ARSEUS

annual report 2007

This annual report is a free translation of the annual report in Dutch.

In case of discrepancies, the Dutch version will prevail as the legal reference document.

Contents

A word from the chairman

Without reservation, we would be justified in calling 2007 an exceptionally eventful year for Arseus NV. This follows Omega Pharma's earlier decision to split in two, creating a consumer business and a B2B business. The B2B activities were united in Arseus NV, with the intention of launching a separate IPO.

Bearing in mind the successful restructuring of the various activities, in association with the Arseus management, the Board of Directors of Omega Pharma took the decision to float the Company on the stock exchange as early as last year. Arseus was readied for privatisation in the record time of around three months, and the Arseus share was first listed in both Brussels and Amsterdam on 5 October. I would particularly like to express my gratitude and of course my congratulations to all those who have helped achieve this.

Formally appointed on 5 October, the Arseus board now has to rise to the challenge of achieving anticipated further growth and development. As stated in detail in the prospectus, the board's intention is to grow Arseus, based on a combination of 7-8% autonomous growth and the same rate of growth through the acquisition of companies. This buy and build strategy is expected to drive up turnover at Arseus NV to 500 million euros within three years.

As a leading supplier of products and services to European professionals and institutions, Arseus is active in a healthcare market characterised by strong growth, regardless of the prevailing economic situation. This is due to the ageing population, which we will experience over the next few decades in Europe and which is inherently responsible for the fact that this is a growth market.

The four Arseus divisions will exploit this potential to drive further growth.
Fagron is the European market leader in pharmaceutical compounding and Arseus Dental is a leading supplier of equipment, instruments and consumables to dentists and dental laboratories. Arseus Medical is market leader in user products and consumables in Belgium with a strong presence in Dutch hospitals. Corilus supplies IT solutions to pharmacists, GPs, dentists and other medical professionals.

Arseus is active in European markets with a very low consolidation grade. Our Company strategy is focused on exporting our proven success in current markets to adjacent European markets. The Company has more than enough expertise to make a success of this growth. The board and all employees of Arseus view it as a fantastic challenge and we are all very confident that we can rise to it the coming years.

Robert Peek
Chairman of the Board of Directors

Successful IPO

Successful IPO of Arseus

On 4 July 2007 Arseus announced the intention to accelerate its public offering, which was originally scheduled for 2008. The reorganisation and integration projects launched in early 2006 reached a turning point in the fourth quarter of 2006, earlier than planned, with turnover growth measured at 5%. The turnaround was confirmed in the first two quarters of 2007, with 9% and 11% turnover growth respectively.

A syndicate of underwriters was formed, comprising UBS and KBC Securities as joint global coordinators and bookrunners, and ING, Kempen and Bank Degroof as co-lead managers.

The prospectus was approved by Belgium's Banking, Finance and Insurance Commission on 11 September 2007. The process was initiated on 21 September with a press conference in Brussels, followed by an international roadshow. A roadshow was also organised for private Belgian investors.

The offering consisted of a public offering in Belgium and a private placement to institutional investors in Belgium, the European Union and Switzerland. The offering included a total of up to 17,500,000 existing shares (out of a total of 25,000,000 existing shares) and of up to 6,000,000 new shares (with VVPR strips) of Arseus NV. Furthermore, Omega Pharma granted UBS and KBC Securities an over-allotment option of up to 2,968,144 existing shares.
The offering consisted of two tranches:

(i) A priority tranche of up to 13,101,399 priority shares
(ii) An open tranche of 10,398,601 shares, consisting of new and existing shares.

The priority tranche of priority shares was reserved to holders of no. 10 coupon of Omega Pharma shares, who (i) had the irreducible right to subscribe to two priority shares for every four no. 10 coupons and (ii) received a complementary warrant of the offering for every two priority shares subscribed to in the priority tranche. That means that the offering also included the issue of up to 6,550,699 warrants. The unsubscribed priority shares in the priority tranche were made available through the open tranche. No complementary warrants were attached to the priority shares in the open tranche. The no. 10 coupons were not listed separately and became worthless at the expiry of the offer period.

Open to all investors, the open tranche consisted of up to 10,398,601 shares plus any unsubscribed priority shares from the priority tranche.

Contingent on the response to the offering, the number of shares made available to investors in the open tranche could be reduced.

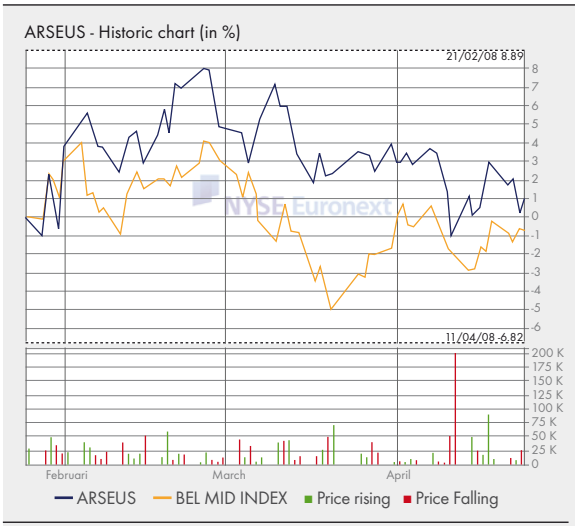
The price range of the offering was €9.50 - €12.00 per share.

Book building was concluded as planned on 3 October 2007. The final price of the shares was set at €10.25. Demand outstripped supply by around two to one. Another 195,121 shares were issued as a result of the non-monetary contribution of an existing debt of €2 million.

The shares, VVPR strips and warrants were listed on Eurolist Brussels and Amsterdam for the first time on 5 October.

In spite of the difficult circumstances, the Arseus IPO was successful. An above-average number of shares were traded in the first few days of the listing. In response, a number of stabilisation transactions were taken between 5 October and 30 October. As a consequence, the over-allotment option of 2,968,144 shares was not exercised, and consequently the final result of the public offering after stabilisation comprised 23,500,000 shares. Omega Pharma therefore maintains 7,500,000 Arseus shares.

The graph below shows that on average the Arseus share outperformed the reference index (BEL MID) between November 2007 and April 2008.



Description of Arseus's activities

A word from the CEO

Arseus experienced a successful 2007. Enormous progress has been made since the 2006 decision to spin off Omega Pharma's B2B divisions as a private company. Not only in turnover and profit, but also in terms of sales and marketing, IT, business development and especially back-office optimisation. In 2007, for example, virtually all Belgium-based commercial and logistical services were centralised in Waregem.

Arseus growth in 2007:
Fagron + 14%
Arseus Dental + 10%
Arseus Medical + 5%
Corilus + 5%
Total Arseus + 10%

On 5 October 2007 the Arseus share was listed in Brussels and Amsterdam at €10.25. A very successful IPO was closed out in three months. Our priority since then has been the interests of our shareholders. The management of Arseus also has a large shareholding in the Company.

Italy's Polichimica was acquired as part of the buy and build strategy. The Bologna-based enterprise was incorporated into Fagron Group, bolstering its geographical expansion. As a member of Fagron Group, Polichimica will be in a position to profit from synergies with other countries.

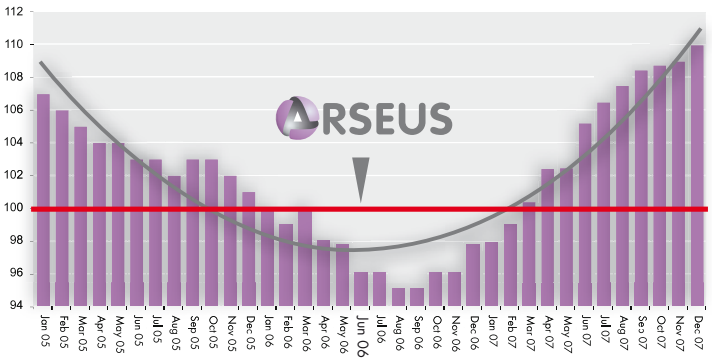
In 2007 Arseus Dental concentrated on integrating Eurotec and Besserat, two acquisitions from 2006, and expanding the equipment and dental labs distribution network in France and Germany. In 2007 Arseus Dental laid solid foundations on which to build.

Arseus Medical focused on the internal organisation and improving profitability in 2007, backed by numerous back-office initiatives.

In 2007 Corilus was transformed into a well-oiled sales and marketing machine, with a focus on improving the balance of the product mix, from hardware to software.

The management of Arseus is sure that the advancements made in 2007 constitute a healthy foundation for a prosperous future.

Long term trend indicator MAT Sales 2007



Ger van Jeveren
CEO, Arseus

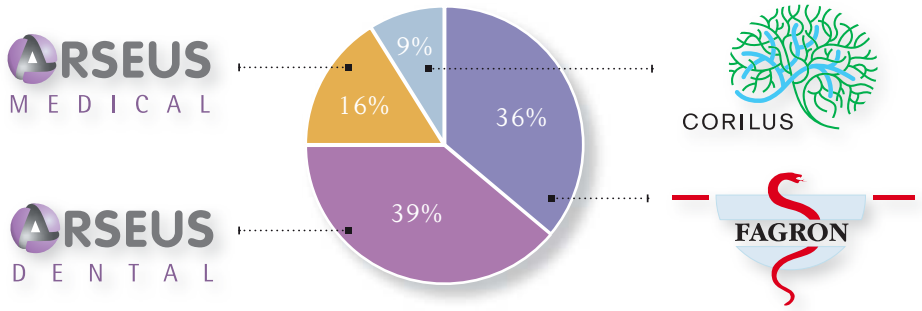
Arseus at a glance

Arseus supplies products and services to European healthcare professionals and institutions. The group is active in pharmaceutical compounding, dental products, medical and surgical products, and medical IT solutions.

Arseus's customers span the spectrum of healthcare professionals:

- Pharmacists and pharmacy staff
- GPs
- Medical specialists in hospitals, group and individual practices
- Dentists and dental technicians
- Opticians
- Truss makers and traders in medical aids
- Nurses
- Hospital and elderly care home managers and staff

Arseus has four business units: Fagron, Arseus Dental, Arseus Medical and Corilus.



	2007	2006	Growth
Fagron Group	109,959	96,732	14%
Arseus Dental	118,294	107,625	10%
Arseus Medical	49,462	47,279	5%
Corilus	26,653	25,335	5%
	304,368	**276,971**	**10%**

Arseus turnover 2007

- Fagron Group
- Arseus Dental
- Arseus Medical
- Corilus

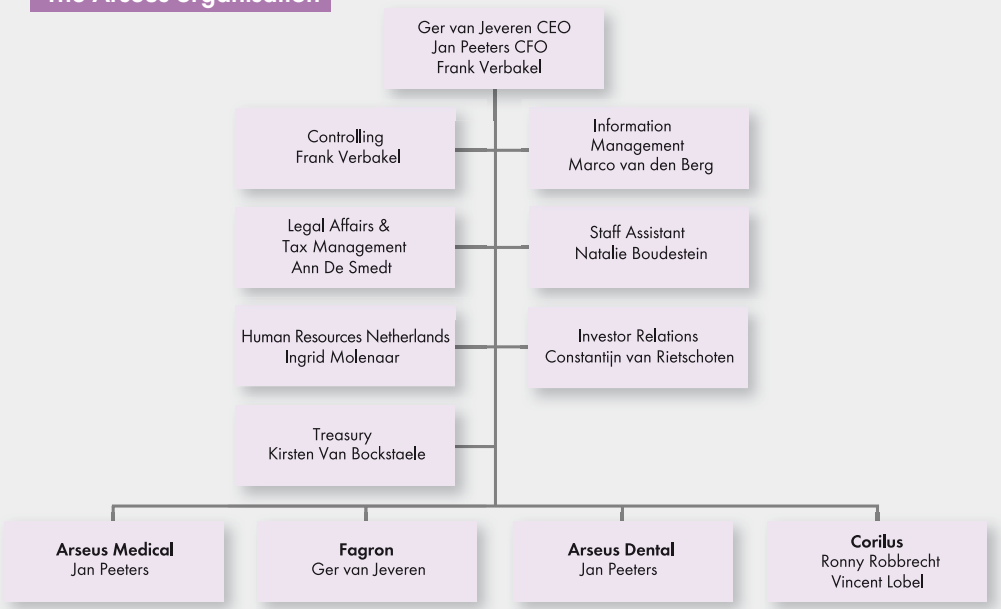
Brief history

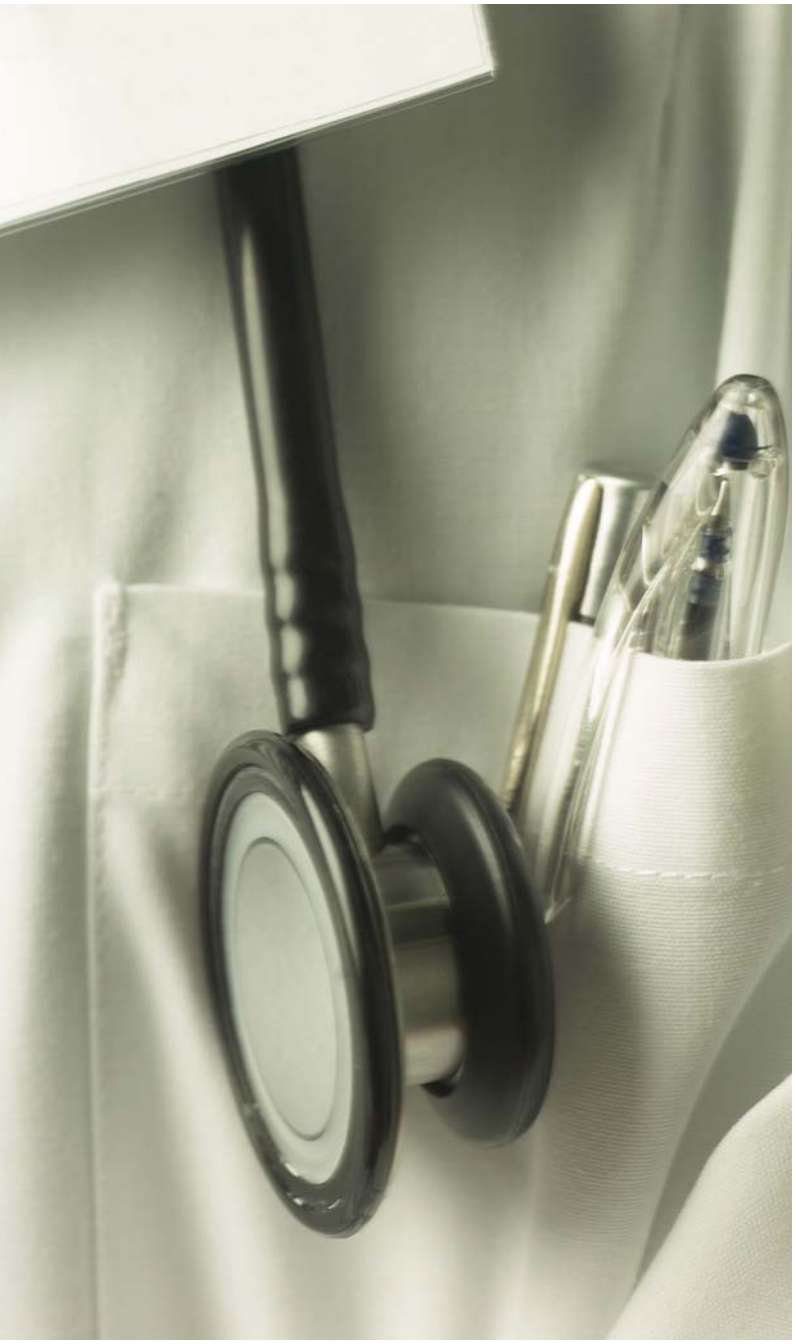
The roots of Arseus lie in Omega Pharma. The nascent Omega Pharma did not have the critical mass to allow it to concentrate on its core business – non-prescription drugs and care products. In response, the range was bolstered with products for Belgian pharmacists (the biggest distribution channel). In time the range was broadened and the B2B activities extended to other professional healthcarers.

The four business units that currently comprise Arseus (formerly Omega Pharma's Professional Healthcare division) have been built through a buy and build strategy and strong organic growth. By 2005, the four professional healthcare businesses within Omega Pharma had each attained the critical size and market position such that the Omega Pharma management and board of directors believed that the integration of these businesses within a separate unified group would facilitate more optimal performance across all such businesses.

In the first phase, the four activities were amalgamated to form a single group and management structure in 2006. Rolled out a year later, the second phase saw the implementation of a phased strategic plan. As a consequence of the good results and faster than expected turnaround the IPO – originally scheduled for 2008 – was successfully completed in October 2007.

The Arseus organisation





A very extensive range of products

While pharmacy accessories were the most important sales driver in the early years, nowadays Arseus markets a wide range of products and services:

- **Accessories**: such products as medical gloves and facemasks that are essential for all medical professionals.
- **Interiors**: interior design of pharmacies, doctor's practices, hospitals and other care organisations, ranging from dentist's chairs, hospital beds and trolleys to a total solution with custom-made furniture.
- **Equipment and instruments**: a varied range for every medical speciality, from the ubiquitous stethoscope and tweezers to extremely precise medical instruments and high-tech digital devices.
- **Consumables**: on the one hand disposables such as disinfectants and hygiene agents, but also products used by medical professionals in the treatment of patients, such as prosthetic teeth and precision components for dentures or dental implants.
- **Services and IT**: as a player on the healthcare market Arseus also offers software and related services, to help health professionals provide patients with the best possible service and manage their time and resources at optimal efficiency.

This is just a selection. Arseus's employees strive to offer customers a concept or total solution with added value based on a mix from this extensive product mix. As a result, Arseus enjoys strong customer loyalty.

The professional healthcare market

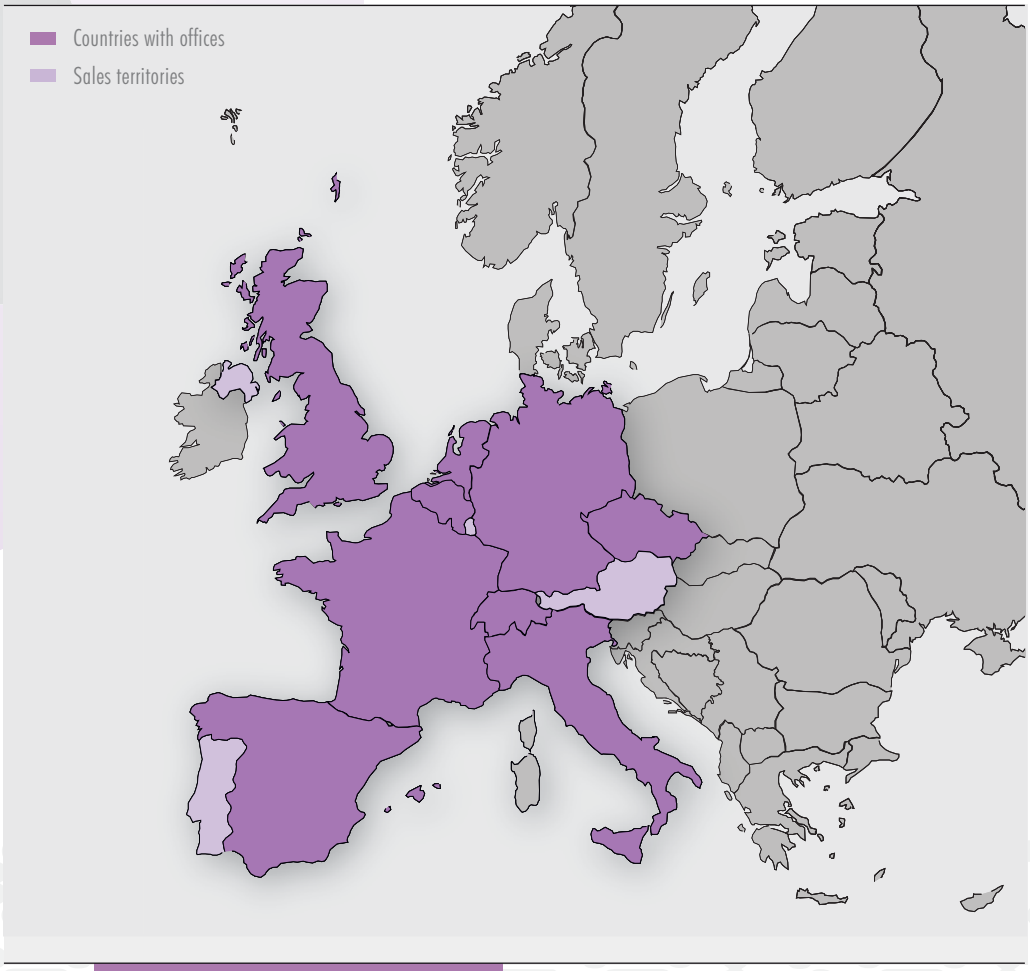
Consolidation on a fragmented market

Healthcare professionals and institutions utilise a vast array of specialised products, including for example medical and surgical equipment and consumables, labatory apparatus, hospital beds, wheelchairs, diagnostics products, pharmaceutical raw materials, dental instruments and supplies, and customised software.

Suppliers must be highly specialised to play a role on this market. Many players have practised some form of medicine and leverage their experience to sell products or services. That is the main reason for the great fragmentation of the professional healthcare market, which is characterised by numerous small and mid-sized firms and sole proprietorships, many of which operating locally.

Size is very important in the healthcare market. Only businesses of sufficient magnitude can hope to meet ever more demanding customer needs while generating a profit. Permanent availability and a comprehensive range of products and services are indispensable. What's more, as disciplines interact more and more, total and custom solutions are increasingly becoming the standard.

This market situation promises rich pickings for Arseus, which services the entire spectrum of medical disciplines and is active in 12 countries. The buy and build strategy offers the prospect of expansion into new European countries. The size and pan-European presence of Arseus are guarantors of permanent growth.



