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## Forensic Report on Eurofins Scientific SE consolidated Cash & Cash Equivalents as of 31 December 2023

*Confidential*

20 October 2024



Eurofins Scientific SE

Laurent Lebras  
23 Val Fleuri  
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Paris-La Défense, October, 20<sup>th</sup> 2024

Dear Laurent Lebras

In accordance with our engagement letter dated July 4<sup>th</sup>, 2024, please find below our factual findings report from the work performed on the Cash & Cash Equivalents (C&CE) reported by Eurofins Scientific SE in its consolidated financial statements as of December 31, 2023.

Our findings are based on information provided by Eurofins Scientific SE, its professional advisors and its banks between July 4<sup>th</sup>, 2024, and October 20<sup>th</sup>, 2024, through interviews and analysis of documents and information provided at our request.

#### **Framework of the assignment**

Our work was comprised of tests applied to information and data requested by us and explanations provided to us through interviews. The findings are based on an assessment of the explanations, information and data provided. Had different information, data or explanations been provided, the findings and conclusions may have been other than the ones reported.

#### **Disclosure of our report to third parties**

As specified in the Limits section of this report, should this Forensic Report be disclosed by you, it would be under your full responsibility.

We appreciate the professional way the company, its advisors and its banks have responded to our requests for documents and information in the course of this work. We look forward to continuing to assist you in this matter.

A handwritten signature in black ink, appearing to read 'AG' followed by a stylized flourish.

Antoinette Gutierrez-Crespin  
Partner  
EY & Associés

## Summary

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**Abbreviations and descriptions of terms used herein**

|      |                         |
|------|-------------------------|
| ECB  | European Central Bank   |
| C&CE | Cash & Cash equivalents |

# 1. Our engagement

## 1.1. Context, scope and objectives

Following allegations publicly raised by Muddy Waters Capital LLC in June and July 2024<sup>1</sup> regarding misleading accounting practices for Cash and Cash Equivalents (hereafter C&CE), you have asked EY & Associés (hereafter EY) to conduct forensic tests on the C&CE balances reported in Eurofins Scientific SE and its controlled subsidiaries (hereafter the “Group”) consolidated financial statements as of December 31, 2023.

The Group consolidated C&CE as of December 31, 2023, amount to €1,221 million.

In the above-mentioned context, and per our engagement letter dated July 4<sup>th</sup>, 2024, we have designed and performed, as a forensic accountant, tests on the C&CE balance reported in the Group consolidated financial statements as of December 31, 2023, aiming at identifying overstatements exceeding €e k. This document and its Exhibits & Appendices summarize the approach as well as the key findings resulting from these tests performed from July 4<sup>th</sup>, 2024, to October 20<sup>th</sup>, 2024.

## 1.2. Limits

The tests that we have designed and performed did not amount to an audit or a review made in accordance with International Standards on Auditing or International Standards on Audit or Review Engagements (or refer to relevant national standards or practices) and, consequently, no assurance will be expressed. As agreed with you, our work did not include a legal assessment or analysis of the supporting documents.

We would like to draw your attention to the fact that this report was drawn up for you as the intended user and for your specific purposes, in the specific environment and context that you indicated to us at the time of its preparation.

This Forensic Report may be disclosed by you to the market, under your full responsibility. We shall have no responsibility whatsoever to any third party to whom this report is disclosed. In this respect, the report should only be disclosed in its entirety, and we cannot be held liable in the event the report is only partly disclosed to any third party.

The findings presented in this document have been prepared based on the information and documentation provided by Eurofins Scientific SE, its professional advisors and its banks. We compared the information and documents provided by the Group to similar information collected and held by third parties such as Group professional advisors or others (banks for example) where this information was available. Our tests were performed between July 4<sup>th</sup>, 2024, and October 20<sup>th</sup>, 2024. They have not been updated since.

Subject to our obligation to conduct our work with reasonable skill and care, we have no liability for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by the directors, employees, agents, or professional advisors of Eurofins Scientific SE or any other person of whom we made enquiries except to the extent that such loss or damage arises as a result of our bad faith or willful default or where the withholding, concealment or misrepresentation should have been apparent to us without further enquiry from the information provided and required to be considered by us under the terms of our engagement.

