

GENERAL LAB¹

1. ORIGEN

General Lab is a corporation created in 1991 that is dedicated to conducting clinical analysis and managing clinical laboratories. Since 2005, it has been the leading laboratory group in Spain and has been profitable from year one. Company's headquarters are in Barcelona.

Intention

The project to create General Lab arose from the desire to launch a large private laboratory using the latest techniques in business management. The mission was to become the leading clinical laboratory company in Catalonia in two years and eventually a leader in Europe. To do so, the company needed to provide the best service to the prescribing physician and the patient at a controlled and efficient cost. It was a matter of modernizing the clinical laboratory sector, or clinical analysis as a business, as much from the standpoint of production, quality, and efficiency as from the standpoint of a service firm.

Josep Ignasi Hornos Vila (clinical analysis specialist and PDD of IESE) together with Jesús M^a Martínez Larrañaga (industrial engineer and PADE of IESE) developed a business plan that included three stages of activity: to treat 1,000, 2,000, then 4,000 patients daily. The initial break-even point for the company stood at an annual net revenue of 4.2 million euros. Josep Ignasi Ovens (future General Manager) contacted Carles Sumarroca Coixet (future President of General Lab) to obtain financial partners. Mr. Martínez Larrañaga (future Manager) contacted Luis de Jaureguizar (General Manager of Quinta de Salud La Alianza) to ensure that the project gained an important client as a partner.

¹Case written by Oriol Amat and Martí Guasch, professors at the Universitat Pompeu Fabra. The authors acknowledge the assistance of General Lab and especially that of Albert Sumarroca (CEO) and Josep Ignasi Hornos (General Manager) 2013.

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Start of operation

General Lab was officially established on July 5, 1991. This entailed multiple and ongoing management meetings oriented towards establishing values, objectives, criteria, and procedures to strengthen the strategy and culture of the future company.

A new, large clinical laboratory was built (over 1,500 m² in dimension) within the premises of the Hospital Universitario Sagrat Cor de Barcelona, owned by the Quinta de Salud La Alianza. On December 2, 1991, operations began.

From the beginning, General Lab received support and cooperation from suppliers which allowed them to pay their debts at 180 days instead of 90 to 120 days, which was standard at the time.

A multidisciplinary shareholding

One of General Lab's unique features was a shareholding that integrated executives (23%), clients (26%), and business and financial shareholders (51%). The initial capital of €600,000 was distributed among various shareholders (see Figure 1).

This shareholding had placed more priority on growth targets and creating long-term value than the receipt of dividends in the short term.

Quinta de Salud la Alianza	18.0 %
Carles Sumarroca Coixet	14.0 %
Josep Ignasi Hornos Vila	14.0 %
Joaquim Sumarroca Coixet	10.0 %
Tirce, S.A.	8.0 %
Mercè Fulquet Azustench	7.0 %
Pere Sumarroca Coixet	7.0 %
Lluís Coll Huguet	5.0 %
Remei Cirera Rafanell	5.0 %
Proelec, S.A.	5.0 %
Jesús M ^a Martínez Larrañaga	4.0 %
Joan Torres Picamal	1.5 %
Jordi Escribà Nadal	1.5 %
Total	100.00 %

Figure 1. General Lab initial shareholding

2. A RELEVANT SECTOR WITH A HIGH LEVEL OF COMPETENCE

In the U.S., the economic cost of clinical laboratories represents 4% of total public health, but it influences and is directly related to 70% of all medical decisions. The work of the clinical laboratory has three distinct phases (see Figure 2). Of these phases, the analytical has, up to the present day, been the principle task. In many cases, it is the only one in the vast majority of clinical laboratories. Currently, the analytical process is increasingly likely to be not only automated but robotic. Preanalytical and postanalytical phases are the true indicators of quality in clinical laboratories and will be increasingly so in the future.

Unfortunately, the organizational principles of many clinical laboratories worldwide meet the conditions of the industrial age of one hundred years ago: a division of labor, a management division, a separation of doing and thinking, reward for work, etc. In many clinical laboratories, twenty-first century technology is in the hands of a late nineteenth-to-early twentieth century management style.

The net revenue of private sector clinical laboratories in Spain is about 700 million euros a year. It is a highly competitive sector in price and quality. Unlike other parts of Europe, Spain has no price regulation, nor official price rate. Often, companies within the sector have to operate at near-impossible prices, as some patients require free analysis or services.