Arseus's presence in Europe

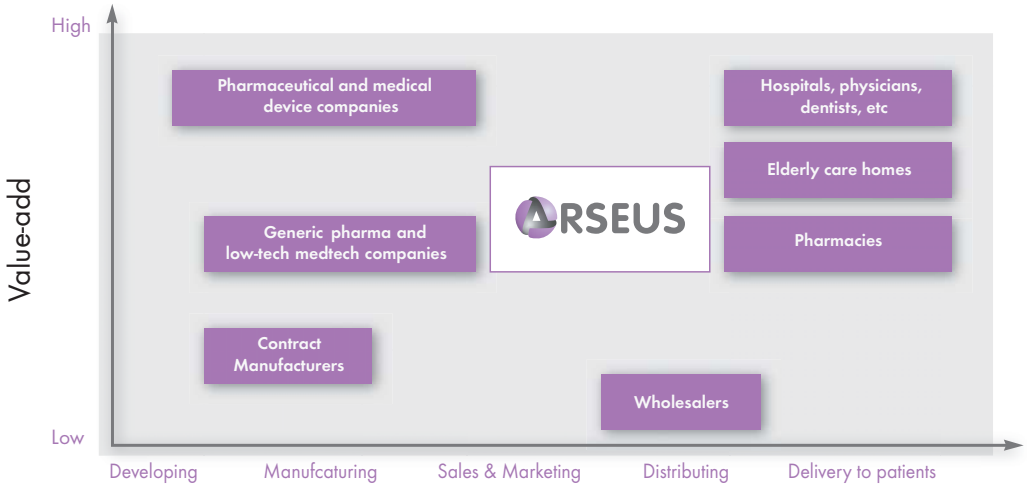
In 2007 Arseus had offices in Belgium, the Netherlands, France, Germany, Spain, the UK, Italy and Switzerland. Luxembourg, Portugal and Austria are served through Belgium, Spain and Germany respectively. An office in the Czech Republic was added in 2008.

The risk profile of the market

1. A growing market
   The population of Europe continues to get older. Eurostat projects an increase in the share of the population of the European Union older than 65 years of age from 15.9% in 2006 to 28.6% in 2050. Given that the consumption of health-related products and services increases with age, the population older than 65 years of age accounts for the lion's share of total healthcare expenditure.
2. Healthcare is generally considered to be a very defensive industry with virtual immunity from cycles. Everyone gets sick sometime and then they have to be treated.
3. The population has become increasingly aware of medical treatments, not only curative, but also anticipatory or preventive. An example is dental care. The government encourages parents to have their children's teeth checked and reimburses the costs.
4. The healthcare market is not sensitive to economic conditions. Health is a primary concern.
5. Most of Arseus's turnover is generated in eurozone territories characterised by robust political stability.

6. The medical industry is in a theatre of constant technological innovation, with ever newer or improved therapeutic or diagnostic equipment and procedures. That innovation extends into IT too. Many medical devices now contain computer chips and are capable of talking with each other. There are plans for digitised patient medical files at EU level. These advancements guarantee major growth potential for players on the medical IT market.

Conclusion: Arseus is in an outstandingly positioned market segment and is growing its market share year on year.



Understanding Arseus

Arseus in the professional healthcare market

Arseus has a leading role in Europe in bringing total solutions to the market that offer much added value for healthcare professionals. Arseus is first and foremost a distributor of a wide array of medical products and services. Arseus distinguishes itself from traditional wholesale by marketing products with a lot of added value. Its four divisions – Fagron, Arseus Dental, Arseus Medical and Corilus – are active in pharmaceutical compounding, dentistry, medical and healthcare IT markets.

The strategy of Arseus

Arseus aims to achieve sustainable growth by maintaining and extending its leading position in selected segments of the professional healthcare market on a pan-European basis. Sales worth 304.4 million euros in 2007 mean Arseus is right on track to achieve its target of turning over 500 million euros in 2010. The goal is 7-8% organic growth and 7-10% growth through acquisitions.

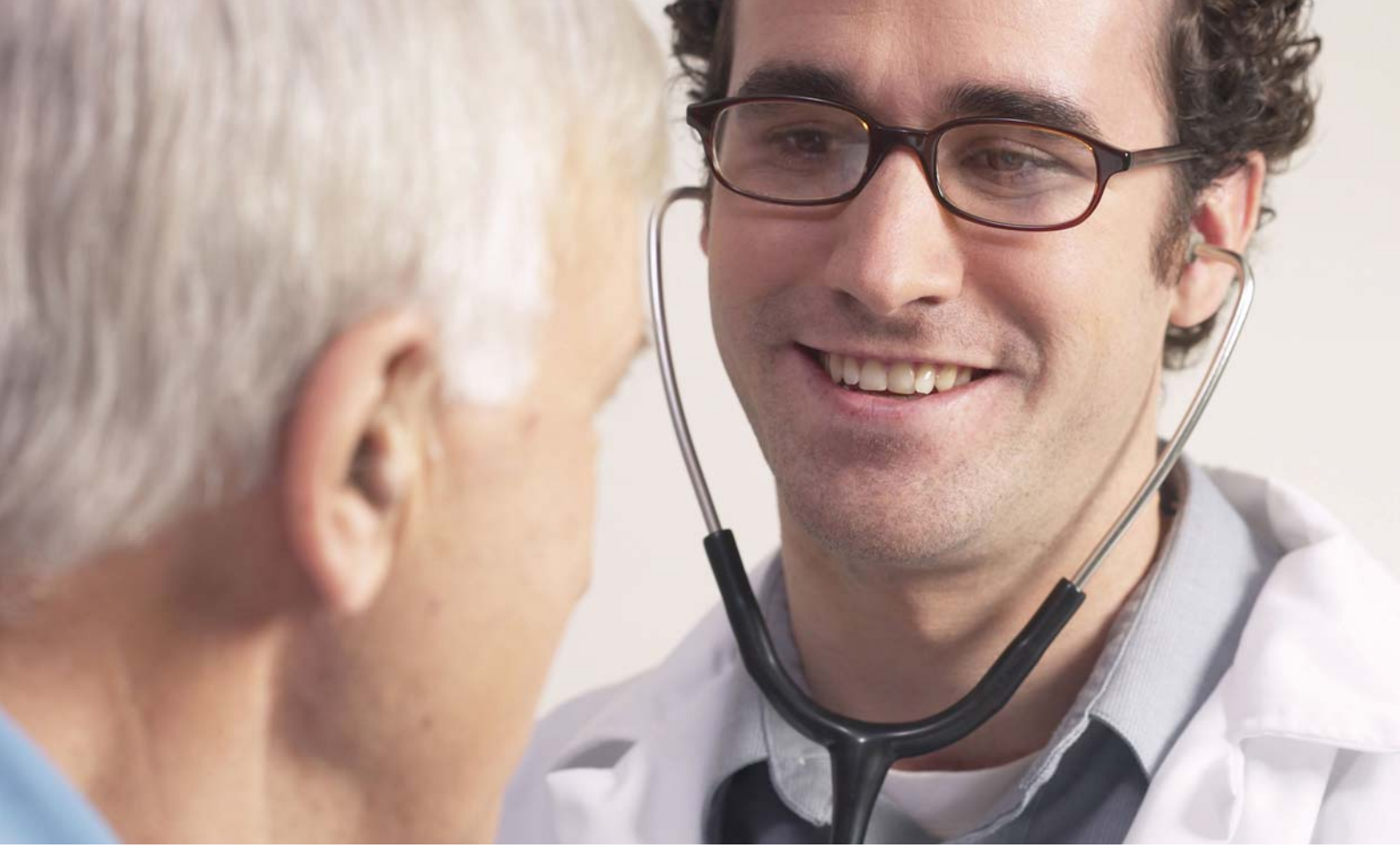
Compelling growth strategy

Total solutions with strong added value

Arseus aims to provide its customers with total integrated solutions to their needs, to enable them to spend more time and focus to their patients. This superior level of service builds customer loyalty as well as captures greater sales per customer, while the added value nature of the solutions enhances profitability.

Operational excellence

In 2006 Arseus began rolling out a far-reaching restructuring strategy.



The project was completed in 2007. The back office functions – administration, support and logistics – of each division were centralised in each country, resulting in some relocations and closures.

The commercial services (front office) continue to be closer to customers, but were in each country more tightly geared to individual customer profiles (pharmacists, hospitals and care homes, GPs, medic specialists, dentists and dental technicians, ophthalmologists and opticians, ...).

The new organisational structure – with centralised back offices and diversified customer-oriented front offices – is the ideal way of optimising all processes. Arseus prioritises the following:

- A properly dimensioned logistics chain to guarantee in-time availability of a wide range of products and services.
- An efficient, customer-friendly ordering, delivery, invoicing and payment workflow.
- Personalised solutions for customers that draw on all available medical and technical expertise.
- Optimal after-sales, combining online and phone assistance with efficient organized service and repair.
- High customer satisfaction, resulting in strong customer loyalty.

Arseus is able to guarantee outstanding service while fuelling growth at every division by combining activities in several market segments, sharing best practice, market data and customer insights, reinforced with specific cross-selling opportunities.

Buy and build strategy

This is the cornerstone of the Arseus strategy.

Arseus endeavours to claim a leading role in the consolidation of the fragmented European professional healthcare market through a focused and active buy and build strategy that supports organic growth. Historically, Arseus (and Omega Pharma before it) has been able to acquire complementary companies in its target market segments.

Arseus has a strong focus on not only identifying and executing such acquisitions, but also of rapidly integrating them following acquisition, to retain acquired expertise and achieve any available operational synergies. The Group aims for acquisitions to be accretive within one year, exceptionally within two years.

The focus is on selecting firms whose growth and income can be optimised by an injection of Arseus expertise.

Its pan-European consolidation strategy in the professional healthcare market has enabled Arseus to move beyond its original limited position as a supplier of pharmaceutical raw materials to Belgian pharmacists to become what it is today: market leader in twelve European countries and in multiple segments of professional healthcare, including pharmaceutical compounding, dentistry, medical equipment and medical IT solutions.

These acquisitions generated greater market share in existing markets and enables the divisions to expand to new geographical markets.

This active acquisition policy also hands Arseus opportunities to enter new segments of the professional healthcare market.

Recent acquisitions:

- Liengme in 2006, expanding Arseus Dental's production of dental precision components in Switzerland.
- Eurotec Dental, FDL and Besserat in 2006, giving Arseus a presence on the French dental market.
- Polichimica in 2007, opening the door to the Italian market via a leading player in pharmaceutical compounding, which was integrated into Fagron.
- Julie-Owandy in 2008, strengthening Arseus's European credentials in dental imaging and making it market leader in dental software in France. The purchase of the market leader in pharmaceutical compounding in the Czech Republic, Tamda, which was integrated into Fagron, also saw Arseus enter the fast-growing central and eastern European marketplace.

BESSERAT - DMK
Groupe ARSEUS

POLICHIMICA

Pan-European presence

Arseus's objective is to expand from its current operational footprint in twelve countries to achieve a truly pan-European market-leading presence, covering not only Western Europe but also Central and Eastern Europe. Various opportunities are now being studied. The buy and build strategy is expected to drive geographical expansion, although the Group also intends to start greenfield operations in countries where such an approach is considered favourable. Fagron's recent expansion in France and the United Kingdom are examples. Size is a major asset in the complex, demanding healthcare market.

Positioning the Arseus brands

Arseus continuously assesses its markets to identify opportunities for developing and marketing its own brands in order to realise higher margins. For example, within pharmaceutical compounding, Arseus is currently seeking to leverage its leading Fagron brand to market new lines of dermatology products, and plans in the future to extend the Fagron brand to cover the Group's recently acquired Italian pharmaceutical compounding operations, in order to accelerate the Group's growth in this market. Successful product brands have also been developed in each of Arseus's other divisions, such as Ceka-Preciline in Arseus Dental, Texa in Arseus Medical, and Greenock, Baltes, etc. in Corilus. Furthermore, management intends to develop Corilus into an umbrella brand, conveying consistently high quality across all the Group's healthcare IT solutions.

Description of the business units

FAGRON GROUP

Fagron is the one-stop-shop for pharmaceutical compounding products and services: raw materials, components, semi-manufactures and instruments.

In addition to the original customer group of independent pharmacists, Fagron Group now services industrial producers of drugs, nutritional products and cosmetics, as well as pharmaceutical wholesalers.

Profile

- Biggest European player
- Best-known European brand
- Logical partner for the pharmaceutical industry
- Focus on integrated solutions
- Range of 1,500 high-grade ingredients and 2,500 mixtures
- Broad-based commercial clout through a network of 165 motivated representatives
- Highly centralised purchasing policy

Fagron	2007	2006
Turnover	109,959	96,732
REBITDA	20,272	17,623
REBITDA margin	18.4%	18.2%
FTEs	440.3	377.8

Strong growth of an excellent brand

Fagron has followed a striking path since Omega Pharma acquired the eponymous Dutch company in 2000. The group's related Belgian operations were incorporated in Fagron.

With its focus on innovation and the provision of optimal solutions for its customers, in 2003 Fagron vertically integrated to provide third-party pharmaceutical compounding services. These services provide pharmacy customers with compounded pharmaceutical products on a made-to-order basis, and are primarily provided to smaller dispensing pharmacies that may choose not to perform compounding activities in-house due to the resources and expertise required to manufacture high quality compounded pharmaceuticals. Fagron has established two large scale compounding pharmacies in the Netherlands to provide these outsourced services, and intends to roll out this service throughout its geographic markets.

In 2005 Fagron expanded its products and services to include large orders (up to 500 kg) of specialty raw materials to the pharmaceutical, nutraceutical, veterinary and cosmetics industry.

Geographical coverage was also strongly bolstered through an energetic buy and build strategy. Fagron now has sites in eight countries: the Netherlands, Belgium, Germany, France, Spain, Italy, the United Kingdom and the Czech Republic. Its products are also sold in Austria, Switzerland, Luxembourg and Portugal.

Recent acquisitions are Italy's Polichimica (2007) and Tamda in the Czech Republic (2008).

Fagron is now market leader in the Netherlands, Belgium, Germany, Spain, Italy, Portugal and the Czech Republic and on track to become an A-brand in the whole European market.

The full spread of pharmaceutical compounds

Fagron supplies active constituents, thickeners, fillers, additives and more, as well as the basic ingredients of pharmaceutical compounding in liquid form, including for instance distilled water, alcohol solutions and tinctures.

Powder mixtures, base ointments and creams are also marketed. Fagron also markets all instruments and equipment needed to produce prescription drugs and a wide range of pharmaceutical packaging, including bottles, flacons, blister packs and boxes.

Fagron has a number of state-of-the-art production plants in Europe with no fewer than 40 clean rooms for conditioning pharmaceutical materials. In Belgium, Fagron has a plant producing base solutions for pharmaceutical compounding.

Besides focusing on providing customers with optimal solutions, Fagron also warrants its reputation for high-quality products and services. Fagron's production facilities comply with GMP (Good Manufacturing Practice) guidelines, which are stricter than the quality standards in the industry or the standards maintained by most of its competitors. By maintaining higher standards than required by EU regulations, Fagron is well positioned should there be any regulatory tightening in the future.

Fagron is the pharmaceutical industry's preferred partner

Sales strategy and the market

Fagron, the A-brand in Europe – a dedicated commercial team of 165 specialised staff work directly with customers to ensure that this is true each and every day. Fagron sales representatives visit pharmacies, hospitals, wholesalers and industrial customers in the various countries, sometimes together with exclusive agents and distributors. This traditional sales method is driven by medical information teams that visit GPs, paediatricians and dermatologists to advocate the prescription of pharmaceutical compounding.

Fagron's customer and support services also have staff that provide training in pharmaceutical compounding. Besides these customer-facing activities, Fagron also has an e-business platform for straightforward ordering from the various catalogues. Specialised helpdesks are also available for pharmacies, hospitals, GPs and other doctors, as well as industrial customers. The strong relations the group fosters with its customers have also enabled it to build an added value total solutions model, a strong asset that competitors are lacking.

Fagron has a number of state-of-the-art production plants in Europe

According to figures from the European Federation of Pharmaceutical Industries and Associations (EFPIA), the European pharma market turned over around 197 billion euros in 2006. Pharmaceutical compounding accounts for around 1.0% of the European pharmacy market, which means that the European pharmacy-prepared formula market is worth some 2 billion euros annually at retail prices. The share of pharmaceutical compounding on the total pharmaceutical market differs per country. In the Netherlands it accounted for approximately 1.3% of the value of the total pharmaceutical market in 2005, according to the Dutch Foundation for Pharmaceutical Statistics (SFK). The low average price in comparison to officially approved drugs means that pharmaceutical compounds actually account for a larger share of prescribed drugs as a whole. According to the SFK, pharmaceutical compounds accounted for around 4.8% of all drugs prescribed in 2005. The European market share of pharmaceutical compounds, in terms of number of prescriptions and value, has risen in recent years and this growth is expected to continue in the foreseeable future.

ARSEUS DENTAL

Arseus Dental is the preferred supplier of dentists and other professional users in dentistry and supplies specialised products to dental laboratories. In addition to these distribution activities, Arseus Dental also has a Swiss plant manufacturing precision components for the dental and medical orthopaedic industry.

Profile

- Strong European presence and market leadership in Belgium, the Netherlands and France
- Growing presence in Germany
- Major OEM-supplier to the dental and medical orthopaedic industry
- Exclusive long-term contractor for the distribution of A-brands
- Extensive European distribution network
- Strong team of 125 representatives and 115 service technicians
- Focus on strengthening an already robust range of products

Arseus Dental	2007	2006
Turnover	118,294	107,625
REBITDA	11,722	10,301
REBITDA margin	9.9%	9.6%
FTEs	518.0	477.8

Strong development driven by an intensive buy and build strategy

Arseus Dental is made up of around forty acquisitions by Omega Pharma between 2000 and 2006. Arseus Dental now has a direct presence in seven countries. It is market leader in Belgium, the Netherlands and France (since 2007), with a strong growing position in Germany and a production plant in Switzerland. The acquisition of Julie-Owandy opens the door to the Spanish and Italian market.

Arseus Dental acquired three French firms in 2006 (Besserat, FDL and Eurotec). The combined turnover of the trio in 2005 was approximately 5 million euros. The deal strengthened Arseus Dental's structure in France, which is more valuable to the Company in the long run as it paves the way to future growth. Arseus Dental has targeted a stronger presence in Germany too, with plans to expand from its stronghold in the north to the rest of the country.

The partner of dentists and dental technicians

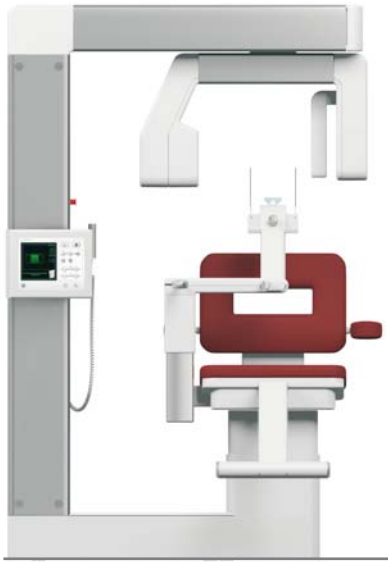
Its unrivalled range of user products and consumables has earned Arseus Dental the position of preferred supplier of dentists. Arseus Dental markets all A-brand investment goods needed to furnish a dental practice: dental chairs, lighting systems, special furniture, bleaching equipment, sterilisation devices, mouth cameras, CAD/CAM systems, (2D, 3D) radiology systems and such precision instruments as turbines, tangs and drills. Arseus Dental also has a wide range of consumables, from prosthetic teeth and metal components to tissues, modelling wax and disinfectants. Just less than two-thirds of total turnover is generated through dentists.

Dentists outsource the production of prosthetic dentures, implants and other specialised work to dental laboratories.

Arseus Dental, the preferred supplier of dentists

Arseus Dental performs complete equipment installation and set-up of dental practices

Arseus Dental is a leading light in this niche market too, as distributor of technical systems and equipment. Arseus Dental also sells the full spread of components used in implants by dental technicians: prosthetic teeth, parts in metal alloys and plastic. The famous Hader Bar systems, and Ceka and Preci-Line retentive elements are also marketed. Sales to dental laboratories account for around one third of Arseus Dental's turnover.



Its strong position in the market allows Arseus Dental to offer its customers integrated solutions, such as the complete installation and design of dental laboratories and dental practices.

The maintenance and repair of dental equipment, including the sale of maintenance contracts and provision of various repair services, such as the fast repair of essential instruments, results in strong customer loyalty.

Around 75% of Arseus Dental's turnover in 2007 came from the sale of equipment, dental laboratory supplies, service and equipment maintenance and repair. Some 15% came from the sale of consumables, while the remaining 10% was generated by the Switzerland-based production activities.

Diversified market strategy

Arseus Dental has a strong sales and marketing organisation comprising a total of 269 employees in direct contact with customers (around 51% of all Arseus Dental employees) and responsible for sales, technical services and customer care. The sales and technical services groups comprise 125 sales representatives and 115 service technicians respectively. Sales representatives are split into teams that focus on consumables, equipment, laboratories and branded products like Ceka and Preci-Line. The 29-strong customer service team provides a high level of support from initial contact to after-sales care.

Customers that purchase dental equipment often remain loyal to the brands they used during their training. With this in mind, Arseus Dental has distribution agreements with the biggest dental equipment brands, strengthening its position by recommending them to colleges and universities in countries in which it is active.

Arseus strategically uses lower margin products to expand its customer base and strengthen its customer relationships, focusing proactively on cross-selling of products and services with higher margins. By selling low-margin consumables at high volumes Arseus Dental is able to get its foot in the door and build up a relationship with customers, facilitating the sales of equipment with a higher margin.

It is also developing an e-business initiative to accelerate the delivery of dental consumables.

The European dental products market (not including metal materials) was worth around 4.7 billion euros in 2006, according to the Association of Dental Dealers of Europe (ADDE) and the Federation of the European Dental Industry (FIDE).

As with the rest of the healthcare market, the dental segment is highly fragmented. There are more than 1,600 suppliers in Europe, just a handful of which are active in more than one country. Arseus Dental is one of them. The segment has enormous growth potential and Arseus Dental has targeted a leading role for itself, based on its buy and build strategy and strong organic growth.

ARSEUS
MEDICAL

ARSEUS MEDICAL

Arseus Medical provides medical equipment and consumables in Belgium and the Netherlands, with specific focus on four customer profiles: care institutions (including home care), hospitals, doctors (GPs, specialists) and eye specialists (ophthalmologists and opticians). Around 80% of turnover is generated in Belgium, the rest in the Netherlands.

