ARSEUS



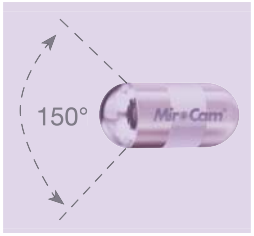







One-stop-shop for a healthy future »





ANNUAL REPORT 2008

The Dutch language version of this annual report will prevail in the case of misinterpretation of the contents of the English version.

Contents

Chairman's message »

On 5 October 2007, Arseus went public with initial public offerings (IPOs) in both Brussels and Amsterdam. The year 2008 is therefore effectively the first complete financial year for the new Arseus NV corporation.

The year under review was primarily marked by, on the one hand, the substantiation of the responsibilities of the new Management Board and, on the other, the organisation's task of fulfilling the expectations aroused by the IPO. Important steps were taken in both areas.

The Board held six meetings to familiarise themselves with and to deepen their knowledge of the different divisions and the most important operating companies. The strategy was then analysed and scrutinised partially based on that information. In addition, in the framework of the formulated buy-and-build policy, the Board also gave in-depth consideration to the acquisition options available in the various European countries. Another important subject of discussion was the timeliness and depth of the internal and external reports, as well as the associated analyses. Another important question that specifically arose in the second half of the year under review was related to the extent to which the different company activities would be influenced by the economic crisis. Obviously, the financial position, alternately, the question of financing, was also discussed extensively in that context.

The Board was supported in its activities by three committees and also evaluated its own performance in a separate meeting.

Further scrutiny of the extent to which the organisation was able to fulfil the shareholder expectations elicited by the IPO revealed that the operations in the year under review were successful. The turnover growth of 16.5%, based on more or less equivalent yields in acquisitions and organic growth, is above expectation and the net recurrent profit growth of 14.6% is also satisfactory.

We would like to make use of this opportunity to compliment the Executive Committee and all members of staff for their efforts. We are convinced that the results achieved in the past year will form a solid foundation for the further development of the company. We are thoroughly confident that this will be the case and hope that our shareholders will also ultimately profit from those developments.

Robert Peek
Chairman of the Board

CEO's message »

This annual report is mainly dedicated to our customers. The customer plays an essential role in Arseus' success. It is our customers that consistently guide, advise and motivate us to optimise, renew and expand our products, concepts and strategies. We attribute our success to the fact that we view our customers as partners. This also enables us to continuously consolidate and improve our position in the market.

In spite of the global economic downturn, Arseus has managed to perform excellently in the first year of its existence as a listed company. The unique combination of activities in the professional healthcare sector, the strong market positions, the healthy financial situation, the commitment of our staff and the excellent relationship with our customers and suppliers are the elements that enabled us to successfully implement our strategy.

In 2008, we took a number of important steps in the areas of, among others, operational excellence, supply chain management, integration, business development and the further professionalisation of the organisation.

In the context of the buy-and-build strategy, the company, in 2008, acquired the French company Julie-Owandy, the Czech company Tamda, and the Danish company Unikem (now Fagron A/S). The acquisition of Tamda and Unikem enabled Fagron to continue its geographical expansion, which has resulted in the company becoming the market leader in both the Czech Republic and Denmark. Julie-Owandy offers dentists total solutions by combining software and dental imaging equipment. Thanks to the acquisition, Arseus Dental is now the market leader in dental software in France, as well as in Belgium. In addition, Arseus Dental has consolidated its market leadership in dental imaging in France, Belgium and the Netherlands and has also gained access to Spain, Italy and a number of other strategic markets.

In this annual report, the reader will obtain insight via a combination of interviews, discussions and descriptions into the unique relationship that Arseus has been able to build up with its customers. Our strong proprietary brands and exclusive distributions with high levels of added value have clearly enabled Arseus to distinguish itself from the competition. We expect turnover growth of between 5% and 10% in 2009 and a recurrent EBITDA that will grow faster than our turnover. I can therefore honestly say that I embrace the future with a great deal of confidence!

Ger van Jeveren
Chief Executive Officer

Arseus at a glance »

Arseus at a glance

Arseus is a multinational group of companies that supplies products, services and concepts to professionals and institutions in the European healthcare sector. Arseus is subdivided into four divisions and operates in the markets for pharmaceutical compounding for pharmacies, dental products, medical and surgical products, and medical IT-solutions. The service-oriented organisation offers innovative and tailor-made products and solutions to our customers. Arseus strives to secure a number one position in each of the markets or product segments in which it operates.

Its strong proprietary brands and exclusive distribution channels with their high levels of added value enable Arseus to distinguish itself from its competitors. Arseus is able to better utilise its knowledge, its consumer insight and its scale of operations by working in a simple, accountable and efficient way.

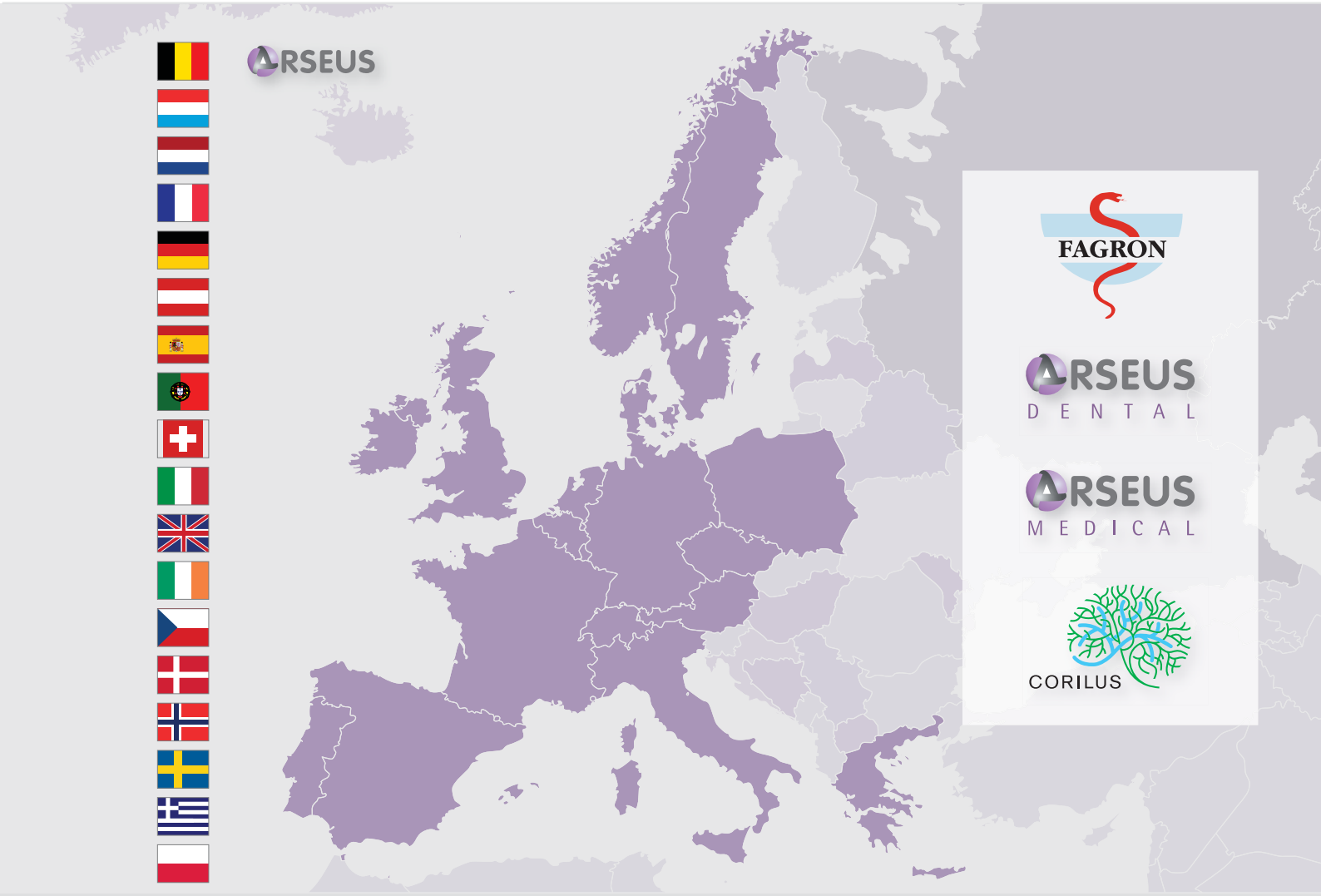
Arseus' 1,600 employees collaborate closely and actively exchange all available knowledge and expertise. This makes it possible for Arseus to adjust rapidly, creatively and accurately to changing customer wishes and market developments.

Arseus wishes to realise sustainable growth by maintaining its leadership position in selected market segments in the professional healthcare sector and to expand its leadership through further organic growth and an active buy-and-build strategy.

Market trends

The healthcare sector is a defensive sector that is immune to cyclical developments. Everyone falls ill once in a while and needs some form of medical care. The ageing population, the increase in (chronic) illnesses, the growing awareness of medical treatments (both curative and preventative) and the growing focus on aesthetics are only a few of the trends that contribute to the growth in spending in the healthcare sector. On the other hand, there is also a growing need to keep the healthcare sector affordable and controllable. For those reasons, a growing body of players in the healthcare sector are continuously investing in innovative technological solutions to increase the efficiency and effectiveness of the sector.

Our markets areas



Strategy »

Arseus wishes to realise sustainable growth by consolidating its leadership position in selected segments of the professional healthcare sector and by continuing its expansion via organic growth and an active buy-and-build strategy.

The Arseus strategy is based on five pillars:

Total solutions with substantial added value

Arseus strives to offer its customers integrated total solutions to enable them to spend more time on their patients. Higher service levels promote customer satisfaction and loyalty, and also generate higher turnover per customer, while, at the same time, the added value of the solutions also increases profitability.

Operational excellence

Arseus views operational excellence as the continuous optimisation of all its business processes. Aspects such as standardisation and integration, process quality, customer-friendliness, information management and efficiency play an important role in that regard.

The organisational structure constitutes an ideal point of departure for the optimisation of the processes. Arseus aims to be able to establish and maintain:

- An adequate logistical chain that ensures timely delivery of a wide range of products, services and total concepts.
- An efficient and customer-friendly process for the fulfilment of orders, supplies, invoicing and payments.
- The development of tailor-made solutions for customers by bringing together the available medical and technical expertise.
- Optimal after-sales service through a combination of online and telephone support services with efficiently organised maintenance and repair services.
- Substantial customer satisfaction with higher related levels of customer loyalty.

Arseus is able to service its customers excellently and stimulate growth and profitability by combining its activities across a number of different market segments and by sharing best practices, market data and customer insights; all consolidated through the optimisation of specific cross-selling options.

Buy-and-build strategy

Arseus intends to play a leading role in the consolidation of selected segments of the professional European healthcare sector by means of its active buy-and-build strategy supported with robust organic growth.

Arseus was able to acquire companies in the selected segments over the past few years after having conducted an extensive operational and financial audit. Financial discipline is an essential element in this process. Arseus dedicates a substantial amount of attention to identifying and implementing those types of acquisitions; however, it also pays due attention to fast integration following the takeover in order to be able to retain the acquired expertise and realise the potential synergy benefits.

The following acquisitions formed part of the buy-and-build strategy in 2008: The French company Julie-Owandy, the Czech company Tamda, and the Danish company Unikem. The takeovers resulted in increased market share in the existing markets and also enabled the different divisions to expand into new geographical markets.

Fagron has acquisition plans in Central and Eastern Europe and Scandinavia in 2009. Arseus Dental will focus on consolidating its market positions in the countries where it is already active in 2009, namely, in Belgium, France, the Netherlands and Germany.

Pan-European presence

The objective of Arseus is to further expand its current operations in 16 European countries. The idea is for the buy-and-build strategy to result in geographical expansion. In addition, Arseus also intends to start up new activities in countries where such an approach is considered favourable. Some examples of Greenfield activities include the introduction of Fagron in France and the United Kingdom in 2007 and in Poland in 2009.

The positioning of the proprietary brands

Arseus keeps a constant watch on all the markets in which it operates in order to be able to, among other things, introduce proprietary brands in those markets. Proprietary brands offer many advantages over distribution operations. It includes aspects such as higher profit margins, freedom in terms of packaging decisions (colour, form, size, etc.), the creation of customer loyalty and the consolidation of Arseus' position through the use of its own brand. After all, there is no question that brands represent value.

FAGRON

Greenock

Julie

owandy

Texa

CEKA ATTACHMENTS PRECI-LINE

Dermavital

ARSEUS DENTAL

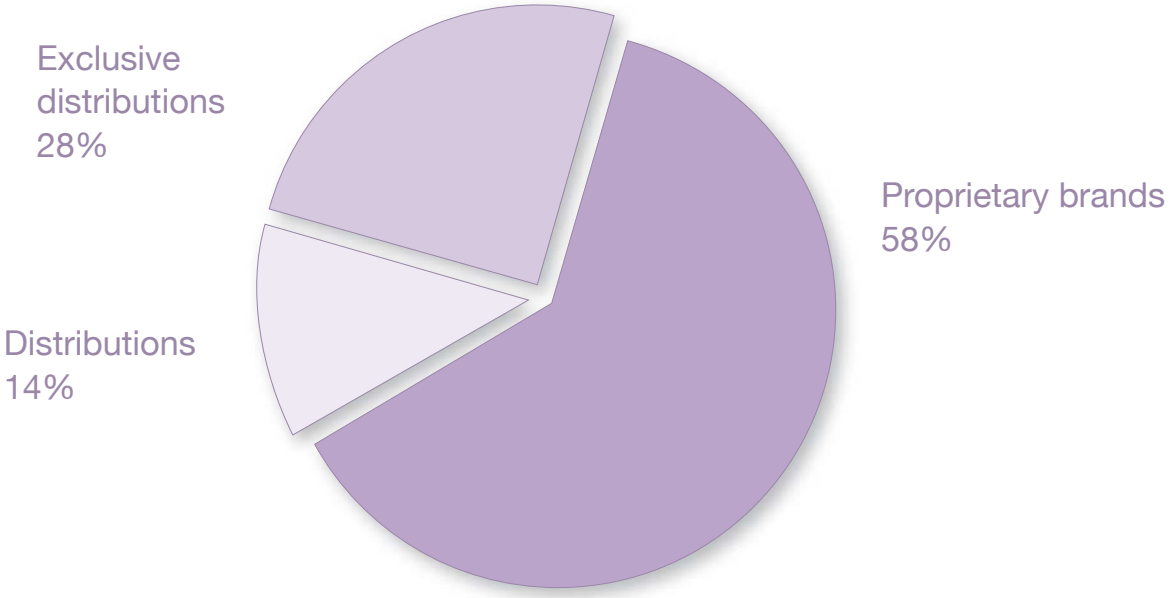
BALTES
Software for dentists

CINNABER
Veterinary Software

CLINIDOC
Medical Software

OPTISOFT
Software for ophthalmologists

In 2008 Arseus generated approximately 58% of its turnover from proprietary brands.



Financing the growth

On 6 September 2007, in the run-up to the IPO, Arseus took out a revolving credit facility of € 200 million to finance its buy-and-build strategy. By the end of 2008, the net financial debt / annualised recurrent EBITDA ratio was 2.25, which is fully in compliance with the covenant of the credit facility which allows a ratio up to 3.5. In addition to a solid balance sheet, Arseus therefore also has the necessary financial resources to be able to implement its strategy.

Further growth in 2009

Taking the general economic decline into account and based on Arseus' existing portfolio, the Company expects a turnover growth of between 5% and 10% in 2009 and this thanks to the many new projects, distributions, synergies and the strengthened management structure.

As a result of the expected positive contributions from the initiated Greenfield activities, integrations, product optimization and a cost savings programme which was initiated without delay, the recurring EBITDA is expected to grow faster than the turnover in 2009.

Fagron

One-stop-shop for pharmaceutical compounding »

Key points

- **Turnover growth of 24.5% to € 136.9 million (organic growth: 9.7%)**
- **Consolidation of market position in all the countries in which Fagron operates**
- **Double-digit turnover growth in the Netherlands, Spain and Italy**
- **Strategic buy-and-build acquisitions in the Czech Republic and Denmark**
- **Positive developments in Greenfield activities in France and in the United Kingdom**

(x 1 million euros)	2008	2007	Evolution
Turnover	136.9	110.0	+24.5%
REBITDA	24.4	20.3	+20.2%
REBITDA margin	17.8%	18.5%	
FTEs	537.4	440.3	

Consolidating the position as European market leader

Fagron is the only multinational one-stop-shop for products and services for pharmaceutical compounding in Europe. It offers high-quality raw materials, semi-manufacture, ready products, services and concepts that fulfil the specific and individual wishes of pharmacists, hospitals and the pharmaceutical, cosmetic and veterinary industry. Fagron continuously invests in innovation and product development and consequently has a constant, adequate pipeline of new products that will be introduced to the market through increased sales and marketing activities. Fagron is currently operating in 16 European countries and holds a leadership position in 9 countries.

The excellent results in 2008 confirm the success of Fagron's core values: innovation, quality and focus on solutions. Ongoing focus on the development and introduction of innovative concepts and products has strengthened Fagron's market position in the countries in which it operates. The greenfield activities in France and the United Kingdom developed positively, but were not yet profitable in 2008.

Good progress has been made on the integration of Tamda and Fagron A/S (the former Unikem). The introduction of the Fagron model and Fagron's extensive product range will further reinforce Tamda's market position in the Czech Republic and Fagron A/S' market position in Denmark. In 2008, significant investments were made in Tamda's production facilities. In 2009, Tamda's GMP (Good Manufacturing Practice) production facilities will increasingly be used to condition pharmaceutical raw materials for the Fagron Group.

One-stop-shop

As a multinational one-stop-shop for products and services for pharmaceutical compounding in Europe, Fagron develops and markets proprietary pharmaceutical compounding formularies, markets and distributes instruments and pharmaceutical raw materials for in-pharmacy compounding, markets and distributes Fagron-branded compounded pharmaceutical and cosmetic products to pharmacies and pharmaceutical wholesalers, provides third-party compounding services to pharmacies and hospitals, and provides specialty pharmaceutical raw materials to the pharmaceutical, nutraceutical, veterinary and cosmetic industries.

Fagron's product range includes over 2,000 high quality pharmaceutical raw materials, available in over 3,000 conditioning formats. In addition to pharmaceutical raw materials, Fagron also provides semifinished goods used in pharmaceutical compounding such as aqua purificata, basic solutions, powder mixes, and cream and ointment bases. Fagron also supplies its compounding customers with a wide range of pharmaceutical packaging materials, including bottles, vials, blister packs and boxes, as well as equipment used by pharmacists to perform compounding, such as weighing balances and mortars, and packaging equipment such as encapsulation machines.

Fagron's compounding products cover a broad spectrum of therapeutic areas, with particular strengths in dermatology, geriatric medication, and dietary products.