This document is based on the information provided to us and, on occasions, this information was incomplete as indicated in this report. Had we been provided with complete information; our findings and conclusions may have been different. We reserve the right but are not obliged to amend our conclusions should the receipt of further information prove that to be necessary after the issuance of this report.

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<sup>1</sup> In two public reports and a letter on June 24, 2024, July 3, 2024, and July 9, 2024.

## 2. Executive summary

In the context of allegations publicly raised by Muddy Waters on overstatement of the C&CE reported by the Eurofins Scientific Group as of December 31, 2023, hereafter the C&CE balance, you have asked EY, as forensic accountant, to design a specific approach and set of tests to detect anomalies or errors exceeding €100 k in the C&CE balance that amounts to €1,221 m, in accordance with the engagement letter signed on July 4, 2024. They were designed considering the organization of the Group cash management and reporting processes, to cover the three assertions of Existence and Valuation of the C&CE balance and the Completeness of reported overdrafts.

They were applied on **a sample of 305 bank accounts held by 174 legal entities covering 93,4% of the 2023 Group C&CE balance**. This sample was built based on a multifactor approach aiming at i) covering more than 90% of the C&CE balance, ii) then selecting 46 entities using a risk-based approach considering Group organization and activities and iii) expanding coverage using a statistical random methodology to select 36 additional entities.

No indication of irregularly altered documents was identified when performing dedicated forensic tests to detect potential data authenticity anomalies for all the bank statements, bank confirmations and statutory audit reports used in the tests. The forensics tests consisted in:

- a. Reconciliation between statutory accounts (where available), trial balance, reporting package, contributory balance sheet by legal entity, including C&CE consolidation postings, and 2023 Group consolidated financial statements as well as analysis for each selected entity of the monthly cash-flow statements for December 2023, January and February 2024;
- b. For selected bank accounts, reconciliation between bank confirmation (where available), bank statement, bank reconciliation statement and corresponding trial balance and analysis of near year-end intercompany wire transfers exceeding €100 k;
- c. Reconciliation of 99,6% of the 2023 reported Cash equivalents with the corresponding bank contracts.

As described in this report, results of the tests did not highlight any other overstatements of C&CE balance, individually exceeding €100 k, than a €943 k forex discrepancy and a €254 k unrecorded late entry. These exceptions, already identified during the 2023 year-end audit, were considered immaterial at that time (0,1% of C&CE balance) and corrected in the Group 2024 half-year consolidated financial statements.

### 3. Testing approach

#### 3.1. Key elements considered to design C&CE testing tests

##### Preliminary comments on the Group structure

The Group operates nine hundred laboratories in sixty-two countries, evaluating the safety, identity, composition, authenticity, origin, traceability, and purity of biological substances and products, as well as providing clinical diagnostic testing services. Founded in 1987 with one laboratory, Eurofins has grown through a sustained flow of acquisitions.

Throughout interviews with key managers involved in the cash management and financial reporting processes, EY has noted that Eurofins is structured with a significant level of autonomy available to the operational leaders of the entities/laboratories who are seen as local entrepreneurs within the Group. Most of the laboratories operated by Eurofins do so from within a separated legal entity. Today the Group controls almost 1300 entities (as described in the Group financial statements as of December 2023).

##### The Group's financial reporting process

Eurofins has set up a specific reporting process to streamline by country/region the accounting, reporting and treasury processes through a National Service Centre ("NSC") to centralize reporting processes for the entities and their respective laboratories.

Key financial activities such as bookkeeping (including reporting package), cash disbursements and cash management are centralized in the 30 NSCs. NSCs are also responsible for justifying both the reporting package and statutory accounts to the statutory auditors (including the bank confirmation process).

Recently acquired entities are integrated into this framework within the year following their takeover. The 30 NSCs are overseen by the four Senior Finance Directors who report to the Group CFO.

##### Cash Management

For the centralization of local cash balances as of end of December 2023, 14 national cash pooling structures were set-up with 10 international banks.