Profile

- Market leader in Belgium
- Strong presence in Dutch hospitals
- Market leader in niche markets, such as wheelchairs, ophthalmology and stoma
- Exclusive, long-term distribution agreements with medical product manufacturers

Arseus Medical promotes its own labels, such as Texa latex gloves

Arseus Medical	2007	2006
Turnover	49,462	47,279
REBITDA	2,720	1,940
REBITDA margin	5.5%	4.1%
FTEs	164.1	172.4

Consolidation of the strong position in the Benelux

Arseus Medical was created from a number of acquisitions Omega Pharma has made since 2002. The organisation thoroughly analysed its functioning and structure in 2006, as well as its distribution portfolio. A number of unprofitable distribution agreements were ended. Promising and profitable new distribution agreements have now been signed and the overall fall in turnover in 2006 was transformed into a 4.6% hike in 2007. This new distribution strategy not only improves an already highly diverse range, it is also expected to help further consolidate the Belgian and Dutch market.

The most diversified range in the Benelux

As an integrated service provider in a highly fragmented market, Arseus Medical distributes an extensive range of medical products. These include hospital beds and equipment for operating theatres to surgical gloves. Arseus Medical markets two major product categories: medical products and hospital products.

Medical products are: disposables, hygienic products and disinfectants, medical instruments and small diagnostic materials, lab and testing materials, reagents, catheters and incontinence materials, furniture for doctor's practices and care homes, wheelchairs, bandages and home care materials.

Hospital products are: hospital furniture, gastroenterological products, surgical equipment, instruments, disposables, urology products, equipment, instruments and consumables for cardiology and cardiovascular surgical products, intensive care products and therapeutical and diagnostic products.

Growth through focus on customer profiles

Arseus Medical has a sales and marketing organisation with 123 employees in direct contact with customers (around 68% of all employees of Arseus Medical). They are

responsible for sales, technical services and customer care. Sales and technical services employ 73 representatives and 16 technicians respectively.

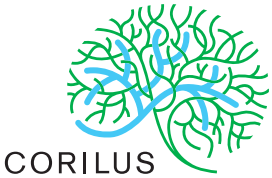
The sales team is split into specialised teams that concentrate on hospitals, GPs, care homes, ophthalmologists and opticians. The capability of the sales team is enhanced by a team of approved and qualified wheelchair and colostomy advisers who drive sales to professionals in these niche sub-segments.

Arseus Medical has exclusive long-term distribution agreements with leading equipment manufacturers and vendors as Hill-Rom, Blanco, Recticel (Foam4Care) and Schiller. For consumables, the division has both exclusive and non-exclusive agreements with leading suppliers. Arseus Medical also markets its own labels, which include Texa (wound care products and gloves) and DermaVital (hypoallergenic skin care products).

These assets mean that Arseus Medical is in a strong position to reinforce its leading position in the Belgian market and increase its market share in the Netherlands.

Arseus Medical has long-term agreements with leading consumables suppliers.

CORILUS



Corilus provides software and total IT solutions to pharmacies, GPs, dentists and other professional healthcare users. As well as applications, Corilus sells hardware, such as PCs and barcode readers.

Profile

- Market leader in Belgium with around 12,000 customers
- Strong position in the veterinary segment in the Netherlands
- Key position in French 'centres de soins' (health centres)
- Software based on standard component modules
- Highly qualified development team
- Synergies with other divisions through customer relations
- Strong brand familiarity

Corilus	2007	2006
Turnover	26,653	25,335
REBITDA	6,690	6,017
REBITDA Margin	25.1%	23.7%
FTEs	200	185.8

Major growth potential

Corilus was formed by the integration of various companies acquired chiefly between 1998 and 2002 by Omega Pharma.

Formerly known as OmegaSoft, Corilus changed its name ahead of the Arseus IPO in 2007 to reflect its independence from Omega Pharma.

Corilus is now active in Belgium, the Netherlands and France. In Belgium the company is the undisputed market leader and in the Netherlands it has a strong position among veterinarians. In France it has a strong presence in health centres, while the acquisition of Julie-Owandy has made it market leader in dental software.

IT is becoming increasingly important in the medical world. Doctors are increasingly using digital instruments that communicate with each other. The readings of a diagnostic device are sent instantaneously to the attending doctor's computer and saved in the patient's medical file. The technology enables health professionals to improve the service they give to their patients. It also helps them plan their diaries better. Today's healthcare demands intense interaction between disciplines, with fast, efficient information sharing to ensure patients get the best possible treatment.

The government also demands increasing interaction between healthcare providers – GPs and pharmacists or specialists for instance. The goal is to raise efficiency and so keep down costs. This cannot be achieved without IT. The increasing need of total solutions offers Corilus many opportunities.

Integrated IT solutions

Corilus offers software suites as part of a total IT solution, including hardware (workstations and servers) and peripherals (modems, barcode readers, online payment terminals). Customers come from a whole range of medical and paramedical professions: pharmacies, dentists, GPs, specialists, veterinarians, ophthalmologists, opticians, nurses, physiotherapists and care homes.

The nucleus of Corilus's IT solutions are engineered and programmed in-house. Other components are licensed from the largest hardware manufacturers and service providers.

Corilus markets integrated total IT solutions

Future developments

Corilus has a team of 37 sales representatives, while 35 technicians and 44 customer service agents provide after-sales services and support. The sales team maintains contacts with customers through the call centre and customer visits, depending on the type of solution provided.

The service technicians and the customer service provide technical support based on a combination of online tools and on-site activities. Corilus has a highly customer-oriented organisation in which around 60% of staff are responsible for strengthening the brand via high-quality customer interaction and after-sales service. Arseus actively pursues further synergy by approaching Corilus's customers for the other divisions.

Price erosion in PC hardware has led to a reorientation to software suites developed in-house. Corilus has developed Greenock, a totally new MS Vista-ready suite for pharmacies, components of which were sold for the first time in early 2008. The full product launch is scheduled for the fourth quarter at the biennial Pharma fair in Brussels.

Corilus is also working on solutions for electronic medical files, which make medical information available in an integrated application. New ground is also being covered in the e-Prescript project, in which drugs prescriptions are sent to pharmacies electronically.

In 2007 Corilus put the finishing touches to its home care diabetes project, which enables patients to send daily blood test results to their attending doctor electronically, so that any adjustments to treatment can be made sooner rather than later.

A major part of the new Corilus strategy is the service contract. Customers can select one of three service levels: VIP, standard or basic.

Recent developments and prospects

Recent developments and prospects

Julie-Owandy acquisition

Arseus acquired all the shares of French company Julie-Owandy, which provides total solutions to dentists via the combination of software and dental imaging equipment. Julie-Owandy realised turnover of approximately 20 million euros in 2007, with an EBITDA margin of approximately 12%.

- Julie is the market leader in France in software for dentists and serves more than 14,000 customers which results in a market share of approximately 35%.
- Owandy provides a complete range of dental imaging equipment (X-ray units, panoramic units, intra-oral digital sensors and cameras). Owandy has a worldwide installed base of approximately 15,000 units that are served via affiliates in countries including France, Benelux, Germany, Italy and Spain, and via distributors in other countries. The market for dental imaging equipment is one of the most attractive segments in the dental market with an estimated growth of 6% over the coming five years. The average penetration level of dental imaging equipment in Europe amounts to approximately 35%, which naturally still offers plenty of room for further growth. Owandy has a number of very innovative products in the pipeline from their own R&D department, especially concerning intra-oral sensors. Production is almost entirely outsourced.

Through this acquisition, Arseus reinforces its position in dental software and also, besides Belgium, will become market leader in France. Furthermore, this also offers many synergies at R&D level.

Owandy reinforces the market leadership of Arseus in the dental imaging segment in France, Belgium and the Netherlands, and Arseus Dental will acquire access to Spain, Italy and a number of other strategic markets. This offers a number of opportunities

for cross-selling, of course. The acquisition price of 18.3 million euros was paid entirely in cash. Arseus took over approximately 2 million euros of financial debt.

70% stake in Tamda

ARSEUS has acquired a 70% stake in TAMDA S.A., based in Olomouc, (Czech Republic). Tamda is the Czech market leader in the sale of pharmaceutical raw materials, creams and ointments to pharmacists. Tamda offers a complete assortment of raw materials and semi-finished goods and has a number of own registrations of pharmaceutical specialities. In recent years Tamda has invested heavily in production facilities. The acquisition offers Fagron a number of interesting opportunities for synergies related to the conditioning of pharmaceutical raw materials.

By acquiring Tamda, Fagron starts operations in Central and Eastern Europe, a market that offers many growth opportunities. The acquisition fits the buy-and-build strategy of Arseus, and aids Fagron's strategy to expand its position as market leader in magistral preparations in Europe.
Supported by Fagron's broad product range, Tamda will strengthen its market leadership in the Czech Republic. Furthermore, management will actively explore a number of opportunities in other Central European markets.
Tamda realised revenues of almost 6 million euros in 2007 and has grown nicely in recent years.
The company realises a high single-digit EBITDA margin. By implementing the Fagron-model, this margin will evolve into the average of the Fagron-group.

Outlook for 2008

Arseus is on track to succeed in achieving its turnover target of 500 million euros in 2010, via a combination of organic growth and acquisitions. Organic growth amounted to 7% in the first quarter, which is in line with the previously forecast target of 7% to 8% organic growth for the whole of 2008. In addition, Arseus is actively involved in a number of acquisitions.

Corporate governance

Corporate Governance

Board of Directors

● Member ■ Chairman	Inde-pendent director	Term of office	Membership of advisory committees
Robert Peek (chairman)	● ■	3 years	Appointment committee (chairman), Remuneration committee (chairman)
Johannes Stols	●	3 years	Audit committee, Remuneration committee
Luc Vandewalle	●	3 years	Audit committee, Appointment committee
Rudi De Becker	●	3 years	
Gerardus van Jeveren		4 years	Appointment committee
Jan Peeters		4 years	
Couckinvest NV (permanent represen-tative: Marc Coucke)		4 years	
Benoit Graulich	●	4 years	Audit committee (chairman) Remuneration committee

* At its meeting of 10 March 2008 the Board of Directors proposed the appointment of Rudi De Becker to the Remuneration Committee and the Appointment Committee. He will replace Benoit Graulich on the Remuneration Committee and Luc Vandewalle on the Appointment Committee, subject to the approval of the General Meeting of 13 May 2008.

Executive Committee

NAME AND POSITION	CONTRACT
Gerardus van Jeveren, CEO	4 years
Jan Peeters, CFO	4 years
Frank Verbakel, Group Financial Controller	4 years

(from left to right) Hans Stols, Rudi De Becker, Luc Vandewalle (sitting), Marc Coucke, Robert Peek, Ger van Jeveren, Benoit Graulich, Jan Peeters (foreground)

Brief biographies

Here follow the brief biographies of the members of the main directing and managing bodies or their permanent representative.

Gerardus van Jeveren (1960): Chief Executive Officer

Gerardus van Jeveren is the chief executive officer of Arseus. Mr van Jeveren was the founder and main shareholder of Fagron Farmaceuticals BV, which was acquired by Omega Pharma in 2000. Before founding Fagron he held various sales and marketing positions, including commercial manager at Pharbita Generics, a subsidiary of Medicopharma NV. After Omega Pharma's acquisition of Fagron, Mr van Jeveren was appointed country manager of Omega Pharma, responsible for the Netherlands and Germany. In 2003 he was appointed business unit manager of Fagron, responsible for the Netherlands, Belgium, Germany and Spain, and in 2006 he was appointed CEO of Arseus. Mr van Jeveren is also a director of Ambeste BV. He followed teacher training in Delft (the Netherlands).

Jan Peeters (1966): Chief Financial Officer

Jan Peeters is the chief financial officer of Arseus. Mr Peeters was appointed Omega Pharma's chief financial officer in 2003, after three years as a business analyst at Exxon Chemical International. Mr Peeters was Omega Pharma's CFO for eight years, a period that included the firm's successful IPO. In 2001 Mr Peeters was appointed deputy chief executive officer of Omega Pharma, a position he held until 7 November 2006. In 2005 he was appointed business unit manager of Omega dental division (now Arseus Dental) and given overall responsibility for Arseus's split from Omega Pharma.

In 2006 he was appointed CFO of Arseus. Mr Peeters has a master's degree in applied economics from Antwerp University and a postgraduate degree in management from Vlerick Management School.

Frank Verbakel (1960): Group Financial Controller

Frank Verbakel is the group financial controller of Arseus. Between 1983 and 1996 Mr Verbakel held various financial positions at the Organon division of Akzo Nobel. In 1997 he was appointed controller of the Chefaro division of Akzo Nobel, which was acquired by Omega Pharma in 2000. In 2004 Mr Verbakel was appointed business unit controller of Fagron and in 2007 he was appointed group financial controller and member of the Executive Committee of Arseus. Mr Verbakel has a master's degree in business economics from Fontys College Eindhoven.

Robert Peek (1945)

Robert Peek graduated from the Nederlandse Economische Hogeschool, Rotterdam, the Netherlands (propedeutic certificate), before earning a diploma from the Hochschule St. Gallen für Wirtschaft und Sozialwissenschaften, St. Gallen, Switzerland (lic. oec./drs.). Between 1973 and 1987 Mr Peek held various positions at Organon International. He was ultimately appointed marketing services manager, with responsibility for the global marketing of Organon products. In 1988 Mr Peek was appointed marketing manager at OPG Groep NV, the Dutch listed company, where he was subsequently appointed COO (2001) and in 2003 CEO. Mr Peek was CEO of OPG Groep NV until 1 December 2005. Between 2004 and 2006 Mr Peek was a member of the board of the International Federation of Pharmaceutical Wholesalers (IFPW).

Johannes Stols (1959)

Johannes Stols has held various positions at the Rijksaccountantsdienst, ABN-AMRO Bank NV and Stada Arzneimittel AG. Until 2006 Mr Stols was chief operational officer and member of the board of directors of Stada Arzneimittel AG and director of many Stada subsidiaries. Mr Stols also provides consulting services to many corporations, including Stada Arzneimittel AG and Goldman Sachs London (ad hoc) and has, among other things, been chairman of the European Generic Medicine Association, Vereniging Euro Specialite's and Nederlandse Cystic Fibrosis Stichting.

Luc Vandewalle (1944)

Luc Vandewalle has a master's degree in applied economics from Ghent University. He was appointed director and member of the management team of BBL in December 1992. On 1 July 2007 Mr Vandewalle was appointed chairman of the board of ING Belgium NV. Mr Vandewalle is currently chairman of ING Insurance SA/NV, chairman of VZW Centrum voor Algemeen Welzijnswerk - CAW Stimulans, Kortrijk, director of Befimmo SA/NV, director of Sea-Invest, director of Atcomex cy and director of SA/NV Atcomex, Hamme. Mr Vandewalle is also a member of the board of directors of Enfinity NV, Besix NV, Galloo NV, Transics NV and chairman of Waak VZW.

He is also a member of the supervisory board of ING Lease Holding and a member of the World Trade Centers Association.
In the past five years, Mr Vandewalle has also been chairman and CEO of ING Belgium NV, chairman of the management team of ING Belgium S.A., Succursale en France, director of ING Vysya Bank, ABB/BVB, Febelfin and VOKA and a non-executive board member of Williams de Broe and chairman of the Belgian Bankers Association.

Benoit Graulich (1965)

Benoit Graulich has a degree in law, business administration and finance from KU Leuven as well as a degree in tax studies. He has been a partner of Bencis Capital Partners since December 2003, director of Vandevelde NV, and director of Wereldhave Belgium NV and Omega Pharma NV. He was a partner of Ernst & Young until December 2003. Prior to these positions, he held various positions at Artesia Bank and PricewaterhouseCoopers. As a representative of Bencis Capital Partners, Mr Graulich was a board member of numerous unlisted companies.

Rudi De Becker (1946)

Rudi De Becker has been CEO of Hagemeyer in Nederland since 2004. He will resign on 30 April 2008. Born in Bruges, Mr De Becker has held a number of leadership positions at Black & Decker, Xerox Buhrmann / Corporate Express and others. His broad international experience in business to business and distribution will be very valuable with respect to Arseus's European buy and build strategy.

Couckinvest NV – Marc Coucke (1965)

Marc Coucke graduated as a pharmacist at Ghent University and has an MBA from Vlerick School for Management, Ghent. He is the founder and driving force of Omega Pharma NV and, as permanent representative of Couckinvest NV, CEO and director of Omega Pharma NV. Mr Coucke was chief executive officer of Omega Pharma NV until 30 September 2006, non-executive chairman until 11 March 2007 and again CEO and director (but not chairman) of Omega Pharma NV. Mr Coucke is chairman of the board of Couckinvest NV.

Board of Directors

The Board of Directors of Arseus comprises minimum 5 and maximum 11 members, who must not necessarily be shareholders. The Board of Directors is made up of executive, non-executive and independent directors.

Appointment of the members of the Board of Directors

No fewer than half of the members of the board must be non-executive directors and no fewer than three members must be independent directors in the sense of Article 524 of Belgium's Companies Code (see section 11.2.3).

The executive directors are appointed by the general meeting of shareholders for a renewable term of no more than four years. The non-executive directors are appointed by the general meeting of shareholders for a renewable term of no more than three years. When a directorship becomes vacant before the end of the term, the remaining directors are entitled to appoint a provisional director until the general meeting of shareholders appoints a new director. This

Jan Peeters, Frank Verbakel, Ger van Jeveren

item must be included on the agenda of the next general meeting. There is no age limit set for directors.

Function and role of the Board of Directors

The Board of Directors established its internal terms of reference as part of the preparation of the Corporate Governance Charter. In addition to those things it is legally obliged to do, the main duties of the Board of Directors include: establishing the strategy, risk profile, values and main policy lines, ensuring availability of the financial and human resources needed to achieve targets and goals, checking the adequacy of internal and external audits, structuring the Executive Committee, establishing and evaluating its powers, supervising the press releases and annual accounts drawn up by the Executive Committee, establishing corporate governance and supervising compliance with the Corporate Governance Code, setting up specialised committees and establishing their internal terms of reference.

Activity report of the Board of Directors in 2007

The Board of Directors met four times in 2007. All directors attended on each occasion. In addition to discussing the financial reporting, the Board of Directors gave special attention to preparing the Company's independence and IPO.

Remuneration of the Board of Directors

The remuneration of the executive directors is entirely based on their executive duties.

The chairman of the Board of Directors receives annual remuneration of 30,000 euros. Each non-executive member of the Board of Directors (except Couckinvest NV) receives annual remuneration of 20,000 euros. A director who is a member of a committee receives annual remuneration of 5,000 euros per committee. This produced the following remunerations in 2007: Robert Peek 40,000 euros, Luc Vandewalle 30,000 euros, Johannes Stols 30,000 euros, Benoit Graulich 30,000

euros. These remunerations were allocated proportionally in 2007 and totalled 32,500 euros.

No member of the Board of Directors has an employment contract with Arseus NV or any of its subsidiaries that provides for payments in the event of the ending of the employment contract, other than in accordance with applicable laws.

The chairman of the Board of Directors was granted 20,000 warrants, Couckinvest NV 50,000 warrants and the non-executive members of the Board of Directors 10,000 warrants each. By granting warrants to independent directors, Arseus NV has deviated from the principles of Belgium's Corporate Governance Code. The Board of Directors of Arseus is of the opinion that this deviation is justified in the context of the remuneration policy of Arseus and that it does not lead to a conflict of interests for the independent directors.

Policy for transactions and other contractual relationships between the Company and its board members or members of the Executive Committee not covered by the conflict of interest arrangement

The Board of Directors has drawn up a number of guidelines with respect to transactions and other contractual relationships between the Company and its directors or members of the Executive Committee not covered by the conflict of interest arrangement.

All members of the Board of Directors and the Executive Committee are expected to avoid actions, positions or interests that are contrary to, or appear to be contrary to the interests of the Company or of one of the companies of the Arseus Group. Otherwise, all transactions between the Company and members of the Board of Directors or the Executive Committee (or their permanent representatives) require the approval of the Board of Directors.

If the members of the Board of Directors or the Executive Committee (or their permanent representatives) identify a possible conflict of interest with respect to a decision or activity of the Company, they must also notify the chairman of the Board of Directors at the earliest opportunity.

Rules for the prevention of insider trading and market manipulation

The Board of Directors has drawn up rules to prevent privileged information being unlawfully used by directors, shareholders, managers, employees and selected third parties ("insiders"). These rules are an integral part of the Corporate Governance Charter and are available at the corporate website (www.arseus.be). The Board of Directors has also appointed a compliance officer to supervise, among other things, observance of the rules by insiders.

Insiders and persons closely related to them may not conduct any transactions with respect to securities of the Company during closed and blocked periods. Closed periods are the periods between the closing of the quarter and the publication of the turnover and the one-month periods prior to the announcement of the annual, six-monthly or quarterly results of the Company, or and if shorter, the period starting at the closing of the relevant accounting period until and including the day of the announcement. Blocked periods are the periods that are announced as such by the compliance officer. Certain transactions – to be named specifically – remain exceptionally possible during the closed and blocked periods. Insiders that wish to acquire or sell securities of the Company must notify the compliance officer of this intention prior to the transaction.

In response to this notification, the compliance officer may issue a negative recommendation with respect to the transaction. In that case, the Insider must consider this as an explicit rejection of the transaction by the

Company. Every request and recommendation of the compliance officer is included in a special register.

Specialised Committees of the Board of Directors

These committees have an advisory role. They assist the Board of Directors in specific circumstances that they thoroughly monitor and for which they submit recommendations to the Board of Directors. The ultimate decision lies with the Board of Directors. The composition, powers and functioning of the committees are described in their respective terms of reference. The committees report to the Board of Directors after every meeting.

Audit Committee
The composition of the Audit Committee complies with all provisions of the Belgian Corporate Governance Code. The main duties of the Audit Committee are: assessing the reliability and quality of the financial reporting, the performance of the internal audit and risk management, discussing with the Statutory Auditor the consolidated half-year and annual income statement and the evaluation of the internal audit, assessing the performance and independence of the Statutory Auditor, checking the scope and the nature of non-audit work by the Statutory Auditor. The Audit Committee met once in 2007. All members attended this meeting.

Remuneration Committee
The composition of the Remuneration Committee complies with all provisions of the Belgian Corporate Governance Code. The main duties of the Remuneration Committee are: formulating and assessing the remuneration policy for non-executive directors, the chairman of the Board of Directors, the members of the Executive Committee and the CEO, formulating recommendations concerning the performance targets for the CEO and the other members of the Executive Committee and the guidelines for motivation and departure packages for important managers, discussing the functioning and performance of the Executive Committee.