With its focus on innovation and the provision of optimal solutions for its customers, Fagron started with 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, quality levels and expertise required to manufacture high quality compounded pharmaceuticals. By outsourcing pharmaceutical compounding activities to Fagron, such pharmacies are able to focus on their dispensing and retailing activities while continuing to offer value-added compounded pharmaceutical products to their customers. Fagron has established two large scale compounding pharmacies in the Netherlands to provide these outsourced services, and will expand this fast-growing service in 2009 to the other geographical markets where Fagron is active.

In 2005, Fagron leveraged its established position and expertise in providing pharmaceutical raw materials to further expand its range of products and services by supplying larger orders (up to 500 kg) of specialty pharmaceutical raw materials to corporate clients in the pharmaceutical, nutraceutical, veterinary and cosmetic industries. The Industry division consequently saw strong growth in 2008.

Continued growth since 1990

Arseus CEO Ger van Jeveren founded Fagron in Rotterdam (the Netherlands) in 1990. By placing a focus on innovation, quality and solution orientation, he was able to place Fagron in a leading market position in the Netherlands in the segment of pharmaceutical compounding. Following the sale of Fagron, in 2000, Van Jeveren continued to steer the further development and international growth that resulted in the company's current operational position in 16 European countries. Fagron is currently the market leader in pharmaceutical compounding in nine European countries. Thanks to the company's robustly developed and highly focused brand strategy, Fagron is currently the best-known brand in pharmaceutical compounding in Europe. The company's European market leadership presents major competitive advantages, such as central purchasing of raw materials and optimal utilisation of the company's various production facilities.

The European market for pharmaceutical compounding is highly fragmented and is populated by only local players with a limited range of products and services. Fagron plans to use its European market leadership position to respond to the fragmented nature of the market by further expanding its European platform. This will be done by means of an active buy-and-build strategy, by starting up Greenfield activities and through further organic growth. In addition to the further geographical expansion and consolidation opportunities in Western Europe, Fagron also has acquisition plans in Central and Eastern Europe and Scandinavia.

First step in Central and Eastern Europe

In April 2008, Arseus acquired a 70% interest in the Czech company Tamda AS, the market leader in the Czech Republic in the sale of pharmaceutical raw materials, creams and ointments in the pharmacy channel. Tamda has been based in the Czech town of Olomouc since its establishment in 1992. The takeover of Tamda gives Fagron an operational presence in Central and Eastern Europe, a market that is currently offering extensive growth opportunities.

Tamda supplies a complete assortment of raw materials and semi-manufacture and, in addition, also has a number of proprietary registrations of pharmaceutical specialities. Approximately 85% of the company's turnover is realised through direct sales to pharmacies and hospitals. The remaining 15% of turnover is realised through wholesale operations and the distributors of pharmaceutical products.

Tamda has invested heavily in recent years in production facilities for raw material conditioning. This has resulted in new GMP production facilities for fluid and semi-fluid pharmaceutical substances and new clean rooms for pharmaceutical solids. Tamda's new GMP production facilities will be utilised more extensively in 2009 to condition pharmaceutical raw materials for the Fagron Group.

Strategic partnership with Greek Kertus

In October 2008, Fagron signed a partnership deal with the Greek company Kertus. Kertus is the largest compounding pharmacy in Greece and delivers compounded pharmaceutical products to many pharmacies throughout Greece on a daily basis.

Kertus, a third-generation family-owned company, is based in Trikale. Father Stephanos Koulouridas, a pharmacist by profession took over the pharmacy from his father many years ago. The pharmacy is currently being run by the third generation of the Koulouridas family and they have ambitious plans for operating not only in the market for compounded products, but also for supplying the market with standard Fagron products.

More than 200 years' history in Denmark

On 1 Augustus 2008, Unikem A/S became a subsidiary of the Fagron Group. Unikem has been focusing on the sale, conditioning, analysis and distribution of pharmaceutical raw materials in Denmark and the rest of Scandinavia for more than 200 years. The pharmaceutical raw materials are supplied to (hospital) pharmacies, as well as to the pharmaceutical industry.

Since the takeover of Unikem, the Danish unit has been run by a staff of seven sales employees under the management of Morten Just Blangsted. The conditioning, analysis and distribution operations for pharmaceutical raw materials have been relocated to Fagron Services in Uitgeest (the Netherlands). To be able to continue to provide the company's customers with optimal services after the relocation, it was necessary to immediately integrate Unikem in the Fagron Group, an operation that was concluded with resounding success! The proof of the success of the rapid integration process is evident from the fact that all the activities in Denmark are currently taking place under the name Fagron A/S.

Morten Just Blangsted, General Manager Fagron A/S

"In the period ahead, we will introduce a wide range of products from the Fagron assortment to the Danish market, including creams and ointments. We will also further expand our operations in the other Northern European countries."

Launch of the Fagron Derma Concept

As an innovative and service-oriented service provider, Fagron has developed a new 'dermatological instrument' to accompany its product assortment of creams and ointments: the Fagron Derma Concept. This concrete and complete concept, which offers a unique total solution for tailor-made products and services in dermatological consultancy, was introduced in the Netherlands in 2008.

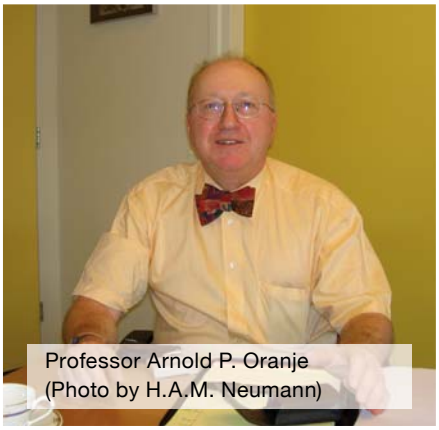
The Fagron Derma Concept comprises practical support systems for providers of medical prescriptions and pharmacists. The Fagron Derma Advies is a multiple choice-based support form that helps specific patients to find the best available products for their specific needs. The Fagron Derma Consult is a professional pocket-sized reference document covering all Fagron's creams and ointments, and their specific properties, suitability and application. In addition to the basic material, Fagron recently also developed FTO material (preparatory material for pharmacological consultation), as well as refresher workshops that serve to give refresher courses for prescription providers and pharmacists on the options available in indifferent therapy and partially related to subjects such as eczema, psoriasis and dermacorticosteroids.

Finally, Fagron also developed a shopping shelf plan for pharmacies based on the principle that the public space in a pharmacy offers excellent opportunities for engaging the customer in discussions on the benefits of indifferent therapy. This was done based on an emphatic preference in favour of a flexible setup, whereby our customers determine not only the actual content, but also the available space and choice of products.

There has been a substantial and enthusiastic demand for the materials, and 90% of all operators have indicated that they intend to actively implement the system in practice. The Fagron Derma Concept will be introduced in the rest of Europe in the course of 2009.

Professor Arnold P. Oranje, a dermatologist and professor of Paediatric Dermatology at Erasmus MC Rotterdam (the Netherlands) and Honorary Chairman of the ESPD (European Organisation for Paediatric Dermatology) has been working with Fagron for many years.

"Paediatric Dermatology is a relatively new area of attention in medicine (since 1975). Dermatological disorders are manifested differently in children and babies than in adults. They also often react differently to local applications of the treatment. I have found, in Fagron, a partner that offers me, as a (paediatric) dermatologist, the possibility of offering better individual patient care for this special target group and of ensuring the availability of products that are specially developed for this target group. The Fagron Derma Concept thereby offers me, and many of my colleagues and support personnel, an excellent range of instruments for product information and a well-considered product choice. I see a lot of complex eczema patients and their parents in the Erasmus MC, as well as in the academic day clinic centre, "KinderHaven". Every year, some 4,000 children are diagnosed with and treated for dermatological disorders. Eczema is one of the most common of those disorders. The Fagron assortment and the Fagron Derma Concept offers extra options for making proper care more broadly and more easily accessible to children. I consider the partnership with Fagron a very sound basis for making paediatric dermatology more broadly accessible."



Professor Arnold P. Oranje
(Photo by H.A.M. Neumann)

Dr. Suzanne G.M.A. Pasmans, a dermatologist/immunologist and the head of the Paediatric Dermatology / Allerology department in the Willemina Kinderziekenhuis at the Universitair Medisch Centrum Utrecht (the Netherlands).

"The value of the Fagron Derma skin care advice is illustrated by the example of patients with constitutional eczema. The treatment for patients (children and adults) with constitutional eczema consists of a daily process of suppressing the local manifestation of the dermatological inflammation, the dermatitis, with immunosuppressants, such as corticosteroid ointments. In addition, the entire skin surface of patients with a predisposition to constitutional eczema needs to be treated with moisturising creams or preferably ointments every day, irrespective of the actual presence of dermatitis. The reason why it is recommended to do this at least once a day is because a skin with a predisposition to eczema is drier and consequently has a lower barrier of resistance to the disorder. By properly moisturising the skin on a daily basis it is possible to increase the natural barrier of resistance in the skin.

It is sometimes hard to recommend effective moisturising ointments for those patients. Different factors play a role in that choice: the most important being the level of dryness of the skin, perspiration, the question as to whether the treatment is intended for use at night (it might take longer to be absorbed) or by day (could be absorbed quickly, but still be properly moisturising), local humidity levels, treatment in the summer or in the winter, whether it is to be used with massaging, the fragrance of the substance, and last but not least, the patient's personal preferences.

To make those choices easier, Fagron has developed a system that makes it possible to provide recommendations for suitable maintenance ointments with colour coding based on factors such as age, skin colour, the extent of the dryness of the skin, the actual presence of skin disorders and the complaints deriving from the skin disorders. This ointment system is highly practicable in the daily practice. The system is elaborated in greater detail in the Derma Advice and Consult, and the Guide."

Mieke van Hattum (extreme right in photo)

Pharmacist Mieke van Hattum of Pelaene Hof Pharmacy (Woerden, the Netherlands).

"In 2008, my pharmacy team won the Pharmaceutical Patient Care Award from the KNMP (Koninklijke Nederlandse Maatschappij ter bevordering van de Pharmacie) for a care standard that we developed in–house and that enables eczema patients with prescriptions for the use of corticosteroid creams to also obtain a standard treatment of an indifferent base cream or ointment and extra instructions for use. We recently started to combine our standard treatment with the Fagron Derma Concept. The Fagron Derma Concept is a welcome supplement when it comes to finding the proper product for each and every patient. There was no such instrument available in the past and it was often hard, in practice, to find the best product for each individual patient, even though it is essential in terms of being able to provide the optimal therapeutic effect. Our care standard, used in combination with the Fagron Derma Concept, yields significant benefits, especially in terms of the relationship you develop with your patients and your family doctors. Those efforts not only contribute to the optimisation of the pharmacotherapy in a theoretical sense, but both the patients and their family doctors also visibly notice the improvement in the skin condition and the reduction of the eczema complaints!"

Medicinal cannabis now also available in Germany

The spectacular success of medicinal cannabis in the Netherlands has elicited significant interest in the product in several other European countries. In Germany too an increasing number of doctors are interested in prescribing medicinal cannabis. In December 2008, the German government decided to make medicinal cannabis available to patients in special cases.

In the Netherlands a growing number of doctors know and appreciate the therapeutic properties of medicinal cannabis

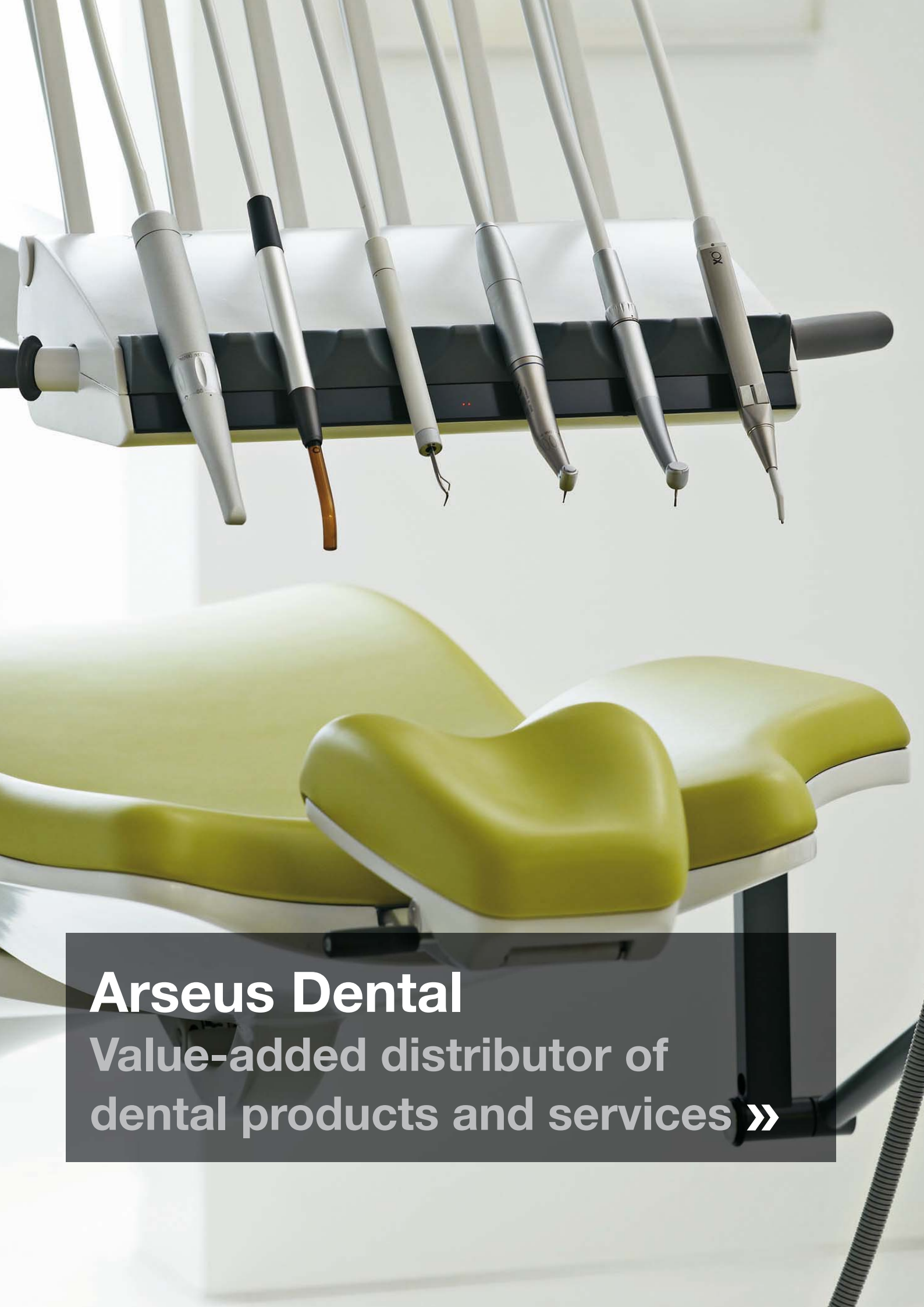
for various indications, including alleviating pain. Pharmacists in the Netherlands have provided cannabis to patients with a doctor's prescription since 1 September 2003. At that time the Dutch Office of Medicinal Cannabis appointed Fagron Nederland packer and logistics services provider of medicinal cannabis in the Netherlands.

Fagron Germany has an exclusive licence for the import and distribution of medicinal cannabis in Germany. This means that from today Fagron will be distributing medicinal cannabis in the Netherlands as well as Germany.

"Mr Zachariasen of Hamburg (Germany) has, for many years, suffered from chronic hepatitis C, recurring gastritis and an exocrine pancreatic insufficiency. The combination of disorders resulted in extreme weight loss with a body weight of 56 kilogram at a height of 183 cm. In addition, Mr Zachariasen also suffers from chronic 'Wirbelsäulensyndrom' (low back pain) with chronic pain. Mr Zachariasen has been treated with opiates (morphine), tranquilisers and pancreas enzymes since 2000. Based on his symptoms, his doctor subsequently prescribed the use of cannabis.

In 1999, he submitted an application to the BFARM (Bundesinstitut für Arzneimittel und Medizinprodukten) for treatment with medicinal cannabis. In November 2008, the German government decided to treat certain patients with medicinal cannabis and he became one of the first patients to receive a prescription for medicinal cannabis from his doctor.

Mr Zachariasen believes that medicinal cannabis has improved the quality of his life; his body weight is increasing and the treatment also relieves the chronic pain. Without long-term treatment with medicinal cannabis he would lose body weight and this could ultimately result in a life-threatening situation. He is highly impressed with the quality of the blend and taste of the cannabis."



Arseus Dental

Value-added distributor of dental products and services »

ARSEUS DENTAL

Key points

- **Turnover growth of 21.9% to € 144.2 million (organic growth: 10.3%)**
- **Strategic acquisition in France**
- **Opening of new showrooms in France and Germany**
- **Sale of consumables selectively phased out**
- **New exclusive distribution contract with Cefla Dentale**
- **Product introductions by Julie-Owandy during the IDS in Cologne**

(x 1 million euros)	2008	2007	Evolution
Turnover	144.2	118.3	+21.9%
REBITDA	12.9	11.7	+10.3%
REBITDA margin	8.9%	9.9%	
FTEs	669.1	518.0	

General

Arseus Dental is a preferred one-stop-shop that supplies specialist products and services to dentists, laboratories and other professionals in dentistry. In addition to the aforementioned activities, Arseus Dental also has a Swiss production plant that (as OEM supplier) supplies precision components to the dental and orthopaedic industry. The production of the fastening components of the proprietary label Ceka & Preci-Line takes place in Switzerland.

The new Arseus Dental business model targets products with high added value for dentists and dental labs. In 2008, the management focused on the optimisation of the product mix, the optimisation of the supply chain and the integration of the back offices. The sale of consumables was selectively phased out.

In 2008, Arseus Dental consolidated its position in Germany by opening showrooms in Düsseldorf and Frankfurt. The takeover of Julie-Owandy and the opening of the showrooms in Strassbourg and Metz have resulted in Arseus Dental securing a leading position in France. Arseus Dental currently operates in 7 European countries and is the recognised market leader in the Netherlands, Belgium and France. Arseus Dental is the number two in the highly fragmented European dental market.

In 2009, the company focuses on consolidating the market positions in those countries in which Arseus Dental was already operating, namely Belgium, France, the Netherlands and Germany.

Anticipating and fullfilling our customers' wishes

With its new business model, Arseus Dental is *the* partner for dentists, dental technicians and dental universities, and is thereby able to anticipate and fulfil its customers' wishes. Arseus Dental supplies all the investment goods required when setting up a dental practice: treatment units, lighting systems, adapted furniture, bleaching equipment, sterilisation systems, oral cameras, CAD/CAM systems, radiology systems (2D, 3D), and also precision instruments such as turbines, dental pliers and drills, etc. Dentists generally outsource the production of dentures, implants and other specialised work to the dental laboratories. Arseus Dental also acts as a preferred partner and distributor of technical systems and equipment in this specialised market. Arseus Dental further distributes all the parts and components that the dental technicians use in their implants: dentures and metal alloy and plastic components. The assortment also includes the famous Hader Bar system and the fastening components of Ceka & Preci-Line, both of which are proprietary labels belonging to the company.