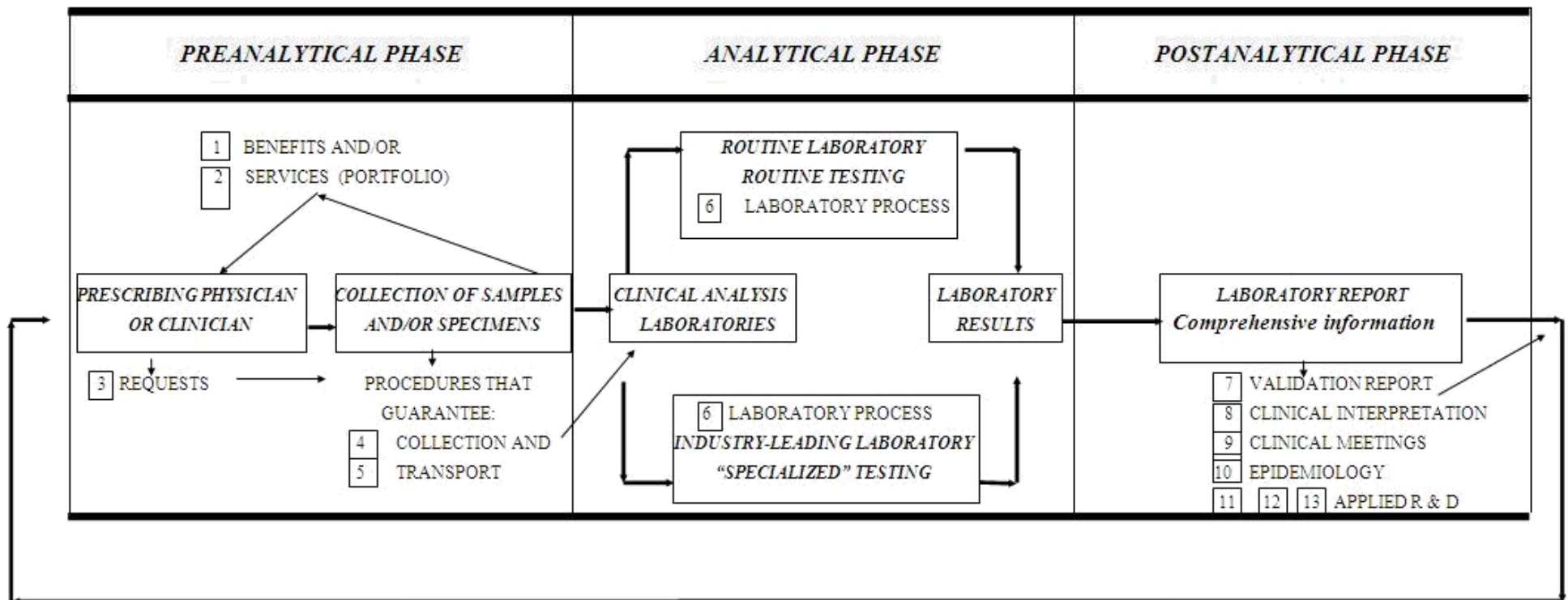


Figure 2. Operational phases of a clinical laboratory

3. GENERAL LAB’S STRATEGY AND BUSINESS MODEL

3.1. MISSION, VISION, AND VALUES

General Lab has a clear orientation towards business. Its main goal is to be a business leader, and it is essential for the motivation of its team to be able to carry out a large number of tests with high quality assurance, in minimum periods of time, and at low costs. Figure 3 presents General Lab’s mission, vision, and values.

WHAT DO WE WANT TO DO?

MISSION

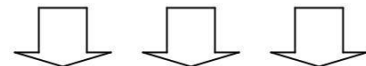
TO OFFER THE BEST DIAGNOSTIC SERVICE WITH MAXIMUM TECHNICAL AND HUMAN QUALITY AND WITH ECONOMIC EFFICIENCY

WHAT DO WE DO?

VISION

GENERAL LAB IS A PROVIDER OF OPTIMAL AND EFFICIENT, CLIENT-ORIENTED SERVICES WITH THE AIM OF CONTINUOUSLY IMPROVING:

- Our organization and its expansion (be the industry leader)**
- Our proximity to patients**
- Our level of innovation and competitive differentiation**
- Our overall quality of personalized service for each patient**



OUR VALUES

WE ARE MANAGERS AND COLLABORATIVE PARTNERS OF THE HEALTH LABORATORY
WE ARE A TEAM OF EXPERTS IN ALL FACETS: TECHNICAL, MANAGERIAL, INFORMATION SYSTEMS, CUSTOMER SERVICE, AND BUSINESS
WE OFFER PERSONALIZED SERVICE TO EACH PATIENT
WE INNOVATE AT ALL LEVELS: MANAGEMENT, TECHNICAL, INFORMATION SYSTEMS, ETC.
WE ARE LED BY INDUSTRY PROFESSIONALS AND NOT BY FINANCIAL GROUPS

Figure 3. General Lab’s mission, vision, and values

3.2. STRATEGY

The clinical laboratory as an organization is a service company that is included within what are called new technologies. Currently, the environment of these emerging technologies is defined by three realities: the globalization of markets, media technology, and total quality as a management culture. These three realities are subject to many changes, like society itself.

As a service company it is essential that a clinical laboratory is fully oriented towards the client. That is, the client should be the focus of the company strategy. Also, it is necessary to know and understand the two distinct types of clients: external and internal. External clients are considered prescribing physicians, patients, insurance companies, clinics and hospitals, mutual accident insurance and prevention services companies for large companies, pharmaceutical companies, public companies, and other clinical laboratories. Internal clients are employees of the company, shareholders, suppliers, and financial institutions.

General Lab's strategy is comprehensive in that it covers the management of people, new technologies, the most efficient processes, total quality, and continuous innovation. As Josep Ignasi Hornos explains: "All activities involve costs, not all add value, only some involve differentiation, and very few provide a competitive advantage."

This strategy allows General Lab to formulate annual goals related to:

- EBITDA increases (Earnings before interests, taxes, depreciation and amortization) in relation to sales.
- Reduction of operating costs such as salaries, transportation and others (paper, toners, consumables...).
- Absenteeism reduction (not including maternal/paternal or long leaves).
- Increase in training hours.
- Incidences reduction.
- Accomplish with stock targets and delivery commitments.
- Increase publications, conferences and scientific articles written by employees.

3.3. HUMAN RESOURCES

Given the need to diagnose, satisfy, and retain different types of patients, managing people is a vital strategic element in achieving the objectives of a clinical laboratory. As with any service provider, in a clinical laboratory whose essential product is to provide a service that protects the health of others, people are the most valuable resource of the organization. It requires management with a comprehensive vision of the laboratory and leadership capable of forming and integrating work teams and guiding them towards achieving the company's objectives.

