Real Estate Limited | Ordinary | (1,207,654) | (1,854,210) |
| Eurofins Food Testing UK Limited | Ordinary | 3,196,248 | (2,264,591) |
| Public Analyst Scientific Services (NI) Limited | Ordinary | 1 | Nil |
| Public Analyst Scientific Services Limited | Ordinary | 19,259 | (684,052) |
| Eurofins Newtec Laboratories Limited | Ordinary | 38,180 | (212,478) |
| Eurofins Water Hygiene Testing Limited | Ordinary | 109,703 | (340,298) |
| ILS Limited | Ordinary | 1,682,000 | (1,650,000) |
| Eurofins Agro Testing UK Limited | Ordinary | 64,218 | (59,071) |

Figure 44 Reconciliation issues with ILS Limited and its subsequent closure. Source: Respective company filings, ShadowFall.

## The Avaricious Property Deals

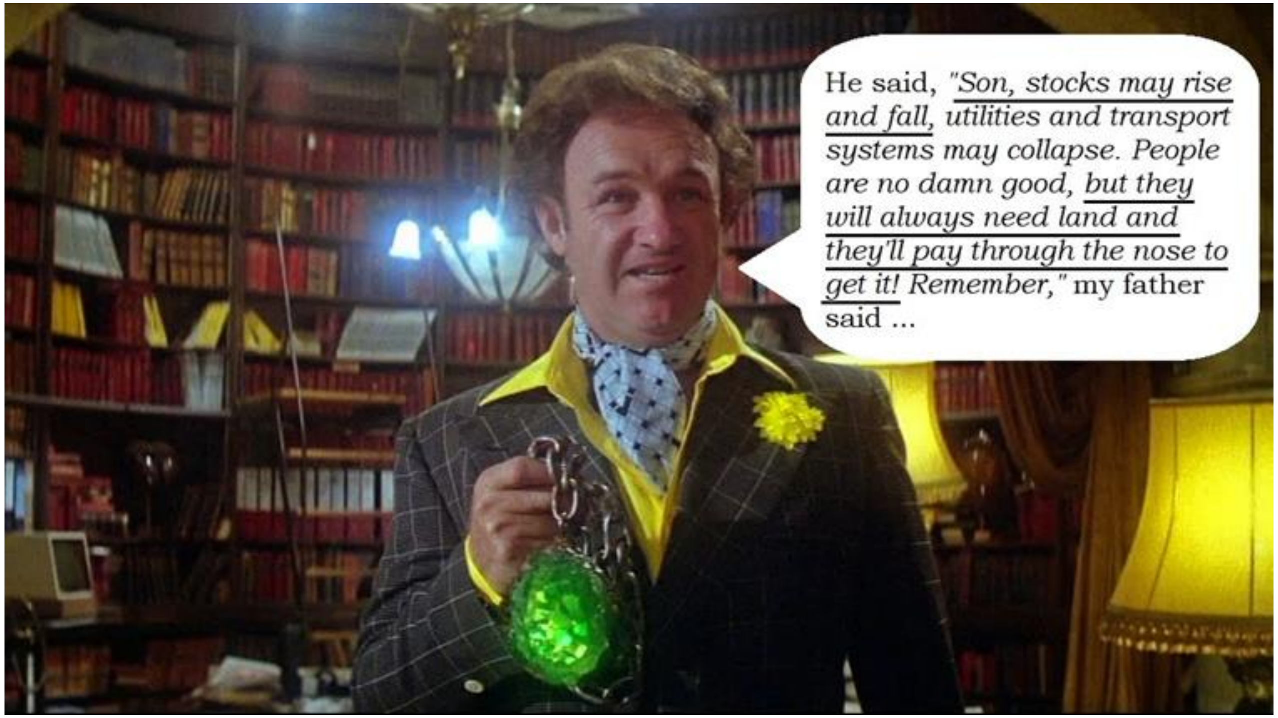
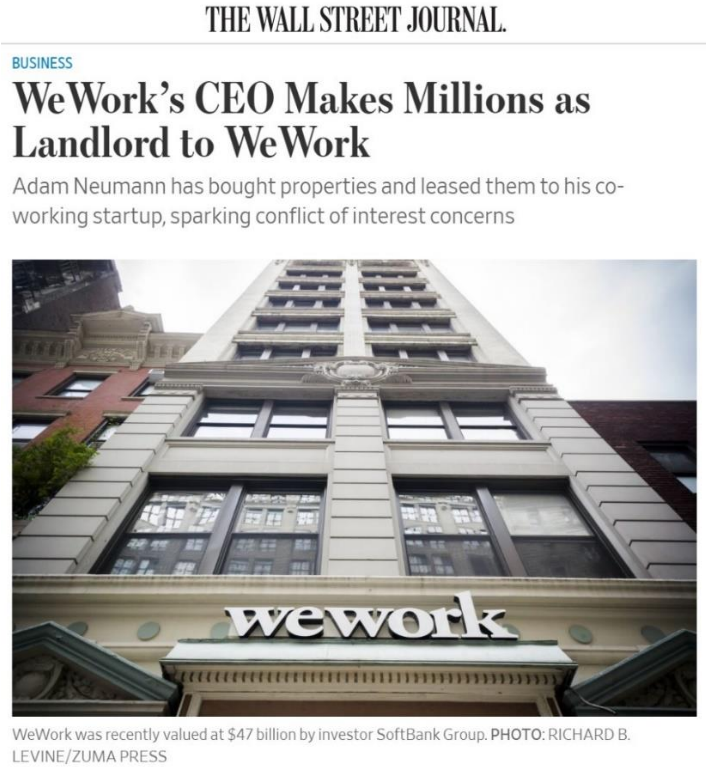


Figure 45 Lex Luthor imparting financial advice to Otis. Source: Superman 1978. DC Comics. Lex Luthor played by Gene Hackman.

Lex Luthor was a genius. Eurofins' CEO, Dr Martin appears to be a smart guy too. They both seem to share an interest in land. For example, while Eurofins has relied heavily on acquisitions to grow, these purchases have gone hand in hand with a sizeable increase in non-cancellable property lease commitments. We find that Eurofins' CEO, Dr Martin is frequently on the other side of these non-cancellable property lease commitments. The Dr Martin "property play" on the company is likely already widely known. However, what may be less well known is quite how valuable these property transactions can be to Eurofins' CEO. Take for example the case of BSL Bioservice Scientific Laboratories (BSL). Around the time BSL was "sold" to Aquila Holdings, it would seem that the property of BSL was purchased by Eurofins' CEO, Dr Martin. Given the rent, asset cost, equity and liabilities associated with the property, **we calculate that Dr Martin has received a 132%+ pa Return on Equity from this transaction**. This doesn't strike us as a great deal for Eurofins' shareholders and we have seen other property transactions undertaken on what we view as similar avaricious terms. For those that might argue that the Martin family, which retain 36% of the shares in Eurofins, are aligned with other shareholders' interests, we would point out that despite owning 36% of the stock we calculate that the Martin family make more in rental payments from Eurofins than they do in dividend payments.

## THE WEWORK OF TESTING?



THE WALL STREET JOURNAL.

BUSINESS

**WeWork's CEO Makes Millions as Landlord to WeWork**

Adam Neumann has bought properties and leased them to his co-working startup, sparking conflict of interest concerns



WeWork was recently valued at $47 billion by investor SoftBank Group. PHOTO: RICHARD B. LEVINE/ZUMA PRESS

Figure 46 Article on WeWork's CEO and his ownership of properties leased to WeWork. Source: *Wall Street Journal*

It seems to us that Eurofins' equity holders fall very low in the pecking order when it comes to rewards from the business. As the company has continued to grow through acquisitions, we find that Eurofins' CEO, Dr Gilles Martin, is frequently purchasing the property and land associated with these acquisitions. The real estate entities predominantly sit as a chain of subsidiaries in a Luxembourg based company, **International Assets Finance** S.à.r.l. which itself sits under Dr Martin's investment vehicle, Analytical Bioventures SCA.

In the light of the recent stresses on Eurofins' balance sheet, its management casually talks about potential asset disposals. However, we see a fundamental problem. Due to the property and land having all too often been snapped up by Dr Martin, the acquired businesses generally have little value other than intangible asset backing. These types of assets are typically more subjectively valued and if Eurofins is perceived to be a distressed seller, then we question who would wish to pay up for such assets?

When we are able to find information on the Martin related property transactions, we find them to be at what we view as eye-watering rents and related Returns on Equity. Take BSL for example …

## BSL SELLS ITS PROPERTY TO EUROFINS' CEO?

Around the time of Eurofins' disposal of BSL Bioservice Scientific Laboratories (BSL) to Aquila Holdings, BSL appears to have sold its property and land to another party on a sale and lease-back arrangement. We believe this other party was ultimately owned by Eurofins' CEO, Dr Martin. Prior to the property disposal, BSL had invested c. €6m into the land and development of its site, commencing its investment in 2008. At the point of disposal this property had been depreciated to a value of c. €5.1m. BSL is located at **Behringstraße** 6/8, 82152 Planegg, Germany.[20]

2012 (the year of BSL's property disposal) is the first time that the German entity, **Behringstraße** Invest GmbH (Allemagne), appears in the list of subsidiary holdings of **International Assets Finance,** the private vehicle that holds Dr Martin's real estate investment companies. German filings show Behringstraße Invest GmbH to be a company with €4.9m in fixed assets in 2014. Further, the filings show equity as being €0.71m and liabilities at €4.49m. We believe this suggests that there is a mortgage of €4.49m on the property supported by equity of €0.71m. BSL's filings indicate it paid €1m, €1.1m and €1.2m in rent in 2013, 2014, and 2015 respectively. If, as it appears to

[20] BSL address

us, this rent is paid to Dr Martin's real estate entity, Behringstraße Invest GmbH, then assuming a 2% mortgage interest cost, this would imply that the rental yield on the property is c. 20% and Dr Martin receives a 132%-153% Return on Equity per annum.

Prior to BSL's property disposal, its filings show it owed €7.7m to Eurofins Finance Succursale Lux in 2011 (2010: €8.5m).

By 2012, this debt had been repaid. However, as we detail above, it appears that the property was sold for c. €5.1m; BSL's filings certainly show a disposal value of €5.1m and Behringstraße Invest GmbH's filings show assets of a similar value. It is unclear where the remaining €2.6m would have come from to "pay-off" the loan.