Thanks to its leadership positions in the dental industry, Arseus Dental is able to provide its customers with integrated total solutions, such as the complete installation and design of dental laboratories and dental practices. The company also offers maintenance and repair services for all dental equipment, including the sale of maintenance contracts and the supply of a wide range of repair services, including fast repair of essential instruments; all of which together results in strong customer loyalty.

Many of Arseus Dental's staff members are in daily contact with dentists and dental technicians and are responsible for the sales, training, technical services and customer care activities.

ivoclar vivadent
passion vision innovation

Josef Richter, Chief Sales Officer Ivoclar Vivadent AG (Schaan, Lichtenstein).

"The dedicated distribution efforts in Belgium, France, Germany, Luxembourg and the Netherlands, undertaken by our distribution partner Arseus and its group companies, have continuously grown over the past years.

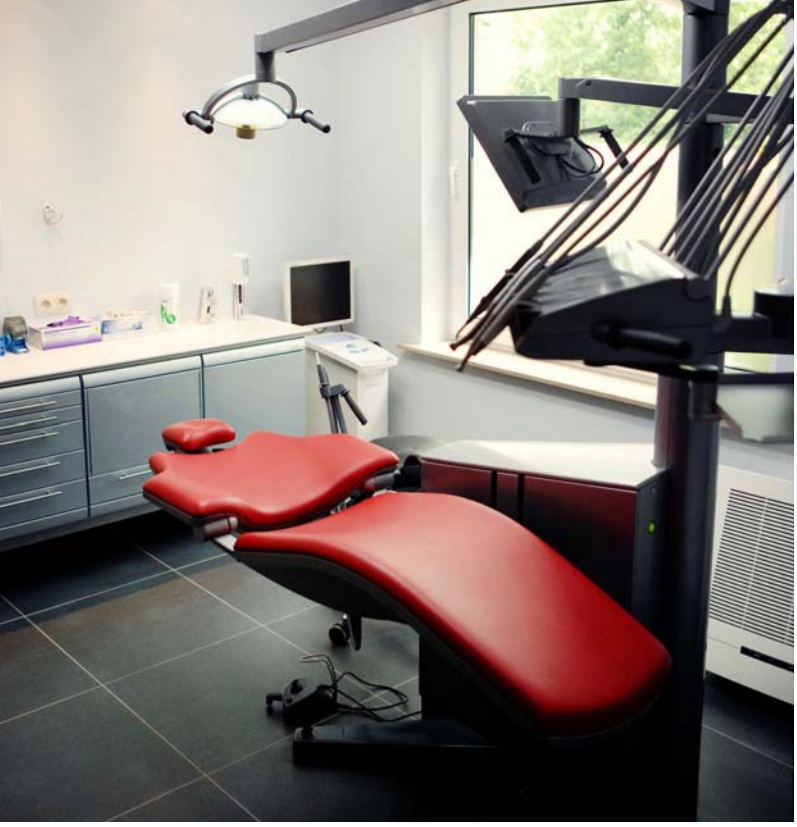
The companies' commitment and close contact with the dental laboratory and dental practice customers, as well as the dedication and specialisation of the Arseus sales force and the management's foresight to increasingly expand operations beyond national borders in Europe provided a unique opportunity for market penetration of Ivoclar Vivadent products in the above-mentioned markets; particularly in the increasingly challenging 2008 business year.

We would like to thank the Arseus staff and its management for their continued support and we look forward to continuing to build our joint presence in Europe through our shared dedication to the success of our dental laboratory and dental practice customers."

One-stop-shop for the dentist

The private practice of dentist Filip Thys in Aalter (Belgium) recently underwent a major metamorphosis. "*The total approach offered by Arseus Dental made it possible for the work to be done in less than five weeks,*" the satisfied dentist acknowledged.

Arseus Dental, the one-stop-shop, has everything in-house to fully set up or renovate a dental practice. The Lamoral and Xtradent divisions offer a wide selection of dental systems, sterilisation equipment and rotating instruments; in short, every conceivable investment good needed to establish a well-outfitted dental practice. The RX-TEAM advises the customer on radiology and offers an extensive selection of brands in radiology devices; from intra-oral, through panoramic imaging, to the most advanced CT Cone Beam systems. The Archimed division is responsible for the



complete installation of the practice and ensures the availability of a personalised solution, both in terms of budget and ergonomics, efficiency and design. The Corilus division, market leader in several segments of medical informatics, is what one might describe as a 'total solution provider' (software, hardware and the accompanying service provision). And in order to be able to fulfil all that at the technical level, the unit calls upon the professional services of the Arseus Tec department, which is also responsible for the after sales services for all supplied systems.

The convenience of this type of total service is self-evident; which is exactly what dentist Filip Thys experienced personally. "*Arseus Dental really has all the necessary know-how in-house to be able to realise this project in its totality.*"

Important partner for dental training programmes

When buying dental equipment, customers are often loyal to the brands that they used during their studies. Arseus Dental has distribution contracts with the most important brands and consolidates its market position by recommending those brands to dental training programmes and universities in the countries in which the company operates.

In 2008, Arseus Dental won a European tender to supply 248 dental A-dec treatment units, including a long-term service contract to the University of Amsterdam (ACTA). The order was one of the biggest investments in dental care in the Benelux. The first deliveries will take place in December 2009. The project will

be completed in 2010. ACTA is recognised as one of the most trendsetting universities in dental research and education in the world.

In October 2008, Arseus Dental supplied 24 A-dec treatment units to the *Hogeschool van Utrecht*. The company also supplied and set up A-dec treatment units at the dental faculty of the University of Ghent in Belgium this year. At the beginning of 2009, the company supplied A-dec simulators to the *Katholieke Universiteit van Leuven*. In addition, Arseus Dental has been supplying the faculties at Lille, Paris, Toulouse, Reims, Nice, Montpellier and Clermont-Ferrand (more than 50% of the dental faculties in France) with A-dec treatment units over recent years. Arseus Dental has been the exclusive distributor of A-dec equipment in Belgium, the Netherlands, France and Germany for several decades.

Karl O'Higgins, Director International Sales Europe, Middle East and Africa of A-dec International Inc.

"As an A-brand supplier, A-dec has seen its sales to Arseus grow significantly over the past year; in fact achieving 49% YOY. Of course there are many factors influencing this success; however, we believe the main influence is our strong partnership and mutual commitment to customer satisfaction. Reliable, well-designed products, augmented by committed technical and sales teams across the four countries where we share relations are proving to be a winning combination. We continue to partner Arseus in 2009 through their buy-and-build strategy, with the same goal of value-add solutions for dental professionals."

The A-dec 300 introduced in 2009

Julie Owandy

Product introductions by Julie-Owandy during IDS in Cologne

In the fourth quarter of 2008, Julie-Owandy successfully introduced the I-Max Touch (panoramic imaging devices). Thanks to the obvious improvements in the design and a number of innovative new functions that enhance the user-friendliness and image quality of the device, the I-Max Touch is unmistakably positioned as *the* device when it comes to offering dentists more freedom in their practices at a reasonable price.

Intra-Oral sensor

The I-Max Touch forms the basis of the new products that were introduced at the IDS 2009 in Cologne. Julie-Owandy recently launched new state-of-the-art imaging devices that are capable of producing both 2-D and 3-D images without the need to replace or adjust the sensors. The launch was supported with the introduction of a new, innovative intra-oral sensor with an unmatched positioning system. Julie-Owandy also introduced a new release of its dentistry software, which has proven highly successful in France, at the IDS. The new release also enables the company to market and commercialise the software outside France.

I-Max Touch

Dr. Lachaize (Grenoble – France): Honeymoon with the I-Max Touch by Julie-Owandy.

"What? Changing my pan unit? Learn all over how to use and prepare the machine, its positioning, and how to play with the images? Let's Go! Let's do it… After all, the look of the machine, with its smooth, pearly and round appearance, is very attractive! The patient, seated comfortably, hands braced on a softly inclined handle, cannot help but feel reassured. Plus, he can also watch himself in a mirror positioned in front of him, and check his features and the laser beams aiming at

him as if he were the ultimate point of attraction, while still being able to check from the corner of his eye that everything is ready for him, around him and behind him. Settings simple and easy. Press the button. Bingo! The radio image is already in Julie, the final settings will be done together with the diagnosis… I-Max Touch, I use it and I love it! ”

Dr. Mathelin (Mandelieu – France): How I use the I-Max Touch and Ceph.

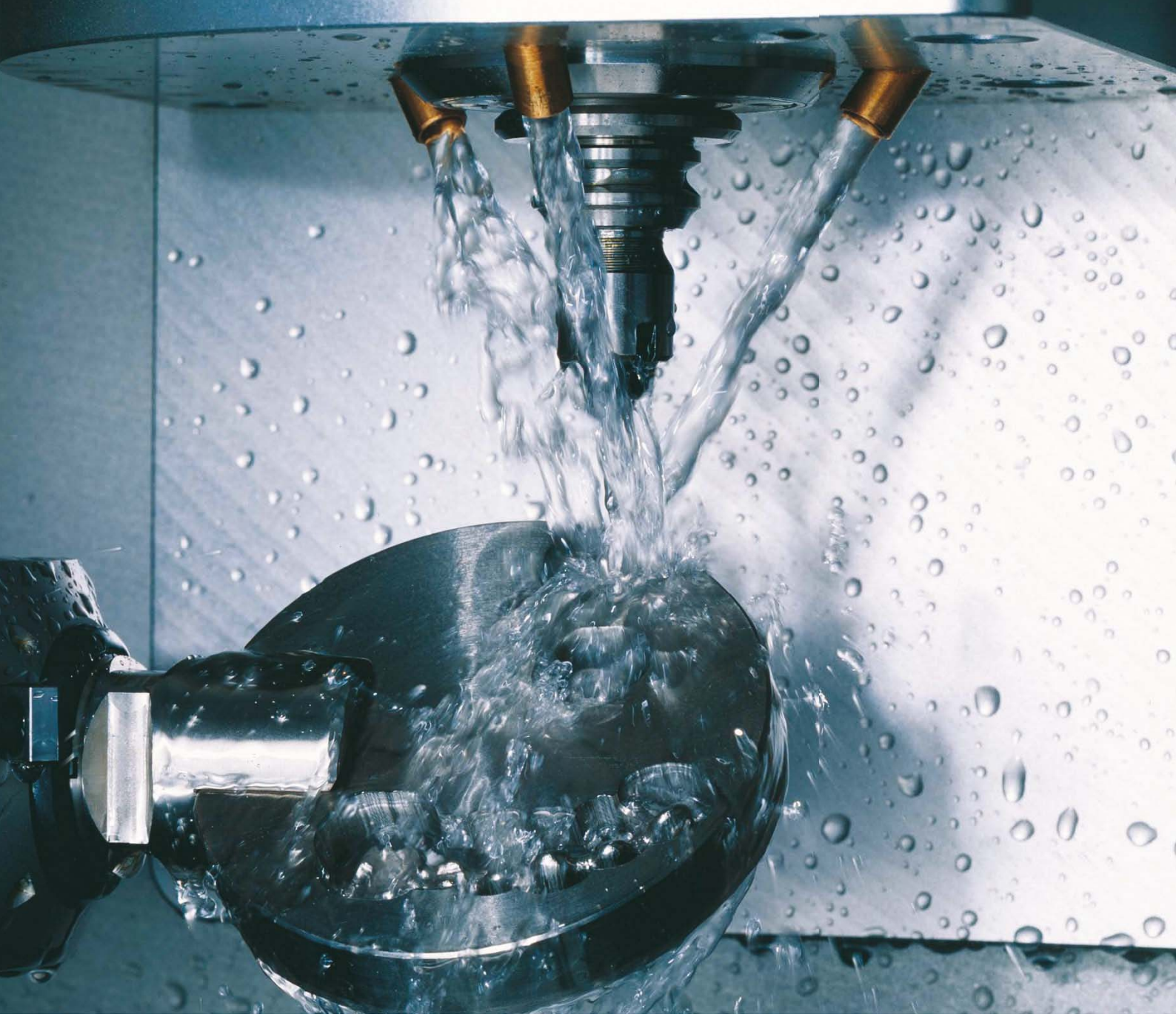
“ *The availability of the new panoramic and cephalometric radiography unit in my clinic has tremendously improved life for me and my patients (or their parents, as I'm specialised in orthodontics). For me, the advantage lies in the direct access to the images when I need them, being able to see the evolution of the teeth directly and being able to visualise an axis of growth. The new unit has turned out to benefit my patients too, as they now don't need to come back for several appointments and it also saves time during the actual appointments. The unit has helped to modernise the clinic, which is important for the patients, as they feel more secure in a clinic serviced with modern technology and with a sense of High-Tech. The Ceph I-Max Touch pan is really easy to use, and the simple positioning of the patient also makes it handy for use with children. Last but not least, I'm really satisfied with the image quality.* ”

Dr. Bonne (Bordeaux – France): Julie and I, a 25-year story.

“ *Dr. Bonne has been using Julie for almost 25 years. A huge fan of computers, he is always on the lookout for the latest technology available; which explains why he has been working with Julie from the very beginning. His switchover to Julie corresponds to the arrival of Windows 1. Being a professor at the University of Bordeaux, he had to share his knowledge and competency with his students to help them chose the best possible tool to support them in their practices. Due to the fact that he had to test all the software available on the market, he came to the conclusion that Julie was the most advanced system in the market. Following the advent of teletransmission, he enlisted as a Beta tester for Julie. His third criterion was the constant need to improve Julie, which further reinforced his primary choice. Julie was the only system to offer the tools required to track all materials used in clinics after 1998 and the coming into effect of the law requiring dentists to do so.*

The most recent innovations that have contributed to vastly improving the performance of my practice include the association with VIDAL (the French drug database), the possibility to use Word to send our mail, the efficiency of the intra-oral camera, and digital panning unit.

To me, Julie is the point of reference in dental software. The will to improve and the availability of innovative modules that ensure the security of our practice are truly precious assets to me. ”

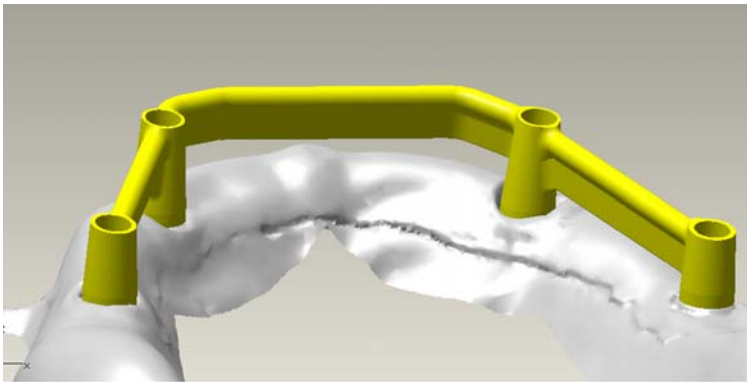


CAD/CAM-technology

An important development in dentistry is the growing influence of CAD/CAM technology on the manufacture of dental crowns and bridges. CAD stands for *Computer Aided Design* and CAM is an acronym for *Computer Aided Manufacturing*. The technology is used to record forms with the use of laser measurements in the computer. Afterwards, the digital building model is further designed with computer-aided systems (CAD) and produced with CAM technology. The CAD/CAM bridge or crown is then moulded from a monochromatic ceramic block.

The dental technician will increasingly be confronted with the need to work with digital technology in the future. For example, it is possible to use digital data to produce a 3D image of the existing oral situation or a design. The dental technician will then produce a design based on the 3D images that can be manufactured with the use of automated technologies.

Individual CAD/CAM solutions for dental technology are also possible thanks to the universal solutions provided by the Arseus Dental scancenter. The scancenter offers Arseus Dental customers system solutions in CAD/CAM technology for the production of crowns, dental bridges and implant superstructures. Thanks to the highly advanced developments and new technologies, it is currently possible to create moulds in almost every conceivable type of material (Zirconium, Titanium and CobaltChrome), using selective laser sintering (Titanium and CobaltChrome) or to make prints with 3D printers (plastic and wax).



Zirconium is a high-tech ceramic material characterised by its excellent stability and biocompatibility. The material is also many times stronger than other full-ceramic materials. Although an increasing number of CAD/CAM systems make use of this material, the drawback to date has been the fact that in the past it often required customers to make expensive investments in equipment that would subsequently lock them into the services provided by a single manufacturer. The new solution that Arseus offers the segment makes that kind of restriction of choice a thing of the past and customers are now able to use their scanners to outsource the production of their work to different manufacturers or central production centres. The industrialised central production units are capable of moulding not only Zirconium, but also Titanium and CobaltChrome alloys, which means that the laboratory no longer needs to invest in production, but only in the know-how and smaller peripheral equipment, such as open scanners.

Working with its Swiss subsidiary, Hader SA, Arseus recently held the world premiere of its CEKA-MAX from Ceka & Preci-Line at the international tradeshow, the IDS in Cologne. This new CAD/CAM solution enables customers to call on Arseus for individual implant superstructures.

Yves Marchand: Dentaal Tema (Bruges Sint-Andries, Belgium)

"Implantology and CAD/CAM are the two fastest growing segments in our dental technology laboratory. The fact that Arseus has now combined the two technologies in a single system means that we are no longer bound to a single supplier of implants or CAD/CAM equipment, and that we, as a dental technology laboratory, can now also call upon Arseus for all that kind of work. In the past we often had to go to four or five different companies to get the kind of result that would in many instances be much more expensive and that would rarely be suitable for use with every type of implant. Thanks to Ceka-Max that has changed and we are able to focus our laboratory work much more on the ultimate prosthetic treatment and the aesthetics."

Italian design and flair combined with German precision

Cefla Group in Italy is one of the top five manufacturers of dental units in the world. The company is an active operator in the market with the brands Anthos, Victor, Stern Weber and lately also Castellini. The Cefla Group produced a total of 7,240 units in 2008.

The flagship is Stern Weber, a product line that is successfully distributed by Arseus Dental. In the Benelux, Arseus distributed this product line either as a shared exclusive, as in the case of Belgium and Luxembourg, or as a non-exclusive in our range, as was the case in the Netherlands.

That situation was not ideal for either Cefla or Arseus Dental. Following constructive negotiation, Arseus Dental became the exclusive distributor for Stern Weber in the Benelux. The exclusive distribution contract in the Benelux has helped Arseus Dental to consolidate its market position and also to offer our customers not only precision, but also the aesthetics and functionality at a favourable cost-quality ratio.