General Lab's human resources policy is based on several pillars:

- A network organization (horizontal and decentralized) whose decisions are made close to where the service is provided. Thus, the continuous improvement and involvement of all employees is promoted, which maintains ongoing innovation.
- Training efforts. General Lab is the most active laboratory in all forums (business, technical and scientific
- Placing importance on motivation.
- Compensation policy that has a variable component based on goals and metrics; variable compensation considers what people do, rather than his or her academic status. Figure 4 shows an example of how General Lab computes the incentive to be received by the head of a technical department. The incentive depends on the achievements of various targets based on cost, productivity and quality indicators.
- Consensus with union representatives being that General Lab has had a workers committee since its inception.

	Indicator	Objective	Metrics	Starting point	Period indicator	Result	Objective achieved	Helps to total	Incentive per indicator
1	Direct Cost	5% reduction in relation to last year	Direct Costs/Number of determinations	4.63	3.57		Yes	25%	750
2	Productivity	5% increase in relation to last year	Number of determinations/Number of full working days	11.734	15.757		Yes	25%	750
3	Consumable ratios	Don't exceed preestablished limits	Number of determinations consumed/Number of informed determinations	Hemo=1.17	Hemo=1.2		Hemos not only 16.7%	0,25	500
				Coag=1.68	Coag=1.43				
				Bioq=1.17	Bioq=1.12				
4	External quality control	Keep non acceptable results under General Lab's average	% non acceptable results	5.13	3.9		Yes	25%	750

Figure 4. Calculation example of annual incentive based on the achievement of the objectives measured with different indicators of cost, productivity, consumption and quality

3.4. TOTAL QUALITY

Total Quality means obtaining client satisfaction (internal and external) with economic efficiency. Total Quality encompasses all services, processes, data analysis, and reports performed by the clinical laboratory, and it is based on several pillars: people, technology, quality management, client proximity, and economic efficiency (Figure 5).

- 1. HUMAN CAPITAL (professional and constantly motivated)**
 - NETWORK ORGANIZATION
 - TRAINING
 - INFORMATION (communication)
 - RESEARCH AND DEVELOPMENT
 - INCENTIVES

- 2. AVAILABILITY OF CUTTING-EDGE TECHNOLOGY**
 - SET OF INSTRUMENTS
 - ROBOTICS
 - COMPUTER SCIENCE AND TELECOMMUNICATIONS

- 3. QUALITY AND OPTIMAL SERVICE DELIVERY**
 - CERTIFICATIONS AND ACCREDITATIONS
 - QUALITY MANAGEMENT AND INSPECTION UNIT
 - TOTAL, QUALITY CONTROL UNIT
 - INDICATORS OF QUALITY (client perception)

- 4. PROXIMITY TO THE CLIENT**
 - EXTERNAL (users, physicians, hospitals, administrations, centers, and institutions)
 - INTERNAL (workers and internal organizations)
 - PREDICT AND SATISFY THEIR EXPECTATIONS

- 5. ECONOMIC EFFICIENCY**
 - BEARABLE COST, NOT THE LOWEST COST
 - QUALITY/SERVICE/PRICE BALANCE
 - ANALYTICAL AND BUDGETARY ACCOUNTING
 - CALCULATION AND ANALYSIS OF MALPRACTICE COSTS

Figure 5. Pillars of Total Quality at General Lab

To achieve these objectives, it is necessary that all members of the laboratory are quality managers. All people have the responsibility of quality management (prevention, self-control, continuous improvement, to perceive everything from the perspective of a demanding client).

Total Quality policy is one that favors a balance between the objectives of quality, price, and service to be achieved globally but also at the level of each employee as each is like a small business. Competitiveness requires economic efficiency (bearable cost) that must be balanced with the quality of services provided. These three objectives, Quality-Service-Price, depend on very distinct issues:

- Quality largely depends on the professionalism of the members of the laboratory.
- Service depends on the expectations of the client (external and internal). A key aspect of the company is managing complaints, as it has been found that a well-resolved complaint means that the client becomes five-times more loyal to the company.
- Price acquires its value and measurement when compared to laboratory competence.

The challenge of the company is to find an appropriate balance between these three objectives.

General Lab was the first hospital clinical laboratory in Spain to receive ISO 9002:1994 certification in 1997 and ISO 9001:2000 in 2001. The latter is a comprehensive management system certification that promotes continuous improvement of all processes and seeks maximum client satisfaction with economic efficiency. For this purpose, the company measures client satisfaction.

Periodically, internal audits are carried out, and, once a year, external audits conducted by the official certifying body take place.

3.5. INFORMATION SYSTEMS

General Lab is committed to pioneering innovative information systems. It began its operations with a powerful computer system that had its own new program called *WinLab@*, which was designed according to the instructions and specifications of J.I. Hornos and provides, among others, various innovations:

- Double-coding per patient (a code per patient and another code for extraction or sampling)

- Barcode labels for positive identification of all biological samples and all analytical requests
- Optical answer sheets for analytical requests
- A display screen and barcode reader in each extraction or sampling room
- Preanalytical incident control and daily reporting thereof to all sending centers as the best instrument for continuous improvement
- Full validation levels (technical, per department and patient)
- Varied printed results with a cumulative report of the history of the last six requested analytical results
- Cumulative reports from the patient
- Analytical and statistical reports for large clients
- Attendance monitoring for staff
- Warehouse and stock program (reagents and supplies)

The complete computerization of information permits the tracking of all processes and people involved for all analysis requests. This, together with the streamlining of those processes, enables General Lab to achieve cost leadership (which is essential in an industry where prices are very tight) and meet excellent delivery deadlines.