Appointment Committee
The composition of the Appointment Committee complies with all provisions of the Belgian Corporate Governance Code. The main duties of the Appointment Committee are: drawing up the appointment procedures for the members of the Board of Directors, nominating suitable candidates, formulating proposals for reappointments, evaluating and making recommendations on the composition of the Board of Directors and its Committees, offering advice on proposals concerning the appointment or dismissal of members of the Executive Committee, evaluating potential candidates for a position on the Executive Committee.

Executive Committee

Appointment of the members of the Executive Committee
Arseus NV has established an Executive Committee in the sense of the Corporate Governance Act of 2 August 2002. The Board of Directors appoints the members of the Executive Committee, based on the recommendations of the Remuneration Committee. The members are appointed for a four-year term.

Role of the Executive Committee
The Executive Committee is responsible for the Company's management. It exercises the management powers that the Board of Directors has delegated to it (within the limits of the general and strategic policy and where not expressly reserved to the Board of Directors by law or otherwise).

This means that the Executive Committee exercises the most extensive powers in: daily management, mergers, acquisitions, investments and divestments, research and product development, distribution, purchasing and

production, marketing and sales, logistics and information technology, accounting, administration and financial matters, treasury, supervision of the business unit (managers), legal matters, intellectual property, environment and permits, human resources, insurances, tax and subsidy matters, production of press releases and annual accounts. More detailed information can be found in the internal terms of reference of the Executive Committee, which is an annex to the Corporate Governance Charter and is available at the corporate website.

The Executive Committee meets as often as the interests of the Company demand it and within fourteen days of the request to do so by two members of the Executive Committee. The Board of Directors receives a copy of the minutes of every meeting of the Executive Committee. In addition the Executive Committee quarterly prepares an activity report for the Board.

Remuneration of the Executive Committee and the CEO

The overall remuneration package in 2007 for the members of the Executive Committee and for the CEO individually, as well as other aspects in the area of remuneration, is stated in Note 26 to the consolidated financial statement (page 107 of this document).

No member of the Executive Committee has an employment contract with Arseus NV or any of its subsidiaries that provides for payments in the event of the ending of the employment contract, other than in accordance with applicable laws.

The CEO was granted 500,000 warrants and the members of the Executive Committee (excluding the CEO) 300,000 warrants in total.

Statutory Auditor

Arseus's Statutory Auditor is PricewaterhouseCoopers Bedrijfsrevisoren, a company governed by Belgian law with registered office at Woluwedal 18, 1932 Sint-Stevens-

Woluwe, represented by Lieven Adams and Peter Opsomer. PricewaterhouseCoopers Bedrijfsrevisoren has been appointed Arseus's Statutory Auditor for a term of three years.

PricewaterhouseCoopers Bedrijfsrevisoren receives annual remuneration of 291,000 euros to audit the entire group, including the consolidated financial statements and limited supervision of the provisional financial statements.

Details about the remuneration of the Statutory Auditor in 2007 can be found in Note 28 to the financial statement (page 108 of this annual report).

Corporate governance information

Corporate Governance Charter
The Board of Directors approved the first version of the Company's Corporate Governance Charter on 4 October 2007. This Charter was supplemented with the internal terms of reference of the Board of Directors, the Executive Committee, the Audit Committee, the Appointment Committee and the Remuneration Committee. The Charter also includes the policy established by the Board of Directors for transactions and other contractual relations between the Company and its directors and members of the Executive Committee. The Board of Directors has furthermore established rules to prevent insider trading. The Charter is based on the provisions of Belgium's Corporate Governance Code, and the Board of Directors set the goal of full compliance with the principles, and aims to comply as closely as possible with the provisions of this Code.

On 24 April 2008 the Board of Directors approved a new version of the Company's Corporate Governance Charter, in which a number of points are improved.

The complete Corporate Governance Charter, including its annexes, is available at the corporate website (www.arseus.be). Future changes to the Charter will also be published at the corporate website.

General Meeting
The Annual General Meeting is held on the second Monday of May at 15:00. If that day is an official public holiday, the meeting is held at the same time on the next working day. The venue is the registered office of Arseus NV or any other venue stated in the letter of notice. Bearing in mind the shortened financial year, the first Annual General Meeting shall take place in May 2008.

All holders of shares, warrants and bonds (where applicable) issued by Arseus and all holders of certificates issued with the cooperation of Arseus (where applicable) are entitled to attend the General Meeting, but only shareholders are entitled to vote at a General Meeting.

The holders of registered instruments must be listed in the relevant register and must notify the Board of Directors of their intention to attend the General Meeting no later than three business days before the meeting if they are to be admitted to the General Meeting.

The holders of bearer instruments must deposit their instruments at the place stated in the notice no later than three business days before the meeting.

The holders of dematerialized shares must deposit, no later than three business days before the meeting, a certificate, testifying to the unavailability of these shares to the General Meeting, at the institutions stated in the notice.

In accordance with Article 536 of Belgium's Companies Code, a registration date may be stated in the General Meeting notice.

In this case, the shareholders are entitled to participate in the General Meeting and exercise their voting rights only pursuant to shares they hold at midnight on the registration date. This applies regardless of the number of shares held by each shareholder on the day of the General Meeting. The registration date may not take place earlier than fifteen days and later than five days prior to the General Meeting.

Each shareholder is entitled to attend and vote at the General Meeting in person or through an authorised representative. The authorised representative does not have to be a shareholder. In the notice, the Board of Directors may establish conditions the authorisation must fulfil and the Board of Directors may demand that the authorisation be submitted to a venue stated in the notice no later than three business days prior to the General Meeting.

Shareholders who represent, individually or collectively, at least twenty per cent of the capital, are entitled to propose items for the agenda of the General Meeting, provided that their proposals are submitted at least ninety days in advance to the Board of Directors. Belgium's Corporate Governance Code embraces the principle that this must represent no less than five per cent of the capital. Taking the annual rotation of shares into account, the Company holds the opinion that its proposal prevents investors with a short-term view exercising too great an impact on the strategy of the Company, which is focused on continuity and sustainable achievements in the mid-term. Full information is provided in the articles of association of Arseus NV, which are available at www.arseus.be.

Consultation of the Company's documents

The stand-alone and consolidated financial statement, articles of association, annual reports and other information that are made public for the benefit of the shareholders are available from the registered office of the Company free of charge. The information is also available on the corporate website (www.arseus.be).

Corporate governance statement

The Company is of the opinion that it complies with all principles and provisions of Belgium's Corporate Governance Code, with the exceptions of the possibility of granting warrants to non-executive directors and the right for shareholders representing at least twenty per cent of the capital to propose items for the agenda of the General Meeting. The corresponding explanations for these deviations are included above.

Number of shares and share capital

Arseus NV was founded on 29 June 2007. At incorporation, the share capital was 61,500 euros represented by 100 registered shares without nominal value, fully paid-up in cash, each representing an identical fraction of the share capital of Arseus.

On 7 September 2007, subject to the completion of the IPO, the extraordinary general meeting of Arseus NV decided to increase the share capital with a contribution in kind comprising: (i) contribution in kind of shares of Arseus BV by Omega Pharma and (ii) contribution to the accounts payable held by the contributors.

This led to the issue of (i) 6,000,000 and (ii) 195,121 shares, bringing the total number of Arseus shares to 31,195,121 and the share capital to 319,810,475 euros.

Shareholder's structure and declarations of interest

Based on the declarations of interest that the Company has received up to 31 March 2008, and taking the nominator as per 31 March 2008 into account, the shareholders' structure of Arseus NV is as follows:

Basis	Actual voting rights	Actual and future voting rights (fully diluted)
Omega Pharma NV (declaration of 13 November 2007)	7,500,000 (24.04%)	7,500,000 (20.78%)
Couckinvest NV (declaration of 13 November 2007)	3,781,248 (12.12%)	5,636,872 (15.62%)
Fortis Investment Management (declaration of 26 October 2007)	1,687,157 (5.41%)	1,687,157 (4.67%)

The declarations are available in the Press Releases section of the corporate website.

In accordance with Article 11 of the articles of association of the Company, the applicable quota for the application of Articles 1-4 of the Act of 2 March 1989 on the publication of significant participations in listed companies and regulation of public acquisition bids the applicable quota is three per cent, five per cent and multiples of five per cent.

Conflicts of interest

The procedure of Article 523 of Belgium's Companies Code was applied once in 2007. The contents of the minutes of the three relevant decisions indicating the reason for the conflict of interest are given below, as are the explanation and pecuniary effects of them for the Company.

Board of Directors of 4 October 2007

"Prior to any deliberation, the following directors declared that they had the following potential conflicts of interest in the sense of Article 523 of Belgium's Companies Code:

Granting of warrants to Gerardus van Jeveren as remuneration for the duties of the Company's chief executive officer

Director's declaration

Gerardus van Jeveren declared that he has a potential conflict of interest with regard to the granting of warrants to him as part of the warrant plan to grant warrants to directors and consultants (Warrant Plan 2).

Ger van Jeveren shall be granted a number of warrants as part of the Warrant Plan 2 in his capacity as and as remuneration for his duties as chief executive officer.

Ger van Jeveren confirmed that he would notify the Company's Statutory Auditor of this conflict of interest.

Grounds for justifying the decisions
One of the Company's intentions with Warrant Plan 2 is to create a long-term incentive for people that are able to make a major contribution to the Company's success, growth and value creation. The participation in the Company's capital by the chief executive officer shall ensure the personal commitment of the chief executive officer in the Company's development and success.

By granting the warrants the Company also has the opportunity to create a common interest with the beneficiary of the warrants by offering the possibility of participating in the Company's added value and growth on the one hand and the Company's shareholding on the other, which is focused on an increase in value of the Company's share.

Pecuniary consequences for the Company
The issue price of the warrants to be granted to the chief executive officer as part of Warrant Plan 2 shall be equal to the Offering Price (or IPO price). See the warrant agreement for other financial consequences. The chief executive officer is expected to be granted 500,000 warrants.

Company interest
Based on the reasoning in paragraph 4.1(b) above, the Board of Directors is of the opinion that the decisions are in the interests of the Company.

Establishment of the remuneration of Gerardus Van Jeveren as the Company's chief executive officer

Director's declaration
Gerardus Van Jeveren declared that he has a potential conflict of interest with regard to the establishment of the remuneration for his duties as the Company's chief executive officer.

Ger Van Jeveren confirmed that he would notify the Company's Statutory Auditor of this conflict of interest.

Grounds for justifying the decisions
The Company appointed Ger Van Jeveren as chief executive officer and intends to remunerate Mr Van Jeveren for his duties as part of this appointment.

By granting justified remuneration to the Company's chief executive officer, the Company ensures the jobholder commits the requisite time and effort and has the opportunity to exercise his duties to the full.

Pecuniary consequences for the Company
The remuneration to be paid to the chief executive officer is 112,500 euros per year.

Company interest
Based on the reasoning in paragraph 4.2(b) above, the Board of Directors is of the opinion that the decisions are in the interests of the Company.

Establishment of the remuneration of Jan Peeters as a member of the Company's Executive Committee

Director's declaration
Jan Peeters declared that he has a potential conflict of interest with regard to the establishment of the remuneration for his duties as a member of the Company's Executive Committee.

Jan Peeters confirmed that he would notify the Company's Statutory Auditor of this conflict of interest.

Grounds for justifying the decisions
The Company intends to appoint Jan Peeters as a member of the Executive Committee (under suspensive conditions) and intends to remunerate Mr Peeters for his duties as part of this appointment.

By granting justified remuneration to Jan Peeters as a member of the Company's Executive Committee, the Company ensures the jobholder commits the requisite time and effort and has the opportunity to exercise his duties to the full.

Pecuniary consequences for the company
The remuneration to be paid to Jan Peeters as a member of the Executive Committee is 390,000 euros per year.

Company interest
Based on the reasoning in paragraph 4.3(b) above, the Board of Directors is of the opinion that the decisions are in the interests of the Company."

Purchase of own shares
The Extraordinary General Meetings of 7 September 2007 granted the Company's Board of Directors additional powers to purchase the Company's own shares. In the interests of the Company and in the light of the market conditions, the Board of Directors has decided to continue the purchase programme and request the renewal of these powers by the General Meeting of 13 May 2008. None of the Company's own shares were purchased as of the end of December 2007.

Warrants
The Board of Directors of the Company approved three warrant plans on 6 September 2007 for the benefit of employees, directors/managers/consultants of Arseus NV and/or its subsidiaries, and the shareholders of Omega Pharma NV that have subscribed to shares in the priority tranche in the Arseus NV IPO. The Board of Directors is of the opinion that the possibility for employees, important third parties and consultants to participate is an important stimulus in the development and growth of the Company.

Further details on the movements of the number of warrants in the financial year 2007 can be found in Note 11 to the consolidated financial statement on page 80 of this document.

Authorised capital
By the decision of the Extraordinary General Meeting of 7 September 2007, the Board of Directors was granted the power to increase the capital in one or more instalments by a maximum amount of 319,810,475.00 euros, in a way and under the conditions to be established by the Board of Directors, within the term of five years of the publication date of the decision in the Annexes to the Belgian Bulletin of Acts, Orders and Decrees.

As at 31 December 2007 the Board of Directors is still authorised to increase the capital by a maximum amount of 319,810,475.00 euros.

If the capital is increased within the limits of the authorised capital, the Board of Directors has the power to request payment of an issue premium. If the Board of Directors so decides, this issue premium shall be deposited on a blocked account that can be lowered or emptied only by a decision of the General Meeting taken in accordance with the stipulations applicable to a change in the articles of association.

This power of the Board of Directors is valid for capital increases subscribed to in cash or in kind, or that occur by the capitalisation of reserves, with or without the issue of new shares. The Board of Directors is permitted to issue convertible bonds or warrants within the limits of the authorised capital.

Annual Information

A summary of the 'annual information' as referred to in Title 10 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the trading of investment instruments on the regulated market (Prospectus Act) is provided below.

Prospectuses
Arseus NV issued a prospectus on 11 September 2007 for the IPO as an independent Company.

Information to the shareholders
See the prospectus of 11 September 2007.

Periodical press releases and information

- 19 January 2007 (turnover for 2006) – as part of Omega Pharma
- 15 April 2007 (consolidated results for 2006 + condensed statutory financial statement) – as part of Omega Pharma
- 19 April 2007 (Q1 2007 Trading Update) – as part of Omega Pharma
- 19 July 2007 (Q2 2007 Trading Update) – as part of Omega Pharma
- 29 August 2007 (Half-year 1 2007 results) – as part of Omega Pharma
- 18 October 2007 (Q3 2007 Trading Update)
- 15 January 2008 (Q4 and full year 2007 Trading Update)
- 11 March 2008 (consolidated results of the financial year 2007)
- 15 April 2008 (Q1 2008 Trading Update)

Occasional press releases and information

- 19 January 2007 (confirmation of the Arseus IPO plans) – as part of Omega Pharma
- 4 June 2007 (acquisition of Polichimica by Arseus) – as part of Omega Pharma
- 4 July 2007 (Arseus IPO before the end of 2007 rather than 2008) – as part of Omega Pharma
- 6 September 2007 (Arseus secures rolling credit of 200 million euros, commencing on IPO date) – as part of Omega Pharma
- 21 September 2007 (price range of 9.50-12.00 euros per share for the IPO)
- 2 October 2007 (early closure of the IPO)
- 4 October 2007 (establishment of the price per share at 10.25 euros)
- 4 October 2007 (result of the offer relating to the IPO)
- 8 November 2007 (results of the stabilisation programme relating to the IPO)
- 29 November 2007 (Rudi De Becker nominated as director)
- 31 January 2008 (Corilus installs Greenock at the first pharmacies)
- 10 April 2008 (timely warning by Fagron to hospitals about contaminated heparin)
- 11 April 2008 (response of Arseus to supply of heparin)

Received declarations of participation

- 9 October 2007 from Fortis Investment Management
- 11 October 2007 from Omega Pharma NV, Couckinvest NV and associated persons
- 26 October 2007 from Fortis Investment Management
- 13 November 2007 from Omega Pharma NV, Couckinvest NV and associated persons

Financial section

The undersigned hereby declare that, to the best of their knowledge, the annual accounts, which have been prepared in accordance with the annual accounts for financial statements, reflect a true and fair view of the equity, the financial situation and the results of Arseus and the companies that are included in the consolidation scope.

The undersigned also declare that, to the best of their knowledge, the annual report provides a true and fair view of the development of the Company's results and position of Arseus and the companies included in the consolidation circle, as well as a description of the main risks and uncertainties they are faced with.

Ger van Jeveren, CEO
Jan Peeters, CFO
24 april 2008

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Consolidated financial statement

Consolidated income statement

(in thousands of euros)	Note	2007	2006
Operating income		**308,249**	**278,903**
Turnover	**17**	304,368	276,971
Other operating income	**18**	3,881	1,932
Operating expenses		**281,809**	**258,783**
Trade goods		161,209	146,281
Services and other goods		45,199	39,806
Employee benefit expenses	**19**	62,633	59,232
Depreciations, amortisations and changes in provisions for liabilities	**20**	8,852	5,262
Other operating expenses	**21**	3,916	8,202
Operating result		**26,440**	**20,120**
Financial income	**22**	1,603	739
Financial expense	**22**	(8,604)	(6,247)
Profit before income tax		**19,439**	**14,612**
Income tax	**23**	3,179	2,489
Profit of the period		**16,260**	**12,123**
Profit in the period per share (in euros)		0.61	0.48
Diluted profit per share (in euros)		0.61	0.48
Recurrent net profit per share (in euros)	**24**	0.69	0.69
Diluted recurrent net profit per share (in euros)	**24**	0.69	0.69

Consolidated balance sheet

(in thousands of euros)	Note	2007	2006
Non current assets		**191,371**	**173,012**
Intangible assets	6	155,662	145,656
Property, plant and equipment	7	21,195	16,397
Financial assets	8	255	255
Deferred tax assets	14	13,617	10,037
Other non current assets	8	642	667
Current assets		**156,096**	**112,446**
Inventories	10	56,521	50,062
Trade receivables	9	57,129	48,759
Other current assets	9	14,657	11,093
Cash and cash equivalents		27,789	2,532
Total assets		**347,467**	**285,458**
Equity	11	**178,225**	**100,812**
Share capital and share premium		317,302	150,746
Retained earnings		57,244	40,984
Merger and other reserves		(195,877)	(90,607)
Cumulative translation adjustment		(444)	(311)
Non current liabilities		**12,170**	**58,157**
Provisions	12	1,491	1,296
Pension obligations	13	2,376	2,349
Deferred tax liabilities	14	2,871	2,423
Borrowings	15	5,432	52,088
Current liabilities		**157,072**	**126,489**
Borrowings	15	72,917	53,618
Trade payables		56,943	49,525
Taxes, remuneration and social security	14	18,053	20,066
Other current payables	16	9,159	3,281
Total equity and liabilities		**347,467**	**285,458**

Consolidated statement of changes in equity

(in thousands of euros)	Share capital & share premium	Merger reserves	Net assets of the combination	Other reserves	Cumulative translation adjustments	Retained earnings	Total equity
Balance at 1 January 2006			**54,022**		**(16)**	**28,861**	**82,867**
Adjustment consequent to the split		5,930					5,930
Adjusted balance at 1 January 2006		**5,930**	**54,022**		**(16)**	**28,861**	**88,797**
Currency translation adjustments					(295)		(295)
Profit for the period						12,123	12,123
Total recognised income for the period		**5,930**	**54,022**		**(311)**	**40,984**	**100,625**
Capital increases			93,500				93,500
Transactions under joint control			(106,034)				(106,034)
Business combinations			12,721				12,721
Arseus BV share capital	150,746	(96,537)	(54,209)				
Balance at 31 December 2006	**150,746**	**(90,607)**			**(311)**	**40,984**	**100,812**
Currency translation adjustments					(133)		(133)
Profit for the period						16,260	16,260
Total recognised income for the period	**150,746**	**(90,607)**			**(444)**	**57,244**	**116,939**
Capital increases	317,241						317,241
Share-based payments				89			89
Change in ultimate holding company							
Arseus BV share capital	(150,746)	(105,360)					(256,106)
Arseus NV formation	62						62
Balance at 31 December 2007	**317,302**	**(195,967)**		**89**	**(444)**	**57,244**	**178,225**

As stated in more detail in Note 2 to the consolidated financial statements, the figures for 2006 relate to a combination of all legal persons identified as 'Entities of Arseus'. Transactions between the combined entities and entities that are owned by other entities recognised in the combined financial statements (consolidated entities) result in a number of changes to combined net assets / consolidated equity:

- If ownership of a combined entity is transferred from an Omega Pharma entity to an Arseus entity, the effect is shown in 'Transactions under joint control'.
- If a capital increase in cash is performed in a combined entity by a consolidated entity, the increase is set off in 'Transactions under joint control'.
- If a new entity is added to the combination without being acquired by the Arseus entity, the effect on net assets is recognised in 'Business combinations'.

The statutory structure of Arseus was formalised on 31 December 2006 and all entities are legally owned by Arseus BV, so the combination has become a consolidation and the individual share capital and share premium items should be equal to the share capital and share premium of Arseus BV at that date. This is reflected by the 2006 change in 'Share capital and share premium', 'Net assets of the combination' and 'Merger reserves'. 'Merger reserves' is purely a set-off item to enable reclassification without impacting total equity. The compensation described above was also used for the contribution of all Arseus BV shares in Arseus NV and the related capital increase.

Split

An adjustment was made in the opening balance for the financial year 2006, relating to a shift created by the difference in the handling of the split in the prospectus and the actual handling. This shift is shown in the consolidated statement of change in equity and also effects current 'Taxes, remuneration and social security' and 'Other current payables'.