STERN WEBER

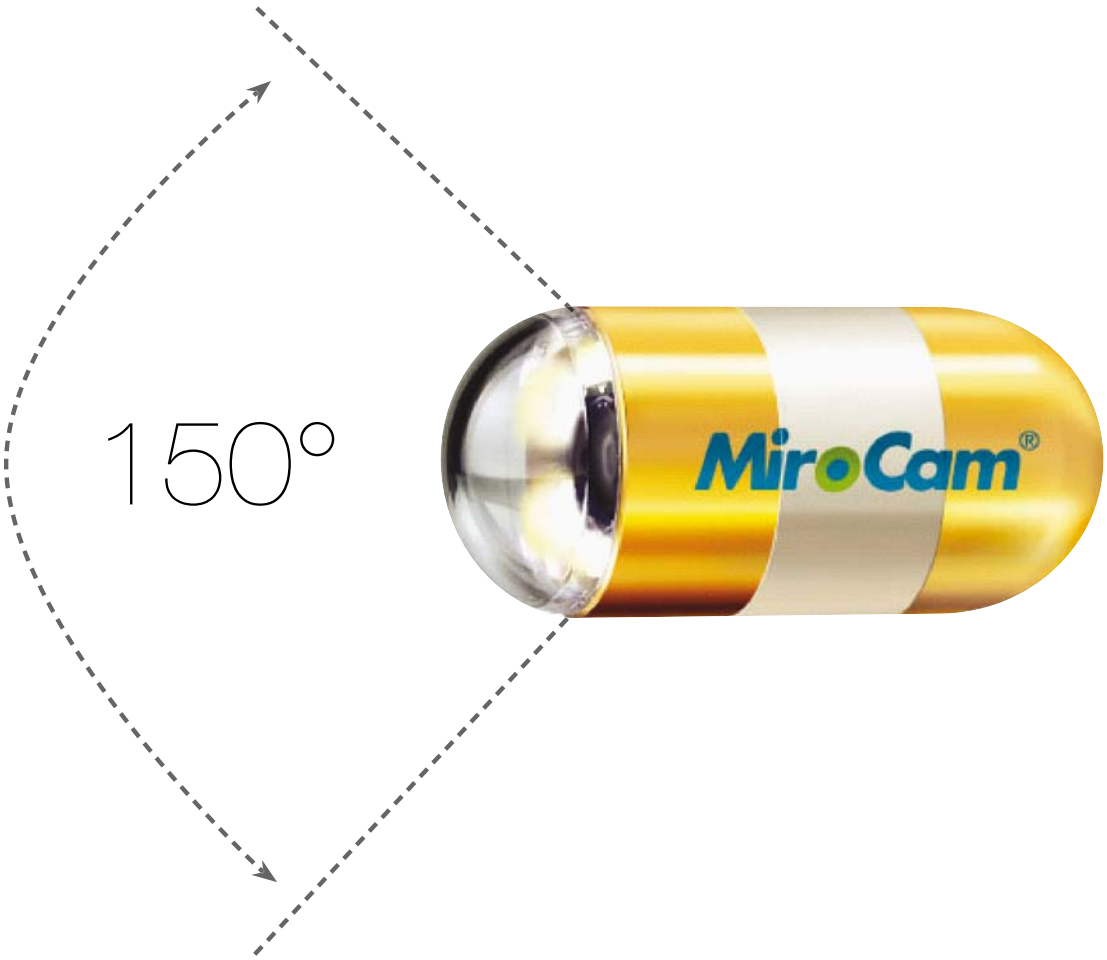
Anthos treatment unit

Paolo Bussolari, Marketing & Sales Director Cefla Dental Group:

"When two international groups share a vision and can walk the same road towards their business objectives, it is quite clearly a strategically valid move to grow as business partners. And when those companies have already been partners for a decade, it makes even more sense to reap the benefits and invest in the future.

As two of Europe's leading players in the field of dental equipment, Arseus Dental and Cefla Dental Group share a strategy and a common goal. Based on years of mutual trust and successful business relations, Cefla Dental Group intends to consolidate its partnership with Arseus Dental in order to support their growth strategy with leading dental unit brands Anthos and Stern Weber, whose diverse product ranges cover the majority of ergonomic operating styles available in dentistry today, and MyRay for multimedia systems and digital radiology.

Together, our presence in the European market can only be seen as an opportunity to grow, so let's look ahead towards a wider horizon."



Arseus Medical

Value-added one-stop-partner »

ARSEUS MEDICAL

Key points

- **Turnover decreased 4.4% to € 47.3 million**
- **The decrease in turnover is largely the result of amended Belgian wheelchair legislation**
- **The improved recurrent EBITDA margin is a clear signal that the turnaround implemented at Arseus Medical has started to yield its first benefits**
- **New General Manager as of 1 January 2009 to expedite the turnaround**

(x 1 million euros)	2008	2007	Evolution
Turnover	47.3	49.5	-4.4%
REBITDA	3.1	2.7	+14.8%
REBITDA margin	6.6%	5.5%	
FTEs	161.2	164.1	

General

Arseus Medical is the market leader in Belgium and also holds a strong position in the Netherlands in terms of the distribution of medical equipment and consumables. The company mainly targets convalescent and care institutions (including homecare), hospitals, medical practitioners (family doctors and specialists) and ophthalmologists. Approximately 75% of the company's turnover is generated in Belgium and approximately 25% in the Netherlands.

Mario Huyghe has been responsible for Arseus Medical since 1 January 2009. The management of Arseus Medical expects Mario to expedite the effects of the turnaround that was implemented at Arseus Medical in 2008. The Arseus Board of Directors approved the new Arseus Medical strategic plan at the beginning of 2009. The focus of the new plan is to improve the level of the service provision to customers, operational excellence, further consolidation of the product portfolio and the expansion of a strongly market-oriented organisation.

New and promising distributions

In 2008, Arseus Medical Belgium signed new, exclusive and long-term distribution contracts with trendsetting manufacturers. The supply of medical electronics was consolidated with the participation of important agencies, such as Akrus (surgical and research workplaces and instrument tables), Clarity Systems (Retcam: digital widescreen camera system), Konan (specular microscope), Albert Heiss (surgical instruments for ophthalmic surgery), and Buerki (surgical instruments for the latest operation techniques). Distributors such as Ontex (incontinence brand ID) and Kimberly Clark (Tecnol mouth masks, overalls) are important additions in the care sector. In the ophthalmology sector, Arseus Medical recently also added the distribution of Nidek intra-ocular lenses to the existing distribution of Nidek equipment. The sale of intra-ocular lenses in the Belgian market is growing by 10% a year.

Dr. D.G. Bresseleers, Cardioloog, ZNZ – Site Jan Palfijn (Belgium).

“I have been using Schiller equipment for a few years now. The digital ECG and stress test systems are precise and reliable. The Sema-200 system makes it possible to record and save al registrations faultlessly and to analyse them where necessary. The Sema-200 is an advanced but user-friendly system that fulfils all the set requirements, both in private practices and in the hospital networks, partially thanks to the fact that it can be linked to the most frequently used EMDs.

This obviously ensures enhanced levels of efficiency and productivity in my daily practice, which ultimately also means superior quality in the care that we provide. The saved ECGs can be accessed at any time from any connected PC and are perfectly comparable, which means reduced time loss at all times, including in critical situations. It is obviously also possible to print out the results, which means that it is possible to avoid or limit the use of (expensive) thermal paper. It is also possible to save or send the registrations in PDF formats.

The technical support and supervision provided by Arseus Medical is also thorough and professional.”

Arseus Medical Netherlands

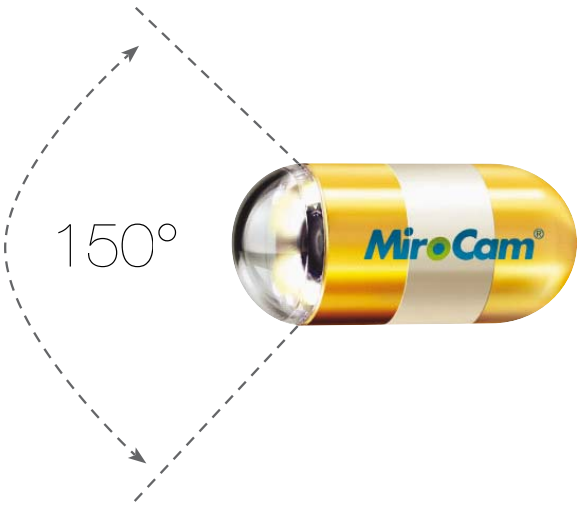
Rob Oudenaller, General Manager Arseus Medical Netherlands

"The changing healthcare sector offers excellent opportunities for innovative solutions that are supported by a customer-oriented organisation."

With its team of medically trained and professional product specialists, Arseus Medical Netherlands offers innovative and effective solutions to complex medical procedures in the domains of surgery, intervention and cardiology. The high-quality products and services supplied by Arseus Medical make a substantial contribution to the quality of the medical success achieved by professionals in the healthcare sector.

Examples of this include new developments in the field of endoscopy that were recently introduced by Arseus Medical in the Netherlands, namely the MiroCam videocapsule and the Spirus Medical enteroscopy.

MiroCam videocapsule



The patient swallows a videocapsule that subsequently 'travels' through the body. This new camera enables the stomach, liver and bowel specialist to access locations in the small intestines that are normally hard to access. The miniature camera records three images per second that are transmitted directly via a wireless data transmission connection. The specialist can use special software to analyse the images on his computer and to make diagnoses.

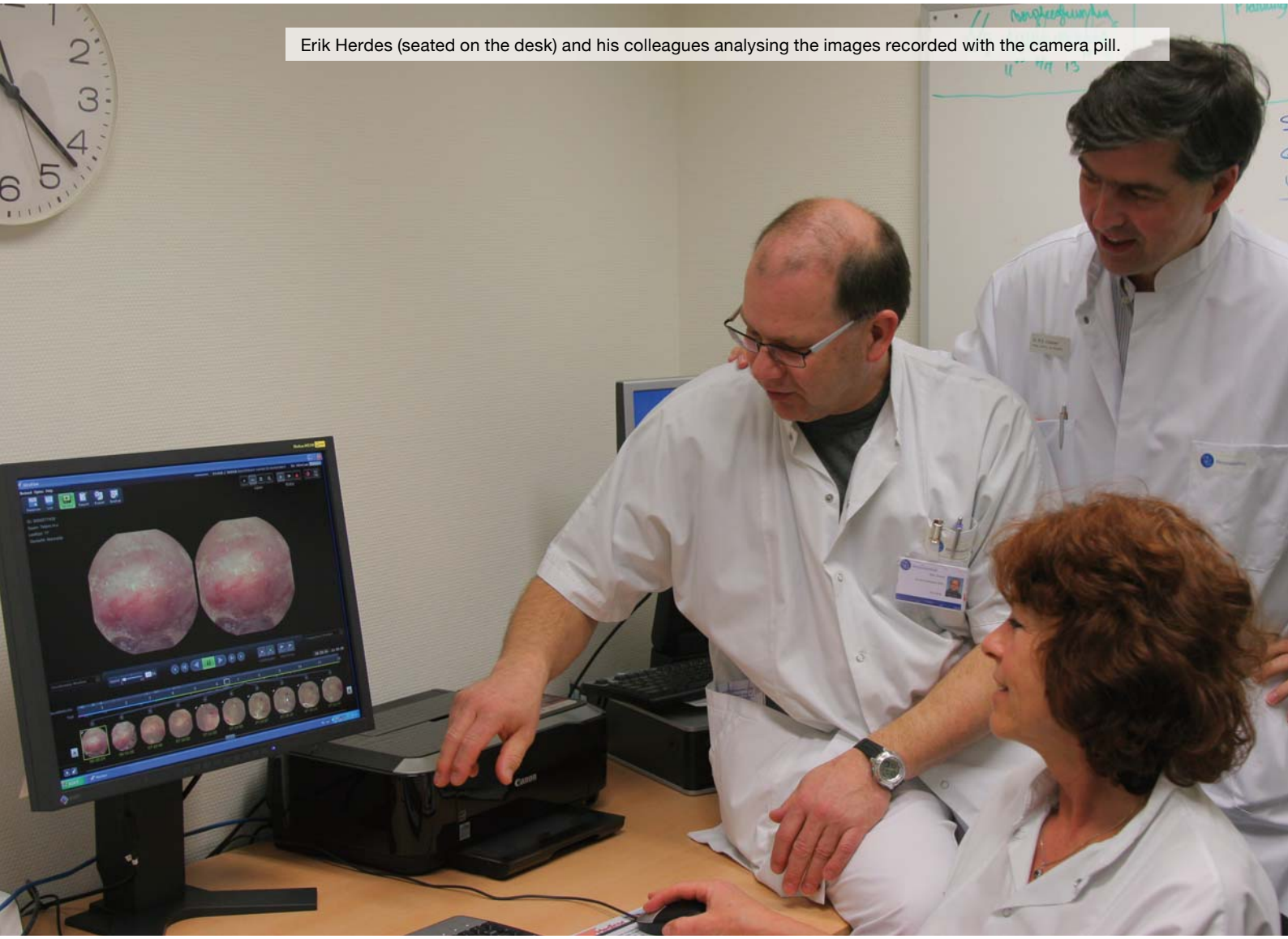
Spirus Medical enteroscopy

This new system enables the user to send the enteroscope into the winding anatomy that leads to the small intestines. The Spirus system facilitates fast deep distal scans, which enables the stomach, liver and bowel specialist to perform operations via an enteroscope in the distal section of the small intestines that is impossible to access in any other way.

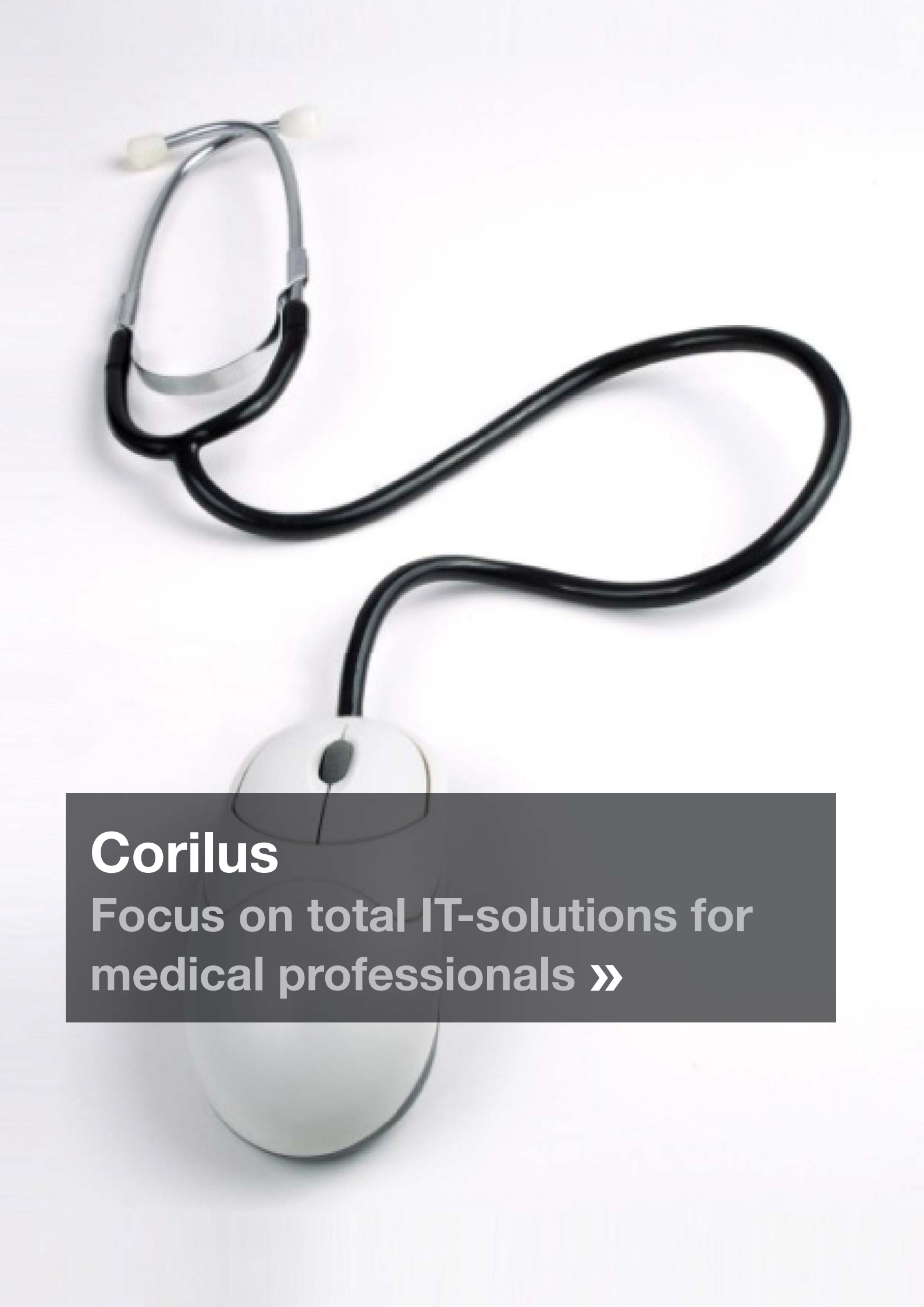
Arseus Medical distinguishes itself through its ambition to continuously introduce innovative and high-quality solutions that contribute to a better healthcare sector.

Dr. M.E. Craanen and Erik Herdes are respectively a stomach, liver and bowel specialist and the head of the Endoscopy department at the Flevoziekenhuis in Almere (the Netherlands).

> *Erik has years of experience in the endoscopy department of the VU Medisch Centrum in Amsterdam. In recent years he has started to specialise in performing and analysing Video Capsule Endoscope ('camera pill') examinations. In 2008, Flevoziekenhuis was also faced with the option of purchasing a camera pill system. It finally opted for the MiroCam supplied by Arseus Medical. Craanen and Herdes claim that they opted for this system because the innovative transmission of the images provides for higher quality imaging and longer recording times. This minimises the chances of conducting incomplete examinations. We also opted in favour of this system because of the user-friendly software, the fast updates based on our comments and the professional, knowledgeable and pleasant support provided by the Arseus Medical product specialists.*

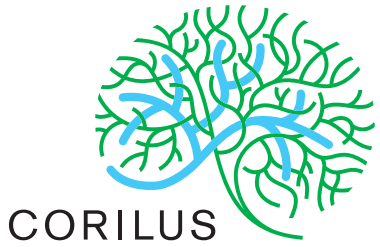


Erik Herdes (seated on the desk) and his colleagues analysing the images recorded with the camera pill.



Corilus

Focus on total IT-solutions for medical professionals »



Key points

- **Turnover decreased by 1.9% to € 26.2 million**
- **Decrease in turnover due to declining hardware prices and the phased implementation of the new Greenock and Baltes software packages**
- **The impact of the installation of Greenock is expected to become visible in the third quarter of 2009**
- **The recurrent EBITDA margin improved from 25.1% to 27.5%**

(x 1 million euros)	2008	2007	Evolution
Turnover	26.2	26.7	-1.9%
REBITDA	7.2	6.7	+7.5%
REBITDA margin	27.5%	25.1%	
FTEs	206.8	200.0	

General

Corilus provides IT-concepts and total solutions for a wide range of medical and paramedical professions, such as pharmacists, dentists, family doctors, ophthalmologists and veterinarians. With its installed base of 12,000 customers, Corilus is the undisputed market leader in Belgium, the market leader in the veterinary segment in the Netherlands and it also holds a key position in the French health centres. As a service-driven organisation, Corilus strives to ensure a maximum level of customer satisfaction by combining advanced software and hardware solutions with excellent service. Arseus makes effective use of the synergies existing between Corilus and the other Arseus divisions (such as Arseus Dental). Corilus owns all the intellectual property rights to its successful software.