The company controls each KPI (Key Performance Indicators) for various laboratories in monthly bases, including:

- The measurement of the activity; number of determinations (analysis) and requests or petitions (patient),
- The average of determinations by petition,
- Costs per determination (reagents, production personnel, maintenance and depreciation),
- Productivity (number of tests per full time production employee),
- Absenteeism (hours not worked / contracted hours) and
- The distribution of productive staff by category (physicians, nurses, technicians, administrative and other).

3.6. TECHNICAL INNOVATION

Besides management innovation, General Lab also prioritizes technical innovation. This translates into significant advances in various types of analysis, for example, Amniotic Fluid QF-PCR (prenatal diagnosis), Breath Test (*Helicobacter pylori*), Human Papilloma Virus detection, Industrial Toxicology (biological control), and Druga based testing detected through saliva and sweat.

3.7. IMAGE

From its inception, General Lab established a powerful image, especially in its logo (Figure 6); a test tube shaped like the letter "g" in a tiny blue box, which was developed through a major marketing effort. This image and logo are present throughout the company.



Figure 6. General Lab logo

4. EXPANSION

General Lab has experienced exponential growth since its early years, which is consistent with the goal that inspired the company's strategy.

4.1. GROWTH STRATEGY

To grow, rather than competing with other competitors, General Lab had opted for integration (outsourcing) with existing clinical laboratories. Thus, large volumes of analytics were obtained, achieving economies of scale and making available a complete network of laboratories and collection centers that would be able to offer services to large clients globally while at the same time optimizing their level of quality and client service.

Therefore, General Lab's main path to growth and expansion has been the outsourcing of clinical laboratories in hospitals, clinics, mutual accident insurance companies, and other laboratories (eventually 40 in total). It has always had the support and consensus of work committees and unions involved, and, by outsourcing, it has successfully integrated all of the center's staff.

Incorporation of the shareholders' laboratories

In its early years, General Lab incorporated different shareholders' laboratories with their corresponding personnel:

Hospital Central l'Aliança – Barcelona, 1992
C.E.T.I.R. Laboratorio de RIA – Barcelona, 1992
Clínica Quirúrgica Onyar – Girona, 1992
Clínica de Ponent – Lleida, 1993
Clínica L'Aliança – Vic, 1993
Clínica L'Aliança – Sabadell, 1993

In these centers, General Lab installed emergency rooms with their own computer system and connected them to the central laboratory of Barcelona, thus providing continuous service, 24 hours a day, 365 days a year.

Integration of other laboratories

Subsequently after the incorporation of the shareholders' clinical laboratories was finished, the technical position of the laboratory was stabilized. In 1993, it gained major clients such as ONCE Catalunya, Servicios Penitenciarios del Departament de Justicia de la Generalitat de Catalunya, Telefónica Catalunya, and Mutua Metalúrgica de Accidentes y Enfermedades Profesionales. Agreements were established with private labs for them to work as state-assisted centers in Vic, Girona, Lleida, Sabadell and Mataró.

In addition, they began to integrate personnel and the analytical operations of other clinical laboratories:

MIDAT, Mutua Metalúrgica Barcelona –1993
S.E.A.T. Factoría Zona Franca, Barcelona –1994
General Lab – Dr. Euras – Vic, 1994
General Lab Dr. J. Vidal – Tarragona, 1994

General Lab – Dr. Esteve – Girona, 1994
General Lab – Dra. Colldeforn – Mataró, 1995
General Lab – Dra. Olivé - Sabadell 1995

Simultaneously, expansion work began into medical centers, health care companies, businesses, mutual accidents insurance companies and public agencies.

In 1993, expansion also began in the rest of Spain, initiating operations in Valencia and Santander where the association of General Lab Cantabria was established.

4.2. GENERAL LAB GROUP

Since 1994, the General Lab Group has been composed of three types of clinical laboratories:

- Owned laboratories: those that General Lab holds one hundred percent of the property
- Participating laboratories: those in which there is not total shareholder participation. In the majority of cases, the participation exceeds 50% of the shares
- Collaborating laboratories: those in which there is no shareholding. In this case, a cooperation agreement is signed in which General Lab benefits from the health care network of the collaborating laboratory and the latter benefits from General Lab's services (central purchasing, association with an industry-leading laboratory, financing, etc.).

4.3. EXPANSION IN SPAIN

In September 1998, the facilities of the Central Laboratory of Madrid were established thanks to the integration of clinical laboratories and assigned personnel from Fraternidad and Museba Ivesbico; both societies were mutual accident and occupational disease insurance companies. From this moment, contracts were signed, the vast majority with total state-wide coverage, with prevention services for large companies: Telefónica, ONCE, Correos, Iberia, Adif, Policía Nacional, Instituto Social de la Marina, Ministerio del Interior, Metro de Madrid, Gas Natural Fenosa, etc., and with other mutual accidents insurance companies such as Mutual Cyclops, Ibermutuamur, Umivale, etc.

The territorial expansion of General Lab in Spain was consolidated with the incorporation of the Quirón Hospital Group in 1999, the progressive incorporation of emergency labs in five of their hospitals, and the U.S.P. Hospital Group in 2001, integrating fourteen hospital emergency labs.