Consolidated cash flow statement

(in thousands of euros)	Notes	2007	2006
Operating activities			
Profit before income tax		**19,439**	**14,611**
Taxes paid	**23**	**(6,488)**	**(4,627)**
Amortisation of intangible assets	**20**	3,624	2,677
Depreciation of tangible assets	**20**	3,824	3,433
Amounts written off: inventories - receivables		2,028	(2,031)
Amounts written off: financial fixed assets		0	0
(Profit)/loss on sale of fixed assets		(1,794)	(125)
Changes in provisions		(50)	(3,882)
Changes in deferred taxes		(2,171)	1,548
Interests paid and non-cash financial items	**22**	7,001	5,292
Total adjustments for non-cash items and interests paid		**12,462**	**6,912**
(Increase)/decrease in long-term debtors		0	(21)
(Increase)/decrease in inventories		(3,230)	5,209
(Increase)/decrease in trade debtors		(7,598)	1,310
(Increase)/decrease in other debtors		1,516	(3,831)
(Increase)/decrease in prepayments and accrued income		(901)	(97)
(Increase)/decrease in trade creditors		13,224	(2,239)
(Increase)/decrease in advance payments received		(1,028)	264
(Increase)/decrease in social security and taxation creditors		(483)	2,595
(Increase)/decrease in other creditors		254	(822)
(Increase)/decrease in accruals and deferred income		(68)	(1,695)
Total changes in working capital		**1,687**	**674**
Total cash flow from operating activities		**27,100**	**17,570**
Investment activities			
Capital expenditures		(16,166)	(7,312)
Proceeds from the sale of fixed assets		1,817	2,175
Investments in existing shareholdings (post-payments) and in new holdings		(7,373)	(8,639)
Total cash flow from investing activities		**(21,722)**	**(13,776)**
Financing activities			
Issuance of shares		58,248	56
Reimbursement of borrowings		(101,348)	(710)
New borrowings		70,000	0
Interest received (paid)	**22**	(7,001)	(5,292)
Total cash flow from financing activities		**19,899**	**(5,946)**
Total net cash flow of the period		**25,277**	**(2,152)**
Cash and cash equivalents - start of the year		2,532	4,707
Gains or losses on exchange on liquid assets		(20)	(23)
Cash and cash equivalents - end of the year		27,789	2,532
Change in cash and cash equivalents		**25,277**	**(2,152)**

Report of the Board of Directors on the consolidated financial statements

1.1. Consolidated income statement

Operating income rose 11% from 278.903 million euros in 2006 to 308.249 million euros in 2007. **Net turnover** represents 98.7% of the operating income and rose 10% from 276.971 million euros to 304.368 million euros. Organic growth was 6% in 2007. The acquisition of Italy's Polichimica in Fagron Group represents the main component of external growth in 2007.

The turnover evolved in a different pattern for each business unit.

Fagron Group experienced 14% growth in 2007, 8% of it organic. In the Netherlands the Fagron Group companies such as Spruyt-Hillen, Timm Health Care and Fagron Nederland achieved 14% growth. This success was primarily achieved by the introduction of new products and increased sales and marketing activities.

Fagron Iberica also experienced a successful year with double-digit growth, primarily achieved by the introduction of innovative products and concepts. A new management team was appointed in Germany in mid 2007. Its target is accelerated growth in 2008 after an internal reorganisation. Greenfield operations in France and the UK continued to make a limited contribution to turnover, although it does constitute a solid foundation for growth in 2008. Polichimica completed the first round of integration in the Fagron Group and is ready for extra sales and marketing activities in 2008. Fagron Industry, the industrial pharmaceutical raw materials business started in 2006, experienced striking growth in 2007 and is continually evolving into a full fledged professional revenue driver in the Fagron Group.

Arseus Dental experienced 10% growth in 2007, 5% of which was organic. Turnover in consumables for dentists is cut back further, since the margins continue to be under pressure. Consequently, growth in investment goods for dentists and the dental laboratory segment was significantly higher. These segments posted double-digit growth in France and the Netherlands. That fits in with the overall strategy of Arseus Dental to take an important position in Europe in these two segments, which have major growth potential. In this context, the exclusive distribution contract in Belgium with XO CARE, a Danish manufacturer of high-end dentist's chairs, was extended to the Netherlands, Germany and northern France.

Arseus Medical experienced organic growth of 5% in 2007. The priority of management is consolidating the strong position in the Benelux, attracting new distributions in segments were Arseus Medical can offer significant added value and further improving profitability.

Corilus experienced successful organic growth of 6% in 2007. In spite of the continued erosion of hardware prices, Corilus management was able to grow for the second successive quarter. The reorganisation together with the new commercial setup, with primary focus on marketing and increased sales activities, has clearly paid dividends.

In 2008 and beyond management will focus more on synergies with other divisions (Fagron Group, Arseus Dental and Arseus Medical) to exploit the competitive advantages of a "total integrated solutions provider".

Gross margin (the difference between turnover on the one hand and trade goods, raw and auxiliary materials on the other) was 143.159 million euros. This represents 47.0% of the turnover. In 2006 it represented 47.2% based on comparable activities. The slight fall is mainly due to the inclusion of Polichimica (Fagron Group) in the consolidation, as it has a lower gross margin.

The total **operating expenses**, defined as services and other goods, employee benefit expenses and other operating expenses minus other operating income, was 107.867 million euros, rising only 2%. This is in spite of a number of restructuring activities that were completed, the costs of which were recognised as period expenses. These are estimated at 0.6 million euros. The cost coverage, defined as operating expenses versus gross margin, was 75.3% in 2007 (80.6% in 2006). This demonstrates that the restructuring activities are clearly paying dividends.

Depreciations, amortisations and changes in provisions for liabilities were 8.852 million euros versus 5.262 million euros in 2006. This strong rise is mainly due to the high capex in 2007 (14 million euros) and a number of extra write-downs on inventories (1.7 million euros). This is a direct consequence of the accelerated change to the product mix, primarily in the dental division, where the wind-down of the consumables business is being accelerated. A number of major investments (mainly in automation) were made in 2007 and a number of assets were acquired from Omega Pharma in the split.

The **operating profit** amounted to 26.440 million euros or 8.7% of turnover. In 2006 operating profit was 20.120 million euros or 7.3% of turnover. The strong rise of 31% was due to the good costs control and the restructuring activities in 2006 and 2007.

Financial profit was -7.001 million euros versus -5.508 million euros in 2006. This is a 27% rise on the previous year. This was primarily due to the general rise in interest rates and the slightly higher than projected level of debt in the months preceding the capital increase, the consequence of the rise in investments.

The **profit before income tax** was 19.439 million euros.

Income tax accounts for 3.179 million euros or 16.4% of the profit before income tax versus 17% in 2006.

This yields a **profit** for the period of 16.260 million euros versus 12.123 million euros in 2006, a rise of 34%.

1.2. Consolidated balance sheet

The consolidated balance sheet rose 22% from 285.458 million euros to 347.467 million euros. The main changes are primarily related to the net capital increase of 58.992 million euros.

Assets

Total **non current assets** were 191.371 million euros. This is 18.359 million euros higher than in 2006.

Intangible assets accounted for 10.006 million euros of this rise, as a consequence of the R&D activities of Corilus, the continued investment in a central ERP suite and the recognition of goodwill pursuant to the acquisition of Polichimica. Total **property, plant and equipment** rose 4.798 million euros, mainly due to the Omega Pharma assets acquired by Arseus as part of the split.

Net capital expenditure was 14.3 million euros or 4.7% of the consolidated turnover. The high capex was due to IT investments, the Omega Pharma assets acquired

by Arseus as part of the split and a number of investments in Fagron Group's production plants. The automation investment programme will be continued in 2008. Management expects long-term capex of 2.5-3% of turnover.

Financial assets were negligible at only 0.255 million euros.

Deferred tax assets were worth 13.617 million euros. They are mainly related to tax losses carried forward, which are likely to be appropriated in the future.

Other non current assets were mainly security deposits.

Total **current assets** were 156.096 million euros versus 112.446 million euros in 2006, a rise of 43.650 million euros. The most important changes were in liquid assets, which increased by 25.257 million euros. The rise in inventories (+6.459 million euros or +13%) and trade receivables (+8.370 million euros or +17%) were mainly due to the 10% growth in turnover and the inclusion of Polichimica in the consolidation.

Equity and liabilities

Total **equity** was 178.225 million euros. This is 77.413 million euros higher than in 2006. This is due to the net capital increase of 58.992 million euros and the increase in the reserves.

Total **liabilities** fell from 184.646 million euros to 169.242 million euros. This fall of 15.404 million euros is due to the reduction in non current liabilities as a result of the capital increase.

Provisions increased by 0.195 million euros.

Pension obligations were 2.376 million euros, the same as in 2006.

Deferred tax liabilities relate mainly to temporary differences between reporting and fiscal accounting at the local entities. These amounts were 2.871 million euros in 2007 versus 2.423 million euros in 2006.

Non current interest-bearing financial liabilities (long-term borrowings) had a combined worth of 5.432 million euros, a fall of 46.656 million euros versus 2006, due to the capital increase.

At 31 December 2007 **net financial debt** (current and non current interest-bearing financial liabilities plus other non current liabilities minus cash and cash equivalents) was 50.560 million euros, versus 103.174 million euros at the end of 2006. The gearing ratio (net financial debt as a percentage of total equity) developed favourably from 102% at 31 December 2006 to 28% at 31 December 2007. This demonstrates that the balance sheet structure is healthy and there is room to finance future acquisitions. In this context, Arseus agreed a long-term facility in 2007 of 200 million euros.

Trade payables were 7.418 million euros higher (+15%) than in 2006 at 56.943 million euros. This rise is due to the 10% rise in turnover and the inclusion of Polichimica in the consolidation.

This increase is clearly related to the 15% increase in operating working capital, defined as inventories plus trade receivables minus trade payables, from 49.296 million euros in 2006 to 56.707 million euros in 2007

Taxes, remuneration and social security were 18.053 million euros, a fall of 2.013 million euros versus 2006.

Other current payables were 9.159 million euros versus 3.281 million euros in 2006.

1.3. Consolidated cash flow statement

The consolidated cash flow statement is based on **profit before income taxes**, which is also stated in the consolidated income statement.

This amount minus the outgoing cash flows before taxes is 6.488 million euros. This amount relates to all income taxes paid effectively over the course of 2007. Subsequently, the items from the operating activities with no effect on cash flow or not directly related to operating activities are then added back. This is a total of 12.462 million euros. A large part is related to paid interest treated in the cash flows from financing activities (see below). Amortisations, depreciations and amounts written off on tangible and intangible assets and changes in provisions and deferred taxes are important non-cash items. This was a total of 5.461 million euros in 2007.

Changes in working capital are then set off in the cash flow table (positive effect of 1.687 million euros).

Total **cash flow from investing activities** produced an outflow of 21.722 million euros relating to net investments of 14.349 million euros and payments of new holdings of 7.373 million euros.

Total **financing activities** generated 19.899 million euros. The capital increase in cash ensues from the capital increase at the time of the IPO. There were no dividend payments in 2007. The payment of interest on borrowings and other financial items such as financial discounts produced an outgoing cash flow of 7.001 million euros.

In total, cash and cash equivalents rose 25.277 million euros in the period under review, from 2.532 million euros at the beginning of the period to 27.789 million euros at the end of the period, the minor difference relates to the exchange rate loss.

Notes to the consolidated financial statement

1 . General information

Arseus NV (the Company) and its subsidiaries (together the Group) are suppliers of products and services with high added value to European healthcare professionals and institutions. The Group has activities in eight European countries in 2007. The Company is a limited liability company. The Company is incorporated and domiciled in Belgium, having its registered office at Textielstraat 24, 8790 Waregem. The company registration number is BE 0890 535 026.

The shares of the Company are listed on the regulated markets Euronext Brussels and Amsterdam.

The Board of Directors approved the publication of these consolidated financial statements on 24 April 2008.

2 . Accounting policies

The principal accounting policies applied in preparing these consolidated financial statements are detailed below. These policies have been consistently applied by all consolidated entities, including subsidiaries, to all the years presented, unless otherwise stated.

Relationship between Arseus NV and Arseus BV

At the end of 2006 all legal persons identified as 'Entities of Arseus' were directly or indirectly owned by Arseus BV. Arseus BV was accordingly the parent company of the Arseus Group. In 2007 Arseus BV was also the parent company of Arseus NV, seeing that Arseus NV was founded by Arseus BV on 29 June 2007.

In addition, all shares of Arseus BV were held by Omega Pharma Holding Nederland BV on 30 June 2007. All shares of Arseus BV were transferred to Omega Pharma NV by notarial deed of 31 August 2007. On 7 September 2007 Omega Pharma NV contributed all shares of Arseus BV in the capital of Arseus NV in exchange for shares of Arseus NV. Since then, Arseus NV has full ownership of Arseus BV and Arseus NV is the parent company of the Arseus Group.

The shares of Arseus NV are listed on the stock exchange. The above transfer of shares and the contribution in kind of shares were dependent on the completion of the offer price in the context of the IPO.

Since all companies in above transactions were directly or indirectly fully owned by Omega Pharma NV, these transactions constitute joint controlled business combinations. Consequently, these transactions are recognised in the financial reporting using the predecessor value method. With a view to continuity, as mentioned above, management has also taken the decision to publish the consolidated financial statements of the Company under the name Arseus NV, while describing them in the notes as the continuation of the consolidated financial statements of Arseus BV, as these consolidated financial statements are a continuation of the financial statements of Arseus BV. This means:

1. That the assets and obligations of Arseus NV Group are recognised and valued in the consolidated financial statements at their book value in the consolidated financial statements of Arseus BV Group, as established in accordance with the IFRS;
2. That the retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of Arseus NV. That the difference between the acquisition amount and the eliminated share capital of Arseus BV is recognised as a merger reserve;
3. That the income statement for the financial year ended 31 December 2007 spans twelve months, notwithstanding the fact that the financial year of Arseus NV as a legal person is shorter (29 June to 31 December 2007);
4. That the comparative information presented in the consolidated financial statements is information of Arseus BV.

Consolidation and combination

As stated above, the legal structure of the Arseus division of Omega Pharma NV was formalised at the end of 2006. That means that Arseus BV holds 100% of the shares (directly or indirectly through its subsidiaries) of all legal entities the department is composed of. The balance sheet at 31 December 2006 is therefore a consolidated balance sheet.

In the period 2004 to 2006, but particularly 2006, the current legal structure was assumed by transferring entities that were owned by Omega Pharma NV or subsidiaries of Omega Pharma NV to Arseus BV or subsidiaries of Arseus BV. Since entities were wholly owned by Omega Pharma and that Arseus BV was wholly owned by Omega Pharma, these transfers were all transactions under joint control. An accounting policy is used for these transactions that utilises the predecessor value method and therefore the purchase price was not allocated. The values recognised in these combined and consolidated financial statements are the values determined when Omega Pharma gained control and started to consolidate the related entities.

Since all entities were legally owned by Arseus BV or Arseus BV did not have control of all entities in the period up to the end of 2006, the financial statements until the end of 2006 are combined financial statements and the income statement for 2006 is a combined income statement. See Note 31 for a list of combined companies.

IFRS developments

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements have been prepared under the his-

torical cost convention, with the exception of financial assets and liabilities (including derivative instruments) at fair value.

(a) Amendments to published standards effective in 2007

IFRS 7 'Financial Instruments – Disclosures' and the complementary amendment to IAS 1 'Presentation of financial statements – Capital disclosures', is mandatory for the Group's accounting periods beginning on or after 1 January 2007. It introduces new disclosures relating to financial instruments and does not have an impact on the classification and valuation of the Group's financial instruments. This amendment only impacts the format and extent of disclosures presented in the accounts.

(b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Group's operations:

- IFRIC 7 'Applying the restatement approach under IAS 29', Financial Reporting in Hyperinflationary Economies
- IFRIC 8 'Scope of IFRS 2'
- IFRIC 9 'Reassessment of Embedded Derivatives'
- IFRIC 10 'Interim Financial Reporting and Impairment'

(c) Standards and interpretation to existing standards that are not yet effective and have been early adopted by the Group

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009:

- IFRS 8 'Operating Segments'.

(d) The following standards and interpretations of existing standards were not yet effective as per the end of 2007:

- IAS 1 (Revised) 'Presentation of Financial Statements': the amendment is effective from 1 January 2009 and is subject to endorsement by the European Union;
- IAS 23 'Borrowing costs': the amendment is effective from 1 January 2009 and is subject to endorsement by the European Union;
- IAS 27 (Revised) 'Consolidation and Separate Financial Statements': the amendment is effective from 1 July 2009 and is subject to endorsement by the European Union;
- IFRS 3 (Revised), 'Business Combination': the amendment is effective from 1 July 2009 and is subject to endorsement by the European Union;
- IFRIC 11 'IFRS 2 – 'Group and Treasury share transactions': the amendment is effective from 1 January 2008;
- IFRIC 14 'IAS 19 – The limit on defined benefit asset, minimum funding requirements and their interpretation': the amendment is effective from 1 July 2009 and is subject to endorsement by the European Union.

(e) The following standards and interpretations of existing standards were not yet effective as per the end of 2007 and are not relevant for the Group:

- IFRIC 12 'Service concession arrangements'
- IFRIC 13 'Customer loyalty programmes'

Consolidation criteria

Subsidiaries are all entities over which the Group has the power to govern the financial and operational policies, generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition is recognised using the purchase method. The cost of an acquisition is defined as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date

of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of cost of acquisition over the fair value of the Group's share in the acquired identifiable net assets is recognised as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of exceptional loss of value. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

Items included in the financial statement of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency. To consolidate the Group and each of its subsidiaries, the financial statements are translated as follows:

- Assets and liabilities at the year-end rate.
- Income statements at the average rate for the year.
- Components of the equity at historical exchange rate.

Exchange differences arising from the translation of the net investment in foreign subsidiaries at the year-end exchange rate are recorded as part of the shareholders' equity under 'currency translation differences'.

Foreign currency transactions

Foreign currency transactions are converted to the functional currency using the exchange rates on the transaction date. Gains and losses from exchange differences ensuing from the settlement of such transactions and from the conversion of monetary assets and liabilities in foreign currencies at the exchange rates at year-end are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are valued at the acquisition value or production cost, increased with allocated costs where appropriate. Depreciation is calculated pro rata on the basis of the useful life of the asset, in accordance with the following depreciation parameters:

- Buildings ..... 25 to 33 years
- Building fixtures and fittings .....5 to 25 years
- Computer equipment, software .....2.5 to 5 years
- Office equipment .....2.5 to 5 years
- Furniture and vehicles.....2.5 to 5 years
- Other tangible fixed assets ..... 2 to 4 years

Virtually all assets are depreciated on a straight-line basis.

Any residual values taken into account when calculating the depreciations are reviewed annually. Assets acquired under finance leasing arrangements are depreciated over the economic life, which may exceed the lease term if it is reasonably certain that ownership will be obtained at the end of the lease term.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the

Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment each time there is a triggering event, or at least annually. Goodwill is recognised at cost less accumulated impairment losses. Impairment losses on goodwill are never reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the sold entity.

Brands, licenses, patents and other

Intangible assets are capitalised at cost, provided this cost is not higher than the economic value and the cost price is not higher than the recoverable value. No intangible assets with an unlimited useful life were identified.

The costs of brands with a definite useful life are capitalised and generally amortised on a straight-line basis over a period of 20 years.

Research and development

Research costs related to the prospect of gaining new scientific or technological knowledge and understanding are expensed as incurred.

Development costs are defined as costs incurred for the design of new or substantially improved products and for the processes prior to commercial production or use. They are capitalised if, amongst other things, the following criteria are met:

- There is a market for selling the product.
- The economic benefits for the Company will increase when selling the developed asset.
- The expenditure attributable to the intangible assets can be measured reliably.

Development costs are amortised using a straight-line method over the period of their expected benefit, currently not exceeding five years. Amortisation only starts when these assets are ready for use.

Software

Acquired software is capitalised at cost and then valued at cost less accumulated depreciations and exceptional losses of value.

Unique software developed in-house that the Group controls and expects to generate future economic benefits are capitalised at the cost directly related to the production.

The software is depreciated over its useful life, which is currently estimated at 2.5 to 5 years.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and in-use-value. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional

right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, and available for sale financial assets. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market and that are not intended for trading. They are included in current assets, except for maturities exceeding 12 months after the balance sheet date. Loans and receivables are carried at amortised cost using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available for sale financial assets are at initial recognition measured at fair value unless the fair value cannot be reliably determined, in which case they are measured at cost. Unrealised gains and losses arising from changes in the fair value are recognised in the equity. When the related assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gain and losses.

Any events or changes in circumstances that might indicate a decrease in the recoverable amount are considered carefully. Impairment losses are recognised in the income statement as deemed necessary.

Leases – Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are expensed as incurred.

Leases – Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding finance balance.

The corresponding rental obligations, net of finance charges, are included in the non current (payable after one year) and current (payable within one year) borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment assets acquired under finance leases are depreciated over the useful life of the asset, which may exceed the lease term if it is reasonably certain that ownership will be obtained at the end of the lease term.

Inventories

Raw materials, consumables and goods for resale are valued at acquisition value using the FIFO method or net realisable value (NRV) on the balance sheet date, whichever is lower. Work in progress and finished products are valued at production cost, which, in addition to the purchase cost of raw materials, consumption goods and consumables, also includes those production costs that are directly attributable to the individual product or product group and related production overhead.

Trade receivables

Trade receivables are valued at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable needs to be impaired.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and are valued at acquisition value. Adjustments to the carrying amounts are made when the realisation value on the balance sheet date is lower than the acquisition value.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Provisions

Provisions for restructuring costs, legal claims, the risk of losses or costs which might arise from personal securities or collateral constituted as guarantees of creditors or third party commitments, from obligations to purchase or sell fixed assets, from the fulfilment of completed or received orders, technical guarantees associated with sales or services already completed by the Company, unresolved disputes, fines and penalties related to taxes, or compensation for dismissal are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are recognised based on management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Employee benefits

Pension obligations

Group companies operate various pension schemes. The schemes are funded through payments to insurance companies, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10 per cent of the value of plan assets or 10 per cent of the defined benefit obligation are spread to income over the employees' expected average remaining working lives.

For defined contribution plans, the Group pays contributions to pension insurance plans. The Group has no further payment obligations once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the income statement when incurred.

Share-based payments

The Group operates an equity-settled, share-based compensation plan. The total amount to be expensed over the vesting period is determined by reference to the fair value of the warrants granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises any impact of the revision of original estimates in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the warrants are exercised.

Income taxes

Income tax expense as presented in the income statement includes current income tax and deferred taxes. Current income taxes include the expected tax liabilities on the Company's taxable income for the financial year, based on the applicable tax rates on the balance sheet date, and any tax adjustments of previous years. Deferred income taxes are recognised using the liability method and are calculated on temporary differences between the carrying amount and the tax base. This method is applied to all temporary differences except for differences ensuing from investments in subsid-

iaries and associates where the timing of the reversal of the temporary difference is controlled by the Group and where it is probable that the temporary difference will not reverse in the foreseen future. The calculation is based on the tax rates that are enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. According to this calculation method, the Group is also required to account for deferred taxes relating to any difference between the fair value of the net acquired assets and their tax base resulting from acquisitions. Deferred income tax assets have been accounted for to the extent that it is probable that the tax losses carried forward will be utilised in the foreseeable future. Deferred income tax assets are written down when it is no longer probable that the corresponding tax benefit will be realised.

