



March 1, 2013

Dear clients and colleagues,

Once again, food scandals have been making headlines, notably the horse meat issue in Europe and a new study uncovering fraud in the seafood industry. We wanted to highlight these recent food scandals and their implications on a company we own in our portfolios; Eurofins.

Eurofins is a European-based company specializing in bio-analysis of food, pharma and environment. It operates through 170 labs across 34 countries and performs 80 million tests every year. Eurofins has been a beneficiary of these scandals.

The discovery of horse meat in prepared beef products has affected many European food retailers and distributors. Although horse meat itself is not harmful, some DNA tests have confirmed the presence of phenylbutzone, a horse medication that can be unsafe for humans.

From Tesco to Carrefour, many companies have undertaken massive food recalls which have cost them millions to date. Not to mention the revenue lost from unsold meat products and the reputational cost that some businesses are facing. Authorities have had to reinforce controls on meat products and are requiring from companies to conduct more tests.

In December 2012, Eurofins was the first independent lab to confirm beef contamination within the food supply chain. Since then, it has increased its assistance to the food industry by hosting webinars and by boosting its DNA testing capacity.

Many studies conducted by different organizations in Germany, UK and in the U.S. have confirmed the existence of a major seafood fraud.

The latest study by Oceana revealed that one-third of fish sold in the U.S. are mislabeled. Not only are consumers getting ripped-off, but the current system in place makes it difficult for buyers to distinguish endangered species. Mislabeled seafood products can also cause serious health problems for those suffering from allergies or food sensitivities.

With only 2% of U.S. seafood being controlled, we believe there will be a growing need for authenticity and traceability testing. Eurofins offers a complete solution of analytical testing of the fish industry ranging from DNA to chemical and physical testing.

The complexity of the food chain, the increase in food variety and the growing demand for food safety are strong drivers that should support demand for food testing. That being said, Eurofins which hold a leading position in the food testing industry worldwide should do well.

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The stock has been a top performer in our portfolios during 2012 and also year to date. Since we initiated the position, the stock has returned 18.9% annual return versus 7.2% for its benchmark.

The Global Alpha Team

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