4.4. EXPANSION IN PORTUGAL

In the summer of 2006, General Lab Portugal established a modern clinical laboratory building in Lisbon. It quickly expanded an important network of emergency labs in Lisbon (Hospital da Luz, Hospital Lusíadas) and Porto (Hospital DaBoavista). It also integrated Germilab, a clinical laboratory site in Cascais. Thus, a large group of leading laboratories was consolidated in the Iberian Peninsula.

Figure 7 shows the main data relating to 2007 when General Lab was already the leading clinical laboratory in Spain in services, information, management, and the execution of laboratory diagnostic tests. 85% of its activity was carried out in Spain and the rest in Portugal.

50*	Owned clinical laboratories
17*	Shareholding laboratories/companies
27*	Collaborating laboratories
790*	Employees (150 licensed/doctors)
2.462.230*	Annual analysis requests
11.000*	Analysis requests per day
24.021.744*	Annual tests or analyses
105.000*	Tests or analyses per day
53.934.000*	Estimated aggregate net revenue for the fiscal year 2007 (in euros)

*Does not include collaborating laboratories, only owned and shareholding participants

Figure 7. Main data for General Lab in Spain and Portugal (data from 2007)

5. MERGER WITH LABCO AND ENTRY OF 3i CAPITAL

In December 2007, General Lab merged with Labco, the French leader in clinical laboratories, which at that time had 115 laboratories in various countries (France, Belgium, Italy, and Germany), and nearly three thousand employees on staff. Labco was founded in 2003 through the merger of several laboratories. Due to this, Labco managed to have a presence in Spain and Portugal. The merger was made by exchanging shares with Labco, and, thereafter, General Lab continued to operate, as did all other integrated

laboratories from other countries, as a subsidiary of Labco. After the transaction, all General Lab shareholders acquired 14% of Labco's shares.

The merger of General Lab and Labco set a framework around the conviction that the diagnostic sector has a tendency towards consolidation, and by this framework, they have aspired to create a great European group. In addition, it aims to generate economies of scale to achieve cost and revenue synergies and has an advantage in that the two groups have a very similar philosophy for growth. The growth model of Labco is similar to that of General Lab because it consists of incorporating leading local and regional clinical laboratories in its network and allows those responsible for these laboratories to become partners of the group. In fact, Labco acts as a holding company, and all laboratories are subsidiaries of such holding. This model is valid for owners (more than 60% of the capital belongs to the clinical laboratories' directors) and management teams (which are usually teams from their own country). Thus, after having joined the network, the management teams of different laboratories continue to work with a high degree of autonomy, ensuring the best service for their patients and prescribing physicians. This functional structure allows Labco to maintain management teams with deep knowledge of their local and regional markets, and, at the same time, achieve economies of scale.

Subsequently, in July 2008 the venture capital group 3i joined Labco capital with an investment of 130 million euros. Today, 3i and other venture capital firms control 42% of Labco (TCR Capital, Natixis Investment Partners and CIC Finance).

6. CURRENT SITUATION

Currently, General Lab serves in both the out-patient and in-patient scopes, in the private and public sector, in all matters relating to emergency clinical analysis, of routine diagnostics, specialists, and pathological anatomy. It also has shareholdings in companies dedicated to specific topics such as medical centers.

Along with this group of interests, General Lab is open to all sectors (hospitals, mutual accident insurance companies and preventative services, insurance companies, pharmaceutical laboratories, public administration, and other clinical laboratories). It is also open to all disciplines of study: pathology, radioimmuno analysis, molecular genetics, molecular biology, industrial toxicology, blood transfusion services, anti-aging, nutrition and functional medicine, personalized preventive medicine, among others.

Albert Sumarroca is the CEO of General Lab and General Manager of Labco Iberia (which manages Labco in Spain and Portugal). Josep Ignasi Hornos remains the General Manager of General Lab.

Since 3i joined the capital group, Labco has acquired more than 80 laboratories throughout Europe. In Spain, they have acquired the luso-hispanic group Sampletest in July of 2008 for 210 million euros and other laboratories smaller in size. When Sampletest was bought, the Labco Iberia brand was created that brought together all the Labco subsidiary laboratories in Spain and Portugal. Most laboratories continue to operate under their own brand name and with the Labco logo.

In 2012, Labco issued 500 million bonds for individuals to finance its growth. Figure 8 and Annexes include financial information for General Lab and its main competitor, Dr.F. Echevarne Laboratorios.



Figure 8. Sales growth for General Lab and Laboratorio Dr.F.Echevarne from 1992 to 2012 (euros)

Labco, headquartered in Paris, billed almost 600 million euros in 2012 (including Labco Iberia). It operates in seven countries, with 4,820 workers and performs clinical analysis on 19.7 million patients a year. It intends to continue to grow and enter the stockmarket; therefore, it does not distribute dividends. General Lab, by volume and history, continues to be Labco's most structured subsidiary model, and, consequently, continues to maintain its management model. Apart from continuing to grow and consolidate its leadership in Spain and Portugal, its challenge is to succeed in not letting the exacerbated price declines caused by the crisis to affect its quality of the service. In the following chart (Figure 9), various data from General Lab and Labco Iberia is provided.