Revenue recognition

Sales of goods are recognised when products are delivered to the customer, the customer has accepted the products and it is probable that the related receivables will be collected. Sales of services are recognised in the accounting period in which the services are rendered. The sales of software suites from stock are recognised as revenue at the time of delivery. The income relating to software service contracts are recognised over the term of the contract.

Segment reporting

An operating segment is a group of assets and operations engaged in providing products or services that are the basis of the internal reports on the operating activities to the Executive Committee.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 . Risk management

In conformity with the Belgian Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments permitted to trade on a regulated market, the following is a description of the main risks and uncertainties the Group is exposed to as a consequence of its activities.

The Group's policy is to remain continuously focussed on identifying all major risks, developing plans to prevent risks and to manage these risks appropriately, and reduce their consequences should they still occur. Despite this policy, it is impossible for the Group to provide a full guarantee that these risks will not occur or that they will not have consequences if they do occur. An investment in the shares of the Group consequently entails certain risks that potential investors should carefully consider, including but not limited to the following, which are listed in no particular order:

Inventory related risks could have a material adverse effect on the business of Arseus

Distributors of healthcare products generally bear the responsibility for the saleability of their inventories. Given that Arseus imports and stores a very large number of product items, including products having a short storage life as well as technical equipment and supplies, the

emergence of a disruptive technology, a sudden change in market prices or a change in customer preferences may lead to the need to write down part of the inventory. An inventory related risk of this kind might have an adverse effect on Arseus's business operations, financial position and/or operational results.

Changes in legal and regulatory frameworks governing Arseus's operations could have a material adverse effect on the business of Arseus

The professional healthcare sector is subject to close regulatory control on both a national and European level. Although Arseus has well-defined operational rules and principles to ensure that regulations of the national and European authorities are observed, risks connected with the legislation in force or the regulatory regime, should they materialise, might have an adverse effect on Arseus's business operations, prospects, financial position and/or operational results.

An amendment to Belgian law in September 2007 means that possibilities for selling wheelchairs in Belgium are limited and in many cases wheelchairs must be hired to patients for a term of 48 months. The total projected impact of this amendment on 2008 turnover is 2 million euros, as this turnover can no longer be recognised as sales, but will instead be recognised as rental income spread over the total rental term.

Arseus's pharmaceutical compounding business is highly dependent on the ability of pharmacists in the European Union to compound and dispense pharmaceutical products without those products being subject to regulatory approval. If regulations changed to hinder or disallow these activities by pharmacists, Arseus's business operations, financial position, prospects and/or operational results could be materially adversely affected.

Changes in governments', authorities', insurers' and other parties' reimbursement policies could have a material adverse effect on the business of Arseus

The commercial success of Arseus's business depends, in part, on the extent to which reimbursement for its products is available from government and health administration authorities, private health insurers and other third party payers in countries where the products are marketed.

Significant uncertainties exist regarding the reimbursement status of newly compounded products and novel medical equipment. Reimbursement levels for compounded products may be reduced given the increasing pressure from governments and other third-party payers to limit healthcare expenditure. If any such reductions in reimbursement levels materialise, they could have a materially adverse effect on Arseus's business operations, financial position, prospects and/or operational results

Arseus is reliant on third parties for its further development

Arseus relies on current and future relationships with its customers and suppliers, sometimes on an exclusive basis, for the growth of its business and will therefore continue to be reliant on third parties for its further development.

There can be no assurance that Arseus will be able to maintain and/or secure such partnerships due to operational, legal, regulatory or other reasons, or that Arseus's partners will continue to commit sufficient resources to achieve commercial success. There is no guarantee that Arseus would be able to replace any material customer or supplier in a timely manner, or at all, in the event any of

these relationships are discontinued or terminated. The loss of such relationships, especially to competitors, may materially adversely affect the business operations, financial position, prospects and/or operational results of Arseus.

Product liability claims involving products manufactured or serviced by Arseus could have a material adverse effect on its business

Arseus's pharmaceutical compounding business is subject to potential product liability risks that are inherent in the manufacture, distribution and dispensing of pharmaceutical products. The Group's pharmaceutical raw material products carry potential product liability related to their quality and labelling. The Group's compounded pharmaceutical products are not subject to regulatory approval prior to marketing and have not had to satisfy any regulatory requirements demonstrating their safety for use in humans.
Arseus's dental and orthopaedic manufacturing business is subject to potential product liability risks that are inherent in the design, development, manufacture and marketing of medical devices. These products are often used in surgical settings and some of these products are designed to be implanted in the human body for long periods of time.

Arseus provides maintenance and repair services for medical and dental equipment. If a product maintained or serviced by Arseus should break or fail causing injury, Arseus could be subject to a liability claim.

It cannot be guaranteed that Arseus will not be subject to any such claims in the future. If Arseus's product liability insurance coverage is insufficient to cover any successful such product liability claims, its business operations, financial position, prospects and/or operational results could be materially adversely affected.

Changes in strategy of market participants could have a material adverse effect on the business of Arseus

It is possible that Arseus's contracting parties, customers and other market participants may change their operational model in a way that affects Arseus's operations. Such changes can be, for example, a decision by contracting parties to take over the sales and distribution of a product, or wider cooperation or consolidation among customers such as hospitals with concomitant effects on purchasing behaviour. A further risk is the possibility that present customers may decide to backward integrate along the value chain, thereby competing directly with Arseus and reducing their demand for Arseus's products. Similarly, new competitors may enter the market. There are no guarantees that changes in the strategy of market participants might not have a material adverse effect on Arseus's business operations, financial position, prospects and/or operational results.

The cyclical nature and seasonality of the business operations could have a material adverse effect on the business of Arseus, its financial position and/or its operational results

The business operations, financial position and/or operational results of Arseus can fluctuate from year to year and from quarter to quarter. To some extent, the purchase decision for investment goods, often involving relatively large sums of money for the customers, is related to the general economic climate. The introduction of new government measures in the field of healthcare reimbursement may also affect the timing of customers' pur-

chase decision. For dental equipment in particular, experience has demonstrated a seasonal effect, with purchase decisions skewed towards the fourth quarter within any given year, and even more highly skewed towards the fourth quarter in every second year, as major dental trade fairs are scheduled in this quarter on a biannual basis. Since the purchase decisions for dental and medical equipment are often the result of a tender procedure, the exact timing of such purchase decisions is not always evenly spread across individual reporting quarters.

Specific economic developments and events, both on a micro and a macro level, may significantly impact the business operations, financial position, prospects and/or operational results of the Group.

Financial risks

Arseus has financial outstanding borrowings and must therefore be able to repay them. Although Arseus has always generated sufficient net free cash flow down the years to make these repayments, the Group further limits the risk by imposing the requirement on itself that the total net financial debt must not exceed four times the recurring cash flow.

Credit risk

The Group employs a strict credit policy, controlling and minimising its exposure to credit risk. The Group does not have any one customer that accounts for a large part of turnover or overdue payables.

Capital risk

The Group's capital management objectives are guaranteeing the continuation of the activities to ensure that the resources are available to pay out to shareholders and provide benefits to other stakeholders. Another objective is maintaining or improving an optimal capital structure to reduce capital costs. To do this, the Group can adjust the amount of the dividend to shareholders, pay out capital to shareholders, purchase or destroy treasury shares, issue new shares or sell assets to reduce debts. Like other companies in the industry, the Group uses the gearing ratio to monitor its capital structure. This ratio is calculated by dividing the net financial debt by the equity. The net financial debt is the total amount of borrowings (including current and non current borrowings and the value of related financial instruments) less cash and cash equivalents. The gearing ratio has developed positively, from 102% at 31 December 2006 to 28% at 31 December 2007.

Interest risk

The Group regularly assesses the mix of financial debts with fixed and variable interest. At this time, financing is primarily based on a syndicated loan in euros with a variable interest of 1-6 months. If market interest rates in 2007 had risen (fallen) by an average of 100 base points, the profit before taxes for the period would have been 174,000 euro lower (higher). Financing in 2006 was wholly arranged through Omega Pharma.

Exchange risk

The Group is exposed to the currency risk as a consequence of its operational activities in foreign currency. Exchange risk as a consequence of the conversion of assets and liabilities of foreign subsidiaries into euros are not covered. Some activities of the Group are conducted in non-euro countries, such as the United Kingdom and Switzerland. Fluctuations

in British Sterling would have no significant impact on income or equity. If the value of the euro increased (decreased) 5% against the Swiss frank, the impact on the income statement would be -0.1 million euros (0.1 million euros) and the impact on equity would be -0.6 million euros (0.6 million euros).

Fair value risk

In 2006 and 2007, the Group did not use derivatives.

4 . Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are deemed reasonable given the circumstances.

a. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

b. Estimated impairment of goodwill and intangible assets

The Group conducts annual tests to check whether goodwill has been impaired, in accordance with the IFRS stated in Note 2. The recoverable amount of cash-generating units is determined based on value-in-use calculations. These calculations demand the use of estimates. The book value of goodwill at 31 December 2007 was 142.144 million euros.

c. Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The defined benefit obligation is calculated periodically by independent actuaries. The carrying amount of pension obligations at 31 December 2007 was 2.376 million euros.

d. Provisions for disputes

As stated, provisions are valued at the cash value of the best estimate by management of the expenditure required to settle the existing obligation on the balance sheet date. Specifically, when provisions are established to cover disputes, the ultimate outcome of administrative findings or judgements of a court demands substantial specialised insight. Estimates always take account of all available information when the financial statements are prepared. This cannot however prevent the need for substantial adjustments if the findings or judgement differs from the expectations. Hypotheses and estimates are continuously evaluated and are based on experience and other factors, including the expected development of future events that are deemed reasonable given the circumstances.

5 . Segment information

All activities of the Group relate to products and services in professional healthcare, classified in four main operational segments: Fagron Group, Arseus Dental, Arseus Medical and Corilus. In accordance with the accelerated application of IFRS 8, the operational segments are determined on the basis of the components the Executive

Committee uses to asses the performance of the operational activities, which is used as a basis for the decisions.

Arseus is organised on the basis of four main operational segments:

1. **Fagron Group** – provides products and services for pharmaceutical compounding to pharmacies and pharmaceutical wholesalers. Fagron offers instruments and equipment for compounding, as well as raw materials, half-finished goods, increasingly under the Fagron-brand. In addition, Fagron also provides third-party compounding services to pharmacies wholesalers. Furthermore, Fagron also provides specialty pharmaceutical raw materials to the pharmaceutical, nutraceutical, veterinary and cosmetic industries;
2. **Arseus Dental** – markets equipment and consumables to dentists and other dental professionals and specialist supplies to technical dental laboratories;
3. **Arseus Medical** – provides medical equipment and consumables in Belgium and the Netherlands, and focuses primarily on five distinct consumer profiles: hospitals, nursing homes, ophthalmologists, home care and general/specialist practitioners;
4. **Corilus** – is a provider of integrated IT solutions for healthcare professionals and institutions.

The segment results for the period ending 31 December 2007 are as follows:

(in thousands of euros)	Fagron Group	Arseus Dental	Arseus Medical	Corilus	Unallo-cated	Total
Total turnover	109,992	118,409	49,629	26,705		304,736
Inter segment turnover	(33)	(115)	(167)	(52)		(368)
Turnover	109,959	118,294	49,462	26,653		304,368
Operating profit/segment result	18,053	4,945	2,952	3,576	(3,085)	26,440
Financial result						(7,001)
Profit before taxes						19,439
Income tax						(3,179)
Profit of the period						16,260

The segment results for the period ending 31 December 2006 are as follows:

(in thousands of euros)	Fagron Group	Arseus Dental	Arseus Medical	Corilus	Unallo-cated	Total
Total turnover	96,760	107,669	47,432	25,347		277,208
Inter segment turnover	(28)	(44)	(153)	(12)		(237)
Turnover	96,732	107,625	47,279	25,335		276,971
Operating profit/segment result	14,316	5,240	698	2,767	(2,901)	20,120
Financial result						(5,508)
Profit before taxes						14,612
Income tax						(2,489)
Profit of the period						12,123

Other segmented items recognised in the income statement are as follows:

2007 (in thousands of euros)	Fagron Group	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
Depreciation and amortisation	1,645	2,312	424	2,466	600	7,447
Write-down on inventories	474	901	100	180	0	1,654
Write-down on receivables	17	188	(51)	(31)	0	124
Increase/decrease in provisions	(375)	71	36	(94)	(11)	(373)

2006 (in thousands of euros)	Fagron Group	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
Depreciation and amortisation	1,635	1,853	451	1,924	243	6,106
Write-down on inventories	(85)	823	(77)	52		713
Write-down on receivables	7	44	(88)	166		129
Increase/decrease in provisions	34	(1,292)	(428)			(1,686)

At 31 December 2007 the assets and liabilities and the capital expenditure (investments) for the period ending on that date, are as follows:

(in thousands of euros)	Fagron Group	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
Total assets	93,580	116,857	50,673	41,234	45,123	347,467
Total liabilities	33,486	33,709	14,356	11,094	76,596	169,242
Capital expenditure	738	3,379	914	4,777	6,358	16,166

At 31 December 2006 the assets and liabilities and the capital expenses (investments) for the period ending on that date, are as follows:

(in thousands of euros)	Fagron Group	Arseus Dental	Arseus Medical	Corilus	Unallocated (split)	Total
Total assets	93,844	104,720	46,926	39,967		285,458
Total liabilities	66,689	51,561	20,445	51,881	(5,930)	184,646
Capital expenditure	1,051	14,548	231	3,223		19,053

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and cash from operations. They exclude deferred taxes related to the IFRS revaluation of the swaps and investments. As stated in the consolidated statement of change in equity, the opening balance of 2006 was adjusted to enable correct treatment of the Arseus split.

Segment liabilities comprise operating liabilities. They exclude such items as corporate borrowings.

The Group's turnover by geographical segment in 2007 and 2006 as follows:

(in thousands of euros)	2007	2006
Belgium	120,361	121,679
Netherlands	99,342	88,873
Germany	38,772	37,798
France	21,048	12,240
Switzerland	11,539	10,016
Spain	7,048	6,365
Italy	6,255	0
United Kingdom	3	0
Total	**304,368**	**276,971**

The Group has a broad-based customer portfolio in which no one customer accounts for more than 10% of revenue.

6 . Intangible assets

(in thousands of euros)	Goodwill	Development	Concessions & patents	Brands	Software	Other	Total
Year ended 31 December 2006							
Opening net book value	**124,884**	**3,860**	**1,511**	**6**	**2,327**	**22**	**132,610**
Exchange differences cost		(15)			(1)		(16)
Additions							
Internal development	49	2,742					2,791
From thirds		346	109	46	893	11	1,405
Through business combinations	11,465		9				11,474
Disposals			(15)		(18)		(33)
Transfers cost		(298)	311		112		125
Exchange differences amortisation		4			1		5
Amortisation charge							
Amortisations of the year		(1,238)	(422)	(1)	(1,008)	(7)	(2,676)
Through business combinations			(8)				(8)
Amortisation of disposals			15		16		31
Transfers amortisation charge		133	(132)		(53)		(52)
Closing net book value	**136,398**	**5,534**	**1,378**	**51**	**2,269**	**26**	**145,656**
Balance at 31 December 2006							
Cost	136,398	7,937	2,576	168	6,641	33	153,753
Accumulated amortisation		(2,403)	(1,198)	(117)	(4,372)	(7)	(8,097)
Net book value	**136,398**	**5,534**	**1,378**	**51**	**2,269**	**26**	**145,656**
Year ended 31 December 2007							
Opening net book value	**136,398**	**5,534**	**1,378**	**51**	**2,269**	**26**	**145,656**
Exchange differences cost	181	(12)					169
Additions							
Internal development		2,817			1,549		4,366
From thirds		233	123	38	1,709	69	2,172
Through business combinations	5,565				9		5,574
Disposals							
Transfers cost		156	268		945		1,369
Exchange differences amortisation		(1)					(1)
Amortisation charge							
Amortisations of the year		(1,831)	(440)	(3)	(1,340)	(10)	(3,624)
Through business combinations							
Amortisation of disposals							
Transfers amortisation charge		134	(118)		(36)		(20)
Closing net book value	**142,144**	**7,030**	**1,211**	**86**	**5,105**	**85**	**155,662**
Balance at 31 December 2007							
Cost	142,144	11,257	2,819	205	10,721	102	167,248
Accumulated amortisation		(4,227)	(1,607)	(119)	(5,615)	(18)	(11,586)
Net book value	**142,144**	**7,030**	**1,211**	**86**	**5,105**	**85**	**155,662**

Goodwill

Goodwill is tested annually for impairment, but also in case of a trigger event. Goodwill is recognised at cost price less the accumulated impairment losses.

The goodwill allocation by business unit (in million euros) was as follows:

	2007	2006
Fagron Group	55.01	50.37
Arseus Dental	42.00	40.99
Arseus Medical	25.50	25.43
Corilus	19.64	19.61
Total	**142.14**	**136.40**

Tests of goodwill impairment losses

Goodwill is allocated to the Group's Cash-Generating Units (CGUs), identified as the group's four operational business units, Fagron Group, Arseus Dental, Arseus Medical and Corilus.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections with a five-year forecast horizon, based on detailed financial budgets for year one, as approved by management. The year-one budget figures are extrapolated for years two through five, taking into account an internal growth rate and a budgeted gross margin.

Besides these rates, the model includes a number of assumptions, such as the rate of perpetual growth and a pre-tax discount rate. An overview of the key assumptions for the value-in-use calculations is stated below. Management determined gross margin and growth rates based on past performance and its expectations for the market development.

	Autonomous 5-year growth (%)		Perpetual growth rate (%)		Gross margin (%)		Discount rate (%)	
	2007	2006	2007	2006	2007	2006	2007	2006
Fagron Group	5	5	1	1	51.00	51.00	13.00	10.58
Arseus Dental	3	3	1.5	1.5	42.05	41.47	9.50	8.41
Arseus Medical	3	3	3	4	36.90	35.28	8.90	8.45
Corilus	5	5	1.5	1.5	77.40	79.17	10.20	9.50

The value per CGU as per said value-in-use calculations is compared with the net book value of the fixed assets of the relevant CGU. For all CGUs, the value-in-use exceeds the net book value, as a consequence of which no goodwill is impaired for 2007.

7 . Tangible assets

Tangible assets (in thousands of euros)	Land and buildings	Installations, machinery and equipment	Furniture and vehicles	Leasing and other similar rights	Other tangible assets	Assets under construc-tion	Total
Year ended 31 December 2006							
Opening net book value	**7,669**	**2,331**	**3,727**	**2,410**	**707**		**16,844**
Exchange differences cost	(46)	(45)	(3)	(97)			(192)
Additions							
Internal development							
From thirds	193	302	1,340	754	59	531	3,179
Through business combinations	2	227	8		(22)		215
Disposals	(1,021)	(486)	(1,189)	(131)	(165)		(2,992)
Transfers cost		(117)	(64)		(7)		(188)
Exchange differences depreciation	26	24	2	24			76
Depreciation charge							
Depreciation of the year	(356)	(840)	(1,642)	(368)	(224)		(3,430)
Through business combinations							
Depreciation of disposals	1,021	512	1,130	110	150		2,923
Transfers depreciation charge		38	(81)		5		(38)
Closing net book value	**7,488**	**1,946**	**3,228**	**2,701**	**503**	**531**	**16,397**
Cost	10,232	8,599	13,227	5,306	3,386	531	41,281
Accumulated depreciation	(2,744)	(6,653)	(9,999)	(2,605)	(2,883)		(24,884)
Net book value	**7,488**	**1,946**	**3,228**	**2,701**	**503**	**531**	**16,397**
Year ended 31 December 2007							
Opening net book value	**7,488**	**1,946**	**3,228**	**2,701**	**503**	**531**	**16,397**
Exchange differences cost	(18)	(19)	(1)	(68)			(105)
Additions							
Internal development					77		77
From thirds	741	703	1,626	1,514	4,588	960	10,133
Through business combinations	44	182	54				280
Disposals	(1,876)	(33)	(511)	(1)	(20)		(2,441)
Transfers cost	(910)	(423)	(467)	(167)	16		(1,951)
Exchange differences depreciation		(1)	(2)	(5)			(8)
Depreciation charge							
Depreciation of the year	(268)	(665)	(1,495)	(807)	(602)		(3,837)
Through business combinations							
Depreciation of disposals		3	350				353
Transfers depreciation charge	1,021	514	605	158			2,297
Closing net book value	**6,222**	**2,208**	**3,388**	**3,324**	**4,562**	**1,491**	**21,195**
Cost	8,902	8,999	14,398	6,610	8,598	1,491	48,998
Accumulated depreciation	(2,680)	(6,791)	(11,010)	(3,286)	(4,036)		(27,803)
Net book value	**6,222**	**2,208**	**3,388**	**3,324**	**4,562**	**1,491**	**21,195**

8 . Financial assets and other non current assets

(in thousands of euros)	Financial assets	Other non-current assets	Total
Balance at 1 January 2006	**2,195**	**627**	**2,822**
Additions		168	168
Transfers and disposals	(1,940)	(5)	(1,945)
Reimbursements		(123)	(123)
Other			
Balance at 31 December 2006	**255**	**667**	**922**
Balance at 1 January 2007	**255**	**667**	**922**
Additions		179	179
Transfers and disposals		10	10
Reimbursements		(226)	(226)
Other		12	12
Balance at 31 December 2007	**255**	**642**	**897**

The value-in-use for all CGUs exceeds the net book value. As a consequence of which there were no impairments on the above assets in 2007.

9 . Trade and other receivables

(in thousands of euros)	2007	2006
Trade receivables	59,658	52,682
Provision for impairment of receivables	-2,529	-3,923
Trade receivables – net	**57,129**	**48,759**
Other receivables	**14,657**	**11,093**

There is no concentration of credit risk with respect to trade receivables, as Arseus has a large number of customers internationally dispersed. There were no indications at the end of the period that the debtors of not yet due trade and other receivables would not fulfil their payment obligations. The other receivables predominantly comprise reclaimable taxes over the period and value added tax.