Those structures aim at upstreaming the local excess cash positions and are not designed to fund the Eurofins' entities. Should an entity need cash (additional funds for capex, etc.), the process requires it to request for a dedicated loan from the Group (which is eliminated in the consolidation process). Consequently, the banks managing the cash pooling structures are instructed not to allow any payment exceeding the amount deposited by a given entity. Bank overdrafts are not allowed for Eurofins' cash-pooled subsidiaries.

The cash pooled at national level is up-streamed through a second layer of cash-pooling to centralize the available cash at the Group's headquarters. The Group invests the cash surplus on short term fixed deposit accounts which correspond to the Cash equivalents reported.

##### C&CE Consolidation process

The consolidation team, composed of seasoned staff located in France, is responsible for the preparation of the Group consolidated accounts. Its role includes accompanying the NSCs in the preparation of the reporting packages, the analysis of the consistency of the reporting packages, the accuracy and correct elimination of the intercompany operations (including cash pooling accounts) and the other consolidation postings.

C&CE' reporting from each local bank accounts to the Group financial statements process comprises four main steps:

1. The cash at bank and fixed deposits are accounted for at entity level in the local trial balance. The amount reported in the trial balance should corresponds to the cash at bank and fixed deposits, adjusted for the cash transactions initiated before period-end and that have not yet been reflected on the bank statement (e.g. the entity has issued a check that has not been deposited yet). Those transactions are called the reconciling items.
2. The C&CE from the local trial balance are then reported at entity level in the reporting package which is uploaded in the consolidation software.
3. The software converts the C&CE to the Group' currency (i.e. euro) and sums all the local cash balances to calculate the Group's cash balance stated in euro.

4. Other reconciling items could come from additional bookings to adjust the Group cash balance if need be. For example, when aligning the intercompany cash pooling accounts between two entities, the consolidation team identified that a near-year end intercompany wire transfer has been accounted for, in the period, by only one of the two entities, resulting in two mismatches i) in intercompany cash pooling current account and ii) in the Cash account that have been corrected.

### 3.2. C&CE overstatement's risks and tests

Based on our risk assessment and consideration of the organization and structure of the Group, we designed forensic tests to detect potential anomalies or errors resulting in C&CE overstatements exceeding €100 k on a sample of entities. These risks included three categories of financial statement assertions (Existence, Valuation and Completeness) detailed as follows.

#### Tests related to Existence risk

To test the 2023 Group consolidated C&CE to identify any instance of non-existent reported C&CE above €100 k, we have designed tests aimed at identifying:

- At entity level:
  1. amount of cash exceeding €100 k reported at entity level in the trial balance that is overstated or does not reflect the amount of cash at the bank;
  2. reconciling item exceeding €100 k that is not accurately reported in the trial balance, resulting in a C&CE overstatement;
  3. amount of C&CE exceeding €100 k reported in the consolidation software that does not match the amount of C&CE reported in the trial balance.
- At consolidation level, unsupported postings overstating the C&CE.

With this objective, we used the following top-down approach. Starting from the C&CE reported at Group level, we obtained the breakdown of the C&CE reported by legal entity (entity level) and the adjustments posted at Group level, as of December 31, 2023.

At Group level, we analyzed and questioned management for all the postings made at Group level to understand their rationale and to detect potential overstatements of C&CE reported exceeding €100 k. Additionally, we have validated that cash-pooling current accounts are eliminated in the Group accounts.

At entity level:

- A) For a sample of bank accounts (please refer to the sampling methodology section 2.3):
  1. We analyzed the reconciliation between the amount of C&CE reported in the trial balance of the entity and the confirmation from an external source (i.e. its bank). For any discrepancy (reconciling item) greater than €10 k between the bank statement and the balance of the bank account per the trial balance, we obtained supporting evidence and confirmed it was a timing difference without impact on the C&CE balance.  
When analyzing reconciling items, we gave specific attention to the fact that C&CE reported were actual C&CE and not intercompany receivables (e.g. cash pooling accounts).
  2. We searched for external third-party confirmation (from the banks or through the local statutory auditors) when available.
  3. We tested the authenticity of the documents that supported our analysis (please refer to the section *Tests performed on data authenticity* below) including:
    - a. Bank statements;
    - b. 3<sup>rd</sup> party confirmations;
    - c. Audits reports.
  4. We searched for any significant cash disbursement that should have been accounted for at year-end through a specific analysis of the bank statements of January 2024.
- B) For each selected legal entity, we analyzed the monthly cashflow statements for December 2023, January 2024 and February 2024 to detect unusual items that may indicate that the C&CE reported by the entity has been overstated. In particular, we looked for any unusual cash-in or cash-outs unrelated to the corresponding month activity of these three months and for each selected entity.



### Tests related to Valuation risk

To detect any instance of incorrect valuation of C&CE as of December 31, 2023, which would result in an overstatement of C&CE individually above €100 k, we designed two main specific tests. The first one focuses on incorrect currency conversion and the other one on incorrect reporting of the actual fair value.

For currency conversions, we compared the currency exchange rates used by the Group with those of the exchange rates of European Central Bank (hereafter the ECB) and have reperformed, for all the selected bank accounts, the conversion calculation from the bank balance in local currency to the reported bank balance converted in euro.

Regarding fair value, we noted that the Cash equivalents held by the Group as of December 31, 2023, are simple financial instruments (Vanilla instruments) for which we considered that an independent counter valorization was not necessary. For all the Cash equivalents tested (representing 99,6% of the total Cash equivalents reported) we have reconciled the amount reported to the corresponding bank contract.

### Tests related to Completeness risk

To address the risks of failure to report existing bank overdrafts of a controlled entity in the Group consolidation scope, or of a bank account in the local trial balance, we have considered the organization and the control environment of the Group.

First, we noted that Eurofins Group seeks to consolidate all the controlled entities, without consideration of materiality. In this context, we went on to confirm that the consolidation reconciled to the reporting to Luxembourg tax authorities. We observed that the process to upstream excess cashflow beyond the operational day to day activity requirements limited the cash generally held by entities at this level.

In addition, the Group's policies do not permit any subsidiary to be financed by the Group cash-pooling arrangements, hence each entity is supposed to generate enough free cashflow to support its operations. Should an entity need additional funds to finance specific investments, it should apply for an internal loan which triggers a dedicated approbation process. In this context, and in addition to the analysis of the bank statements, we have reconciled the cash balance reported by the selected legal entities with the corresponding statutory audit report to corroborate the level of cash reported to the Group. As those audit reports were obtained through the Group management, we screened all these files with our in-house data authenticity tool.

### Tests performed on data authenticity

To address the risks associated with the authenticity of the evidence provided, all PDF documents (i.e. over 1700 documents) were selected and tested to detect indicators of potential authenticity risks, such as falsification or manipulation. Where risk indicators were identified, the documents were assigned to a forensic specialist for further assessment using an electronic tool designed to test for alteration and manipulation of information within electronic documents.

## 3.3. Sampling methodology

Given the high number of entities and bank accounts, resulting from the Group organization, the sampling approach to select entities and bank accounts aimed at:

- a) **Coverage:** Covering more than 90% of the 2023 Group Consolidated C&CE, to primarily respond to the Existence and Valuation risks;
- b) **Risk based:** Selecting entities that could present high risks of anomalies of errors based on a risk analysis to respond to the three identified risks;
- c) **Random:** adding entities using a random methodology to respond to the three identified risks.

**For the coverage objective,** we analyzed the entities located in the 13 most contributing countries to the Group C&CE balance as of December 31, 2023. Hence, we selected the account bank balances individually greater than €300 k or equivalent in local currency. This led us to examine **204 bank accounts** held by 92 entities corresponding to 93% of the C&CE reported by the Group as of December 31, 2023.