BIOSERVICE Scientific Laboratories

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BSL >> Contact Us

About Us
Our Services
Careers
Contact Us
General Contact
Agrochemicals
Bio-Pharmaceuticals
Chemicals/ REACH

**Contacts**

**BSL BIOSERVICE Scientific Laboratories Munich GmbH**
Behringstraße 8
82152 Planegg / Munich Germany

Phone: +49 89 899 974 9 - 0
Fax: +49 89 899 974 9 - 25
info@bioservice.com

BSL Bioservice Scientific Laboratories address at Behrinstrasse 8. 2012 is the first year that Behringstrasse Invest GmbH is listed as a real estate investment entity ultimatley owned by Eurofins' CEO, Dr Martin.

**Document émis électroniquement**

**INTERNATIONAL ASSETS FINANCE S.à r.l.**
**Société à Responsabilité Limitée**
R.C.S. Luxembourg B 112325

Annexe légale aux comptes annuels arrêtés au 31 décembre 2012

| Dénomination, forme, siège | % détenu | Devise | Capitaux propres hors résultats | Résultat de l'exercice | Dernier arrêté |
|---|---|---|---|---|---|
| Behringstrasse Invest GmbH (Allemagne) | 100 | EUR | 500.000 | 60.870 | 31.12.2012 |

**BSL Bioservice Scientific Laboratories GmbH**

**Planegg**

**Annual financial statements for the financial year from 01.01.2012 to 31.12.2012**

**ASSETS**

| | Book value 01.01.2012 Euro | Additions Euro | Departures Euro | Reclassifi-tions Euro | Depreciation amortization Euro | Write-ups exercises euro | Book value 31.12.2012 Euro |
|---|---|---|---|---|---|---|---|
| A. Fixed assets | | | | | | | |
| I. Intangible assets | | | | | | | |
| acquired licenses, industrial property rights and similar rights and assets as well as licenses to such rights and assets | 297,824.00 | 4,886.19 | 0.00 | 0.00 | 82542.19 | 0.00 | 220,168.00 |
| Total intangible assets | 297,824.00 | 4,886.19 | 0.00 | 0.00 | 82542.19 | 0.00 | 220,168.00 |
| II. Property, plant and equipment | | | | | | | |
| 1. Land, land rights and buildings, including buildings on third-party land | 5,181,833.87 | 0.00 | 5,084,617.87 | 0.00 | 97216.00 | 0.00 | 0.00 |
| 2. technical equipment and machinery | 2,218,423.00 | 70654.09 | 0.00 | 0.00 | 293,996.09 | 0.00 | 1,995,081.00 |
| 3. other equipment, fixtures and fittings | 1,253,135.54 | 121,821.20 | 1,771.00 | 0.00 | 342,513.94 | 0.00 | 1,030,671.80 |
| 4. Advance payments and assets under construction | 0.00 | 3,705.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3,705.00 |
| Total property, plant and equipment | 8,653,392.41 | 196,180.29 | 5,086,388.87 | 0.00 | 733,726.03 | 0.00 | 3,029,457.80 |
| Total fixed assets | 8,951,216.41 | 201,066.48 | 5,086,388.87 | 0.00 | 816,268.22 | 0.00 | 3,249,625.80 |

**Behringstrasse Invest GmbH**
**Planegg**
**Annual financial statements for the financial year from 01.01.2015 to 31.12.2015**

**Balance sheet as at 31 December 2015**

**assets**

| | 31.12.2015 EUR | 31.12.2014 EUR |
|---|---|---|
| A. Fixed assets | 4,810,249.10 | 4,961,416.94 |
| B. current assets | 220,434.01 | 225,650.46 |
| | 5,030,683.11 | 5,187,067.40 |

**LIABILITIES**

| | 31.12.2015 EUR | 31.12.2014 EUR |
|---|---|---|
| A. Equity | 790,760.00 | 711,801.45 |
| B. Provisions | 5,100.00 | 16350.48 |
| C. Liabilities | 4,234,823.11 | 4,458,915.47 |
| | 5,030,683.11 | 5,187,067.40 |

In the same year (2012), BSL Bioservice Scientific Laboraroties (BSL) disposes of its property for €5.08m.
Behringstrasse Invest reports fixed assets in 2014 of €5.0m.
BSL reports rental obligations of €1m in 2014.
Behringstrasse Invest reports equity of €0.7m in 2014 and liabilities of €4.5m (the latter presumably a mortgage).
We believe that BSL pays Behringstrasse Invest rent of €1m implying a rental yield of c. 19%, and a Return on Equity of 132%+!!!
WOW!

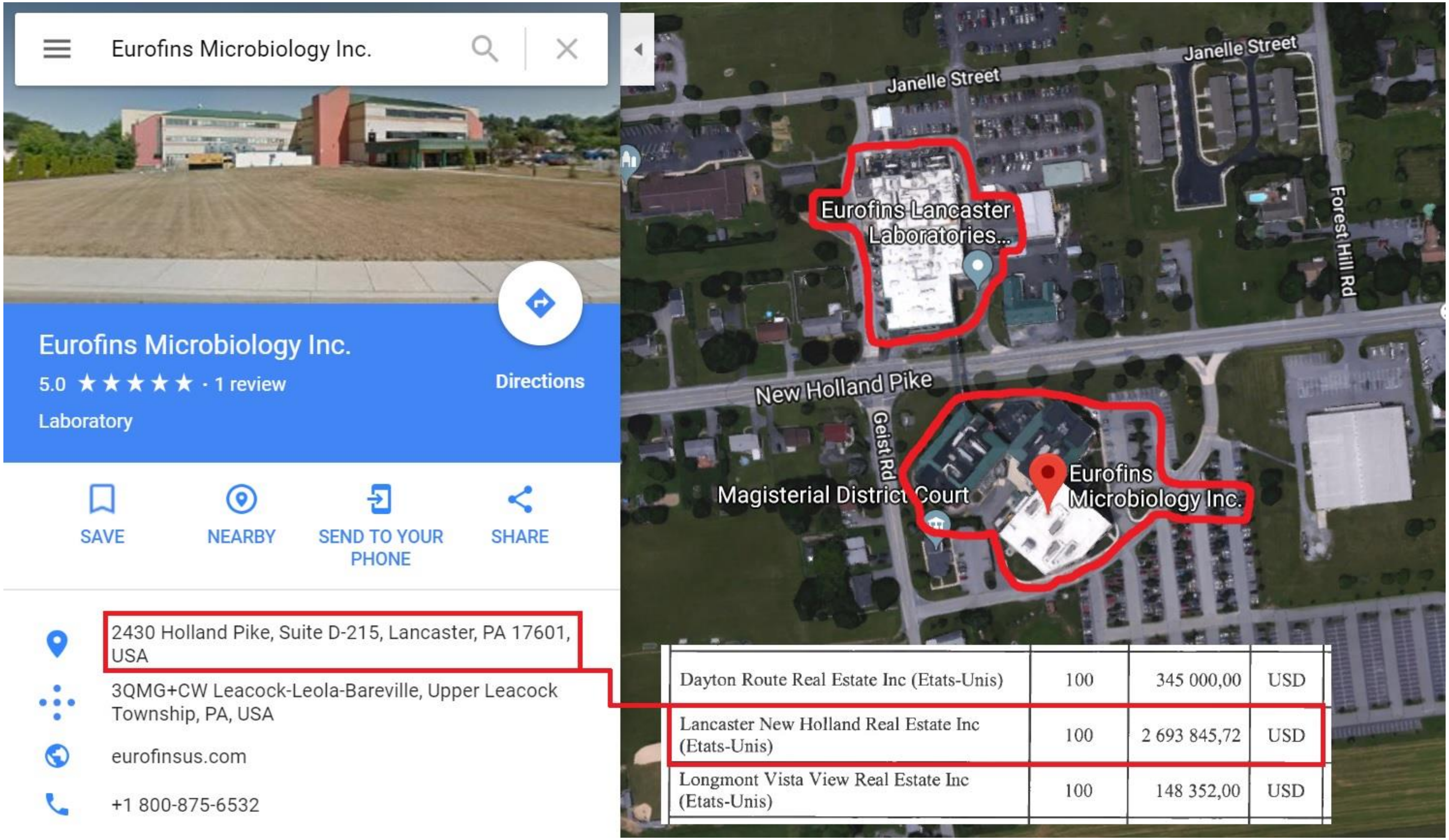
For rental and leasing contracts, the obligations are:
**rental obligations:**

| | |
|---|---|
| Due until 31.12.2014: | TEUR 967 |
| Due 1.1.2015 until 31.12.2018: | TEUR 3,667 |

Figure 47 BSL sale and rent as compared to Behringstrasse Invest GmbH assets and liabilities. Source: Respective company filings.

## Eurofins Employees on Both Sides of the Lancaster Laboratories Land Purchase

In 2011, Eurofins acquired Lancaster Laboratories, Inc. (Lancaster) for US$200m in cash. Lancaster's goodwill and intangibles were reported as US$159m. Lancaster Laboratories appears to have a significant campus, based at Holland Pike, Lancaster, USA. The campus can be seen in figure 48 below.




| | | | |
|---|---|---|---|
| Dayton Route Real Estate Inc (Etats-Unis) | 100 | 345 000,00 | USD |
| Lancaster New Holland Real Estate Inc (Etats-Unis) | 100 | 2 693 845,72 | USD |
| Longmont Vista View Real Estate Inc (Etats-Unis) | 100 | 148 352,00 | USD |

Figure 48 Lancaster Laboratories location and Lancaster New Holland Real Estate Inc entry in International Assets Finance S.à.r.l. Annual Filings. Source: Google maps, International Assets Finance S.à.r.l. Annual Filings

On June 29, 2011, a transfer of a deed for land was entered into between Lancaster Labs, Inc., and Lancaster New Holland Real Estate, Inc.; the latter vehicle being a Delaware based corporation, ultimately owned by Dr Martin through Analytical Bioventures SCA. The consideration paid was reported to be US$23,750,000. A subsequent transfer of deed was entered into on August, 26 2014, by itself, Lancaster New Holland Real Estate, Inc., for US$1. Noticeably, however, this transfer deed was signed by Mr. Ralf Fassbender, reportedly acting as Treasurer to Lancaster New Holland Real Estate, Inc. According to his LinkedIn profile, Mr Fassbender appears also to be CFO to Eurofins North America.