(in thousands of euros)	Carrying amount	Of which not past-due at year-end	Of which not past-due at year-end but payable in the following terms			
			Less than 30 days	Between 31 and 90 days	Between 91 and 150 days	More than 150 days
Trade receivables at 31 December 2007	57,129	34,741	10,235	6,835	1,961	3,357
Trade receivables at 31 December 2006	48,759	29,126	9,866	4,534	2,227	3,006

10 . Inventories

(in thousands of euros)	2007	2006
Raw materials	8,062	4,937
Production supplies	102	98
Work in progress	1,266	1,417
Finished goods	4,181	4,886
Trade goods	42,910	38,724
Inventories	**56,521**	**50,062**

11 . Equity

Authorised capital

By the decision of the Extraordinary General Meeting of 7 September 2007, the Board of Directors was granted the power to increase the capital in one or more instalments by a maximum amount of 319,810,475.00 euros, in a way and under the conditions to be established by the Board of Directors, within the term of five years commencing on the publication date of the decision in the Annexes to the Belgian Bulletin of Acts, Orders and Decrees.

As at 31 December 2007 the Board of Directors is still authorized to increase the capital by a maximum amount of 319,810,475.00 euros.

If the capital is increased within the limits of the authorised capital, the Board of Directors has the power to request payment of an issue premium. If the Board of Directors so decides, this issue premium shall be deposited on a blocked account that can be lowered or emptied only by a decision of the General Meeting taken in accordance with the stipulations applicable to a change in the articles of association.

This power of the Board of Directors is valid for capital increases subscribed to in cash or in kind, or that occur by the capitalisation of reserves, with or without the issue of new shares. The Board of Directors is permitted to issue convertible bonds or warrants within the limits of the authorised capital.

Overview of the movements in share capital and the number of shares

The movements in the first financial year of Arseus NV are explained by the following notarial deeds:

29 June 2007: incorporation with share capital of 61,500 euros and 100 shares.

9 October 2007 increase in capital through:

- Capital increase in cash of 61,500,000 euros, represented by 6,000,000 shares.
- Contribution in kind of 256,248,975 euros in shares, represented by 24,999,900 shares.
- Contribution in kind of 2,000,000 euros in debt receivables, represented by 195,121 shares.

IPO costs deducted from the share capital

In accordance with IAS 32, incremental costs directly linked to the acquisition of the Company's own equity instruments were directly deducted from the equity.
In 2007 the Company accordingly deducted the total IPO costs incurred in 2007, of

2,508 (thousand) euros, from the capital, which means that this consolidated level is different from the capital in the individual financial statements of Arseus NV.

As a consequence of the above change, the capital at 31 December 2007 was 317,302,412 euros, represented by 31,195,121 shares.

Warrant plan of the Offer

On the proposal of the Board of Directors, the Extraordinary General Meeting approved the 'Warrant plan of the Offer' on 7 September 2007. This plan related to the creation of no more than 6,550,699 warrants, each giving a right to subscribe to one share, and was intended for the existing shareholders of Omega Pharma NV who acquired Arseus NV shares. The precise number of issued warrants was found to be 3,650,575 at the time of the determination of the completion of the capital increase on 9 October 2007. These warrants are exercisable from 17 to 28 January 2011 at an exercise price of 14.35 euros (140% of 10.25 euros, which is the price set at the time of the IPO). No new warrants were therefore exercised.

Share based payments

On 6 September 2007 the Board of Directors approved two warrant plans for the benefit of employees, directors and consultants of the Company and/or its subsidiaries (Warrant Plan 1 and Warrant Plan 2).

For employees (Warrant Plan 1), the warrants are exercisable in annual instalments of 25%, in May of the third, fourth, fifth, sixth and seventh calendar year after the calendar year in which the warrants are offered.

For directors and consultants (Warrant Plan 2), the warrants are exercisable, pursuant to a decision of the relevant body, after granting of the warrants, (i) in annual instalments of 50% in May of the third and fourth calendar year in which the warrants are offered or (ii) in annual instalments of 25% in May of any calendar year after the calendar year in which the warrants are offered. These alternatives depend on the holder's contribution paid for the warrants. This is 15% for (i) and 7.5% for (ii).

The condition for vesting warrants is that employees are still in employment and for directors and consultants that the relationship with the Company is not terminated at the time of exercise.

The cost of the warrants is determined at the fair value of the warrants at grant date and is spread over the vesting period of the warrants. The cost is included in the other employee benefit expenses and was 89 (thousand) euros for the year 2007.

Movements in the number of outstanding warrants and their related weighted average exercise prices are as follows:

2007		
	Average exercise price in euros	Warrants
At 1 January	**0**	**0**
Granted	10.25	1,236,100
Forfeited	10.25	14,700
Exercised	0	
At 31 December	**10.25**	**1,221,400**

No warrants were exercised in 2007.

The related weighted average price per share at the end of the period was 10.25 euros in 2007.

On 31 March 2008 there were a total of 1,221,400 outstanding warrants relating to an equal number of potential new shares of the Company. The average exercise price was 10.25 euros.

Outstanding warrants at the end of the year have following expiry date and exercise price:

2007		
Expiry date	Exercise price	Warrants
2008 – May	10.25	242,200
2009 – May	10.25	242,200
2010 – May	10.25	242,200
2011 – May	10.25	303,350
2012 – May	10.25	63,150
2013 – May	10.25	63,150
2014 – May	10.25	63,150
	10.25	**1,221,400**

Fair value

The fair value of the warrants granted in 2007 of Warrant Plans 1 and 2, determined using the Black-Scholes valuation model, was 2,491 (thousand) euros. The main inputs into the model were the share price at the grant date, the exercise price shown above, the standard deviation of the expected share price returns, the option life disclosed above, and the annual risk-free interest rate.

Dividend

No dividend was paid out in 2007. At the Annual General Meeting of 13 May 2008, a dividend of 0.06 euros per share will be proposed for 2007, which produces a total dividend of 1,872 (thousand) euros. This dividend payable is not recognised in the financial statements.

12 . Non current provisions

(in thousands of euros)	Taxes	Disputes	Other	Total
Balance at 1 January 2006	**51**	**1,129**	**1,620**	**2,800**
Additions				
Through business combinations			194	194
Other		71	71	142
Amounts used	(2)	(936)	(901)	(1,839)
Exchange differences			(1)	(1)
Transfers				
Balance at 31 December 2006	**49**	**264**	**983**	**1,296**
Additions				
Through business combinations			12	12
Other		21	912	933
Amounts used		(154)	(595)	(750)
Exchange differences			(1)	(1)
Transfers				
Balance at 31 December 2007	**49**	**131**	**1,311**	**1,491**

13 . Retirement benefit obligations

The amounts recognised in the balance sheet are established as follows:

(in thousands of euros)	2007	2006
Present value of funded obligations	9,712	9,273
Fair value of plan assets	(7,737)	(8,476)
Present value of unfunded obligations	105	797
Unrecognised actuarial losses (gains)	401	1,552
Liability in the balance sheet	2,376	2,349

All defined benefit plans are final salary pension plans. The amounts pertaining to post-employment medical plans are included in the liability but are not significant. There are no informal constructive obligations. The assets comprise qualifying insurance policies and are not part of the Group's own financial instruments.

The amounts recognised in the income statement are as follows:

(in thousands of euros)	Note	2007	2006
Current service cost		332	521
Interest cost on obligation		437	402
Return on plan assets		(408)	(252)
Net actuarial gains (losses) recognised during the year		(78)	(28)
Loss on curtailment			(115)
		283	**528**
of which included in the movement of provisions	**20**	(191)	2,481
of which included in the employee benefit expenses	**19**	474	(1,953)

Movements in net liability:

(in thousands of euros)	2007	2006
Net liability in the balance sheet at 1 January	**2,349**	**4,471**
Expense	283	528
Pensions paid directly from pension reserve		
Contributions/benefits	(256)	(2,650)
Transfer		
Net liability in the balance sheet at 31 December	**2,376**	**2,349**

The Group has two defined benefit plans in the Netherlands. The principal actuarial assumptions used were as follows:

- The weighted average discount rate was 4.90% for 2006 and 5.50% for 2007.
- The weighted expected return on plan assets was 4.64% for 2006 and 4.97% for 2007.
- The weighted expected general salary increase was 2.50% for 2006 and 2.50% for 2007.

14 . Taxes, remuneration and social security

(in thousands of euros)	2007	2006
Current income tax liabilities	4,464	5,768
Other current tax and VAT payables	6,365	5,848
Remuneration and social security payables	7,224	7,441
Adjustment as a consequence of the split		1,008
Taxes, remuneration and social security	**18,053**	**20,066**

As stated in the consolidated statement of change in equity, the opening balance of 2006 was adjusted to enable correct treatment of the Arseus split.

a) Deferred tax liabilities

(in thousands of euros)	Differences in depreciation rates	Other	Total
Balance at 1 January 2006	**1,938**	**174**	**2,112**
Result	219	92	311
Charged to equity			
Acquisition of subsidiary			
Transfers			
Translation differences			
Balance at 31 December 2006	**2,157**	**266**	**2,423**
Result	387	95	483
Charged to equity			
Acquisition of subsidiary			
Transfers			
Translation differences		(35)	(35)
Balance at 31 December 2007	**2,544**	**326**	**2,871**

b) Deferred tax assets

	Differences in depreciation rates	Employee benefits	Provisions	Tax losses	Other	Total
Balance at 1 January 2006	**1,126**	**1,216**	**660**	**3,989**	**539**	**7,530**
Result	(681)	(643)	(572)	3,716		**1,820**
Charged to equity						
Acquisition of subsidiary			687			**687**
Transfers						
Translation differences						
Balance at 31 December 2006	**445**	**573**	**775**	**7,705**	**539**	**10,037**
Result	(496)		(205)	4,106	50	**3,455**
Charged to equity						
Acquisition of subsidiary			125			**125**
Transfers						
Translation differences						
Balance at 31 December 2007	**(51)**	**573**	**695**	**11,811**	**589**	**13,617**

15 . Borrowings

(in thousands of euros)	2007	2006
Non current		
Finance lease liabilities	2,950	1,219
Bank borrowings	2,482	3,569
Other borrowings	0	47,300
	5,432	**52,088**
Current		
Finance lease liabilities	825	534
Bank borrowings	72,088	468
Other borrowings	3	79
Debt to Omega (former parent company)	0	52,537
	72,917	**53,618**
Total borrowings	**78,349**	**105,706**

(in thousands of euros)	31-12-2007			31-12-2006		
	Financial leases	Bank borrowings	Other borrowings	Financial leases	Bank borrowings	Other borrowings
Non current borrowings by term						
Later than 1 year and no later than 5 years	804	654		1,219	1,143	47,300
Later than 5 years	2,145	1,828		-	2,426	-
Total non current borrowings	**2,950**	**2,482**		**1,219**	**3,569**	**47,300**

a. Bank borrowings

The book value of the bank borrowings is expressed in euros. The effective interest rate at balance sheet date of 31 December 2007 was 5.037%.

The guarantors below guarantee the bank loan concluded by the Company:

Company name
Fagron BV
Hader SA
Certa SA
Corilus Wallonie SA
Spruyt-Hillen BV
Alphadent NV
ACA Pharma BVBA
Lamoral NV
Corilus Vlaanderen NV
Oudheusden Dental BV
Lamoral Nederland BV
Fagron GmbH

b. Financial leases

The property, plant and equipment include the following amounts where the Group is a lessee under a finance lease:

(in thousands of euros)	2007	2006
Cost - capitalised finance leases	6,610	5,283
Accumulated depreciation	(3,286)	(2,582)
Net amount of assets in leasing	**3,324**	**2,701**

The net amount of the finance leases concern following investments:

(in thousands of euros)	2007	2006
Buildings	1,924	281
Installations, machinery and equipment	1,270	2,312
Furniture and vehicles	130	108
Net amount of assets in leasing	**3,324**	**2,701**

Finance lease liabilities – minimum lease payments:

(in thousands of euros)	2007	2006
Not later than 1 year	1,398	999
Later than 1 year and not later than 5 years	2,618	2,264
Later than 5 years		
Total	**4,016**	**3,263**
Future financing charges on finance leases	692	562
Present value of finance lease liabilities	**3,324**	**2,701**

c. Operating leases

Obligations from operating leases – minimal lease payments:

(in thousands of euros)	2007	2006
Not later than 1 year	3,447	3,093
Later than 1 year and not later than 5 years	5,874	5,084
Later than 5 years	1,410	1,782
Total	**10,731**	**9,959**

Cash and cash equivalents, and trade and other receivables mainly have short times to maturity. For this reason, their carrying amounts at the reporting date approximate the fair value.

The other non current assets are related to receivables with different maturity dates. The fair value approaches the carrying amount.

Trade payables and other liabilities generally have short times to maturity, the values reported approximate the fair values.

The fair values of the bank borrowing and finance lease liabilities are calculated as the present values of the payments associated with the debt.

16 . Other current payables

(in thousands of euros)	2007	2006
Prepayments	1,269	1,749
Other payables	4,744	5,139
Accrued expenses	3,147	3,331
Adjustment as a consequence of the split	0	(6,938)
Other current payables	**9,159**	**3,281**

As stated in the consolidated statement of change in equity, the opening balance of 2006 was adjusted to enable correct treatment of the Arseus split.

17 . Turnover

(in thousands of euros)	2007	2006
Sale of goods	286,879	257,347
Rendering services	17,490	19,624
Turnover	**304,368**	**276,971**

18 . Other operating income

(in thousands of euros)	2007	2006
Gain on disposal of fixed assets	1,849	206
Other operating revenues	2,031	1,726
Other operating revenues	**3,881**	**1,932**

19 . Employee benefit expenses

(in thousands of euros)	2007	2006
Wages and salaries	46,330	47,475
Social security costs	10,825	9,713
Share options granted to directors and employees		
Pension costs - Defined benefit plans	474	(1,953)
Pension costs - Defined contribution plans	1,018	844
Other post-employment benefit contributions	551	566
Other employment costs	3,435	2,586
Employee benefit expenses	**62,633**	**59,232**

Full-time equivalents rounded at one unit	2007	2006
Belgium	540	518
Netherlands	330	327
Germany	198	191
Switzerland	108	95
France	88	69
Italy	48	0
Spain	35	30
United Kingdom	2	0
Total	**1,348**	**1,230**

At 31 December 2007 the employment figure of the Group was 1,450 persons or 1,348.3 full-time equivalents. Of this total figure 440.3 FTEs can be attributed to Fagron Group, 518 FTEs to Arseus Dental, 164.1 FTEs to Arseus Medical, 200 FTEs to Corilus and 25.9 FTEs to Arseus Corporate.

20 . Depreciation, amortisation and changes in provisions

(in thousands of euros)	2007	2006
Depreciation and amortisation	7,447	6,106
Write-down on inventories	1,654	713
Write-down on receivables	124	129
Increase/decrease in provisions for current liabilities	(182)	(1,893)
Increase/decrease in provisions for pension liabilities	(191)	207
Depreciation, amortisation and changes in provisions	**8,852**	**5,262**

21 . Other operating expenses

(in thousands of euros)	2007	2006
Other operating expenses	1,520	2,029
Non-recurring costs	2,396	5,978
Restructuring provisions		196
Other operating expenses	**3,916**	**8,202**

As a result of the restructuring commenced in 2006, other operating expenses decreased in 2007. Non-recurring costs in 2007 were primarily linked to the rounding off of a number of restructuring measures at Arseus Dental and Arseus Medical. Non-recurring costs after taxes are the sum of non-recurring costs and restructuring provisions, multiplied by the weighted average effective tax rate.

22 . Financial result

(in thousands of euros)	2007	2006
Financial income	1,603	739
Financial expenses	(876)	(802)
Interest expenses	(7,835)	(5,502)
Foreign exchange differences	107	49
Financial result	**(7,001)**	**(5,508)**

The increased interest expenses were primarily due to the general increase in the interest rate and the slightly higher than expected gearing ratio in the months before the capital increase, the consequence of the increase in investments.

23 . Income tax

(in thousands of euros)	2007	2006
Current tax	6,151	3,998
Deferred tax	(2,972)	(1,509)
Total tax charge	**3,179**	**2,489**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

(in thousands of euros)	2007	2006
Profit before tax	19,439	14,612
Tax calculated at weighted average statutory tax rate	7,876	4,292
Income not subject to tax	(5,692)	(2,170)
Expenses not deductible for tax purposes	309	166
Other	687	200
Tax charge	**3,179**	**2,489**

The weighted average effective tax rate was 16.35% (2006: 17.03%).

24. Earnings per share

	2007	2006
Basic earnings per share		
Profit attributable to equity holders of the Company in euros	16,260,064	12,123,022
Weighted average number of ordinary shares	26,548,780	25,000,000
Basic earnings per share in euros	0.61	0.48
Diluted earnings per share		
Profit attributable to equity holders of the Company in euros	16,260,064	12,123,022
Weighted average number of ordinary shares	26,548,780	25,000,000
Effect of warrants	-	-
Weighted average number of ordinary shares (diluted)	26,548,780	25,000,000
Diluted earnings per share in euros	0.61	0.48
Basic earnings per share before non-recurring items*		
Profit attributable to equity holders of the Company in euros	16,260,064	12,123,022
Non-recurring items, (after tax) in euros	2,003,936	5,121,978
Profit before non-recurring items attributable to equity holders of the Company in euros	18,264,000	17,245,000
Weighted average number of ordinary shares	26,548,780	25,000,000
Basic earnings per share before non-recurring items in euros	0.69	0.69
Profit attributable to equity holders of the Company in euros	16,260,064	12,123,022
Non-recurring items, (after tax) in euros	2,003,936	5,121,978
Profit before non-recurring items attributable to equity holders of the Company in euros	18,264,000	17,245,000
Weighted average number of ordinary shares	26,548,780	25,000,000
Effect of warrants	-	-
Weighted average number of ordinary shares (diluted)	26,548,780	25,000,000
Diluted earnings per share in euros	0.69	0.69

(*) See Note 21 for definition and calculation

25 . Contingencies

The Group is involved in a number of claims, litigations and legal proceedings and this within the normal conduct of its business. Management does believe that such claims, litigations and proceedings are not likely, in the aggregate, to have a material adverse impact on the financial condition of the Group.

Nevertheless, because of their individual significance, below contingencies require disclosure:

On the date of the financial statements the Group was involved in the following material litigation, it being understood that material shall be interpreted as exceeding a financial risk of 750 (thousand) euros.

- One of the subsidiaries of the Company, Corilus Wallonie SA, is subject to several claims by the Belgian tax authorities amounting to respectively 7,273 (thousand) euros, 7,809 (thousand) euros and 9,812 (thousand) euros as addition to the taxable basis of Corilus Wallonie SA for the income years 2003, 2004 and 2005 (with an additional 10% tax penalty being applied). The Company deems it unlikely that a Belgian court will follow the reasoning of the Belgian tax authorities in this respect.

- One of the subsidiaries of the Company, Fagron Ibérica, has received a claim from Abbott GmbH&Co KG of 12,953 (thousand) euros. The court of first instance No. 37 of Barcelona ruled in favour of Fagron Ibérica on 11 March 2005, but Abbott GmbH&Co KG appealed. In 2008 the court again ruled that Fagron Ibérica should pay no compensation, in response to which Abbott GmbH&Co KG again appealed. The ruling in this appeal is expected by 2011. Depending on the outcome, the matter may not be settled until 2013. The Company deems it probable that it will be indemnified for all negative consequences in this respect.

- One of the subsidiaries of the Company, Alphadent, has been subject to a claim for the supply of alleged faulty dental materials by two of its customers. The customers are claiming respectively (i) 369 (thousand) euros for material damage (to be increased with legal interest) and 25 euros per day as from 1 January 1999 up to the date of the judgment for moral damage, and (ii) 553 (thousand) euros for material damage (to be increased with legal interest) and 25 euros per day as from 1 January 1999 up to the date of the judgment for moral damage. In the event that the claim vis-à-vis Alphadent would be found valid, the Company deems it likely that it will be able to ask for indemnification by the supplier of the alleged faulty dental materials (which is also involved in this litigation). The proceedings are currently pending before the Commercial Court of Antwerp. The Commercial Court of Antwerp has appointed two experts to asses whether the dental materials are faulty. The experts filed their report on 8 March 2005. The Company is unable to predict the time at which a decision in this respect shall be passed.

26 . Related parties

The overall remuneration package for members of the Executive Committee and the CEO individually, as well as the non-executive directors, for the financial years 2006 and 2007 was as follows:

(in thousands of euros)	Fixed remuneration component [1]	Variable remuneration component	Other remuneration components [2]
Financial year 2006			
Ger van Jeveren, CEO	300		40
Executive Committee, including the CEO	819		56
Financial year 2007			
Ger van Jeveren, CEO	405	450	15
Executive Committee, including the CEO	957	600	29
Non-executive members of the Board of Directors	33		

The Remuneration Committee formulates proposals every year concerning the remuneration policy and the other benefits for the members of the Executive Committee and the CEO. A settlement in line with the market will be applied in the event of any requests for resignation.

In 2007, the members of the Board of Directors that are not members of the Executive Committee acquired 110,000 warrants. As part of the Company's warrant plans, in the course of 2007 Mr van Jeveren acquired 500,000 warrants, the other members of the Executive Committee 300,000 warrants. The members of the Executive Committee, as of 31 December 2007, hold a combined total of 800,000 warrants.

The following table provides an overview of all transactions between the Company and Omega Pharma NV in 2007 (in thousands of euros).

Sale of goods and services	**2,776**
Sale of goods to Omega Pharma companies	524
Sale of services to Omega Pharma companies	2,252
Purchase of goods and services	**8,239**
Purchase of goods from Omega Pharma companies	440
Purchase of services from Omega Pharma companies	7,799

A cost-plus formula was used to establish the sale prices.

The services to Omega Pharma companies are based on the actual costs incurred, attributed on the basis of a series of reasonable distribution codes.

(1) Cost for the Company, i.e. gross amount including employee/employer social security contributions, if applicable.

(2) Including costs of pensions, insurances and monetary value of the other benefits in kind.

27 . Business combinations

The Group completed a number of acquisitions in the financial year 2007. As the acquired activities were immediately – in whole or for the most part – integrated in existing Group entities, their contribution to the group's profit has not been reported separately. In addition, the scale of these acquisitions was relatively limited compared with the size of the entire Group. Based on the 2006 figures, the activities acquired from Polichimica account for less than 5% of the group's turnover, while the net profit was negligible.