BALTES
Software for dentists

CINNABER
Veterinary Software

CLINIDOC
Medical Software

COLTAN
Veterinary Software

OFFIGEST
Software for pharmacists

OPTISOFT
Software for ophthalmologists

PHARMAWIN
Software for pharmacists

SOFTALMO
Software for ophthalmologists

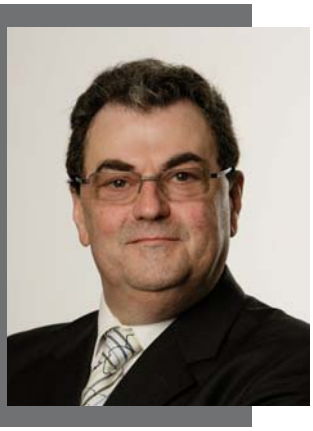
ACCRIMED
Medical Software

Greenock

Greenock: the pharmacy software of the future

Ronny Robbrecht, General Manager of Corilus

"Greenock offers a great deal more than simply the efficient management of the pharmacy. Greenock was developed completely in-house and is built using only the latest software technology to ensure that it will really help the user to get ahead. Our software becomes the pharmacist's daily 'virtual assistant' in the process of providing pharmaceutical care and in the daily running and management of his pharmacy. Our customers will most certainly appreciate that."



Greenock, a brand new software platform for pharmaceutical management was launched in Brussels in September 2008. The platform was developed in close cooperation with a committee of pharmacists. More than 800 pharmacists

have since become familiar with this novel software package. Greenock is designed with a highly intuitive user interface and also includes an abundance of innovative features in the field of pharmaceutical care and in-depth management of the pharmacy. The Greenock software platform consists of two applications: Pharmacy and Central.

Greenock Pharmacy

Greenock Pharmacy was built using the most advanced software technology to provide the pharmacist with detailed information on the advice that is to be provided. The medications are tested against the care profile to enable the pharmacy to provide optimal pharmaceutical patient care. Greenock offers, among other things, the option of registering pathologies and allergies within a detailed pharmaceutical dossier, of tracking pharmaceutical actions and of immediately signalling interactions. The correct and properly underpinned advice enables the pharmacist to realise true added value.

Greenock Central

Greenock Central is the management application that makes it possible to manage several pharmacies. It enables the manager to access data from the pharmacies, to analyse the data and to send parameters and data back to the pharmacies. This provides superior insight into a number of crucial figures, such as the sales figures and the transaction developments, as well as the stock levels and it enables the manager to keep a tight control and to improve the daily management of the pharmacies.

Intuitive user interface

To ensure that the Greenock design would be as intuitive as possible, Corilus called upon a company that has been specialising in the optimisation of user interfaces for many years. Greenock has a neutral and restful screen, and all its screens are designed in the same way. In other words, it is a highly user-friendly software program. In addition, it also enables the user to set his personal screen preferences.

Greenock user tests

Greenock was put through extensive testing in the development phase. The software was presented to a different types of pharmacists with the request to conduct test scenarios without ever having seen the program and without having received any prior instructions on the use of the software. Mr Mattelaer, manager of Simon pharmacy, participated in the user tests and provided the following testimony:

> *It was rather easy to do the test scenarios: I found it easy to navigate through the software without having received any prior instructions. It took me a little while to get used to it; however, the fact that the screens are*

designed in a homogenous way helped me to get to know the system fairly quickly. I am certain that it will be easy to adapt to the new system – also for my staff.

Greenock is very powerful: much more powerful than any of the other pharmacy applications that are currently available in the market. The traceability feature in the software is an extremely important function. One of the biggest advantages is that it is at all times possible to check who did what in the pharmacy – even if the person in question is not available at the time. It is very interesting – especially if you are working with part-time staff. Traceability means that you are also able to track and trace raw materials from receipt to finished product. Everything is registered in the software. This is also the basis of the ISO standard. Ours is the only public pharmacy in Belgium that has been awarded the ISO standard certificate and Greenock is a powerful tool in that regard.

Pharmacist Monique Denys (Ghent, Belgium).

Our job, as pharmacists, has undergone a major evolution in recent years: pharmaceutical care is becoming important. Our patients also expect a great deal more from us: it is no longer enough to simply put the prescribed medication on the counter and accept the payment. Not at all! Today's patient expects and deserves a more detailed explanation. He is counting on the fact that his pharmacist is participating in medication monitoring programmes and that his pharmacist will constantly check his use of the medication, evaluate it and alert him about potential problems. All this is possible with Greenock software. It provides welcome support in a wide range of aspects of our profession.

Scale of operations and focus on added value

The IT-concepts and total solutions provided by Corilus are mostly developed in-house. For that reason, Corilus also owns the intellectual property rights to the software. Working with a staff of approximately 200 employees, Corilus provides services to some 12,000 customers. As a service-driven organisation, Corilus strives to achieve a maximum level of customer satisfaction by combining advanced software and hardware with excellent service. To be able to fulfil the wishes and expectations of our different target groups, Corilus has put together its own team of pharmacists, dentists, doctors and other medical professionals that diligently follow all the latest legislative and market developments. By doing so, Corilus is at all times able to offer only the latest technologies with the guarantee that our products will also remain in full compliance with all the latest legislative requirements.

Information technology is becoming increasingly important in the medical world. To be able to provide good care services, as well as to render the healthcare sector more efficient, it is important for care providers, such as family doctors, pharmacists and specialists to have access to current patient data at all times. This reduces the chances of errors being made. For example, by making information exchange on medications available it may be possible to prevent medicines being prescribed for patients that may conflict with medications that were previously prescribed for those patients.

Corilus is the only company in Belgium that develops software solutions for more than one group of medical professions. This is a strategic advantage that promises a host of opportunities. Partially for that reason, Corilus is increasingly crossing the boundaries of various disciplines to enable optimal communication between professionals in different fields. It is important not only to supply our customer groups with specific software applications, but also to provide secure electronic environments in which they can effectively collaborate. The advantages of this approach include the compatibility of patient data and the transferability of functionalities.

Share4Health

The two-year research project, Share4Health, was launched in 2008. Corilus forms part of the consortium of research teams of Belgian universities, companies that are actively operating in the healthcare sector and family doctors and pharmacist organisations that will execute the project.

The focus of the Share4Health research project is the development of an automated healthcare computer network (healthcare IT-platform) that will be used by family doctors, pharmacists and hospitals in Belgium. The project fulfils the needs of the next generation of clinical applications and, more specifically, interprofessional collaboration and clinical decision-making.

Service provision to customers

Corilus has an experienced and competent team of sales representatives, service technicians, customer service staff and software developers in-house. Depending on the type of solution that is provided, the sales team maintains contact with the customers via the call centre and via customer visits. The service technicians and the customer services department provide technical support services via a combination of online tools and onsite interventions.

Another important element is the services that are provided via the maintenance contracts, whereby the customer has a choice of three different service levels: Comfort Bronze (basic services), Comfort Silver (extensive services) and Comfort Gold (complete or VIP cover).

Thanks to the IT total solutions provided by Corilus, healthcare providers are now able to focus fully on their own practices without having to be concerned about the technical infrastructure: the patients deserve all the attention - Corilus does the rest.

Foundations for further growth

At the beginning of 2008, Corilus launched three modules in Optisoft, the most frequently used software package for opticians in Belgium. The new modules, namely the link with the electronic identity card, the link with the Banksys terminals and a handy SMS module all provide even better customer service and render the administrative work of the optician simpler and more efficient.

In March 2008, Corilus introduced a new advanced and user-friendly software system for veterinarians to the market under the name Cinnaber. Cinnaber is a total solution for the modern veterinarian for use in a wide range of practices. The system enables the veterinarian to create a fully customisable customer dossier and Cinnaber makes it extremely easy and efficient to update the history of the animals. A link to most of the wholesalers also enables the vet to manage his medical stocks with the use of an integrated order system in Cinnaber. Finally, Cinnaber also makes it possible for the vet to manage his bookkeeping in the program.

Corilus acquired the distribution contract for Adiqueen, a software package for ear, nose and throat specialists and audiologists. The proprietary software program, Orhilo, is an Electronic Medical Dossier that is designed for use in the ear, nose and throat sector. Orhilo also includes a link to the audiological software program, Audiqueen.

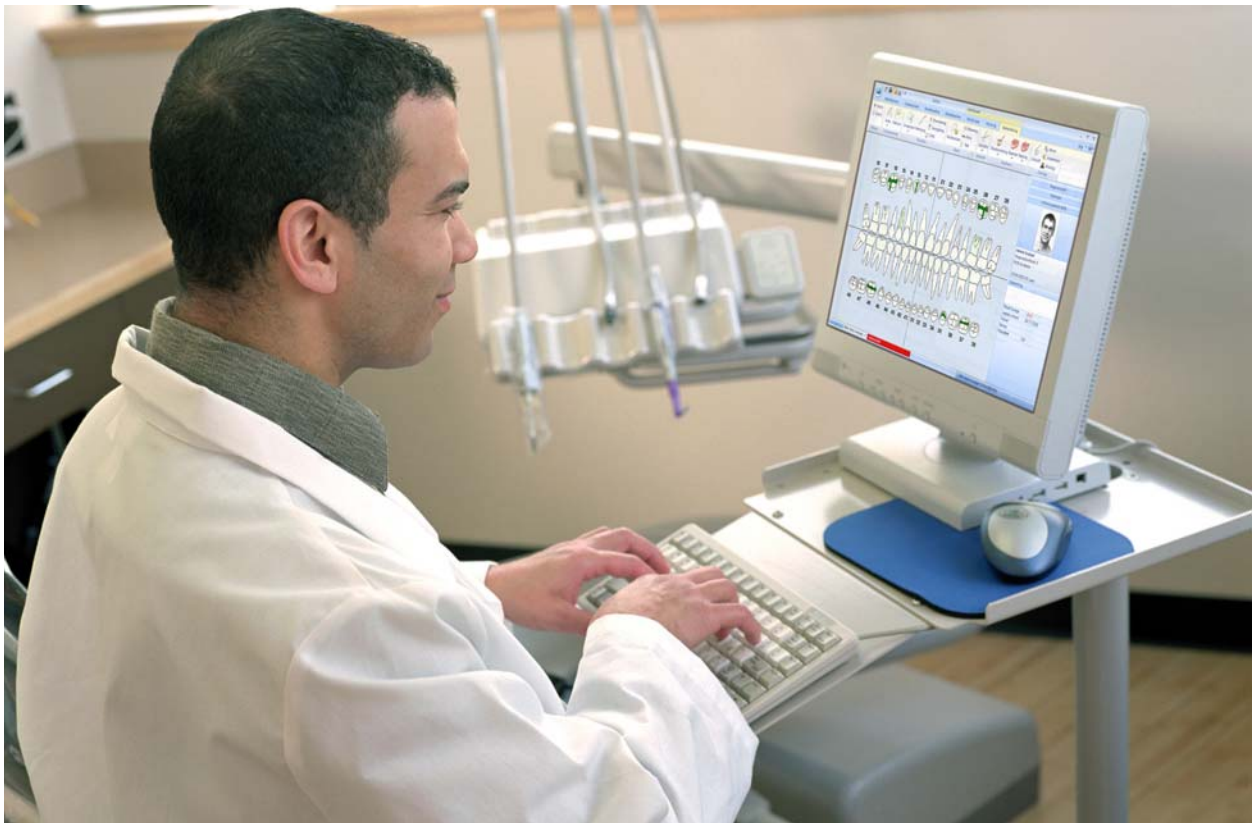
At the end of 2008, Corilus also took over the distribution of Dolphin Imaging, Dolphin Aquarium and AnywhereDolphin (automation solutions for orthodontists). Dolphin Imaging is the most complete digital imaging software system available for orthodontists today and enables professionals in the field to manage patient data and related X-ray photos. Dolphin Aquarium enables the orthodontist to provide information to the (parents of) patients with the use of pre-programmed video clips or clips made by the orthodontist himself. AnywhereDolphin makes it possible for the orthodontist to communicate with colleagues around the world.

Corilus launched Baltes 2.0, an upgrade of the original Baltes with an improved navigation structure, at the biannual Dentex Tradeshow in Brussels. Corilus released an announcement in the spring of 2008 to the effect that it intended to update the user interface of Baltes to make the software even more intuitive and user-friendly.

The development of the new version was done in close consultation with users and was well received by both the dentists that are already using the Baltes software and non-users. The transition to Baltes 2.0 will be implemented gradually starting at the beginning of 2009. It is essential for dentists to be well informed on how the new system is used and to make a number of instruction resources (such as online demos and documentation) available to that end.

Dentist Yann Van Hoecke (user of Baltes 2.0).

"The transition from the old version of Baltes to Baltes 2.0 actually ran rather smoothly. It was only on the first day that it took me a bit of time to get used to the new navigational structure; however, the logical structure and ease of use of the ribbon menu enabled me to get going on the system fast and efficiently. Baltes 2.0 is even more intuitive thanks to the clear new icons and the regrouping of the logical series of actions. All relevant information is clustered together in panels and it is always easy to switch from one component of the program to another; for example, the online agenda can be accessed from anywhere with the click of a single button. That's a real step forward!"



Information for shareholders »

Investor's Day

To celebrate its first birthday as a listed company, Arseus organised an Investor's Day on Friday, 17 October 2008. To this end, Arseus invited investors, analysts and the press for an in-depth presentation on Arseus' strategy and prospects in the Holiday Inn Expo in Brussels. That was followed by a visit to the ExpoCenter, where the Pharma Trade Fair and Dentex Trade Fair were organised.

Following the presentation, the attendees paid a visit to the ExpoCenter, accompanied by Ger van Jeveren (CEO) and Jan Peeters (CFO), where they visited Arseus Dental and Julie-Owandy at the Dentex Trade Fair and Fagron and Corilus at the Pharma Trade Fair. At the trade fairs, Dominique Deschietere (General Manager Arseus Dental Belux), Ronny Robbrecht (General Manager Corilus), Olivier Maurier (General Manager Julie-Owandy) and Filip Hoornaert (General Manager Fagron Belgium) gave detailed overviews of 'their' company. The reason for scheduling in the visit to the trade fairs was to give all the guests an insight into the different divisions of Arseus in their day-to-day business. Although the visit to the trade fair was optional, 75 participants in the Investor's Day nevertheless made the trip to the trade fair.

Stock market quotation

Arseus is listed on the NYSE Euronext stock exchange in Brussels and Amsterdam and is included in the BEL MID Index. The company's market cap, on 31 December 2008, was € 195 million, a 32.4% decrease compared to the market cap at the end of 2007. The company also has 6,000,000 VVPR-strips and 3,650,575 warrants listed on NYSE Euronext Brussels.

Shares

- ISIN code: BE0003874915
- Euronext: RCUS

VVPR-strips

- ISIN code: BE0005617882
- Euronext: RCUSS

Warrants

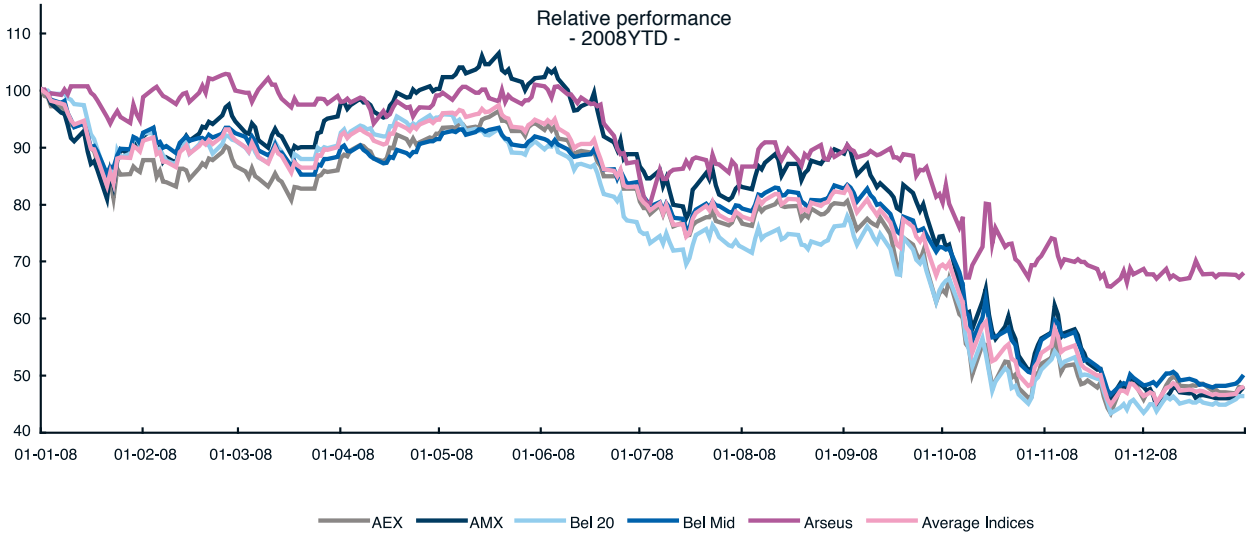
- ISIN code: BE0006604087
- Euronext: RCUSW

Farmabeurs (Pharma Trade Fair)

Stock price

In 2008, the price of Arseus stock decreased by 32.4% to € 6.25 per share. In the same period, the BEL MID (reference index) fell by 50.4%, while the AMX fell by 52.5%. Arseus shares have fallen by 37.2% since the company's initial public offering on 5 October 2007. In the same period, the Belgian BEL MID and the Amsterdam AMX fell by 52.8% and 57.3% respectively.

Share price development of Arseus in 2008 in relation to the BEL MID, the BEL 20, the AEX and the AMX



The Arseus shares in 2008

Highest share price (21-02)	€ 9.59
Lowest share price (10-10)	€ 5.58
Closing price at the end of the year under review	€ 6.25
Highest day turnover (24-10)	282,867 shares
Lowest day turnover (31-12)	3,033 shares
Average day turnover	28,591 shares
Dividend (proposal to the AGM on 11 May 2009)	€ 0.30
Dividend yield at time of closing price	4.8%
Market capitalisation at the end of the year under review	€ 194,969,506

Share buy-back

The Extraordinary General Meeting of Shareholders of 7 September 2007 authorized the Board of Directors to buy back the company's own shares. This authorization was renewed during the Extraordinary Meeting of Shareholders of 9 June 2008. On 31 December 2008, Arseus owned 1,000,000 treasury shares, or 3.2% of the total number of shares outstanding. This completes the share buy-back programme.