**For the risk-based approach,** we built a specific combined risk criteria approach applied at entity level:

- Recent integration in the Group (i.e. entity acquired less than two years before year-end with a focus on the entities integrated less than six months before the end of the fiscal period);

- Located in a country included in the Financial Action Task Force (FATF) blacklist of June 2024;
- Located in a country included in the EU list of non-cooperative countries and territories for tax purposes;
- Locally audited;
- With a significant level of negative cash (<- €200 thousands);
- With aggregated C&CE greater than €1 million as of December 2023;
- With a revenue greater than €100 million;
- With atypical cash generation.

An additional sample of 46 entities located in 22 countries was selected using this risk-based approach. For each entity, we have selected all the bank accounts with a balance of €300 k or more, based on the trial balance, and, when there was no bank account amount to €300 k, we have selected the most significant bank account leading us to examine 65 bank accounts.

To cover the residual inherent risks for other entities we have **randomly** selected additional entities. The size of the additional sample has been determined based on a statistical base. In total 36 entities were selected. They are located in 16 different countries. For each entity, we have selected all the bank accounts with a balance of €300 k or more, based on the trial balance, and, when there was no bank account amount to €300 k, we have selected the most significant bank account. In total, we have tested 36 bank accounts.

Following this sampling methodology, we selected 305 bank accounts held by 174 legal entities in 37 different countries corresponding to a total amount of €1,139.9 million of C&CE, representing a total coverage of 93,4% of the C&CE balance.

## 4. Key results

All the tests were applied to all bank accounts selected through the sampling methodology. They identified two individual exceptions above €100 k each, totaling an overstatement of €1.2m. These exceptions, already identified during the 2023 year-end audit, were considered immaterial at that time (0,1% of C&CE balance) and corrected in the Group 2024 half-year consolidated financial statements.

### 4.1. Testing coverage

✓ means that no exception exceeding €100 k was noted

#### Coverage on bank reconciliation tests

| Operating segment | Number of selected entities | Number of tested bank accounts | Balance of selected C&CE (€m) | Total C&CE coverage | Bank statements authenticity status on selected bank accounts | Reconciliation status on selected bank accounts |
|-------------------|-----------------------------|--------------------------------|-------------------------------|---------------------|---------------------------------------------------------------|-------------------------------------------------|
| Europe            | 97                          | 179                            | 1 055                         |                     | ✓                                                             | ✓ (a)                                           |
| North America     | 21                          | 31                             | 11                            |                     | ✓                                                             | ✓                                               |
| Rest of the world | 56                          | 95                             | 75                            |                     | ✓                                                             | ✓                                               |
| <b>Total</b>      | <b>174</b>                  | <b>305</b>                     | <b>1 140</b>                  | <b>93,4%</b>        |                                                               |                                                 |

(a) For one entity located in Germany, a €254 k overstatement in the C&CE balance reported to the Group as of December 31, 2023, was noted. This entity identified this overstatement when preparing its statutory accounts in February 2024 and corrected it in June 2024 Group accounts given the immateriality of the item. The root cause analysis that we performed concluded that the failure to identify this item was due to a recently acquired entity not being integrated in the NSC at that time. Our risk-based sampling methodology included 24 additional newly acquired entities.

#### Coverage on statutory audit reports analysis

| Operating segment | Number of selected entities | Balance of selected C&CE (€m) | Total C&CE coverage | Audit reports authenticity status for selected entities | Statutory audit report analysis for selected entities |
|-------------------|-----------------------------|-------------------------------|---------------------|---------------------------------------------------------|-------------------------------------------------------|
| Europe            | 70                          | 778                           |                     | ✓                                                       | ✓                                                     |
| North America     | 15                          | 7                             |                     | ✓                                                       | ✓                                                     |
| Rest of the world | 46                          | 57                            |                     | ✓                                                       | ✓                                                     |
| <b>Total</b>      | <b>131</b>                  | <b>842</b>                    | <b>68,9%</b>        |                                                         |                                                       |

#### Coverage on bank confirmations analysis

| Operating segment | Number of selected entities | Balance of selected C&CE (€m) | Total C&CE coverage | External confirmation authenticity status for selected entities | Bank confirmation analysis status |
|-------------------|-----------------------------|-------------------------------|---------------------|-----------------------------------------------------------------|-----------------------------------|
| Europe            | 28                          | 1 011                         |                     | ✓                                                               | ✓                                 |
| North America     | 0                           | 7                             |                     | ✓                                                               | ✓                                 |
| Rest of the world | 6                           | 57                            |                     | ✓                                                               | ✓                                 |
| <b>Total</b>      | <b>34</b>                   | <b>1 075</b>                  | <b>88,1%</b>        |                                                                 |                                   |

## 4.2. Key results by assertion

Key results of the detailed tests are presented below.