In the field of pharmaceutical products, the Italian activities of Polichimica were acquired in 2007 (included in the consolidated financial statements as of June 2007). The acquisition price was approximately 7 million euros, which represents an increase in goodwill of 3.427 million euros. This goodwill was allocated in its entirety to the operational business segment Fagron Group. Polichimica turned over approximately 10 million euros in 2007, posting EBITDA of 0.7 million euros.

A few smaller companies and activities were also acquired in 2007. The total acquisition price was 1.546 million euros. The total acquired net assets for allocation of the acquisition price with respect to these small companies and activities was 0.181 million euros, the allocated costs 1.038 million euros. The fair value of the acquired assets and liabilities of a number of acquired activities has been provisionally paid.

Including Polichimica, the total accounts for a rise of 5.565 million euros in goodwill, 4.027 million euros of which is allocated to the operational business segment Fagron Group, 1.444 million euros to Dental, 0.070 million euros to Medical and 0.024 million euros to Corilus.

28 . Information on the auditor's remuneration and related services

The Company's Statutory Auditor is PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, represented by Lieven Adams and Peter Opsomer.

(in thousands of euros)	2007
Audit fee for the Group audit 2007	
Arseus Group	291
Audit fee for PricewaterhouseCoopers Bedrijfsrevisoren	180
Audit fee for parties related to PricewaterhouseCoopers Bedrijfsrevisoren	111
Additional services rendered by the Auditor to the Group	
Other engagements linked to the auditor's mandate	50
Tax advisory services	0
Other services	0
Additional services rendered by parties related to the Auditor to the Group	
Other engagements linked to the auditor's mandate	0
Tax advisory services	66
Other services	0

29 . Significant events after balance sheet date

Julie-Owandy acquisition

Arseus acquired all the shares of French company Julie-Owandy, which provides total solutions to dentists via the combination of software and dental imaging equipment.
Julie-Owandy realised turnover of approximately 20 million euros in 2007, with an EBITDA margin of approximately 12%.

- Julie is the market leader in France in software for dentists and serves more than 14,000 customers which results in a market share of approximately 35%.
- Owandy provides a complete range of dental imaging equipment (X-ray units, panoramic units, intra-oral digital sensors and cameras). Owandy has a worldwide installed base of approximately 15,000 units that are served via affiliates in countries including France, Benelux, Germany, Italy and Spain, and via distributors in other countries. The market for dental imaging equipment is one of the most attractive segments in the dental market with an estimated growth of 6% over the coming five years. The average penetration level of dental imaging equipment in Europe amounts to approximately 35%, which naturally still offers plenty of room for further growth. Owandy has a number of very innovative products in the pipeline from their own R&D department, especially concerning intra-oral sensors. Production is almost entirely outsourced.

Through this acquisition, Arseus reinforces its position in dental software and also, besides Belgium, will become market leader in France. Furthermore, this also offers many synergies at R&D level.

Owandy reinforces the market leadership of Arseus in the dental imaging segment in France, Belgium and the Netherlands, and Arseus Dental will acquire access to Spain, Italy and a number of other strategic markets. This offers a number of opportunities for cross-selling, of course. The acquisition price of 18.3 million euros was paid entirely in cash. Arseus took over approximately 2 million euros of financial debt.

Acquisition of a 70% stake in Tamda

ARSEUS has acquired a 70% stake in TAMDA S.A., based in Olomouc, (Czech Republic). Tamda is the Czech market leader in the sale of pharmaceutical raw materials, creams and ointments to pharmacists. Tamda offers a complete assortment of raw materials and semi-finished goods and has a number of own registrations of pharmaceutical specialities. In recent years Tamda has invested heavily in production facilities. The acquisition offers Fagron a number of interesting opportunities for synergies related to the conditioning of pharmaceutical raw materials.
By acquiring Tamda, Fagron starts operations in Central and Eastern Europe, a market that offers many growth opportunities. The acquisition fits the buy-and-build strategy of Arseus, and aids Fagron's strategy to expand its position as market leader in magistral preparations in Europe.
Supported by Fagron's broad product range, Tamda will strengthen its market leadership in the Czech Republic. Furthermore, management will actively explore a number of opportunities in other Central European markets.
Tamda realised revenues of almost 6 million euros in 2007 and has grown nicely in recent years.
The company realises a high single-digit EBITDA margin. By implementing the Fagron-model, this margin will evolve into the average of the Fagron-group.

Heparin

Commencing early 2007, one of the Group's consolidated entities, Fagron BV, supplied a shipment of heparin to eight hospitals in the Netherlands, after conducting all required test procedures. After the announcement that another production shipment from China contaminated with chondroitin had had lethal consequences in the United States and that this contamination could not be identified on the basis of prevailing international test procedures, a new test method was ordered by the Food and Drug Administration (FDA). In expectation of this new method, as a precaution and in consultation with the Netherlands Health Care Inspectorate, Fagron Group notified the involved hospitals. At the same time, Fagron Group did everything in its power to determine whether the shipment was also contaminated. The shipment is now being destroyed everywhere. In the meantime, Fagron Group has another heparin supplier, which uses the new test method.

Arseus views patient safety as its highest priority and always acts in accordance with the prevailing pharmaceutical quality assurance procedures. Arseus management is convinced that this incident will not have any negative financial consequences.

30 . Additional notes

1. Off balance sheet rights and obligations – collateral

One of the Group's entities, Hader SA, has granted a mortgage registration of 876 (thousand) euros as part of their financing.

2. Arseus NV has signed a liability statement on behalf of a number of Dutch subsidiaries. These are:

ABC Ducro Dental BV
Arseus BV
Arseus Medical BV
Corilus BV
De Collegiale Bereiding BV
Dentale Service Dienst BV
Fagron BV
Fagron Group BV
Fagron Services BV
Lamoral BV
Oudheusden Dental BV
Spruyt-Hillen BV
Timm Health Care BV
Xtradent BV

31 . List of consolidated companies

ABC Dental and Pharmaceutical Consultancy NV Textielstraat 24, 8790 Waregem (Belgium) (BE 0442.286.247)	100%
ABC Ducro Dental BV Cartografenweg 18, 5141 MT Waalwijk (Netherlands)	100%
ABC France SA Rue de Castiglione 5, 75001 Paris (France)	100%
ACA Pharma BVBA Textielstraat 24, 8790 Waregem (Belgium) (BE 0416.121.783)	100%
Alphadent NV Textielstraat 24, 8790 Waregem (Belgium) (BE 0438.701.108)	100%
Apex Delta SA Rue du Repos 31, 69007 Lyon (France)	100%
APPEG SA Rue de la Sambre 6, 6032 Charleroi (Belgium) (BE 0456.622.154)	100%
Arcadent BVBA Textielstraat 24, 8790 Waregem (Belgium) (BE 0438.701.108)	100%

Archimed NV Textielstraat 24, 8790 Waregem (Belgium) (BE 0452.571.316)	100%
Arseus België NV Textielstraat 24, 8790 Waregem (Belgium) (BE 0434.900.191)	100%
Arseus BV 's Gravenweg 252, 2911 CL Nieuwerkerk aan den IJssel (Netherlands)	100%
Arseus Capital NV Textielstraat 24, 8790 Waregem (Belgium) (BE 0471.941.919)	100%
Arseus Health NV Textielstraat 24, 8790 Waregem (Belgium) (BE 0435.200.792)	100%
Arseus Hospital NV Boomsesteenweg 524, 2610 Wilrijk (Belgium) (BE 0440.200.450)	100%
Arseus Medical BV Gelderlandhaven 4, 3433 PG Nieuwegein (Netherlands)	100%
Arseus NV Textielstraat 24, 8790 Waregem (Belgium) (BE 0890.535.026)	100%
Arseus Tec NV Textielstraat 24, 8790 Waregem (Belgium) (BE 0439.161.263)	100%
Besserat Dentaires Services SAS 30/34, Boulevard Ornano, 93200 Saint-Denis (France)	100%
Bufa Deutschland GmbH Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)	100%
Certa NV Avenue du Commerce 23, 1420 Braine-L'Alleud (Belgium) (BE 0416.616.681)	100%
Corilus BV Randhoeve 221, 3995 GA Houten (Netherlands)	100%
Corilus Medical NV Knokkeweg 23 1A, 9880 Aalter (Belgium) (BE 0465.048.781)	100%
Corilus Vlaanderen NV Hogenakkerhoek 5, 9150 Kruibeke (Belgium) (BE 436.953.029)	100%
Corilus Wallonie SA Parc Créalys, Rue Camille Hubert 23, 5032 Gembloux (Belgium) (BE 0428.555.896)	100%
De Collegiale Bereiding BV Hinmanweg 13, 7575 BE Oldenzaal (Netherlands)	100%

Denteco 2000 SA ZAC du Pré Catelan, Rue Delesalle, 59110 La Madeleine (France)	100%
Dorge Medic SA Chausse de Nivelles 351, 5020 Temploux (Belgium) (BE 0443.678.988)	100%
DSD BV Markerkant 1303I, 1314 AL Almere (Netherlands)	100%
Euro Dental & Medical NV Textielstraat 24, 8790 Waregem (Belgium) (BE 0450.810.171)	100%
Eurotec Dental GmbH Forumstrasse 12, 4468 Neuss (Germany)	100%
Eurotec Dental SAS 147 rue Manin, 75019 Paris (France)	100%
Fagron BV Hoogeveenenweg 210, 2913 LV Nieuwerkerk aan den IJssel (Netherlands)	100%
Fagron GmbH & Co KG Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)	100%
Fagron Group BV 's Gravenweg 252, 2911 CL Nieuwerkerk aan den IJssel (Netherlands)	100%
Fagron Iberica SAU Carrer de Josep, Tapiolas 15, 8226 Terrassa (Spain)	100%
Fagron NV Textielstraat 20, 8790 Waregem (Belgium) (BE 0403.767.052)	100%
Fagron SAS 30, rue Gabriel Peri, 92700 Colombes (France)	100%
Fagron Services BV Molenwerf 13, 1911 DB Uitgeest (Netherlands)	100%
Fagron Services BVBA (new name of Belgo Chemica BVBA) Textielstraat 24, 8790 Waregem (Belgium) (BE 0404.871.268)	100%
Fagron UK LtD Collingwood Street 19-21, Newcastle upon Tyne, NE1 1JE (UK)	100%
Hader SA Rue Jardinière 153, 2300 La Chaux-de-Fonds (Switzerland)	100%
IGL SA Avenue J.F. Kennedy, 1, 5650 Walcourt (Chastrès) (Belgium) (BE 0430.872.020)	100%

Info Santé SA Rue Gabriel Peri 30, 92700 Colombes (France)	100%
JJ Maes-Sygma NV Parkstraat 34, 3070 Kortenberg (Belgium) (0440.548.957)	100%
Lamoral BV Cartografenweg 18, 5141 MT Waalwijk (Netherlands)	100%
Lamoral NV Textielstraat 24, 8790 Waregem (Belgium) (BE 0405.122.676)	100%
Medical Quick Supplies SA Chaussée de Marche 875, 5100 Namur (Belgium) (BE 0431.679.791)	100%
Médical Universal SA 1 Rue Galilée, 69800 Saint Priest (France)	100%
Multident GmbH Mellendorferstrasse 7-9, 30625 Hannover (Germany)	100%
Oudheusden Dental BV Leeuweriklaan 2, 3704 GR Zeist (Netherlands)	100%
Pharmaflore SA Rue Botrieux 7, 7864 Lessines (Deux-Acren) (Belgium) (BE 0422.946.130)	100%
Polichimica SRL Via Del Fonditore 4/4, 40138 Bologna (Italy)	100%
Spruyt-Hillen BV Tinbergenlaan 1, 3401 MT IJsselstein (Netherlands)	100%
Timm Health Care BV Tinbergenlaan 1, 3401 MT IJsselstein (Netherlands)	100%
Van Hopplynus Ophtalm SA Rue Colonel Bourg 105, 1030 Brussels (Belgium) (BE 0447.467.334)	100%
XO CARE Nederland BV Bijsterhuizen 20-18A, 6604 L J Wijchen (Netherlands)	100%
Xtradent BV Geenhoven 14, 5554 LA Valkenswaard (Netherlands)	100%
Zenith Pharmaceuticals Cyprus LtD Doma Building, Arch Makarios III Avenue 227, 3105 Limassol (Cyprus)	100%

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Statutory Auditor's report to the General Shareholders' Meeting on the consolidated accounts of the company Arseus NV as of and for the year ended 31 December 2007

As required by law and the company's articles of association, we report to you in the context of our appointment as the company's statutory auditor. This report includes our opinion on the consolidated accounts and the required additional disclosure.

Unqualified opinion on the consolidated accounts

We have audited the consolidated accounts of Arseus NV and its subsidiaries (the Group) as of and for the year ended 31 December 2007, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated balance sheet as of 31 December 2007, the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet total was EUR 347,467 (thousand) and the consolidated income statement closed with a profit of for the financial year, Group share, of EUR 16,260 (thousand).

The Company's Board of Directors is responsible for the preparation of the consolidated accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement.

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to the preparation

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and fair presentation of the consolidated accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the consolidated accounts taken as a whole. Finally, we have obtained from the board of directors and Group officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated accounts give a true and fair view of the Group's net worth and financial position as of 31 December 2007 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Additional remark

The Company's Board of Directors is responsible for the preparation and content of the management report on the consolidated accounts.

Our responsibility is to include in our report the following additional remark, which does not have any effect on our opinion on the consolidated accounts:

The management report on the consolidated accounts deals with the information required by the law and is consistent with the consolidated accounts. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the companies included in the consolidation, the state of their affairs, their forecast development or the significant influence of certain events on their future development. Nevertheless, we can confirm that the information provided is not in obvious contradiction with the information we have acquired in the context of our appointment.

Gent, 25 April 2008

The Statutory Auditor
PricewaterhouseCoopers Bedrijfsrevisoren bcvba
Represented by

Lieven Adams
Bedrijfsrevisor

Peter Opsomer
Bedrijfsrevisor

Statutory financial statement

Condensed stand-alone income statement of Arseus NV

(in thousands of euros)	2007
Operating income	**135**
Turnover	0
Other operating income	135
Operating charges	**3,908**
Goods for resale, raw materials and consumables	0
Services and other goods	3,908
Remuneration, social security and pensions	0
Amounts written off	0
Other operating charges	0
Operating profit	**-3,772**
Financial result	**9,490**
Profit from ordinary activities before taxes	**5,717**
Exceptional result	**0**
Profit for the financial year before taxes	**5,717**
Result taxes	**0**
Net profit for the financial year	**5,717**

Condensed stand-alone balance sheet Arseus NV

(in thousands of euros)	2007
Fixed assets	**316,249**
Formation expenses	0
Intangible fixed assets	0
Tangible fixed assets	0
Financial assets	316,249
Current assets	**81,793**
Debtors due after one year	69,569
Stocks and orders in execution	0
Debtors due within one year	12,217
Investments	0
Cash at bank and in hand	6
Deferred charges and accrued income	1
Total assets	**398,042**
Capital and reserves	**323,656**
Capital	319,810
Share premiums	0
Legal reserve	286
Not available reserve	0
Profit carried forward	3,560
Creditors	**74,386**
Creditors due after one year	0
Creditors due within one year	73,706
Accrued charges and deferred income	680
Total liabilities	**398,042**

Condensed stand-alone balance sheet Arseus NV

(in thousands of euros)	2007
Profits to be appropriated	**5,717**
Profits for the year to be appropriated	5,717
Profit carried forward from the previous financial year	0
Transfers to capital and reserves	**286**
To statutory reserves	286
To other reserves	0
Result to be carried forward	**3,560**
Profit to be carried forward	3,560
Profit to be distributed as dividends	**1,872**
Dividend	1,872

Accounting policies

The accounting policies used for the statutory financial statements of Arseus NV are in line with the Royal Decree of 31 January 2001 on the implementation of the Belgian Companies Code.

Statutory annual accounts of Arseus NV

In accordance with Article 105 of the Belgian Companies Code, this annual report includes an abbreviated version of the statutory financial statements of Arseus NV. The annual report and the Statutory Auditor's report have been filed and are also available for consultation at the registered office.

The Statutory Auditor has issued an unqualified opinion on the statutory annual account of Arseus for the financial year 2007.

Alphabetical terminology list

In addition to the terms that are defined in IFRS, this annual report also includes other financial terminology. These 'alternative performance indicators' are defined below. The IFRS terminology is in italics.

EBIT:	'Earnings Before Interests and Taxes', *results of operating activities*
EBITDA:	'Earnings Before Interests, Taxes, Depreciations and Amortisations', *results of operating activities* increased with *depreciations and amortisations* - Operating cash flow
EBT:	'Earnings Before Taxes', *Results of operating activities* after *net finance cost*
Financial result:	*Net finance cost*, result of *financial income* and *financial charges*
Gearing ratio:	Net financial debt as a percentage of total *equity*
Gross margin:	*Revenue* minus *trade goods, raw materials and consumables* and also adjusted for *changes in inventories* of finished goods and work in progress, expressed as a percentage of *Revenue*

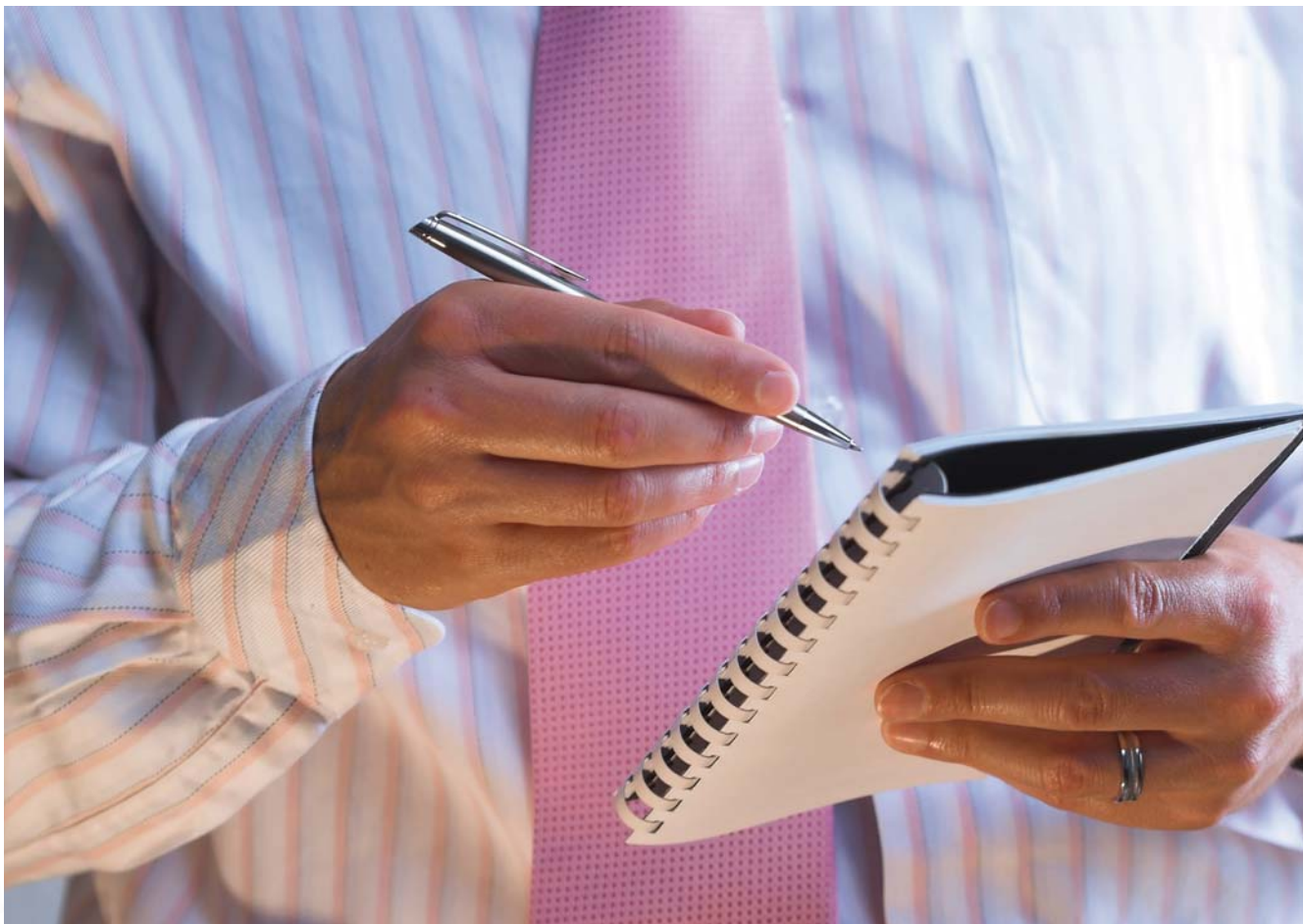
Net capex:	Net capital expenditures: *Investments* and *produced assets* minus *sales of investment goods* and investment goods taken out of service
Net financial debt:	The sum of current and non current interest-bearing *borrowings* plus *derivative financial instruments* reduced with *cash and cash equivalents*
Net profit:	*Profit or loss* - consolidated result
Non-recurring items:	One-off charges not related to the ordinary operations
Net turnover:	*Revenue*
Operating cash flow:	EBITDA: 'Earnings Before Interests, Taxes, Depreciations and Amortisations', *Results of operating activities* increased with *depreciations and amortisations*
Operating result:	*Results of operating activities*, EBIT ('Earnings Before Interests and Taxes')
REBIT:	'Recurring Earnings Before Interests and Taxes', *Results of operating activities* corrected for all non-recurring items
REBITDA:	'Recurring Earnings Before Interests, Taxes, Depreciations and Amortisations', *Results of operating activities* plus *depreciations and amortisations* and corrected for all non-recurring items
Recurring cash flow:	*Results of operating activities* plus *depreciations and amortisations* and corrected for all non-recurring items
Recurring net cash flow:	*Profit or loss* corrected for all non-recurring items and plus *depreciations and amortisations*
Recurring net profit:	*Profit or loss* corrected for all non-recurring items
Working capital:	*Inventories + Trade receivables – Trade payables*

Financial calendar

Financial calendar

Financial calendar	
11 March 2008*	FY 2007 results
15 April 2008*	Q1 2008 trading update
13 May 2008	Annual General Meeting in Waregem at 15:00
15 May 2008	Dividend payable
15 July 2008*	Q2 2008 trading update
26 August 2008*	H1 2008 results
14 October 2008*	Q3 2008 trading update
13 January 2009*	Q4 2008 trading update and FY 2008

* Publication for opening of the stock exchange



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