Shareholder structure

Arseus received the following notifications of shareholding (situation as at 31 December 2008) pursuant to Title II of the Law of 2 May 2007 and the Royal Decree of 14 February 2008 (the Transparency Act).

	Number of shares	% of effective voting rights
Omega Pharma NV*	7,500,000	24.04%
Couckinvest NV / Coucke*	3,858,080	12.37%
Fortis Investment Management SA	2,756,357	8.84%
Arseus NV (treasury shares)	1,000,000	3.20%
Free Float	16,080,684	51.55%
Total	**31,195,121**	**100.00%**

* *related parties*

Article 11 of Arseus' articles of association stipulate that the participations must be registered as soon as a threshold of 3%, 5% and multiples of 5% has been exceeded.

Dividends

On 3 March 2009, the Board of Directors of Arseus proposed to pay out a dividend over 2008 of € 0.30 per share. The dividend, which will have to be approved by the Annual General Meeting of Shareholders on 11 May 2009, entails an increase of € 0.24 in relation to € 0.06 over 2007. As of 13 May 2009, Arseus shares will be listed ex-dividend. The record date is 15 May 2009. The dividend is payable from 18 May 2009 after deduction of the 25% Belgian dividend withholding tax.

Investor relations policy

Arseus attaches substantial value to good, open and timely communication with its investors, analysts and others with (financial) interests in the company with the aim of informing them as effectively and as timely as possible about prevailing policies and developments in the company. Arseus actively seeks to engage in dialogue with existing and potential investors, as well as with analysts that follow the company's stock. The members of the Executive Committee and the Manager Investor Relations held more than 200 interviews with (potential) investors in 2008.

This annual report is one of those forms of communication. All other relevant information, such as the annual and half-yearly figures, trading updates, press releases and background information, is also available at www.arseus.com.

Investors and potential investors, analysts and other interested parties are invited to direct questions to Mr Constantijn van Rietschoten, Manager Investor Relations, at +31 88 33 11 222, and by email at constantijn.van.rietschoten@arseus.com.

Financial calendar

11 May	15:00 hours	General Meeting of Shareholders (Waregem)
13 May		Ex-dividend listing
15 May		Record date (in accordance with stock exchange regulations)
18 May		Dividend payment date
14 July	07:30 hours	Trading update second quarter 2009
21 August	07:30 hours	Half-yearly figures 2009
13 October	07:30 hours	Trading update third quarter 2009

Corporate Governance »

Board of Directors

▪ Member ■ Chairman	Independent director	Term of office	Membership of advisory committees
Gerardus van Jeveren		4 years	Appointment committee
Jan Peeters		4 years	
Robert Peek (chairman)	▪ ■	3 years	Appointment committee (chairman), Remuneration committee (chairman)
Johannes Stols	▪	3 years	Audit committee, Remuneration committee
Rudi De Becker	▪	2 years	Remuneration committee, Appointment committee
Luc Vandewalle	▪	3 years	Audit committee
Benoit Graulich		4 years	Audit committee (chairman)
Couckinvest NV (permanent representative: Marc Coucke)		4 years	

The current terms of Messrs Peek, Stols, De Becker and Vandewalle will end after the general meeting of the year 2010. The current terms of Couckinvest and Messrs Graulich, Peeters and Van Jeveren will end after the general meeting of the year 2011.

Executive Committee

NAME AND JOB TITLE	TERM OF OFFICE
Gerardus van Jeveren – CEO	4 years
Jan Peeters – CFO	4 years
Frank Verbakel – Group Financial Controller	4 years

The term of Mr Verbakel will end after the general meeting of the year 2011.

Brief biographies

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

Ger van Jeveren
Jan Peeters
Robert Peek

Couckinvest NV - Marc Coucke
Hans Stols
Luc Vandewalle

Benoit Graulich
Rudi De Becker
Frank Verbakel

Ger 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 Ambesté BV. He is a graduate of the teacher training college Zuid-West-Nederland in Delft.

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 1993, 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's 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 holds 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 pharmaceutical 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 holds a Master's degree in business economics from Fontys College Eindhoven.

Robert Peek (1945)

Robert Peek is a graduate of the Hogere Textielschool in Enschede, the Nederlandse Economische Hogeschool in Rotterdam, and of the Hochschule für Wirtschaft und Sozialwissenschaften in St. Gallen, Switzerland. In 1973 he joined Organon International, member of the pharmaceutical division of Akzo Nobel. Having held a number of positions including managing director Organon Greece, Organon Venezuela, and regional manager South America, he accepted the post of manager of Marketing Services responsible for global marketing policy. In 1988 he switched to OPG Group NV (now Mediq) whose Executive Board he joined on 1 July 1989. Starting January 2001, his responsibilities as Board Member covered all operational activities of the group companies (COO), and on 1 March 2003 he became Chairman of the Executive Board (CEO), the position he filled until his retirement in late 2005.

BD Plastipak

Hans Stols (1959)

Hans 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 was founding member of the board 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. From 1 January 2000 until June 30th 2007 he was chairman of the board of managing directors of the bank and since July 1st 2007 chairman of the board of ING Belgium NV. Mr Vandewalle is currently chairman of VZW CAW Stimulans, chairman of the Streekfonds voor West Vlaanderen of the Koning Boudewijn Foundation and chairman of VZW Waak (sheltered workshop). Mr Vandewalle is also a member of the boards of directors of Befimmo SA/NV, Sea-Invest, Besix NV, Galloo, Transics NV, NV Sioen, Pinguin-Lutosa and several other companies.

Benoit Graulich (1965)

Benoit Graulich has a degree in law, business administration and finance as well as a degree in tax studies. He has been a partner of Bencis Capital Partners since December 2003, 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, a position he has resigned from as per 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. Earlier in his career he was also active as management consultant with Booz, Allen & Hamilton and with McKinsey. Mr De Becker currently serves as chairman of the Board of Fabory, Hilversum and as member of the advisory council to CVC Belgium.

Couckinvest NV – Marc Coucke (1965)

Marc Coucke graduated as a pharmacist at Ghent University and holds an MBA from Vlerick School for Management, Ghent. He is the founder 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 526-ter of Belgium's Companies Code, with due consideration to the applicable transitory provisions as stipulated in Article 24 of the Act of 17 December 2008.

The executive directors are appointed by the general meeting of shareholders for a renewable term of no more than four years. The independent 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 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 2008

In 2008, six meetings were convened, each of which was attended by all directors.

In 2008, in addition to the financial reporting, the Board of Directors focussed particularly on reviewing the activities of the various divisions, on analysing and examining the strategy of the Company and on reviewing acquisition options in various European countries. The Board also debated the degree to which the various activities of the enterprise would be impacted by the economic crisis. Partly in this light, the financial position, i.e. the issue of financing, was discussed in detail.

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. Each non-executive member of the Board of Directors (except Couckinvest NV) receives annual remuneration of € 20,000. A director who is a member of a Committee receives annual remuneration of € 5,000 per Committee. This produced the following remunerations in 2008: Robert Peek € 40,000, Luc Vandewalle € 25,000, Johannes Stols € 30,000, Benoit Graulich € 25,000, Rudi De Becker € 30,000.

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 Arseus. 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.com). 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 2004. The main duties of the Audit Committee are: assessing the reliability and quality of the financial reporting, the performance of the internal audit and internal controls and risk management, discussing with the Statutory Auditor the consolidated half-year and annual income statement and the audit report regarding 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 three times in 2008. All members attended this meeting.

Remuneration Committee

The composition of the Remuneration Committee complies with all provisions of the Belgian Corporate Governance Code 2004. 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 2004. 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 Appointment 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 mat-

ters, 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 (www.arseus.com). 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 2008 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 125 of this annual report).
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.

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 € 35,094 to audit the annual accounts, including the consolidated financial statements. Details about the remuneration of the statutory auditor in 2008 can be found in Note 28 to the financial statement on page 129 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 2004, 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.com). Future changes to the Charter will also be published at the corporate website.

In 2009 the Corporate Governance Charter will be updated and amended to comply with the Belgian Corporate Governance Code 2009 which was published on 12 March 2009.

General Meeting

The Annual General Meeting is held on the second Monday of May at 3 pm. 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.

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 the 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, issued by an accredited account holder or by a *vereffeningsinstelling* (intermediary), at the location 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. If this is the case then 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 2004 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.com.

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.com).

Corporate Governance statement

The Company is of the opinion that it complies with all principles and provisions of Belgium's Corporate Governance Code 2004, 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 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, the Extraordinary Shareholders Meeting of Arseus NV resolved, subject to completion of the IPO, to increase the share capital through (i) a contribution in cash and through (ii) a contribution in kind, being the following shares (a) contribution in kind in the form of shares of Arseus BV by Omega Pharma, and (b) contribution in kind in the form of claims held by the contributors. This resulted in the issue of (i) 6,000,000 and (ii) (a) 24,999,900 and (b) 195,121 shares.

Shareholder's structure and declarations of interest

Based on the notifications of shareholding that the Company has received up to 31 March 2009, and taking the nominator as per 31 March 2009 into account, the shareholders' structure of Arseus NV is as follows:

	Number of shares	% of effective voting rights
Omega Pharma NV*	7,500,000	24.04%
Couckinvest / Coucke*	3,858,080	12.37%
Fortis Investment Management SA	2,756,357	8.84%
Arseus NV (treasury shares)	1,000,000	3.20%
Free float	16,080,684	51.55%
Total	**31,195,121**	**100.00%**

** related parties*

The declarations are available in the Investor Relations 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 not applied in 2008.

Purchase of own shares

The Extraordinary General Meetings of 7 September 2007 and 9 June 2008 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 11 May 2009. As at end of December 2008, 1 million own shares had been purchased.

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 2008 can be found in Note 11 to the consolidated financial statement on page 110 of this annual report.

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, 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 2008 the Board of Directors is still authorized to increase the capital by a maximum amount of € 319,810,475.

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

- 15 January 2008 - trading update Q4 and full year 2007
- 11 March 2008 - consolidated results 2007 + summarized statutory annual statement
- 15 April 2008 - trading update Q1 2008
- 15 July 2008 - trading update Q2 2008
- 26 August 2008 - interim financial report 2008
- 14 October 2008 - trading update Q3 2008
- 13 January 2009 - trading update Q4 and full year 2008
- 3 March 2009 - consolidated results 2008 + summarized statutory annual statement
- 9 April 2009 - trading update Q1 2009

Occasional press releases and information

- 10 April 2008 - Fagron waarschuwde ziekenhuizen tijdig voor vervuilde heparine ("Fagron promptly alerts hospitals to contaminated heparin")
- 11 April 2008 - Reaction by Arseus on distribution of heparin
- 24 April 2008 - Arseus acquires control of Czech Tamda
- 14 May 2008 - Annual General Meeting of Arseus approves all motions
- 14 May 2008 - Correction of press release of this morning
- 10 July 2008 - Arseus takes over activities of Danish Unikem
- 15 September 2008 - Publication in accordance with the Act of 2 May 2007
- 6 October 2008 - Disclosure of received notifications, in accordance with the Act of 2 May 2007
- 17 October 2008 - Arseus comments on growth strategy during Investors' day
- 3 November 2008 - Disclosure of received notification, in accordance with the Act of 2 May 2007
- 8 December 2008 - Medicinal cannabis now also distributed exclusively by Fagron in Germany
- 15 December 2008 - Arseus strengthens management

Received notifications of shareholding

- 4 June 2008 - Fortis Investment Management
- 1 October 2008 - Fortis Investment Management
- 3 October 2008 - Omega Pharma NV
- 3 October 2008 - Couckinvest NV / Coucke
- 31 October 2008 - Omega Pharma NV / Couckinvest NV / Coucke
- 3 November 2008 - Arseus NV

Consolidated annual accounts »

We declare that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2008, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the legal and regulatory requirements applicable in Belgium, reflect a true and fair view of the equity, the financial situation and the results of the Company and the companies that are included in the consolidation scope, and that the annual report provides a true and fair view of the development and the results of the Company and of the position of the Company and the companies included in the consolidation scope, and provides a reference to the description in the annual report of the main risks and uncertainties they are faced with.

Ger van Jeveren, CEO
Jan Peeters, CFO
21 April, 2009

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Consolidated financial statements »

Consolidated income statement

(in thousands of euros)	Note	2008	2007
Operating income		**358,668**	**308,249**
Turnover	**17**	354,506	304,368
Other operating income	**18**	4,162	3,881
Operating expenses		**328,635**	**281,809**
Trade goods		188,865	161,209
Services and other goods		55,128	45,199
Employee benefit expenses	**19**	74,950	62,633
Depreciations and amortizations	**20**	9,269	9,225
Other operating expenses	**21**	422	3,543
Operating result		**30,033**	**26,440**
Financial income	**22**	506	1,603
Financial expense	**22**	(12,552)	(8,604)
Profit before income tax		**17,987**	**19,439**
Income taxes	**23**	3,087	3,179
Profit for the period		**14,900**	**16,260**
Minority interests		(31)	
Share of the group		**14,869**	**16,260**
Profit for the period per share (in euros)		0.48	0.61
Diluted profit per share (in euros)		0.48	0.61
Recurrent net profit per share (in euros)	**24**	0.68	0.69
Diluted recurrent net profit per share (in euros)	**24**	0.68	0.69

Consolidated balance sheet

(in thousands of euros)	Note	2008	2007
Non current assets		**254,215**	**191,371**
Intangible assets	6	201,126	155,662
Property, plant and equipment	7	34,473	21,195
Financial assets	8	1,061	255
Deferred tax assets	14	16,598	13,617
Other non current assets	8	957	642
Current assets		**163,518**	**156,096**
Inventories	10	62,808	56,521
Trade receivables	9	65,975	57,129
Other current assets	9	16,232	14,657
Cash and cash equivalents		18,503	27,789
Total assets		**417,733**	**347,467**
Equity	11	**185,530**	**178,225**
Shareholders' equity (parent)		191,666	178,225
Treasury shares		(8,120)	-
Minority interests		1,984	-
Non current liabilities		**131,248**	**12,170**
Provisions	12	811	1,491
Pension obligations	13	3,044	2,376
Deferred tax liabilities	14	4,941	2,871
Borrowings	15	120,876	5,432
Financial instruments	15	1,576	-
Current liabilities		**100,955**	**157,072**
Borrowings	15	2,018	72,917
Financial instruments	15	2,385	-
Trade payables		64,624	56,943
Taxes, remuneration and social security	14	20,747	18,053
Other current payables	16	11,182	9,159
Total equity and liabilities		**417,733**	**347,467**

Consolidated statement of changes in equity

(in thousands of euros)	Share capital & share premium	Other reserves	Treasury shares	Retained earnings	Total	Minority interest	Total equity
Balance at 31 December 2006	**150,746**	**(90,918)**		**40,984**	**100,812**		**100,812**
Currency translation adjustments		(133)			(133)		(133)
Profit for the period				16,260	16,260		16,260
Total recognized income for the period	**150,746**	**(91,051)**		**57,244**	**116,939**		**116,939**
Capital increases	317,241				317,241		317,241
Share-based payments		89			89		89
Change in ultimate holding company							
Arseus BV share capital	(150,746)	(105,360)			(256,106)		(256,106)
Arseus NV formation	62				62		62
Balance at 31 December 2007	**317,302**	**(196,321)**		**57,244**	**178,225**		**178,225**
Currency translation adjustments		231			231	(151)	80
Profit for the period				14,869	14,869	31	14,900
Total recognized income for the period	**317,302**	**(196,090)**		**72,113**	**193,325**	**(120)**	**193,206**
Purchase of treasury shares			(8,120)		(8,120)		(8,120)
Dividends relating to 2007 result				(1,833)	(1,833)		(1,833)
Share-based payments		174			174		174
Purchase minority interest participation						2,104	2,104
Balance at 31 December 2008	**317,302**	**(195,917)**	**(8,120)**	**70,281**	**183,546**	**1,984**	**185,530**

Consolidated cash flow statement

(in thousands of euros)	2008	2007
Operating activities		
Profit before income taxes	17,987	19,439
Taxes paid	(4,706)	(6,488)
Adjustment for financial items	12,046	7,001
Total adjustments for non-cash items	8,623	5,461
Total changes in working capital	(6,210)	1,687
Total cash flow from operating activities	**27,741**	**27,100**
Investment activities		
Operational capital expenditures	(18,418)	(16,166)
Other investments	(1,701)	-
Disposals	963	1,817
Capital expenditures	**(19,157)**	**(14,349)**
Investments in existing shareholdings (subsequent payments) and in new holdings	(39,381)	(7,373)
Total cash flow from investing activities	**(58,538)**	**(21,722)**
Financing activities		
Purchase of treasury shares	(8,120)	-
Dividends paid	(1,833)	-
Issuance of shares	-	58,248
New borrowings	46,579	70,000
Reimbursement of borrowings	(7,065)	(101,348)
Interest received (paid)	(8,085)	(7,001)
Total cash flow from financing activities	**21,477**	**19,899**
Total net cash flow for the period	**(9,320)**	**25,277**
Cash and cash equivalents - start of the year	27,789	2,532
Gains or losses on exchange on liquid assets	34	(20)
Cash and cash equivalents - end of the year	18,503	27,789
Change in cash and cash equivalents	**(9,320)**	**25,277**

The item “adjustment for financial items” relates to interest paid and received and to other financial expenses and income not being cash flows such as revaluation of the financial instruments.

The “total adjustments for non-cash items” in particular relate to depreciation, amortization and changes in provisions.

The item “total changes in working capital” concerns changes in the inventories, trade debtors and creditors, other receivables and debts, and all other balance sheet elements that form part of the working capital. Aforementioned changes are adjusted as appropriate for non cash flows as presented above and conversion differences and changes in the consolidation scope.

Report of the Board of Directors on the consolidated financial statements

1.1. Consolidated income statement

The **operating income** increased by 16.4% from 308.249 million euros in 2007 to 358.668 million euros in 2008. **Net turnover** represents 98.8% of the operating income and increased by 16.5% from 304.368 million euros to 354.506 million euros in 2008. Organic growth was 6.9% in 2008. The acquisitions of Czech Republic’s Tamda and Denmark’s Unikem in the Fagron division and of Julie-Owandy in the Arseus Dental division represent the main components of external growth in 2008.

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

Fagron Group experienced 24.5% turnover growth in 2008, 9.7% of it organic. This result reaffirms the success of the key values of Fagron: innovation, quality en solution-driven. Consistently focused on the development and introduction of innovative concepts and products, Fagron enhanced its market position in all countries where it is active. The Fagron organizations in The Netherlands, Spain and Italy achieved double digit turnover growth. The greenfield activities in France and the UK developed positively, but were not yet profitable in 2008.

Solid progress was made with the integration of Tamda and Fagron A/S (formerly Unikem). The introduction of the Fagron model and the broad product range of Fagron will further reinforce the market position of Tamda in the Czech Republic and of Fagron A/S in Denmark. In 2008, significant investments were made in Tamda's production facilities. The GMP (Good Manufacturing Practice) production facilities of Tamda will increasingly be used in 2009 to condition pharmaceutical raw materials for the Fagron Group.

