Eurofins Agroscience Services

MAINTAINING COMPETITIVENESS IN A GLOBAL MARKET
Why a Global CRO Market?

Consolidation

- Around 10 years ago flourish of M & A activity amongst manufacturers
- Increased market reach
- HQ assume global responsibilities
- HQ have overview of budgets and timelines for global development and registration program
- Regional offices focus on local issues
- Role of regions akin to a sub-contractor for global hub
- Responsibility for regional aspects may be cascaded down to local offices or may be controlled/contracted by HQ
- New outsourcing approach partly driven by shortage of internal resources following cost control programs around 5 years ago
Why a Global CRO Market?

Regulatory harmonisation

- GLP systems are increasingly harmonised
  - More countries join OECD
  - Mutual Acceptance eg IMMETRO

- OECD harmonisation of global registrations by 2013

- Interim OECD work sharing programs involving MAD already underway with new as’s

- Mitigated data requirements on a global level

- Reduced cost and expedited timelines
Why a Global CRO Market?

Impact on sponsor’s approach

- Agchem manufacturers and seed breeders operate in a global market and think globally
- Globalisation can lead to customers streamlining complexity of managing contractors by selecting a rationalised short-list of ‘Preferred CRO’s’
- Demand robust partner
- Globalisation can encourage selection of one-stop-shop
- Require consistency of approach across continents
  - Communication
  - Systems
  - Equipment
- Relationship may be underscored with a financial agreement
- Shared risk opportunities
Response mechanisms

Robust partner

Eurofins Scientific is a global leader in bio-analysis in the pharmaceutical, agrochemical, food and environment sectors for research, development, quality, safety and compliance testing:

- Leader in food testing
- 3rd worldwide in environmental testing
- Listed on Paris and Frankfurt stock exchanges

Eurofins worldwide:

- 150 laboratories
- 8000 employees
- 30 countries
Response mechanisms
Robust partner

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Robust partner

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<th>Sustainable Market Growth Drivers</th>
<th>Key Success Factors</th>
<th>Solid Outlook</th>
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<td>Food safety &amp; contamination issues</td>
<td>Unique technology portfolio of 25,000 assays</td>
<td>Sales target</td>
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<td>New regulations (e.g. REACH)</td>
<td>Volume scale advantage &amp; Competence Centres</td>
<td>- 2008 : €620 m</td>
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<td>Outsourcing trend</td>
<td>Focus on running labs</td>
<td>- 2009 : €720 m</td>
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<td>Risks due to globalisation of trade</td>
<td>Global network of standardised labs</td>
<td>- 2011 : €1000 m</td>
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<td>Vulnerability of global brands</td>
<td>Experience in integrating value adding acquisitions</td>
<td>Value creation target</td>
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<td>Scientific development (e.g. GMOs) + new testing methods</td>
<td>Recurring revenues with high switching costs</td>
<td>- 20% ROCE (mid term)</td>
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→ Eurofins is well positioned in a young, fast growing and fragmented market
Response mechanisms

One stop shop

Geographically

- Field facilities in NAFTA, EU and LATAM
- Present in APAC with expansion plan
- RoW – presence in Africa
- Toxicology laboratories in US and EU
- Multiple GLP residue laboratories
  - 1 US
  - 1 LATAM
  - 5 EU
  - Residue lab in China with plans to expand into rest of APAC
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Global Locations-One Stop Shop

Note – Locations are a combination of field stations and laboratories
– Asia and Oceania locations are Group partners
Response mechanisms

One stop shop

*Technically*

- Registration group
- Efate
- Ecotox
- Field
- Chemistry
- Processing
- OPEX
- Toxicology
Response mechanisms

Consistency of approach

- Similar SOP’s and equipment used worldwide
- Quality/training group responsible for intra and inter continental knowledge transfer
- Global Study Management group ensure consistent approach to study design and reporting
- Entire group utilize EASSM software for study monitoring and financial management
- Data capture and software identicality
- KAM initiative for continuity of communication
- All study related/sponsor info available to entire group using SharePoint
Response mechanisms

Financial agreements

- Partnerships result in long term multi-disciplinary commitments involving all aspects of sponsor’s portfolio
- As sponsor systems are adopted, communications are optimised
- Efficiencies aligned with economies of scale translate to cost savings/reduced prices

Shared risk

- Can apply to generics, re-registration or proprietary compounds
- Deferred payments in recognition of investment: revenue stream disparity
- Royalty rewards may replace conventional payments
- Requires strong regulatory and market knowledge
- Requires financial strength
Response mechanisms

The Full Monty

MERLin

- Market Evaluation, Registration thru Launch. . .
- . . . in NAFTA; EU; LATAM; APAC etc
Lest we forget. . .

- **Flexibility**
  - Partner with sponsors
  - Create a virtual team

- **Adaptability**
  - Should an offer to buy your business arise – consider it carefully (Agrisearch / Research Options / Grayson Research / Access / Product Safety Labs / GAB / ADME / Dr Specht / Bioservices are now stronger together)

- **Service Quality**
  - A hygiene factor!

- **Pricing Strategy**
  - Price your product too high and face limited uptake, depressed revenues and market perceptions of an over-priced product that doesn’t deliver value. Price your product too low and fail to maximize the revenue potential of the product

- **Timeliness**
  - Delivery on time is now a critical yardstick

- **Cutting Costs**
  - Just a small 3% - 5% cost decrease by BU can return significantly improved EBIT

- **Pro-active marketing**
Response mechanisms

The way forward

- CRO partnerships
- Consolidation in the CRO sector
  - Threat?
    - Loss of control
    - Loss of integrity
    - Under selling
  - Opportunity!
    - Investment for expansion
    - Staff security
    - Succession planning
    - Realisation of capital in recognition of investment
    - Maintaining competitiveness in a global market
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