1. We have performed dedicated forensic tests to detect potential data authenticity anomalies for all the bank statements and statutory audit reports used in these tests.  
⇒ **No indicator of document irregular alteration was identified.**

### Tests related to Existence

2. We obtained a contributory breakdown of the Group balance sheet by legal entities as of December 31, 2023 (the "Contributory balance sheet"). We checked that this Contributory balance sheet reconcile with the balance sheet reported in the Group financial statement published as of December 31, 2023.  
⇒ **No discrepancy exceeding €100 k was noted.**
3. We have examined all the bookings posted at consolidation level impacting C&CE and obtained the corresponding documentation.  
⇒ **No exception exceeding €100 k was noted.**  
Besides, we have checked that cash-pooling current accounts are eliminated in the Group accounts, noting no discrepancy.
4. For each of the bank accounts selected according to the sampling methodology, we reconciled for the corresponding legal entity (i.e. 174 legal entities) the local trial balance as of December 31, 2023, with the Contributory balance sheet.  
⇒ **14 individually and in aggregate under €100 k exceptions noted, corresponding to late bookings.**
5. Where available, we obtained the Corresponding 2023 statutory Audit Report (i.e. 131 entities). We reconciled the amount of cash reported in the Audited Statutory Accounts and the trial balance.  
⇒ **4 individually and in aggregate below €100 k exceptions noted, corresponding to two late bookings and two discrepancies due to unrecorded cash in transit.**
6. For each of the 305 selected bank accounts:
  - a. We have reconciled the bank statements, the bank reconciliation and the trial balance.  
⇒ **2 individually and in aggregate below €100 k unjustified reconciling items noted.**
  - b. We have analyzed the significant cash movements in December 2023 and January 2024 to detect potential significant reconciling posting omitted in the bank reconciliation.  
⇒ **1 exception (€254 k) noted for one entity (see section 4.1 (a)).**
  - c. We have analyzed all near year-end intercompany wire transfers above €10 k to detect potential double cash counting due to wire transfers delays.  
⇒ **No exception exceeding €100 k was noted.**
  - d. For each legal entity, we have examined the monthly cash flow statements for December 2023, January 2024 and February 2024 to detect potential significant reconciling posting omitted in the bank reconciliation.  
⇒ **No item exceeding €100 k was noted.**

### Tests related to Valuation

Key results of the detailed tests related to Valuation are presented below.

7. We have reconciled the exchange rates used at year-end by the consolidation team with the ECB exchange rates.  
⇒ **No exception exceeding €100 k was noted.**
8. For the 305 selected bank balances, we reconciled the bank account balance in local currency with the amount consolidated in euro using the ECB exchange rates.  
⇒ **We noted one discrepancy on one USD account which was converted using the end of November 2023 exchange rate resulting in a €943 k overstatement of the C&CE balance. This adjustment was identified by the statutory auditor and corrected in the Group half-year 2024 consolidated financial statements.**

9. We examined 99,6% of the Cash equivalents reported as of December 31, 2023, obtained the corresponding contracts and confirmed that they were all vanilla instruments and that the reported value corresponds to contract terms.  
⇒ **No exception exceeding €100 k was noted.**

#### **Tests related to Completeness**

Key results of the detailed tests related to Completeness (i.e. overdrafts exhaustivity) are presented below.

10. For the 305 selected bank accounts **no missing bank statements or bank reconciliations was noted.**
11. For the 174 selected entities, the C&CE reported in the local trial balance has been reconciled with the C&CE consolidated  
⇒ **14 individually and in aggregate below €100 k exceptions noted, corresponding to late bookings (already mentioned in 4. above).**