**This Indenture**, made the 29th day of June, 2011,

**Between**

LANCASTER LABS, INC., A MINNESOTA CORPORATION

(hereinafter called the Grantor), of the one part, and

LANCASTER NEW HOLLAND REAL ESTATE, INC., A DELAWARE CORPORATION

(hereinafter called the Grantee), of the other part,

**Witnesseth**, that the said Grantor for and in consideration of the sum of **Twenty Three Million Seven Hundred Fifty Thousand Dollars 00/100 ($23,750,000.00)** lawful money of the United States of America, unto it well and truly paid by the said Grantee, at or before the sealing and delivery hereof, the receipt whereof is hereby acknowledged, has granted, bargained and sold, released and confirmed, and by these presents does grant, bargain and sell, release and confirm unto the said Grantee

REV-183 EX (04-10)

pennsylvania DEPARTMENT OF REVENUE
Bureau of Individual Taxes
PO BOX 280603
Harrisburg, PA 17128-0603

**REALTY TRANSFER TAX STATEMENT OF VALUE**

See reverse for instructions.

| RECORDER'S USE ONLY | |
|---|---|
| State Tax Paid | $0.00 |
| Book Number | 6161339 |
| Page Number | |
| Date Recorded | 08/29/2014 11:51:18 AM |

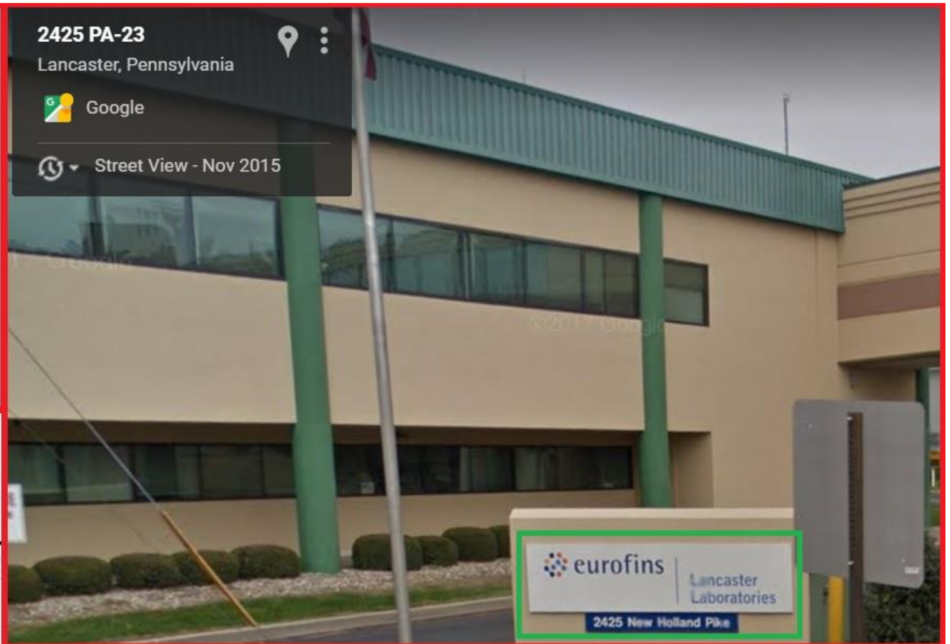
Complete each section and file in duplicate with Recorder of Deeds when (1) the full value/consideration is not set forth in the deed, (2) the deed is without consideration or by gift, or (3) a tax exemption is claimed. A Statement of Value is not required if the transfer is wholly exempt from tax based on family relationship or public utility easement. If more space is needed, attach additional sheets.

**A. CORRESPONDENT – All inquiries may be directed to the following person:**

| Name | Telephone Number: | | |
|---|---|---|---|
| Maria D. Elliott, Esquire | (717) 299-5201 | | |
| Mailing Address | City | State | ZIP Code |
| 126 East King Street | Lancaster | PA | 17602 |

| **B. TRANSFER DATA** | | | **C. Date of Acceptance of Document** | | |
|---|---|---|---|---|---|
| Grantor(s)/Lessor(s) | | | Grantee(s)/Lessee(s) | | |
| Lancaster New Holland Real Estate, Inc. | | | Lancaster New Holland Real Estate, Inc. | | |
| Mailing Address | | | Mailing Address | | |
| 2425 New Holland Pike | | | 2425 New Holland Pike | | |
| City | State | ZIP Code | City | State | ZIP Code |
| Lancaster | PA | 17601 | Lancaster | PA | 17601 |

| **D. REAL ESTATE LOCATION** | | |
|---|---|---|
| Street Address | | City, Township, Borough |
| 2425 and 2430 New Holland Pike | | Upper Leacock Township |
| County | School District | Tax Parcel Number |
| Lancaster | Conestoga Valley | (360)55164-0-0000 and 09092-0-0000 |




Commonwealth of Pennsylvania :
: ss.
County of Lancaster :

On this 26th day of August, 2014, before me, the undersigned officer, personally appeared Ralf Fassbender, known to me (or satisfactorily proven) to be the person whose name is subscribed as Treasurer **of Lancaster New Holland Real Estate, Inc.**, and that he as such officer, being authorized to do so, executed the within instrument for the purposes therein contained by signing the name of the corporation by himself as such officer.

Ralf Fassbender
CFO North America at Eurofins & President of Shared Services
Lancaster, Pennsylvania Area

Eurofins Scientific
The University of Iowa Tippie College of Business
See contact info

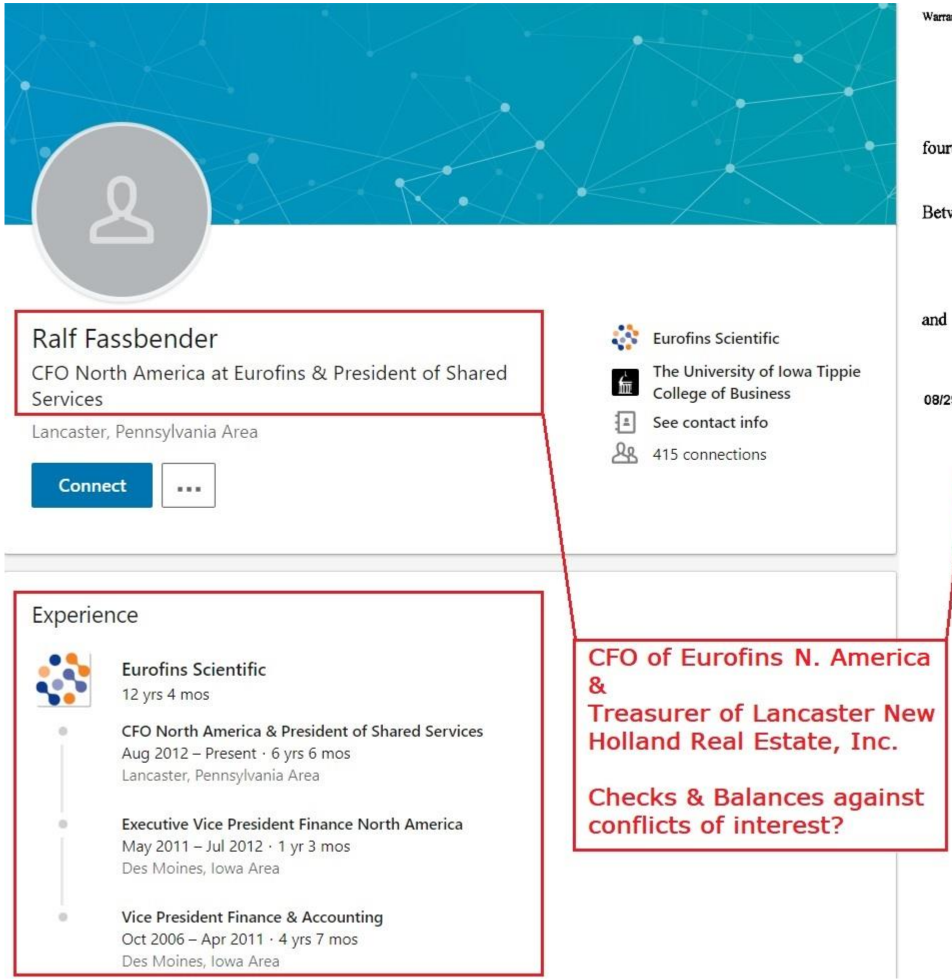
Figure 49 Transfer deed of land between Lancaster Labs, Inc., and Lancaster New Holland Real Estate (owned by Dr Martin) for $23,750,000. Subsequent transfer signed by Ralf Fassbender, CFO of Eurofins North America.
Source: Lancaster County Recorder of Deeds, www.linkedin.com, Google maps.

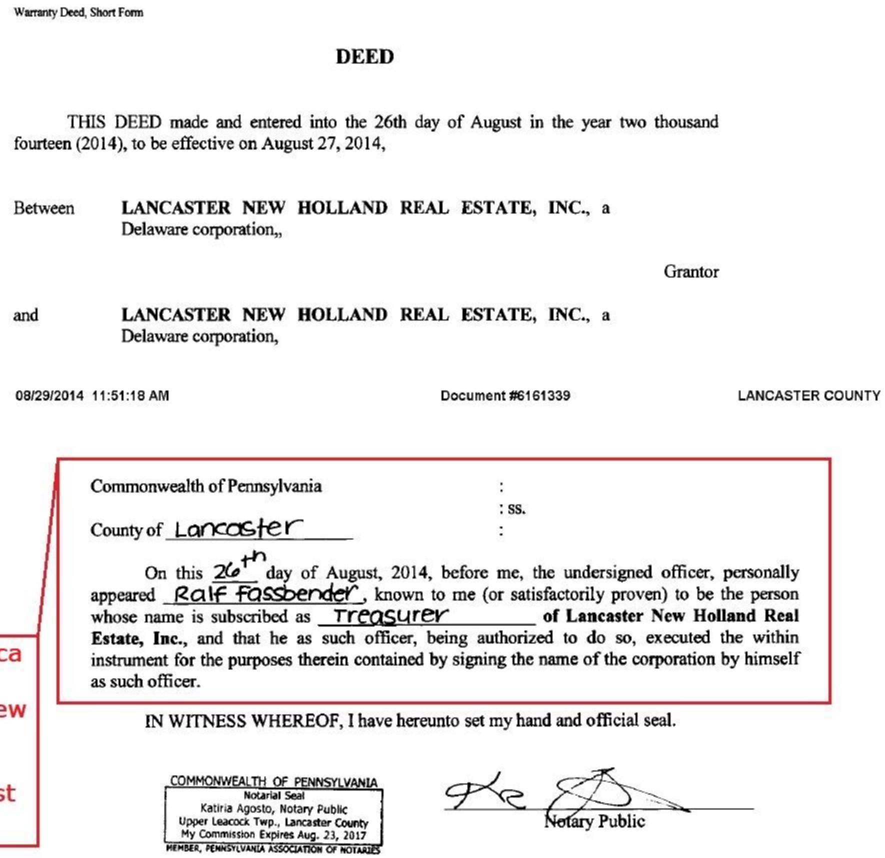
## CONFLICTS OF INTEREST?