General Lab (Spain & Portugal)	Labco Iberia (includes General Lab)	
64	144	Owned clinical laboratories
17	19	Shareholding laboratories/companies
27	27	Collaborating laboratories
890*	1.695	Employees (more than 200 licensed/doctors)
4.512.851	6.585.000	Annual analysis requests (fiscal year 2012)
19.600*	28.600	Analysis requests per day
46.188.800*	60.000.000	Annual tests or analyses (fiscal year 2012)
200.000*	260.000	Tests or analyses per day
80.518.000*	148.000.000*	Estimated aggregate net revenue for the fiscal year 2012 (in euros)

* Does not include collaborating laboratories, only owned and participating shareholders

Figure 9. Main data from 2012 for General Lab and Labco Iberia

In 2013, 3i and the rest of Labco's shareholders² went on sale, valuing the company around 1,000 million euros. According to Reuters, the potential buyers are private equity firms such as Bain Capital, Blackstone, EQT and PAI, all of them with interests in the European healthcare sector.

² 3i possess a "drag along" right by which the remaining shareholders may be forced to sell their shares if 3i reached an agreement with a potential buyer

Issues for discussion

1. Perform a diagnostic (SWOT analysis) on the basis of the financial statements and set of qualitative information from General Lab.
2. Evaluate General Lab's key success factors.
3. Assess General Lab's growth policy, distinguishing between the initial phase (until 2007) and the current phase (2007-2013).
4. Make recommendations based on your analysis.

Annexes

Annex 1. General Lab Balance Sheet from 2005 to 2011 (from 2009 to 2011 non consolidated data)

	12/31/2011	%	12/31/2010	%	12/31/2009	%	12/31/2008	%	12/31/2007	%	12/31/2006	%	12/31/2005	%
Non Current Assets	21,087,000	40%	9,818,000	31%	11,046,956	33%	11,948,034	33%	11,938,000	36%	10,161,000	38%	5,900,000	34%
Intangible assets	10,887,000	21%	1,082,000	3%	1,303,605	4%	1,232,736	3%	578,000	2%	671,000	2%	904,000	7%
Tangible assets	5,106,000	10%	4,182,000	13%	5,115,538	15%	5,835,584	16%	7,449,000	23%	5,354,000	20%	2,495,000	13%
Other non tangible assets	5,094,000	10%	4,554,000	14%	4,627,813	14%	4,879,714	13%	3,911,000	12%	4,136,000	15%	2,501,000	14%
Current Assets	31,604,000	60%	22,217,000	69%	22,723,100	67%	24,281,701	67%	20,896,000	64%	16,723,000	62%	14,894,000	66%
Stocks	1,562,000	3%	929,000	3%	1,000,946	3%	1,437,751	4%	1,295,000	4%	1,054,000	4%	843,000	4%
Debtors	27,692,000	53%	20,530,000	64%	20,189,587	60%	20,251,160	56%	18,058,000	55%	12,880,000	48%	12,909,000	60%
Cash	2,350,000	4%	758,000	2%	1,532,567	5%	2,592,790	7%	1,543,000	5%	2,789,000	10%	1,142,000	2%
Total Assets	52,691,000	100%	32,035,000	100%	33,770,056	100%	36,229,735	100%	32,834,000	100%	26,884,000	100%	20,794,000	100%
Owner's Equity	24,808,000	47%	14,537,000	45%	11,266,118	33%	13,030,876	36%	8,886,000	27%	8,553,000	32%	6,567,000	41%
Capital	1,880,000	4%	1,880,000	6%	1,880,000	6%	1,880,000	5%	1,880,000	6%	2,400,000	9%	2,400,000	17%
Other Owner's Equity	22,928,000	44%	12,657,000	40%	9,386,118	28%	11,150,876	31%	7,006,000	21%	6,153,000	23%	4,167,000	24%
Non Current Liabilities		0%		0%		0%		0%	99,000	0%	169,000	1%	69,000	1%
Current Liabilities	27,883,000	53%	17,498,000	55%	22,503,938	67%	23,198,859	64%	23,849,000	73%	18,162,000	68%	14,158,000	59%
Financial debts	543,000	1%	1,894,000	6%	4,343,894	13%	7,427,400	21%	9,396,000	29%	7,315,000	27%	5,269,000	17%
Suppliers	9,057,000	17%	6,573,000	21%	7,347,062	22%	9,878,704	27%	10,728,000	33%	8,283,000	31%	6,388,000	32%
Other current liabilities	18,283,000	35%	9,031,000	28%	10,812,982	32%	5,892,755	16%	3,725,000	11%	2,564,000	10%	2,501,000	10%
Total Owner's Equity and Liabilities	52,691,000	100%	32,035,000	100%	33,770,056	100%	36,229,735	100%	32,834,000	100%	26,884,000	100%	20,794,000	100%