Arseus Dental experienced 21.9% turnover growth in 2008, 10.3% of which was organic. The selective phasing out of consumables initiated in 2007 was completed in 2008. In the historically strong fourth quarter of 2008, Arseus Dental sold less equipment than expected, partly due to the fact that it was unable to supply a number of large orders (e.g. by Owandy in France) and partly due to customers postponing purchase decisions (e.g. in Germany). Demand for precision components for the dental and medical orthopaedic industry is declining. Due to this decrease in demand, the management has decided to postpone the scheduled investments at Hader in Switzerland.

In December 2008, Arseus Dental concluded a new distribution agreement with the Italian company Cefla Dental, making Arseus Dental the exclusive distributor of Stern Weber treatment units in the Benelux as from January 1st.

Turnover of **Arseus Medical** showed a 4.4% decline in 2008. The decline in turnover in Belgium was mainly due to amended Belgian legislation relating to wheelchairs (hire instead of purchase). In 2008, the focus was on consolidating the division's strong position in the Benelux, attracting new and promising distributions, and improving profitability.

As from 1 January, Mr Mario Huyghe is responsible for Arseus Medical. The Board of Directors of Arseus expects that his university background, his knowledge of the Belgian market and his experience with General Electric Healthcare will enable Mr Huyghe to accelerate the turnaround of Arseus Medical that commenced in 2008.

Corilus experienced a 1.9% decrease of turnover in 2008. The decrease in turnover was due to declining hardware prices and the phased implementation of the new software packages Greenock and Baltes introduced in September 2008.

The introduction of the new software package Greenock is processing well. As at 31 December 2008, Corilus had concluded agreements with 150 pharmacies for the installation and use of Greenock. The impact of the installation of Greenock on Corilus' turnover is expected to become visible in the third quarter of 2009.

Gross margin (the difference between turnover on the one hand and trade goods, raw and auxiliary materials on the other hand) amounted to 165.641 million euros. This represents 46.7% of turnover. In 2007, gross margin was 47.0%. The slight decrease is mainly due to the inclusion of acquisitions reporting lower gross margins in the consolidation scope of Arseus.

The total **operating expenses**, defined as services and other goods, employee benefit expenses and other operating expenses minus other operating income, amounted to 126.339 million euros, increasing by 18.845 million euros against 2007. The cost coverage, defined as operating expenses versus gross margin, was 76.3% in 2008 against 75.3% in 2007.

Depreciations and amortizations amounted to 9.269 million euros against 9.225 million euros in 2007.

The **operating result** amounted to 30.033 million euros or 8.5% of turnover. In 2007, operating profit amounted to 26.440 million euros or 8.7% of turnover.

Financial result amounted to -12.046 million euros versus -7.001 million euros in 2007. This increase was primarily the result of the revaluation of financial derivatives (-3.961 million euros). This revaluation relates to the decreased fair market value of the interest rate hedges that do not qualify for hedge accounting in accordance with IAS 39. Plus, net financial debt increased in 2008 and interest rates increased substantially in the first three quarters of 2008.

This brings **profit before income tax** to 17.987 million euros.

Income taxes accounts for 3.087 million euros or 17.2% of the profit before income tax versus 16.4% in 2007.

This yields a **profit for the period** of 14.900 million euros, a decrease of 8.4% against 2007. The decrease in net profit is caused to a large degree by the revaluation of the financial derivatives in accordance with IAS 39. The **minority interests** amounts to -0.031 million euros and concerns Tamda, making the **share of Arseus** 14.869 million euros.

1.2. Consolidated balance sheet

The consolidated **balance sheet total** increased by 20.2% from 347.467 million euros in 2007 to 417.733 million euros in 2008.

Assets

Total **non current assets** amounted to 254.215 million euros. This is an increase of 62.844 million euros relating to 2007.

Intangible assets increased by 45.464 million euros. This increase is caused mainly by the reporting of goodwill and other intangible assets resulting from acquisitions and by the R&D activities of Corilus. **Property, plant and equipment** increased by 13.278 million euros, which was due to the acquisition of assets in takeovers as well as by investments in IT and in Fagron's production facilities in the Czech Republic and Belgium.

Operational capital expenditures amount to 18.418 million euros or 5.2% of consolidated turnover. This total consists of investments in IT (implementation Navision), the development of Greenock software for pharmacies of Corilus, new showrooms of Arseus Dental in France and Germany, production locations of Fagron in the Czech Republic and Belgium and wheelchairs (pursuant to amended Belgian legislation on wheelchairs). For 2009 management expects an operational capex of 2.5% to 3% of turnover. Arseus intends to maintain this level for the coming years.

Financial assets amount to 1.061 million euros.

Deferred tax assets amounted to worth 16.598 million euros. They are mainly related to tax losses carried forward, which are likely to be appropriated in the future.

Other non current assets (0.957 million euro) are mainly security deposits.

Total **current assets** amounted to 163.518 million euros against 156.096 million euros in 2007, an increase by 7.422 million euros. The most important changes were the increase in inventories by 6.287 million euros or 11.1%, the increase in trade receivables by 8.846 million euros or 15.5%, and the decrease in cash and cash equivalents by 9.286 million euros or 33.4%.

Equity and liabilities

Total **equity** amounted to 185.530 million euros. This is an increase of 7.305 million euros relating to 2007.

Total **liabilities** increased from 169.242 million euros in 2007 to 232.203 million euros in 2008. This represents an increase of 62.961 million euros.

Provisions decreased by 0.680 million euros.

Pension obligations amount to 3.044 million euros, a 28.1% increase against 2007.

Deferred tax liabilities relate among other things to temporary differences between reporting and fiscal accounting at the local entities. These amounted to 4.941 million euros in 2008 against 2.871 million euros in 2007.

Non current interest-bearing financial liabilities (long-term borrowings) amount to 120.876 million euros, an increase of 115.444 million euros against 2007. **Current interest-bearing financial liabilities** (short-term borrowings) amount to 2.018 million euros, a decrease of 70.899 million euros against 2007. These movements are largely caused by a change in the presentation with regard to long-term and short-term financial liabilities of the consolidated balance sheet of Arseus.

As at 31 December 2008, **net financial debt** (total short-term and non current interest-bearing financial liabilities plus other long-term liabilities less cash and cash equivalents) amounted to 104.391 million euros versus 50.560 million euros at the end of 2007. This increase was mainly due to acquisitions (Julie-Owandy, Tamda, and Unikem), the acquisition of debts in takeovers, and the share buyback. At the end of 2008, the net financial debt / annualised REBITDA ratio was 2.25, which is fully in compliance with the covenant of the credit facility which allows a ratio up to 3.5.

Trade payables amounted to 7.681 million euros higher (+13.5%) than in 2007 at 64.624 million euros. This increase is due to the increase in turnover by 16.5% and the inclusion of acquisitions in the consolidation circle. This increase evidently is related to the evolution of operational working capital, defined as inventories plus trade receivables less trade payables, from 56.707 million euros in 2007 to 64.159 million euros in 2008 or a 13.1% increase.

Taxes, remuneration and social security amount to 20.747 million euros, an increase of 2.694 million euros against 2007.

Other current payables amount to 11.182 million euros against 9.159 million euros in 2007.

1.3. Consolidated cash flow statement

The consolidated cash flow statement takes as its starting point the **profit before income tax** as reported in the consolidated income statement.

From this amount are deducted the outgoing cash flows before taxes, being 4.706 million euros. This amount includes all income taxes effectively paid during 2008.

Then the elements from operating activities not having a cash flow effect or not directly related to operating activities are reintroduced. This is a total of 20.670 million euros. A significant portion relates to paid interest (8.085 million euros) recognized at cash flows from financing activities (see below) and to the revaluation of financial derivatives (3.961 million euros). In this context, depreciations and amortizations on tangible and intangible assets and changes in provisions and deferred taxes are significant non-cash elements as well.

The next step is to set off the **changes in working capital** in the cash flow statement (negative effect of 6.210 million euros).

Total **cash flows from investment activities** produced an outflow of 58.538 million euros relating to net investments in the amount of 19.157 million euros and payments of new participations in the amount of 39.381 million euros.

Total **financing activities** represents an inflow of 21.477 million euros. In 2008, the Company purchased 1 million treasury shares for a total of 8.120 million euros. The Company also paid out 1.833 million euros in dividend.
Payment of interest on loans and other financial elements such as financial discounts produced an outflow of 8.085 million euros, the contracted financing an inflow of 46.579 million euros. This against loan repayments in the amount of 7.065 million euros.

In the reporting period, total cash and cash equivalents decreased by 9.320 million euros: from 27.789 million euros at the start of the reporting period to 18.503 million euros at the end of the reporting period. The minor difference relates to exchange rate losses.

Notes to the consolidated financial statements »

1. General information

Arseus NV (the 'Company') and its subsidiaries (collectively: the 'Group') are suppliers of products and services with high added value to European healthcare professionals and institutions. Arseus has activities in ten European countries.

The Company is a public limited liability company, incorporated and domiciled in Belgium, with its registered office at Textielstraat 24, 8790 Waregem. The company registration number is BE 0890 535 026.

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

The Board of Directors approved the publication of these consolidated financial statements on 10 April 2009.

2. Financial reporting principles

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 years presented, unless stated otherwise.

Relationship between Arseus NV and Arseus BV

Though Arseus NV was incorporated only on 29 June 2007, the comparative figures for financial year 2007 still comprise a full financial year making them comparable with the figures for the current financial year. This is the result of the way in which the transaction relating to the IPO of Arseus NV was structured and is reported. The process evolved as follows: end 2006, all legal entities identified as 'Entities of Arseus' were directly or indirectly owned by Arseus BV. Thus Arseus BV was the parent company of Arseus Group.

In addition, as at 30 June 2007 all shares of Arseus BV were held by Omega Pharma Holding Nederland BV. 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 wholly owns Arseus BV and Arseus NV is the parent company of Arseus Group. The shares of Arseus NV are listed on the stock exchange. Abovementioned transfer of shares and contribution in kind of shares were subject to completion of the bid price in the context of the IPO.

Since all companies in above transactions were directly or indirectly wholly owned by Omega Pharma NV, these transactions constitute joint controlled business combinations. Consequently, these transactions are recognized in the financial reporting using the predecessor value method. With a view to continuity, management also decided to publish the Company's consolidated financial statements under the name Arseus NV, whereas the note makes reference to a continuation of the consolidated financial statements of Arseus BV because these consolidated financial statements represents a continuation of the financial statements of Arseus BV, which for the 2007 financial year means:

1. that the assets and the liabilities of Arseus NV Group are recognized and valued in that 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 recognized in consolidated financial statements are mainly the retained earnings and equity balances of Arseus BV. That the difference between the acquisition amount and the eliminated share capital of Arseus BV is recognized as a merger reserve;

3. that the income statement for the financial year ended 31 December 2007 spans 12 months, notwithstanding the fact that the financial year of Arseus NV as a legal entity is shorter (29 June - 31 December 2007);
4. that the comparative information presented in said consolidated financial statements is information of Arseus BV.

IFRS developments

The consolidated financial statements of Arseus have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statements have been prepared on the basis of the historical cost convention, with the exception of financial assets and liabilities (including derivative instruments) at fair value.

a) Standards and interpretations of existing standards effective in 2008

- IFRIC 11, 'IFRS 2: Group and Treasury share transactions';
- Amendments to IAS 39 and IFRS 7: reclassification of financial instruments (each reclassification of a financial asset made in financial years starting on or after 1 November 2008 shall take effect only from the date when the reclassification is made).

b) The following standards and interpretations of existing standards were not yet effective at 2008 end:

- IAS 1 revised version, 'Presentation of financial statements',
- IAS 23 revised version, 'Costs of borrowings',
- IFRS 2 'Share-based payments', adjustment of the terms for unconditional commitment and cancellations,
- IFRIC 13, 'Customer Loyalty programs' and
- IFRIC 14, 'IAS 19 – Limit on a defined benefit asset minimum, minimum funding requirements and their interaction'.

Companies reporting under EU-IFRS are required to adopt these standards and interpretations for the financial years starting on or after 1 January 2009, but may opt for early adoption on 31 December 2008. The effective EU date has implications for IFRIC 14 where the effective date in the interpretation is a year sooner, and for IFRIC 13 where the effective date in the interpretation is 6 months sooner.

c) **Standards and interpretations of existing standards not yet effective, but adopted early by Arseus:**
IFRS 8 Operational segments (mandatory for the financial years starting on or after 1 January 2009).

d) **Standards, amendments and interpretations of existing standards effective in 2008, but not relevant for Arseus.**

- Amendments to IAS 39 and IFRS 7: Reclassification of financial instruments (each reclassification of a financial asset made in financial years starting on or after 1 November 2008 shall take effect only from the date when the reclassification is made).

Consolidation criteria

Subsidiaries are entities where Arseus can control some financial and operational policies and in which it generally has a shareholding in excess of 50% of voting rights. Subsidiaries are fully consolidated as from the date that control is transferred to Arseus. They are deconsolidated as from the date that control by Arseus ceases. An acquisition is recognized using the purchase method. The cost price of an acquisition is defined as the fair value of the assets in question, the shares issued and the liabilities assumed on the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingencies assumed in a business combination are initially set at their fair value on acquisition date. The positive balance between cost price of the acquisition and the fair value of the share of Arseus in the acquired identifiable net assets is recognized as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated while being regarded as impairment indicator of exceptional loss of value. Where required, financial reporting principles of subsidiaries have been amended to ensure consistency with the financial reporting principles adopted by Arseus.

Foreign currency translation

Items included in the financial statements of all entities of Arseus 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, the functional and presentation currency of Arseus. To consolidate Arseus and each of its subsidiaries, the respective financial statements are converted as follows:

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

Exchange rate differences arising from the conversion of the net investment in foreign subsidiaries at year-end exchange rate are recognized as shareholders' equity elements at "Cumulative currency translation differences".

Transactions in foreign currencies

Transactions in foreign currencies are converted to the functional currency using the exchange rates on the transaction date. Profits and losses from exchange rate differences resulting from settling these transactions and from the conversion of monetary assets and liabilities into foreign currencies at exchange rates valid at year end are recognized in the income statement.

Property, plant and equipment

Property, plant and equipment are valued at the acquisition value or the production costs plus allocated costs as appropriate. Depreciation is calculated proportionately 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 value taken into account when calculating the depreciations are reviewed annually. Assets acquired under finance leasing arrangements are depreciated over their economic life, which may exceed the lease term if it's 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 share of Arseus in the net identifiable assets of the acquired subsidiary on acquisition date. Goodwill on acquisitions of subsidiaries is recognized under intangible assets. Goodwill is tested for impairment at least once a year, but also when there is a triggering event. Goodwill is recognized at cost price less accumulated impairment losses. Impairment losses on goodwill are never reversed. Gains and losses on the disposal of an entity include the book value in goodwill relating to the divested entity.

Brands, licences, patents and other

Intangible assets are capitalized 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 capitalized and generally amortized 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 recognized as costs as at the moment they are incurred.

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

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

Development costs are amortized using the straight-line method over the period they are expected to provide benefit, currently not exceeding five years. Amortization starts as from the moment that these assets are ready for use.

Software

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

Unique software developed in-house that Arseus controls and expects to generate future economic benefits is capitalized 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 loss of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may prove non-recoverable. An impairment loss is recognized 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Borrowings

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

Borrowings are classified as current liabilities, unless Arseus has an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date.

Financial assets

Arseus classifies its financial assets into the following categories: loans and receivables, and available for sale financial assets. Management determines its investment classifications at initial recognition, evaluating them at each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market and that are not intended for trading. They are recognized at current assets, except for those maturing more than 12 months after balance sheet date. Loans and receivables are carried at amortized cost using the effective-interest method.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are classified either in this category or not in any of the other categories. They are recognized at non current assets, unless management intends to dispose of the investment within 12 months upon balance sheet date. Available for sale financial assets are initially valued at fair value except where such a fair value cannot be reliably computed, in which case they are valued at cost. Unrealised gains and losses arising from changes in the fair value are recognized in the equity. At disposal or recognition of impairment loss in respect of the assets in question, the cumulative fair value adjustments are recognized in the income statement.

Any events or changes in circumstances indicating a decrease in the recoverable amount are monitored closely. Impairment losses are recognized in the income statement as and when required.

Lease contracts – Operating leases

Lease contracts whereby the lessor retains a significant portion of the risks and benefits of ownership are classified as operating leases. Payments under operating leases are made on a straight-line basis over the life of the operating lease.

Lease contracts – Finance leases

Lease contracts regarding property, plant and equipment whereby Arseus retains virtually all risks and benefits of ownership are classified as finance leases.

Finance leases are capitalized at the inception of the lease contract 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 liability and financing charges, so as to achieve a constant amount on the outstanding financing balance.

The corresponding rental obligations, net of financing charges, are recognized at non current (payable after 1 year) and current (payable within the year) borrowings. The interest component of the financing charges is recognized in the income statement over the lease period, so as to achieve 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, auxiliary materials, and trade goods are valued at de acquisition value using the FIFO method or using the net realisable value (NRV) at balance sheet date, whichever is lower. Work in progress and finished products are valued at production cost. In addition to purchasing costs of raw materials and auxiliary materials, production costs include production costs and production overhead costs directly attributable to the individual product or the individual product group.

Trade receivables

Trade receivables are initially valued at fair value. A provision for impairment loss relating to trade receivables is created when there is objective evidence that Arseus will not be able to collect all amounts due. Significant financial difficulties of the debtor, the probability of the debtor becoming insolvent or undergoing financial restructuring, and non or overdue payments are regarded as indicators for recognizing an impairment loss for the trade receivable in question.

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 at fair value and recognized at cost. Adjustments to the carrying amounts are made when at balance sheet date realisation value is lower than the book value.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are recognized in the equity as a deduction, net of taxes, from the proceeds.

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

Provisions

Provisions for restructuring costs, legal claims, risk of losses or costs potentially arising from personal securities or collateral constituted as guarantees for creditors or commitments to third parties, from obligations to buy or sell non current assets, from the fulfilment of completed or received orders, technical guarantees associated with turnover or services already completed by Arseus, unresolved disputes, fines and penalties related to taxes, or compensation for dismissal are recognized when: Arseus 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. Provisions for restructuring costs comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Provisions are recognized based on management's best estimate of the expenditure required to settle the present obligation at 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.

Derivative financial instruments

Arseus utilizes derivative financial instruments to limit risks relating to unfavourable fluctuations in interest rates. No derivatives are employed for trade purposes.

Derivative financial instruments are initially valued at cost. After initial valuation, these instruments are stated in the balance sheet at fair value.

As the derivatives contracts of Arseus do not fulfil the criteria set in IAS 39 to be regarded as hedging instruments, changes in fair value of derivatives are recognized in the income statement.