We question whether there exists a significant conflict of interest between Eurofins and its management and major shareholder on the basis of:

1. The ultimate beneficial owners of Lancaster New Holland Real Estate Inc., being the Martin family; and
2. The CFO of Eurofins North America, seemingly also acting as Treasurer to Lancaster New Holland Real Estate Inc.

There is also the question as to who covers the cost of Mr Fassbender's services in such a dual role? If there is an answer it is not easy to find.



Warranty Deed, Short Form

**DEED**

THIS DEED made and entered into the 26th day of August in the year two thousand fourteen (2014), to be effective on August 27, 2014,

Between **LANCASTER NEW HOLLAND REAL ESTATE, INC.**, a Delaware corporation,,

Grantor

and **LANCASTER NEW HOLLAND REAL ESTATE, INC.**, a Delaware corporation,

08/29/2014 11:51:18 AM Document #6161339 LANCASTER COUNTY

Commonwealth of Pennsylvania :
: ss.
County of Lancaster :

On this 26th day of August, 2014, before me, the undersigned officer, personally appeared Ralf Fassbender, known to me (or satisfactorily proven) to be the person whose name is subscribed as Treasurer of **Lancaster New Holland Real Estate, Inc.**, and that he as such officer, being authorized to do so, executed the within instrument for the purposes therein contained by signing the name of the corporation by himself as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Katiria Agosto, Notary Public
Upper Leacock Twp., Lancaster County
My Commission Expires Aug. 23, 2017
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

Notary Public

Figure 50 Ralf Fassbender reportedly CFO of Eurofins North America and also Treasurer to Lancaster New Holland Real Estate Inc. Source: www.linkedin.com, Lancaster County Recorder of Deeds.

## FURTHER CONFLICTS OF INTEREST?

Further conflicts might arise when it comes to development costs associated with the sites of the laboratories. For example, we note that in July 2012 it was announced that (our bold for emphasis):

> Eurofins Lancaster Laboratories will construct a four-storey, 78,000-square-foot laboratory building on its existing campus which will be used for biopharmaceutical, pharmaceutical and food testing. **<u>The company</u> will invest more than $17 million to build the new facility and purchase new lab equipment**.[21]

Indeed, in its 2012 Annual Filing, Eurofins highlights an increase in capital expenditures in relation to the development at Lancaster and other laboratory sites, citing (our bold for emphasis):

> **The ramp up in capital expenditures**, especially in the fourth quarter, was driven by progress made in the building projects for various sites including **the extension of the Lancaster building** to house a food testing facility, extension projects to add capacity to the sites in **Vergeze, France**, in **Vejen, Denmark**, in **Hamburg, Germany**, amongst others. In addition, the Group ramped-up its investment in its "One IT" programme to ensure modern, robust IT infrastructure to support future growth.
>
> **This brought capital expenditures for 2012 to EUR 64.5m, above the Group's objective of 6% of revenues.**[22]

International Assets Finance's filings suggest that in addition to the Lancaster site, the Martin family is also the ultimate beneficial owner of the Vergeze, France, Vejen, Denmark, and Hamburg, Germany, sites that appear to have received investment. A natural question to ask is who bore the cost of this investment to the sites? Eurofins? Or Dr Martin?

**INTERNATIONAL ASSETS FINANCE S.à r.l.**
**Société à Responsabilité Limitée**
R.C.S. Luxembourg B 112325

Annexe légale aux comptes annuels arrêtés au 31 décembre 2012

Participations de 20 % et plus

| Dénomination, forme, siège | % détenu | Devise | Capitaux propres hors résultat | Résultat de l'exercice |
|---|---|---|---|---|
| S.C.I Nantes Géraudière Immobilier (France) | 99,8 | EUR | -48 007 | 23.861 |
| S.C.I Plaisir Gare Garabel (France) | 99,8 | EUR | -31 767 | -5.736 |
| S.C.I Les Ulis (France) | 99,8 | EUR | -1 432 | 26.632 |
| S.C.I. Saverne (France) | 99 | EUR | -50 498 | 100.809 |
| S.C.I Colmar Mathilde (France) | 100 | EUR | -8 237 | 10.833 |
| SCI Vergèze Sommières (France) | 99,94 | EUR | 100 000 | -96.470 |
| OCR Immobilier Grenoble SARL, Gieres (France) | 100 | EUR | 237 714 | 79.460 |
| SCI Aix La Duranne – La Crète (France) | 99,8 | EUR | 0 | 0 |
| Holstebro Invest A/S (Danemark) | 100 | DKK | 1 933 617 | 700.782 |
| Vejen Invest A/S (Danemark) | 100 | DKK | -489 568 | 475.772 |
| Smedeskovvej 38 Galten A/S (Danemark) | 100 | DKK | 1 516 463 | 241.045 |

Figure 51 International Assets Finance S.à.r.l. holdings. Source: International Assets Finance S.à.r.l. 2012 Annual Filing.

[21] https://cdnmedia.eurofins.com/eurofins-us/media/447648/papressrelease072512.pdf

[22] Eurofins 2012 Annual Filing: Page 10

## WHO PAYS? WHO SECURES?

In our view, filings relating to Lancaster Laboratories' site, reveal uncertainty between such development costs and a potential inequity between Eurofins and its landlord, Dr Martin. For example, in July 2012, at the same time when the $17m development was announced and Eurofins indicated it bore the capex costs, Lancaster New Holland Real Estate (LNHRE) took out a second mortgage on the Lancaster site, for US$12.5m. Hence, it is unclear to us as to whether Eurofins absorbed the cost of development, or if LNHRE did. Or if LNHRE simply used Eurofins' investment as an opportunity to release equity in the site.

Further, in April 2017, when additional Lancaster site development was required, it would appear that Eurofins provided security of US$4.17m for the improvement.

Tax Parcel Nos.:
360-55164-0-0000; 360-09092-0-0000

**THIS IS AN OPEN-END MORTGAGE SECURING FUTURE ADVANCES**
**OPEN-ENDED SECOND MORTGAGE WITH SECURITY AGREEMENT AND FINANCING STATEMENT**

This Mortgage is an open-end Mortgage as defined in 42 PA. C.S.A.§ 8143. This Mortgage secures future advances.

**THIS SECOND MORTGAGE WITH SECURITY AGREEMENT AND FINANCING STATEMENT** (this "**Mortgage**") dated the 30th day of July, 2012, is made by **LANCASTER NEW HOLLAND REAL ESTATE, INC.**, a Delaware corporation, with its principal place of business at c/o Eurofins Scientific, Inc., 2200 Rittenhouse Street, Suite 175, Des Moines, Iowa 50321 (the "**Mortgagor**") in favor of **REGIONS BANK** (the "**Bank**"), an Alabama banking corporation with banking offices at 6200 Poplar Avenue, Memphis, Tennessee 38119.

A. **Obligations Secured**. This Mortgage is executed, acknowledged and delivered by the Mortgagor to secure and enforce the following obligations and liabilities:

1. **Obligations**. THE FOLLOWING OBLIGATIONS AND INDEBTEDNESSES OF THE MORTGAGOR (OR ANY OBLIGOR) TO THE BANK OR ANY AFFILIATE (as herein defined): (i) all sums due under the Loan Documents (as herein defined) in connection with financial accommodations in the principal amount of Twelve Million Five Hundred Thousand Dollars ($12,500,000.00), including, but not limited to, that certain Term Note dated July 30, 2012 (the "Note") in the original principal amount of Twelve Million Five Hundred Thousand Dollars ($12,500,000.00), executed by Mortgagor and payable to the order of Bank at the offices of Bank shown in the first paragraph hereof, together with interest as specified in the Note; said Note being incorporated herein by reference and any and all extension, modification and renewals thereof in whole or in part; and (ii) any amounts now or hereafter due and owing from the Mortgagor (or Obligor) to the Bank arising from or in connection with any interest rate swap agreement, now existing or hereafter entered into between the Mortgagor (or Obligor) and the Bank, and any costs incurred by the Bank in connection therewith, including, without limitation, any interest, expenses, fees, penalties or other charges associated with any obligations undertaken by the Bank pursuant to a Hedge Agreement (defined herein), or the termination of any

Figure 52 Second mortgage for $12.5 million granted to Lancaster New Holland Real Estate, Inc. Source: Lancaster County Recorder of Deeds.

**Parcel ID #: 360-09092-0-0000 (2430 New Holland Pike)**

**UPPER LEACOCK TOWNSHIP**

**LAND DEVELOPMENT AGREEMENT**

**THIS AGREEMENT** made as of the 18th day of April 2017, by and between, **LANCASTER NEW HOLLAND REAL ESTATE, INC.**, a Delaware corporation, with a place of business at 2425 New Holland Pike, Lancaster, PA 17601, Pennsylvania ("LNHRE"), and EUROFINS LANCASTER LABORATORIES, INC., a Minnesota corporation, also having an address of 2425 New Holland Pike, Lancaster, PA 17601 ("Eurofins") (collectively LNHRE and Eurofins are hereinafter referred to as "Developer"), and **UPPER LEACOCK TOWNSHIP**, a second class Township operating under the laws of the Commonwealth of Pennsylvania with municipal offices at 36 Hillcrest Avenue, Leola PA 17540, Lancaster County, Pennsylvania ("Township"), and

WHEREAS, Eurofins is the lessee of the Tract and operates a business at Tract and shall provide the Financial Security as further defined and described below.

B. Amount of Financial Security. Developer agrees that the estimated cost of the Improvements is Three Million Seven Hundred Ninety Thousand One Hundred Seven Dollars ($3,790,107.xx) as set forth on Exhibit "C" attached hereto. Eurofins shall present to the Township Financial Security in the sum of Four Million One Hundred Seventy Thousand Dollars ($4,170,000.00) in a form acceptable to the Township Solicitor, which sum is one hundred ten (110%) percent of the estimated cost of the Township improvements, calculated in the manner provided in MPC Section 509. The amount of the financial security has been computed to reflect the costs which will be incurred by the Township, if the Township is required to complete the Improvements upon a default by Developer. Developer agrees that the Financial Security is to be held and released in accordance with the provisions of this Agreement.