Annex 2, Laboratorio Dr,F,Echevarne Balance Sheet from 2005 to 2011

	12/31/2011	%	12/31/2010	%	12/31/2009	%	12/31/2008	%	12/31/2007	%	12/31/2006	%	12/31/2005	%
Non Current Assets	25,223,405	51%	24,225,153	50%	24,191,320	51%	22,694,329	49%	21,229,136	50%	14,850,264	41%	14,014,086	43%
Intangible assets	4,216,966	9%	4,437,275	9%	4,564,734	10%	1,831,832	4%	3,406,164	8%	3,950,618	11%	3,845,030	12%
Tangible assets	13,965,035	28%	14,614,814	30%	14,675,490	31%	13,710,666	30%	12,078,298	28%	8,443,345	24%	7,805,552	24%
Other non tangible assets	7,041,404	14%	5,173,065	11%	4,951,095	10%	7,151,831	16%	5,744,675	14%	2,456,301	7%	2,363,504	7%
Current Assets	24,152,829	49%	23,867,448	50%	23,558,175	49%	23,204,564	51%	21,166,399	50%	20,974,564	59%	18,584,171	57%
Stocks	409,482	1%	318,916	1%	n,d,		n,d,		n,d,		0	0%	n,d,	
Debtors	16,854,622	34%	19,682,229	41%	19,285,101	40%	19,989,167	44%	17,641,370	42%	17,267,617	48%	15,370,706	47%
Cash	6,888,724	14%	3,866,302	8%	4,273,074	9%	3,215,397	7%	3,525,029	8%	3,706,947	10%	3,213,465	10%
Total Assets	49,376,234	100%	48,092,601	100%	47,749,495	100%	45,898,893	100%	42,395,535	100%	35,824,828	100%	32,598,257	100%
Owner's Equity	37,732,132	76%	35,887,918	75%	33,577,785	70%	30,566,538	67%	26,456,192	62%	23,133,504	65%	20,293,044	62%
Capital	450,750	1%	450,750	1%	450,750	1%	450,750	1%	450,750	1%	450,750	1%	450,750	1%
Other Owner's Equity	37,281,382	76%	35,437,168	74%	33,127,035	69%	30,115,788	66%	26,005,442	61%	22,682,754	63%	19,842,294	61%
Non Current Liabilities	2,981,003	6%	3,283,832	7%	3,863,906	8%	4,041,679	9%	4,600,088	11%	1,834,099	5%	2,160,422	7%
Long term suppliers	2,054,379	4%	2,635,514	5%	3,230,541	7%	3,462,563	8%	4,600,088	11%	1,834,099	5%	2,160,422	7%
Other fixed liabilities	926,624	2%	648,318	1%	633,365	1%	579,116	1%	n,a,		0	0%	0	0%
Current liabilities	8,663,100	18%	8,920,851	19%	10,307,804	22%	11,290,676	25%	11,339,255	27%	10,857,225	30%	10,144,791	31%
Financial debts	642,303	1%	634,174	1%	1,282,745	3%	1,389,385	3%	1,957,500	5%	1,436,679	4%	1,129,708	3%
Suppliers	5,910,125	37%	5,836,731	37%	5,750,258	37%	6,038,663	37%	6,231,158	40%	6,037,298	39%	5,846,349	40%
Other current liabilities	2,110,672	4%	2,449,946	5%	3,274,801	7%	3,862,628	8%	3,150,597	7%	3,383,248	9%	3,168,734	10%
Total Owner's Equity and Liabilities	49,376,234	100%	48,092,601	100%	47,749,495	100%	45,898,893	100%	42,395,535	100%	35,824,828	100%	32,598,257	100%

Annex 3, General Lab Income Statement from 2005 to 2011 (from 2009 to 2011 non consolidated data)

	12/31/2011	%	12/31/2010	%	12/31/2009	%	12/31/2008	%	12/31/2007	%	12/31/2006	%	12/31/2005	%
Total Revenue	63,724,000	100%	53,375,000	100%	50,634,208	100%	50,578,926	100%	46,427,000	100%	39,615,000	100%	36,677,000	100%
Materials	-23,459,000	-37%	-19,789,000	-37%	-17,944,574	-35%	-18,471,423	-37%	-15,280,000	-33%	-14,292,000	-36%	-13,532,000	-37%
Wages and salaries	-24,567,000	-39%	-20,053,000	-38%	-18,653,252	-37%	-17,044,927	-34%	-16,382,000	-35%	-13,294,000	-34%	-12,661,000	-35%
Depreciations	-1,956,000	-3%	-1,632,000	-3%	-1,536,621	-3%	-1,445,352	-3%	-1,642,000	-4%	-1,446,000	-4%	-1,127,000	-3%
Other operating expenses	-9,819,000	-15%	-7,438,000	-14%	-7,281,195	-14%	-6,074,380	-12%	-6,790,000	-15%	-6,087,000	-15%	-5,377,000	-15%
Earnings before interests and taxes (EBIT)	3,923,000	6%	4,463,000	8%	5,218,566	10%	7,542,844	15%	6,333,000	14%	4,496,000	11%	3,980,000	11%
Financial results	-111,000	0%	12,000	0%	-266,687	-1%	-169,152	0%	-603,000	-1%	-180,000	0%	-2,000	0%
Earnings before taxes (EBT)	3,812,000	6%	4,475,000	8%	4,951,879	10%	7,373,692	15%	5,730,000	12%	4,316,000	11%	3,978,000	11%
Income tax	-1,056,000	-2%	-1,238,000	-2%	-1,452,261	-3%	-2,174,746	-4%	-1,961,000	-4%	-1,515,000	-4%	-1,389,000	-4%
Earnings from continuing operations	2,756,000	4%	3,237,000	6%	3,499,618	7%	5,198,946	10%	3,769,000	8%	2,801,000	7%	2,589,000	7%
Earnings from discontinued operations		0%		0%		0%		0%	-94,000	0%	432,000	1%	-32,000	0%
Net Result	2,756,000	4%	3,237,000	6%	3,499,618	7%	5,198,946	10%	3,675,000	8%	3,233,000	8%	2,557,000	7%
Number of employees	769		777		569		545		506		411		332	