Figure 53 Security of $4.17 million for development costs on the Lancaster Laboratories site provided by Eurofins. Source: Lancaster County Recorder of Deeds.

## A Small Sample

The above are just two of a number of examples of what we view as significant conflicts of interest and inequity regarding these property transactions between Eurofins and Dr Martin as its landlord. Historically, Eurofins has declared that it is not in the Group's strategy to own the industrial buildings and real estate needed for its main laboratories[23]. However, it would appear to be in Dr Martin's strategic interest. By 2018, the aggregate amount of future minimum, non-cancellable lease commitments due to related parties stood at €265m; a rise of over c. €200m in recent years.

Eurofins H1 2019 filing (which unlike its H1 2018 filing did not have an accompanying audit review) indicates that the present value of lease liabilities to related parties is €177.3m. Rental payments due to related parties appear to have totalled €14.5m in H1 2019, an increase of 17% YoY from €12.4m in H1 2018. On an annualised basis, despite holding 36% of Eurofins' equity, the related parties seem to achieve greater rental income from the group than dividend income.

A further issue we would highlight is that according to Eurofins' 2018 annual filing (our bold for emphasis):

> Related party transactions
>
> Due to the high technical requirements they underlie, investments in leasehold improvements in laboratories facilities can often cost as much or more than the building itself. This **creates the risk that a third-party owner of the building could take advantage of these investments to increase the rent at the end of the rental period**.

We believe that this risk is important when considering that according to its H1 2019 filing, Eurofins highlights the IFRS 16 impact on net capex, totalling €35.9m. For those unfamiliar with IFRS 16, this is a new accounting standard that was implemented by Eurofins in 2019, which aims to remove the distinction between operating and finance leases, bringing them both onto the balance sheet. Therefore, an IFRS 16 impact of €35.9m in net capex might suggest that this relates to capex on leasehold improvements. This would beg the question as to whether this was directed towards third party or related party leases. If the latter, then we would expect to see a related party disclosure.

Overall, we question if such a significant and ever-increasing acquisition policy is in the interest of Eurofins' investors and financial creditors? Or is it in Dr Martin's interest to continue to develop a large land and property empire with a near certain guarantee of a long-term tenant? Further, who bears the cost of development on these sites? Is it Eurofins to the benefit of its landlord? Or is it Dr Martin's, to the benefit of its tenant, Eurofins? It strikes us that it is the former. And why do some senior Eurofins executives seem to have the dual roles of executive positions at Eurofins and acting as signatories or Treasurers to the Martin family's land and property investment vehicles?

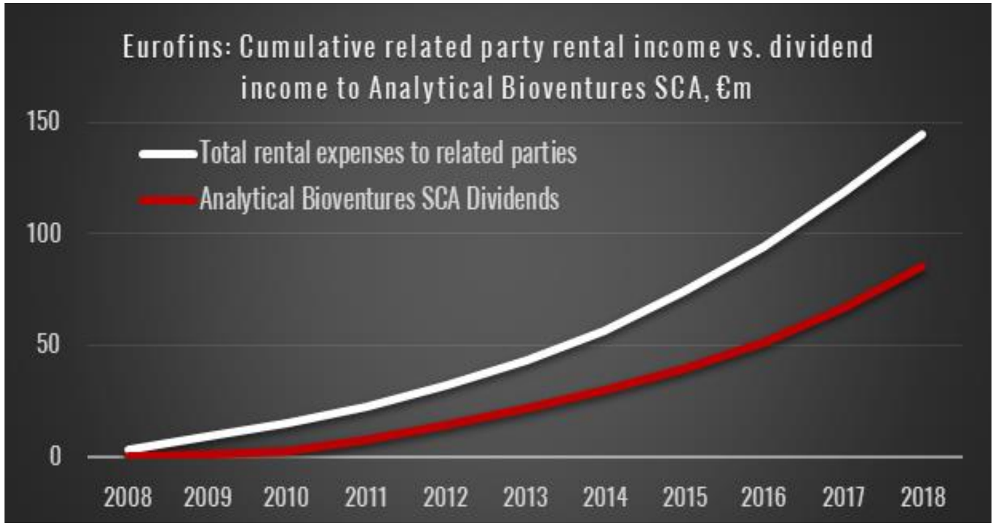



Figure 54 Cumulative related party rental incomes as compared to cumulative dividends earnt by Analytical Bioventures SCA. Source: Eurofins annual reports, ShadowFall calculations.

[23] Eurofins 2012 Annual Report: *"In the Group strategy to not own the industrial buildings and real estate needed for its main industrial laboratories, the Group sold in August 2012 a building located in Germany to a real estate company owned by International Assets Finance S.à.r.l., a subsidiary of Analytical Bioventures SCA, for a fair value of EUR 5.1m."*

## Too Much Confusion? Non! … Too Much Cash!

***"We had too much cash at the end of last year, I found out."***

Dr Gilles Martin, Eurofins CEO, Analyst Conference Call March 2019

By now you may well have learnt that we are short Eurofins. It would seem a lot of smart people are too. The disclosable shorts on Eurofins' register reads like the veritable who's who of astute shorts. It's heart-warming to be in such good company. On the other side is Eurofins' management, retaining 36.1% of the equity but 59.5% of the voting rights, alongside a sizeable collective of growth investors. The latter, we can only presume, surely bedazzled by the rapid rise in Eurofins' top line and EBITDA over the years, supported by a breath-taking pace of acquisition in terms of both quantum of spend and outright numbers. All the confusion, Aquila-themed companies, round-tripping, accounting inconsistencies, and apparent inequity between shareholders' interests and those of management aside, our view is that for some time now, Eurofins' P&L has been writing cheques which its balance sheet can't cash.

**We believe that Eurofins' H1 2019 statement demonstrates it is arguably heading towards a liquidity crisis**.

## A Turn for the Worse

Eurofins' liquidity looks to us to have taken a turn for the worse in H1 2019.

The H1 2019 results revealed a significant deterioration in the balance of Eurofins' cash and cash equivalents, trade receivables and current liabilities. For example, in 2016, this balance totalled €641m. By H1 2019 this had collapsed to minus €790m.

As things stand, we believe this to be indicative that Eurofins is unable to cover its current liabilities, let alone its longer-term liabilities, with its available resources.

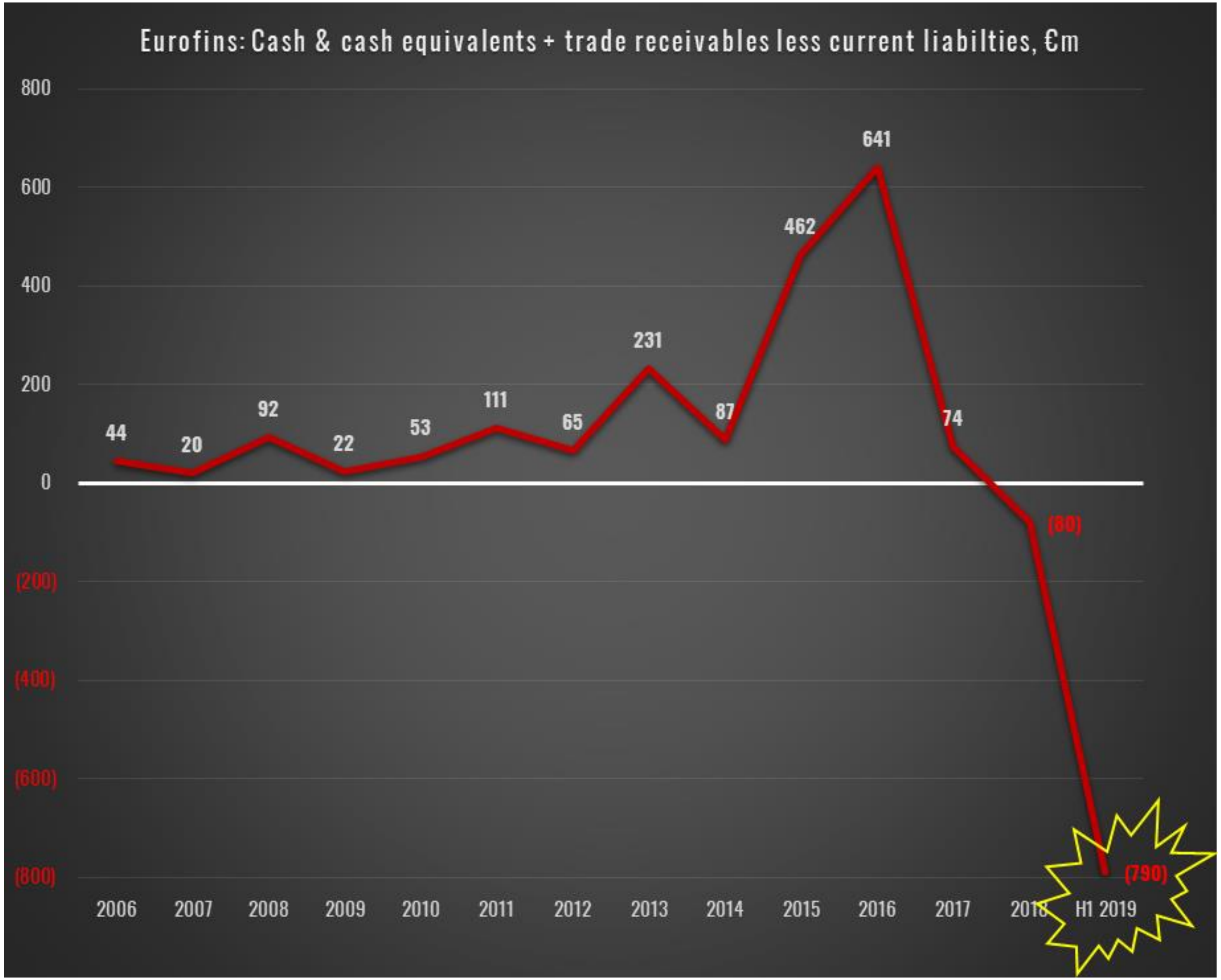



Figure 55 Eurofins' cash and cash equivalents plus trade receivables less current liabilities, €m. Source: Eurofins financial statements.

## Some Perspective

To put this into some perspective, Eurofins' current debt liabilities totalled €882m as of H1 2019. Some of this will relate to lease liabilities, however we calculate that these will be less than €109m; regardless, they still require either payment or an extension.

According to Bloomberg consensus, Eurofins is projected to achieve €883.4m in EBITDA in FY 2019. Some might think that if Eurofins can convert 103% of this into cash, then its current debt liabilities may not be such an issue. However, we see a fundamental problem for Eurofins since …

… when it comes to cash conversion, it strikes us that Eurofins isn't very good at it.

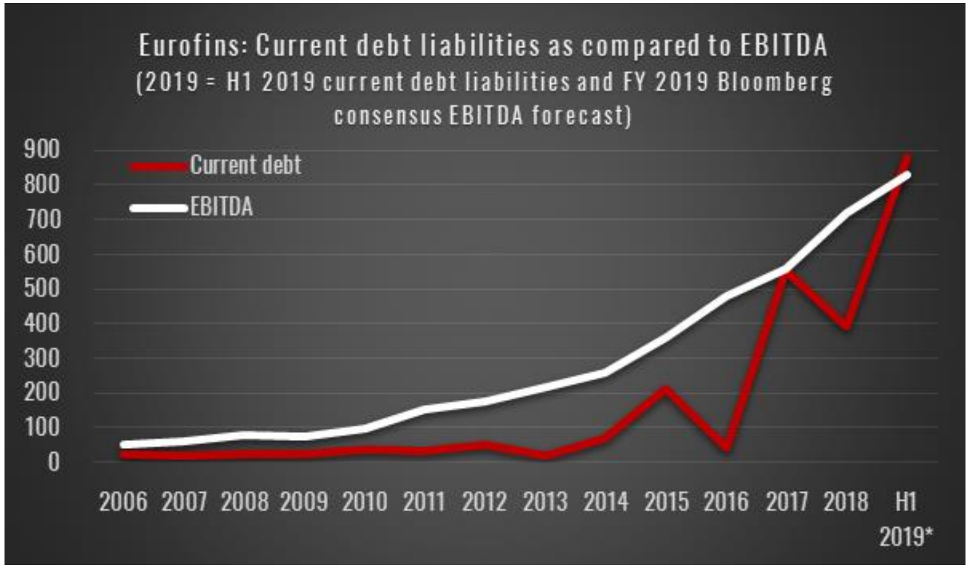



Figure 56 Eurofins current debt liabilities as compared to EBITDA. Source: Eurofins annual filings, Bloomberg Finance L.P, ShadowFall.

In the decade past, after servicing the interest costs associated with its net debt obligations and Hybrid Capital, Eurofins has converted an average of 17% of its adjusted EBITDA into Free Cash Flow to Equity (FCFE). If history proves an accurate guide, then Eurofins might be able to convert around 17% or €150m of its 2019 €883.4m forecast EBITDA into cash over the next 12 months. We calculate that Bloomberg consensus implies it will convert €127.7m of its H2 2019 EBITDA into FCFE.

When considering that Eurofins likely has €44m+ in cash earmarked for its dividend in H2 2019, this would leave somewhere between €84m to €105m to contribute towards its €882m in current debt liabilities over the next 12 months. On the basis of this, we believe that Eurofins chances of covering its next 12 months' liabilities as they fall due is somewhere between slim and none. Hence, it had better hope it can extend its payment terms. We are not convinced Eurofins' shareholders fully understand this. Although the investors contributing towards its short interest position are probably up to speed on this.

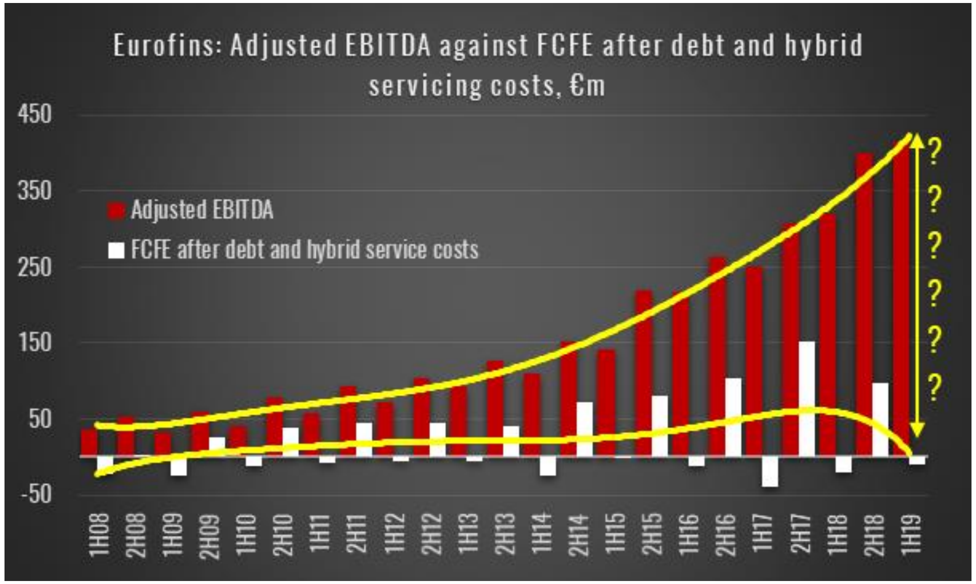



Figure 57 Eurofins adjusted EBITDA as compared to FCFE, note yellow line = smoothed trend. Source: Eurofins annual filings, ShadowFall.

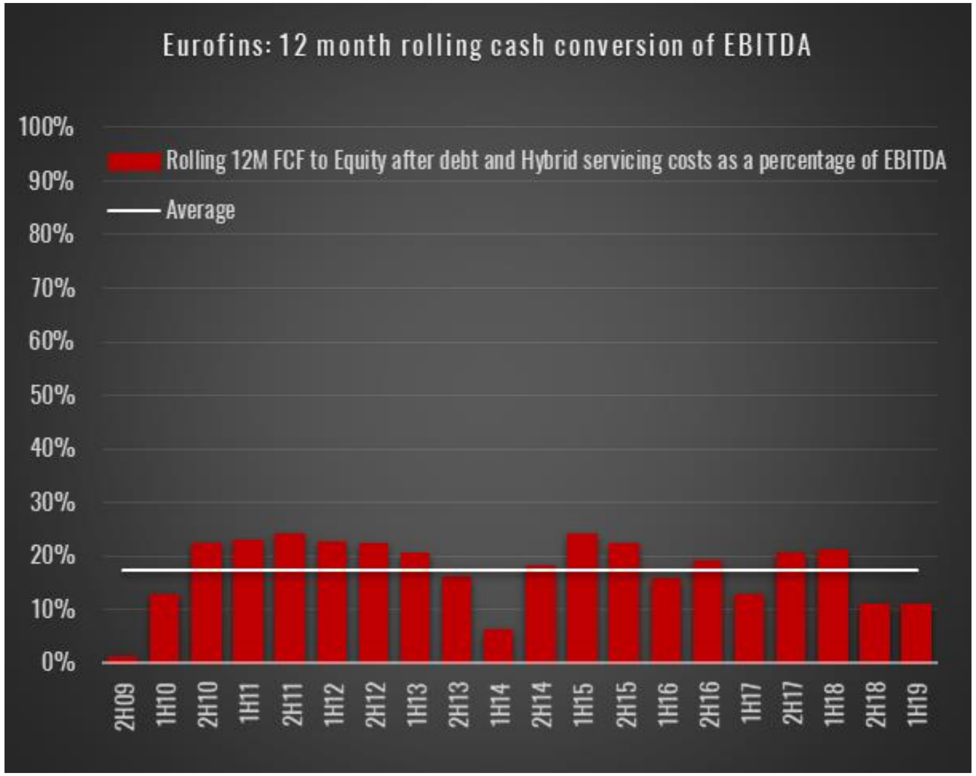



Figure 58 Eurofins 12 month rolling cash conversion of EBITDA. Source: Eurofins annual filings, ShadowFall.

As figure 58 demonstrates above, once Eurofins has covered its cash costs associated with servicing its stock of net debt and Hybrid Capital base, the remaining FCFE is somewhat low as a percentage of its starting adjusted EBITDA. Over the decade past, the group has managed to convert an average of 17% of its adjusted EBITDA into FCFE.

As figures 60 and 61 show, more recently this cash conversion has deteriorated. In 2018, we calculate that Eurofins managed to convert 11% of its adjusted EBITDA into FCFE.

**In H1 2019, we calculate that this conversion rate fell to -2%.**

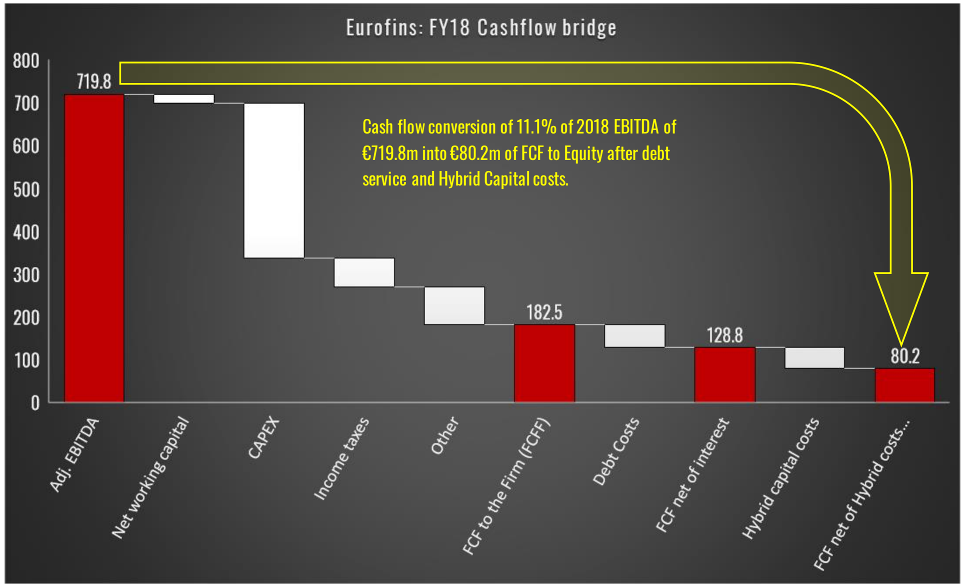



Figure 59 Eurofins FY 2018 cashflow bridge. Source: Eurofins annual filings, ShadowFall.