Annex 4, Laboratorio Dr,F,Echevarne Income Statement from 2005 to 2011

	12/31/2011	%	12/31/2010	%	12/31/2009	%	12/31/2008	%	12/31/2007	%	12/31/2006	%	12/31/2005	%
Total Revenue	52,748,681	100%	52,711,046	100%	54,737,018	100%	56,164,482	100%	52,102,376	100%	50,135,636	100%	46,237,364	100%
Materials	-15,914,876	30%	-15,721,580	30%	-15,536,763	28%	-16,528,639	29%	-15,655,557	30%	-15,547,415	31%	-14,597,627	32%
Wages and salaries	-24,016,759	46%	-24,538,081	47%	-24,345,712	44%	-23,737,141	42%	-22,377,664	43%	-21,580,237	43%	-18,933,932	41%
Depreciations	-1,724,539	3%	-1,782,539	3%	-1,894,915	3%	-2,073,978	4%	-1,984,273	4%	-1,779,216	4%	-1,783,555	4%
Other operating expenses	-7,705,522	15%	-7,437,949	14%	-7,976,999	15%	-7,788,345	14%	-7,362,896	14%	-6,920,660	14%	-6,617,417	14%
Earnings before interests and taxes (EBIT)	3,386,985	6%	3,230,897	6%	4,982,629	9%	6,036,379	11%	4,721,986	9%	4,308,108	9%	4,304,833	9%
Financial results	-781,481	-1%	-92,518	0%	20,190	0%	-98,363	0%	62,049	0%	100,642	0%	94,798	0%
Earnings before taxes (EBT)	2,605,504	5%	3,138,378	6%	5,002,818	9%	5,938,017	11%	4,784,035	9%	4,408,751	9%	4,399,630	10%
Income tax	-725,913	1%	-870,185	2%	-1,410,758	3%	-1,673,239	3%	-1,461,348	3%	-1,305,812	3%	-1,261,557	3%
Earnings from continuing operations	1,879,592	4%	2,268,193	4%	3,592,059	7%	4,264,777	8%	3,322,688	6%	3,102,939	6%	3,138,073	7%
Earnings from discontinued operations											-262,477	-1%	-417,401	-1%
Net Result	1,879,592	4%	2,268,193	4%	3,592,059	7%	4,264,777	8%	3,322,688	6%	2,840,460	6%	2,720,671	6%
Number of employees	681		804		805		796		798		722		722	

Annex 5, General Lab Financial Ratios from 2005 to 2011 (without participating companies)

	2011	2010	2009	2008	2007	2006	2005
Liquidity:							
Liquidity (Current Assets/ Current Liabilities)	1.13	1.27	1.01	1.05	0.88	0.92	1.05
Debt:							
Debt (Total Liabilities / Assets)	0.53	0.55	0.67	0.64	0.73	0.68	0.68
Debt quality (Current Liabilities / Total Liabilities)	1.00	1.00	1.00	1.00	1.00	0.99	1.00
Asset turnover							
Asset turnover (Total revenues / Assets)	1,21	1,67	1,50	1,40	1,41	1,47	1,76
Non Current Assets turnover (Total revenues / Non Current Assets)	3,02	5,44	4,58	4,23	3,89	3,90	6,22
Current Assets turnover (Total revenues / Current Assets)	2,02	2,40	2,23	2,08	2,22	2,37	2,46
Stock turnover (Total revenues / Stocks)	40,80	57,45	50,59	35,18	35,85	37,59	43,51
Periods							
Stock period (Stocks /Materials) x 365	24	17	20	28	31	27	23
Collection period (Debtors / Total revenues) x 365	159	140	146	146	142	119	128
Payment period (Suppliers / Materials) x 365	141	121	149	195	256	212	172
Suppliers / Debtors	0.33	0.32	0.36	0.49	0.59	0.64	0.49
Return							
ROI (EBIT / Total Assets)	7.45%	13.93%	15.45%	20.82%	19.29%	16.72%	19.14%
ROE (Net Result / Owner's Equity)	11.11%	22.27%	31.06%	39.90%	41.36%	37.80%	38.94%

Annex 6. Laboratorio Dr.F.Echevarne Financial Ratios from 2005 to 2011

	2011	2010	2009	2008	2007	2006	2005
Liquidity:							
Liquidity (Current Assets/ Current Liabilities)	2.79	2.68	2.29	2.06	1.87	1.93	1.83
Debt:							
Debt (Total Liabilities / Assets)	0.24	0.25	0.30	0.33	0.38	0.35	0.38
Debt quality (Current Liabilities / Total Liabilities)	0.74	0.73	0.73	0.74	0.71	0.86	0.82
Asset turnover							
Asset turnover (Total revenues / Assets)	1.07	1.10	1.15	1.22	1.23	1.40	1.42
Non Current Assets turnover (Total revenues / Non Current Assets)	2.09	2.18	2.26	2.47	2.45	3.38	3.30
Current Assets turnover (Total revenues / Current Assets)	2.18	2.21	2.32	2.42	2.46	2.39	2.49
Stock turnover (Total revenues / Stocks)	128.82	165.28	n.d.	n.d.	n.d.	n.d.	n.d.
Periods							
Stock period (Stocks /Materials) x 365	9	7	n.a.	n.a.	n.a.	n.a.	n.a.
Collection period (Debtors / Total revenues) x 365	117	136	129	130	124	126	121
Payment period (Suppliers / Materials) x 365	136	136	135	133	145	142	146
Suppliers / Debtors	0.35	0.30	0.30	0.30	0.35	0.35	0.38
Return							
ROI (EBIT / Total Assets)	6.86%	6.72%	10.43%	13.15%	11.14%	12.03%	13.21%
ROE (Net Result / Owner's Equity)	4.98%	6.32%	10.70%	13.95%	12.56%	12.28%	13.41%

n.a.: Not available