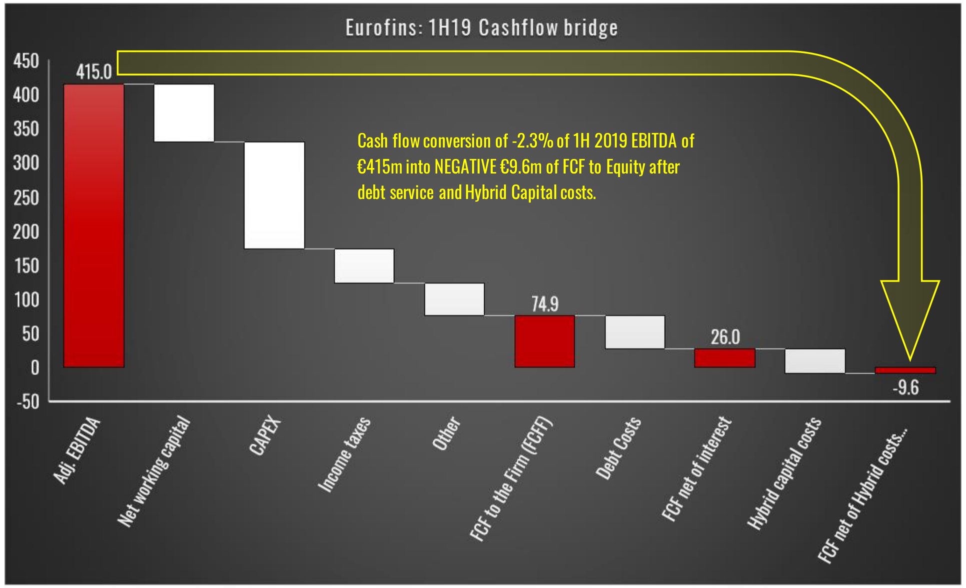



Figure 60 Eurofins H1 2019cashflow bridge. Source: Eurofins annual filings, ShadowFall.

## Don't Take Our Word For It

At the end of June 2019, current borrowings stand at an eyewatering €882m; the highest it has ever been. We wanted to look at the options Eurofins' management has available to cover these liabilities, without having a potentially negative impact on its operations, such as could be the case from asset disposals. As detailed in figure 62, Eurofins itself states that its **"minimum liquidity position required to operate the business, as based on a percentage of sales (considered to be 5% of the annualised revenues of the rolling last 3 months)"**.

Given the mid-2019 revenue loss as a result of the cyber-attack[24], it seems that the most recent 3-month period is not necessarily a good barometer for the group. To allow for seasonality and simplicity sake, we look at trailing twelve-month revenue – which we believe to be generous for a business growing revenues at a reported 27% CAGR. Stripping this minimum required cash of €210m[25] out of the total cash of €302.7m as of H1 2019, leaves Eurofins with a mere €92.5m to play with. Adding on the Group's remaining €1.8m in deposits with banks and €400k in derivatives that might be sold, we arrive at c. €95m.

Additionally, if we strip out from current assets those assets which are required to keep the business operational (inventories, current income tax assets and receivables) then the current assets available for management discretion falls to €19.7m (with €92.5m of cash). This compares to current borrowings of €881.7m! As we go on to show, it appears to us that Eurofins management has been pulling on these assets consistently since 2017 and exhausted the option for further use in 1H19.

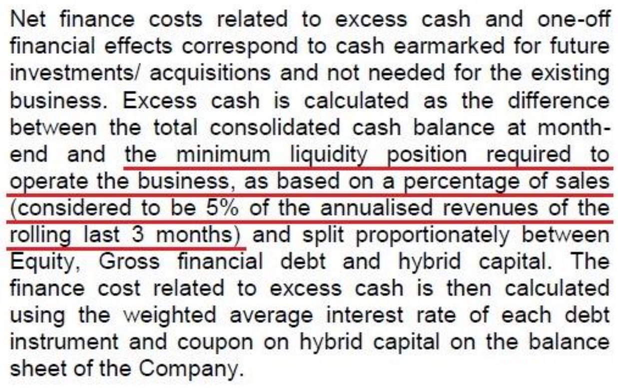

Net finance costs related to excess cash and one-off financial effects correspond to cash earmarked for future investments/ acquisitions and not needed for the existing business. Excess cash is calculated as the difference between the total consolidated cash balance at month-end and the minimum liquidity position required to operate the business, as based on a percentage of sales (considered to be 5% of the annualised revenues of the rolling last 3 months) and split proportionately between Equity, Gross financial debt and hybrid capital. The finance cost related to excess cash is then calculated using the weighted average interest rate of each debt instrument and coupon on hybrid capital on the balance sheet of the Company.

Figure 61 Eurofins guidance to its minimum liquidity position. Source: Eurofins annual filings, ShadowFall.

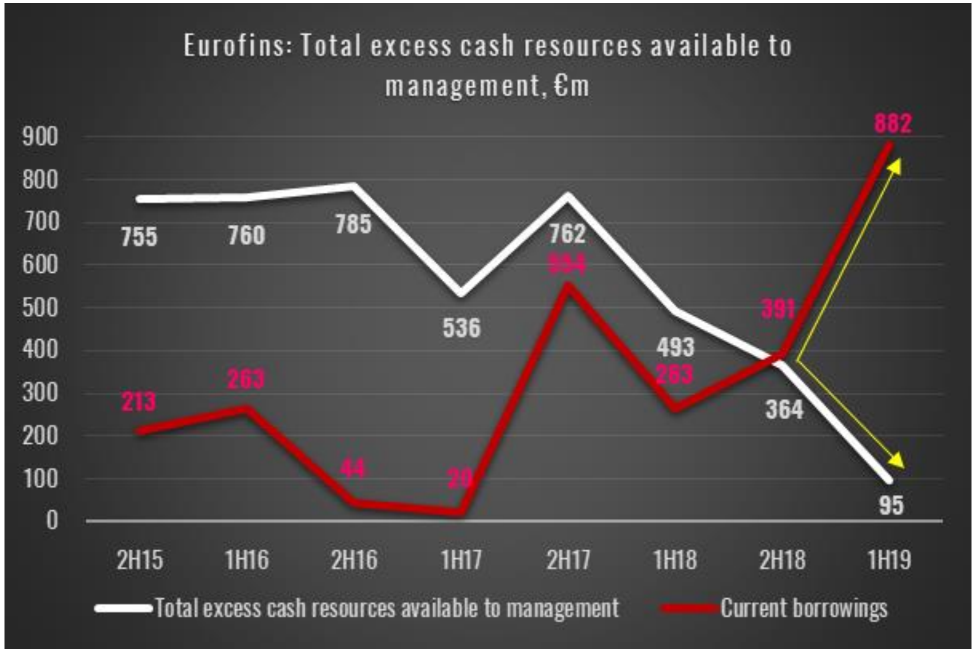



Figure 62 Eurofins total excess cash based on guidance to its minimum liquidity position. Source: Eurofins annual filings, ShadowFall calculations.

[24] On 3 June 2019, Eurofins reported that it had been subject to a ransomware attack, causing disruption to many of its IT systems in several countries.

[25] 5% of trailing twelve-month revenue

## How Has it Come to This?

Seven months ago, in March 2019, Eurofins' management were positively sanguine regarding the Group's liquidity position. We believe that the nonchalant rhetoric from Dr Martin at that time beggars belief in the light of the subsequent deterioration in the Group's financial position.

**Eurofins FY18 results call 5 March, 2019 (Bold for emphasis):**

**Thomas Burlton - Berenberg:**

"Okay. Perfect. Thank you. And then, just two more. The first one actually links to the comment you just made around the long-term view. I just wondered if you can clarify the comment in the statement around no plans to issue equity in the short term. Clearly, you obviously have a much longer time horizon in the market. And it seems – if I'm reading it correctly, you are self-funded for your 2020 objectives. But can you just confirm that, that is the case and we shouldn't be expecting issuing – equity issuance during that period, at least?"

**Gilles Martin - Eurofins:**

"Well, it makes no sense to issue equity, especially at the current share price. If we look at the value of our assets, we could sell any assets. We have plenty of independent assets that we could sell. It would really make no financial sense whatsoever to issue equity at the current value. **We don't need it. We are well funded. Our spending is discretionary. So, there's no need to do that. And we even have the – we have ensured the liquidity. We have lines of credit, et cetera, that we are well sorted out in terms of that.** That's why, last year, we [indiscernible] (19:51) at a record low interest rates, and we're also using commercial paper things to reduce our cost of funding. So, we're not a very sophisticated company, but we're getting better at managing our funding sources and managing the cost of our funding and optimizing our balance sheet. **We still have too much cash on average last year. But now that we have really clarified the commitment to strictly limit M&A and limit Capex, our treasurer will be even better able to optimize our cash balances.** So, we're trying to improve on those matters – as in many matters, we're trying to grow into the company size that we have now."

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**Gilles Martin - Eurofins:**

"**We had too much cash at the end of last year**, I found out. I was not very pleased with our treasurer actually because we had..."

… "About €500 million."

… "We shouldn't have ended the year with €500 million cash."

As we highlight above, for a start, the Group indicates itself a requirement of a minimum liquidity position of c. €210m. Now we calculate it has c. €95m excess cash and whatever it can convert from its current period forecast EBITDA to attempt to settle its current debt liabilities as they fall due. As we demonstrate below, it appears to us that Eurofins' management were mindful of the Group's ominous liquidity position ahead of the release of its H1 2019 financials.

## THE DASH FOR CASH: PART UN

We believe that the trend in Eurofins' short-term deposits with banks is a clear indication of a company that is in desperate need of cash.

Since 2016, there has been a remarkable drawdown on these deposits, from €506m in H2 2016, to leaving just €2m on deposit by H1 2019.

We interpret this as Eurofins attempting to free up as much cash as it can. If this isn't a glaringly obvious warning sign for Eurofins' creditors, then we don't know what is.

## THE DASH FOR CASH: PART DEUX

At the same time as Eurofins has been depleting its short-term deposits with banks, it has also been selling down its derivative assets.

Eurofins appears to have realised €52.8m in cash proceeds in H2 2018, and a further €47.2m in H1 2019, in relation to disposals of derivative assets connected to listed equity; a cool €100m in total cash proceeds.

We're not entirely sure what this relates to. Eurofins describes these as derivative instruments used to hedge against potential exposure to changes in market values of certain underlying assets. But what underlying assets does this relate to? Since the value of the hedge has apparently increased over time, does this imply that the value of the corresponding underlying assets deteriorated? Again, what underlying assets? And if not, were these actually hedging instruments as described?

Do the derivatives relate to a single listed equity or a number of listed equities? What has prompted the group to no longer require hedging? One thing's for sure, the remaining value of these derivatives has been almost entirely exhausted (€400k left), suggesting that the handy €100m cash proceeds in the 12 months past will no longer be accessible. We reached out to Eurofins Investor Relations for an explanation on this however, to date, we have yet to receive a response.

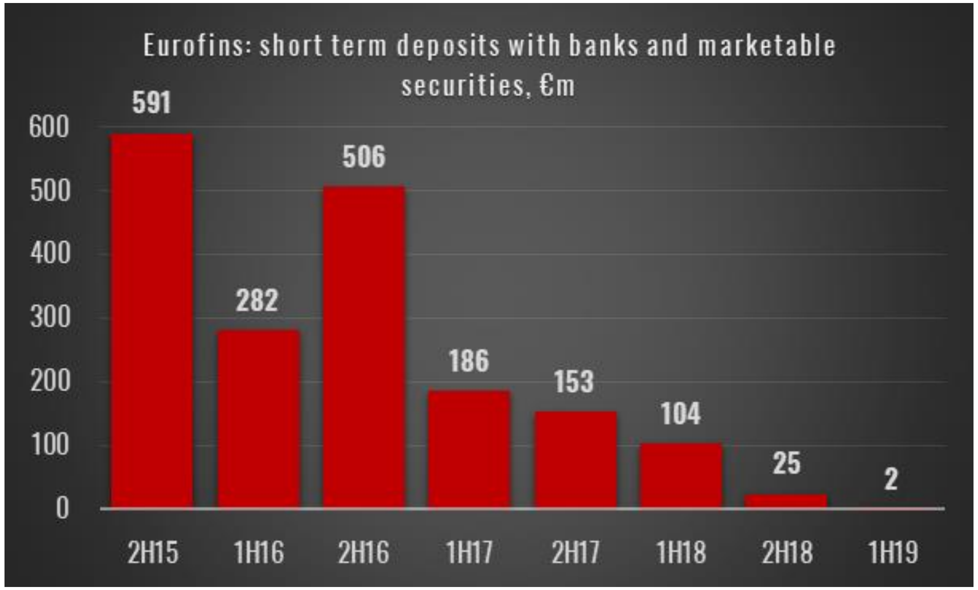


Figure 63 Eurofins short term deposits with banks and marketable securities. Source: Eurofins filings, ShadowFall.

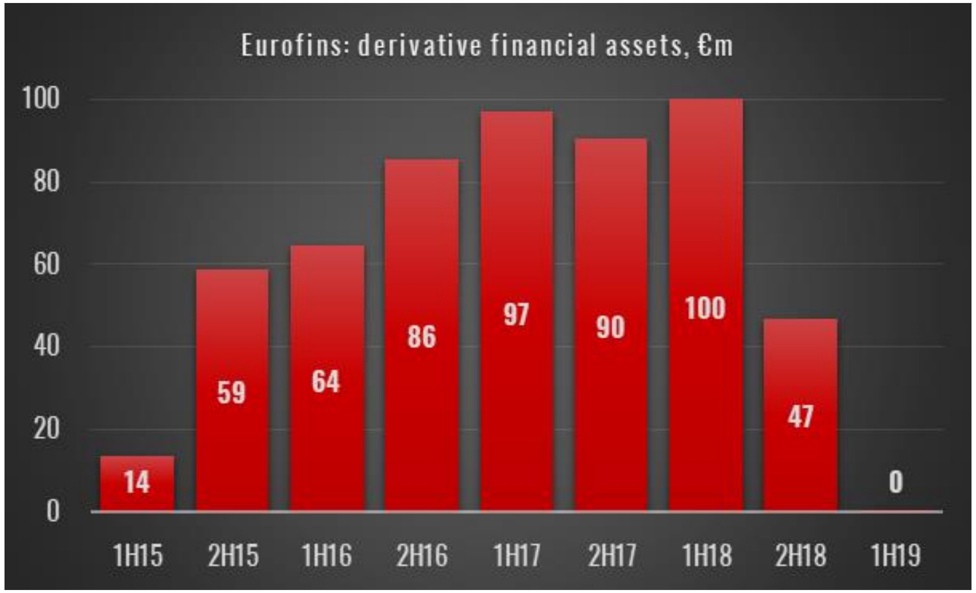


Figure 64 Eurofins derivative financial assets. Source: Eurofins filings, ShadowFall.

## PEERS CLEARLY NOT FACING A CRISIS

The deterioration in Eurofins' financial health is even more stark when compared to its peers.

In absolute terms, figure 66 demonstrates that both Intertek and Bureau Veritas report healthy Quick Value surpluses of €215m and €568m respectively. This compares to Eurofins with a Quick Value deficit of €790m.

Adjusting for scale, we can also see in figure 67 that again, both Intertek and Bureau Veritas, are achieving significant headroom regarding their respective current asset values over their current liabilities. By contrast, we believe that Eurofins is again clearly in absolute and relative distress.

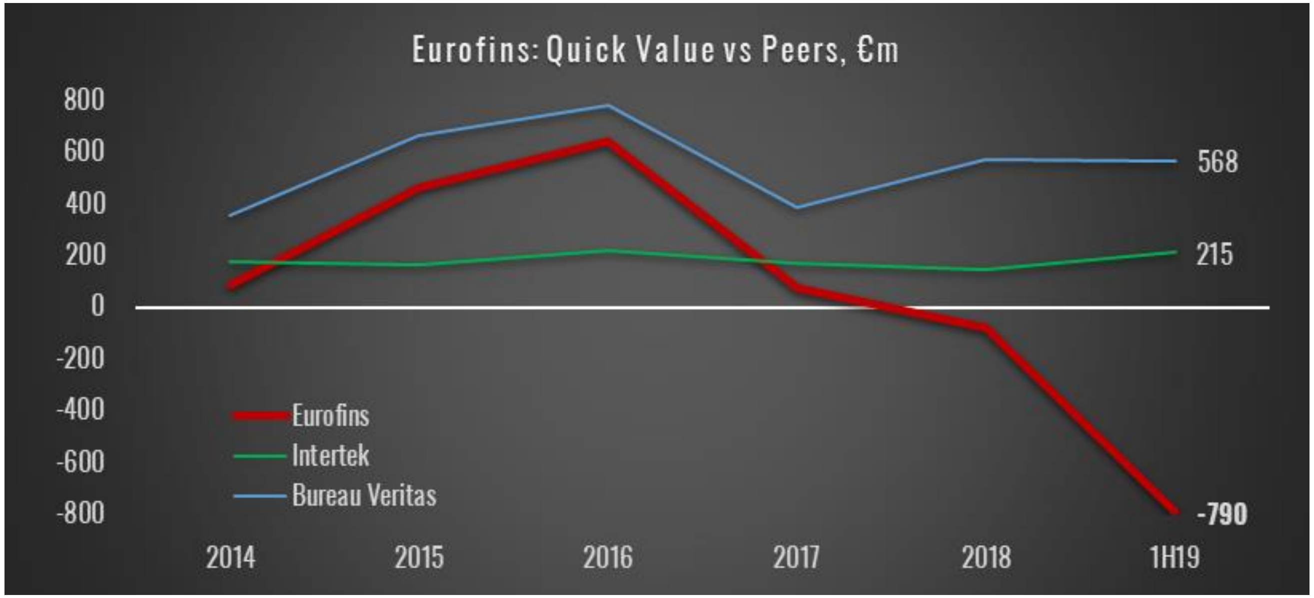


Figure 65 Quick Value of Eurofins as compared to its peers. Source: Respective company filings, ShadowFall calculations.

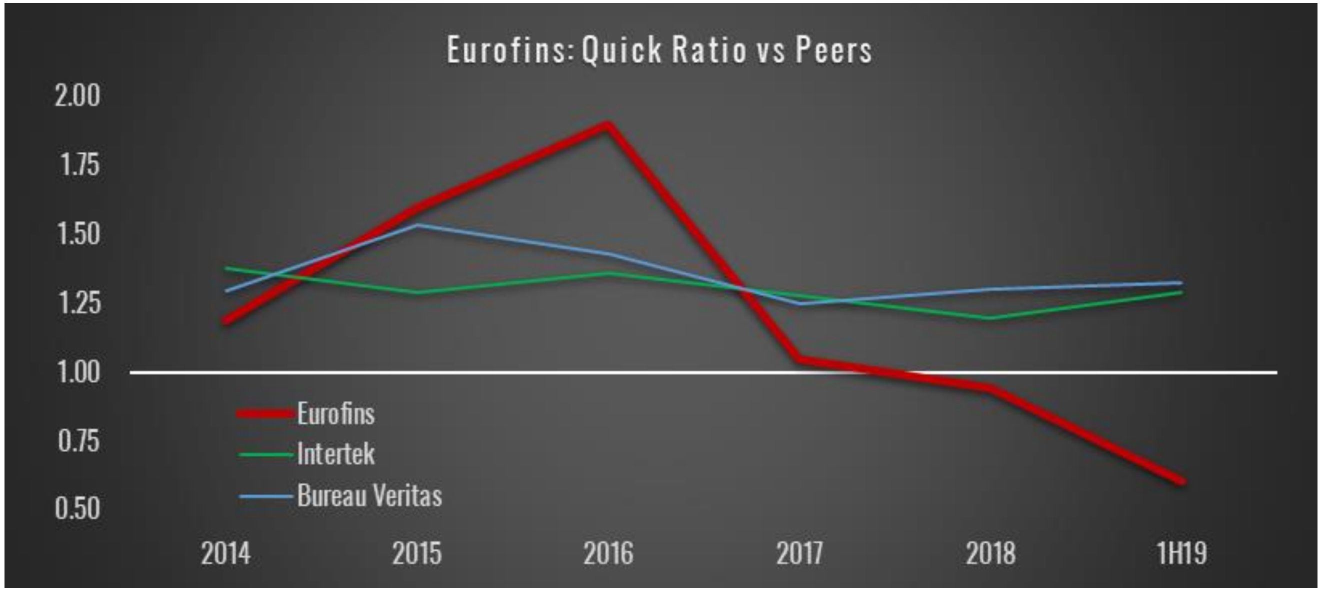


Figure 66 Quick Ratio of Eurofins as compared to its peers. Source: Respective company filings, ShadowFall calculations.


SHADOWFALL