Employee benefit expenses

Pension obligations

The companies of Arseus operate various pension schemes. The pension schemes are funded through payments to insurance companies, determined by periodic actuarial calculations. Arseus has both defined benefit and defined contribution plans. The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at 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 empirical adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are spread to income over the employees' expected average remaining employment periods. For defined contribution plans, Arseus pays contributions to insurance companies. Once the contributions have

been paid, Arseus cease to have any liabilities. Contributions to defined contribution plans are recognized as costs in the income statement at the moment they are made.

Share-based payments

Arseus operates an equity-settled, warrants-based compensation plan. The total amount to be recognized as costs 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 turnover growth targets). Non-market vesting conditions are included in the assumptions about the number of warrants expected to become exercisable. At each balance sheet date, Arseus revises its estimates of the number of warrants expected to become exercisable. Arseus recognizes 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 as recognized in the income statement includes current income tax and deferred taxes. Current income taxes include the expected tax liabilities on the taxable income of Arseus for the financial year, based on the applicable tax rates at balance sheet date, and any adjustments of previous years. Deferred taxes are recognized using the liability method and are calculated on the basis of the temporary differences between the carrying amount and the tax base. This method is applied to all temporary differences arising from investments in subsidiaries and associates, except to differences whereby the timing of reversing the temporary difference is controlled by Arseus and whereby the temporary difference is not likely to be reversed in the near future. The calculation is based on the tax rates as enacted or substantially enacted at balance sheet date and expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Under this calculation method, Arseus is also required to account for deferred taxes relating to any difference between the fair value of the net acquired assets and their fiscal book value resulting from acquisitions. Deferred tax assets are recognized in so far as the tax losses carried forward are likely to be utilized in the foreseeable future. Deferred income tax receivables are written down when it ceases to be likely that the corresponding tax benefit will be realized.

Revenue recognition

Turnover of goods are recognized as at the moment that delivery of the products has been made to the customer, that the customer has accepted the products, and that the related receivables are likely to be collected. Turnover of services are recognized in the accounting period in which the services have been provided. The turnover of software suites from stock are recognized as revenue at the time of delivery. The revenues relating to software service contracts are recognized over the term of the contract.

Segment reporting

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

Dividend distribution

Dividend distribution to the shareholders of Arseus is recognized as a liability in the financial statements of Arseus in the period in which the dividends are approved by the shareholders of Arseus.

3. Risk management

The policy of Arseus is to focus on identifying all major risks, on developing plans to prevent and manage these risks, and on putting in place measures to contain the consequences should such risks effectively occur. Still, Arseus cannot conclusively guarantee that said risks will not occur or that there will be no consequences when they occur. Investing in the shares of Arseus therefore entails specific risks that potential investors should take into consideration, including but not limited to the following risks, which are listed in no particular order:

Strategic risk related to market and growth

The strategic risk concerns the circumstance whereby Arseus may face an unfavourable market situation or adversely evolving competition. Another possibility is bad strategic decisions taken by the Company. Such as: technological advances enabling the development of competitive alternative products, the possibility that success of a new product fails to materialize, ineffective configuration of the pipeline, scarcity of pharmaceutical raw materials, a drop in demand in the markets where Arseus is active as a result of new regulations and/or legislation, events affecting the purchasing patterns of our key customers, or a disturbed balance between demand and supply in the markets where Arseus is active.

Risks related to regulations

The professional healthcare sector is subject to close regulatory control at both national and European level. Though Arseus has in place strictly defined operating procedures and policies to ensure compliance with the rules imposed by national and European authorities, the chance remains that risks related to applicable legislation or the regulatory framework, should they materialize, might prove to have an adverse effect on Arseus.

Inventory risks

As a distributor and producer, Arseus maintains inventories of (elements of) its product portfolio. Maintaining inventories however entails the risk of full or partial non-marketability of products and the risk of price drops. The policy Arseus has initiated to optimise the supply-chain and to reduce operational working capital is expected to lead to a decrease in inventory levels.

Product liability risk

The product portfolio of the four divisions of Arseus comes with potential product liability risks. In its efforts to protect itself against these risks, Arseus has in place high standards of quality in terms of products and processes and continuously endeavours to assure that all business units comply with both internal and external regulations. Product liability issues, however, cannot be entirely precluded. Arseus has effected a product liability insurance within reasonable constraints.

Cyclical and seasonal nature of operating activities

Decisions to purchase investment goods (involving a large capital outlay) tend to some degree to be linked to the overall economic climate. The introduction of government healthcare refunding measures also has a potential impact on the timing of the customer's purchase decisions. Dental equipment in particular proves to be subject to seasonal effects.

ICT related risk

To limit potential ICT related risks, Arseus uses the most recent hardware and software solutions with a proven track record. Though Arseus has taken rigorous precautions to assure the security and reliability of its IT-systems, incidents may occur involving backup recovery, viruses and international network links with potentially significant implications for the operating activities of Arseus.

Financial risks

In addition to aforementioned strategic and operational risks, Arseus is also subject to various financial risks. Arseus has at its disposal ample credit facilities to sustain its day to day operations. Its key credit facility of 200 million euros has a duration of 5 years with an optional 2-year extension. At the end of 2008, the Company's net financial debt/annualised recurrent EBITDA ratio was 2.25 thus amply satisfying the maximum 3.5 debt ratio as agreed to in the credit contract.

Credit risk

Operating an active credit policy, Arseus has in place strict procedures to manage and limit credit risks. No individual customers make up a substantial part of either turnover or outstanding receivables. Moreover, as part of its objective to reduce operating working capital Arseus consistently works to reduce its debtor's exposure.

Interest risk

Arseus regularly assesses the mix of financial debts with fixed and variable interest rates. At this time, financing is largely based on a syndicated loan in euros with a variable interest rate of 1 to 6 months. A higher Euribor rate by 10 base points would have adversely affected the variable interest charges in the amount of some 104 (thousand) euros. A 70 million euros financing risk due to the variable interest rate is covered by financial derivatives.

Exchange rate risk

Arseus reports its financial results in euros and is, because of the international distribution of its activities, subject to the potential impact of currencies on its profits. Exchange rate risk is the result on the one hand of several entities of Arseus operating in a functional currency other than euros and on the other hand of the circumstance that purchasing and retail prices of Arseus have foreign currencies as reference. The risk entailed in entities of Arseus operating in a functional currency other than euros is relatively limited. The entities concerned operate in Czech krona, Swiss frank, British pound and Danish krona. These entities collectively represent less than 6% of the consolidated turnover and less than 7% of the profit of Arseus.

The risk of purchasing and retail prices of Arseus having foreign currencies as reference mainly concerns the exchange rate ratios between the euros and the US dollar, and the Japanese yen and the UK pound. Exchange rate risks associated with investments in offshore participations are usually not covered.

Fair value risk

Arseus utilizes financial derivatives to cover its interest risks. A 70 million euros financing risk due to the variable interest rate Arseus covered by financial derivatives. In accordance with IFRS, all financial derivatives are recognized either as assets or as liabilities. In accordance with IAS 39, financial derivatives are recognized at fair value. Changes in fair value are recognized by Arseus directly in the income statement because these are financial derivatives that do not qualify as cash flow hedging instrument. At the end of 2008, the revaluation of financial derivatives amounted to -3.961 million euros whereby this is treated as a non-cash item.

4. Critical accounting estimates and judgements

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

Critical assessments and judgements

Arseus makes assessments and assumptions concerning the future. The resulting estimates will, by definition, rarely match the related actual results. Those estimates and assumptions which entail a significant risk of causing the need for a material adjustment of the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment loss of goodwill and intangible assets

Arseus performs annual goodwill impairment tests in accordance with the IFRS specified in Note 2. The recoverable amount of cash flow generating units is determined on the basis of value-in-use calculations. These calculations require the application of estimates. The book value of goodwill as at 31 December 2008 was 173.785 million euros.

Pension obligations

The present value of the pension obligations is derived from a number of actuarially determined factors based on assumptions. The assumptions applied to determine net costs (income) for pensions include expected long-term rate of return of the relevant pension plan assets and the discount rate. Any changes in these assumptions will impact the book value of pension obligations. The gross defined benefit obligation is calculated periodically by independent actuaries. The book value of pension obligations as at 31 December 2008 was 3.044 million euros.

Provisions for disputes

As stated, provisions are valued at present value of the best estimate by management of the expenditure required to settle the existing obligation at balance sheet date. Provisions for disputes require significant professional judgement in terms of the ultimate outcome of administrative law rulings or court judgments. Estimates are always based on all available information at the moment the financial statements are prepared. However, the need for significant adjustments cannot be absolutely precluded if ruling or judgement proves not as expected. Hypotheses and assessments are continuously evaluated on the basis of empirical facts and other factors including projected development of future events regarded as reasonable given the circumstances.

5. Segment information

All activities of Arseus relate to products and services in Professional Healthcare and are divided into four main operational segments: Fagron, Arseus Dental, Arseus Medical, and Corilus. In accordance with IFRS 8, the operational segments were determined on the basis of the components that the Executive Committee applies to assess the performance of the operational activities and on which the decisions are based.

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

1. **Fagron** — provides products and services for pharmaceutical compounding to pharmacies and pharmaceutical wholesalers. Fagron provides instruments and equipment for pharmaceutical compounding, as well as raw materials, intermediate products, under the Fagron brand. Fagron also provides third party compounding services to pharmacists and GP's with a pharmacy. And Fagron provides specialty pharmaceutical raw materials to the pharmaceuticals, nutraceuticals, veterinary and cosmetics industries;

2. **Arseus Dental** — markets specialist products and services to dentists, labs and other dental professionals;

3. **Arseus Medical** — provides medical equipment and consumables in Belgium and the Netherlands, focusing 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 reporting period ending 31 December 2008 are as follows:

(in thousands of euros)	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
Total turnover	136,938	144,291	47,512	26,296		355,037
Inter segment turnover	(37)	(139)	(237)	(118)		(531)
Turnover	136,901	144,152	47,275	26,178		354,506
Operating profit/ segment result	21,553	6,732	2,319	4,287	(4,858)	30,033
Financial result						(12,046)
Profit before taxes						17,987
Income tax						(3,087)
Profit of the period						14,900

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

(in thousands of euros)	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	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

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

2008 (in thousands of euros)	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
Depreciation and amortization	1,547	2,819	554	2,759	1,149	8,828
Write-down on inventories	68	345	(10)	120	0	523
Write-down on receivables	27	(63)	(71)	26	0	(82)

2007 (in thousands of euros)	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
Depreciation and amortization	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

As at 31 December 2008 the assets and liabilities, and the capital expenditure (investments) for the reporting period ending on this date, are as follows:

(in thousands of euros)	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
Total assets	124,598	161,706	47,767	42,074	41,589	417,733
Total liabilities	42,868	43,367	12,003	8,617	125,347	232,203
Capital expenditure	2,684	5,409	1,977	4,227	4,121	18,418

As at 31 December 2007 the assets and liabilities, and the capital expenditure (investments) for the reporting period ending on this date, are as follows:

(in thousands of euros)	Fagron	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

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and cash from operations. They exclude deferred tax assets related to the IFRS revaluation of the investments.

Segment liabilities comprise operational liabilities but exclude such element as corporate borrowings.

Turnover of Arseus in 2008 and 2007 by geographical segments are as follows:

(in thousands of euros)	2008	2007
Belgium	117,078	120,361
The Netherlands	107,516	99,342
Germany	44,186	38,772
France	39,040	21,048
Italy	18,699	6,255
Switzerland	12,828	11,539
Spain	8,655	7,048
Czech Republic	4,444	
Denmark	1,571	
United Kingdom	489	3
Totaal	**354,506**	**304,368**

Arseus 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	Develop-ment	Concessions & patents	Brands	Software	Other	Total
Net book value as at 1 January 2007	**136,398**	**5,534**	**1,378**	**51**	**2,269**	**26**	**145,656**
Investments		3,050	123	38	3,258	69	6,538
Acquisitions	5,565				9		5,574
Disposals							
Amortization		(1,831)	(440)	(3)	(1,340)	(10)	(3,624)
Other movements		290	150		909		1,349
Exchange differences	181	(13)					168
Net book value as at 31 December 2007	**142,144**	**7,030**	**1,211**	**86**	**5,105**	**85**	**155,662**
Gross carrying amount	142,144	11,257	2,819	205	10,721	102	167,248
Accumulated amortization		(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**
Net book value as at 1 January 2008	**142,144**	**7,030**	**1,211**	**86**	**5,105**	**85**	**155,662**
Investments		5,604	65		3,363	46	9,078
Acquisitions	31,640	371	474	6,439	941		39,865
Disposals							
Amortization		(2,193)	(547)	(300)	(1,844)	(31)	(4,915)
Other movements		410	514	(38)	483		1,368
Exchange differences		68			1		69
Net book value as at 31 December 2008	**173,785**	**11,289**	**1,718**	**6,186**	**8,049**	**100**	**201,126**
Gross carrying amount	173,785	17,779	5,171	6,605	14,742	148	218,230
Accumulated amortization		(6,490)	(3,454)	(420)	(6,693)	(48)	(17,104)
Net book value	**173,785**	**11,289**	**1,718**	**6,186**	**8,049**	**100**	**201,126**

The item “other movements” relates mainly to the intangible assets developed in Arseus.

Goodwill

Goodwill is tested annually for impairment and consistently when a trigger event occurs. Goodwill is recognized at cost price less accumulated impairment losses.

Goodwill impairment test

Goodwill is allocated to the cash flow generating units of Arseus i.e. the four business units of Arseus: Fagron, Arseus Dental, Arseus Medical, and Corilus.

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

	2008	2007
Fagron	64.98	55.01
Arseus Dental	63.68	42.00
Arseus Medical	25.52	25.50
Corilus	19.61	19.64
Total	**173.78**	**142.14**

The recoverable amount of a cash flow generating unit is determined on the basis of value-in-use calculations. These calculations use cash flow projections with a five-year forecast horizon based on detailed financial budgets approved by management for the first year. The year-one budget figures are extrapolated for years two through five, taking into account an internal growth rate and a budgeted gross margin. In addition to these rates, the model uses assumptions such as the rate of perpetual growth and a pre-tax discount rate. Below are specified the key assumptions for the value-in-use calculations. Management determined gross margin and growth rates based on past performance and its market development expectations.

	Autonomous 5-year growth (%)		Perpetual growth rate (%)		Gross margin (%)		Discount rate (%)	
	2008	2007	2008	2007	2008	2007	2008	2007
Fagron	5	5	2	1	49.18	51.00	11.33	13.00
Arseus Dental	4	3	1.5	1.5	43.23	42.05	11.05	9.50
Arseus Medical	3	3	2	3	37.98	36.90	10.18	8.90
Corilus	3	5	1.5	1.5	77.02	77.40	9.37	10.20

Above assumptions were subjected to a sensitivity analysis confirming that for 2008 no impairment needs to be allowed for.

The value per cash flow generating unit as per aforementioned value-in-use calculations is compared with the net book values of the non current assets of the relevant cash flow generating unit. For all cash flow generating units, value-in-use exceeds net book value.

7. Property, plant and equipment

(in thousands of euros)	Land and buildings	Plant machinery and equipment	Furniture and vehicles	Leasing and other similar rights	Other tangible assets	Assets under construction	Total
Net book value as at 1 January 2007	**7,488**	**1,946**	**3,228**	**2,701**	**503**	**531**	**16,397**
Investments	741	703	1,626	1,514	4,665	960	10,210
Acquisitions	44	182	54				280
Disposals	(1,876)	(30)	(161)	(1)	(20)		(2,088)
Depreciation	(268)	(665)	(1,481)	(807)	(602)		(3,824)
Other movements	111	91	124	(9)	16		333
Exchange differences	(18)	(20)	(3)	(73)			(113)
Net book value as at 31 December 2007	**6,222**	**2,208**	**3,388**	**3,324**	**4,562**	**1,491**	**21,195**
Gross carrying amount	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**
Net book value as at 1 January 2008	**6,222**	**2,208**	**3,388**	**3,324**	**4,562**	**1,491**	**21,195**
Investments	1,257	1,362	1,622	1,105	3,142	852	9,340
Acquisitions	2,958	828	295			1,593	5,674
Disposals	(44)	(14)	(207)		(795)		(1,060)
Depreciation	(224)	(787)	(1,339)	(499)	(1,064)		(3,913)
Other movements	17	(99)	(277)	(202)	5,132	(1,491)	3,081
Exchange differences	(103)	27	(5)	386		(150)	155
Net book value as at 31 December 2008	**10,084**	**3,525**	**3,478**	**4,114**	**10,977**	**2,296**	**34,473**
Gross carrying amount	12,327	11,889	15,681	6,346	14,664	2,296	63,203
Accumulated depreciation	(2,244)	(8,364)	(12,203)	(2,232)	(3,687)		(28,730)
Net book value	**10,084**	**3,525**	**3,478**	**4,114**	**10,977**	**2,296**	**34,473**

The item "other movements" mainly relates to furnishings of showrooms. A significant portion of the amounts recognized relates to capitalization of trade goods being used as demonstration equipment.

8. Financial assets and other non current assets

(in thousands of euros)	Financial assets	Other non current assets	Total
Balance at 1 January 2007	**255**	**667**	**922**
Investments		179	179
Transfers and disposals		10	10
Reimbursements		(226)	(226)
Other		12	12
Balance at 31 December 2007	**255**	**642**	**897**
Balance at 1 January 2008	**255**	**642**	**897**
Investments	778	563	1,341
Transfers and disposals	28	70	97
Reimbursements		(216)	(216)
Other		(102)	(102)
Balance at 31 December 2008	**1,061**	**957**	**2,018**

The value-in-use for all cash flow generating units exceeds the net book value. Consequently, no impairment needs to be allowed for the above assets for 2008.

9. Trade and other current assets

(in thousands of euros)	2008	2007
Trade receivables	67,906	59,658
Provision for impairment of receivables	(1,931)	(2,529)
Trade receivables	**65,975**	**57,129**
Other current assets	**16,232**	**14,657**

There is no concentration of credit risk with respect to trade receivables as the majority of Arseus' customers are internationally dispersed. There were no indications at the end of the reporting period that debtors of trade receivables and other receivables not yet due would not fulfil their payment obligations. The item other current assets mainly concerns taxes to be refunded over the reporting period and value added tax.

			Of which not past-due but payable in the following terms			
(in thousands of euros)	Carrying amount	Of which not post-due at	Less than 30 days	Between 31 and 90 days	Between 91 and 150 days	More than 150 days
Trade receivables at 31 December 2008	65,975	39,982	11,612	7,493	2,760	4,129
Trade receivables at 31 December 2007	57,129	34,741	10,235	6,835	1,961	3,357

10. Inventories

(in thousands of euros)	2008	2007
Raw materials	7,323	8,062
Auxiliary materials	104	102
Work in progress	1,467	1,266
Finished goods	7,728	4,181
Trade goods	46,185	42,910
Inventories	**62,808**	**56,521**

11. Equity

Authorized capital

By resolution adopted by 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 319,810,475.00 euros by means and on terms to be decided by the Board of Directors, such within a period of five years as from publication date of said resolution in the Annexes of the Belgian Bulleting of Acts, Orders and Decrees.

As at 31 December 2008, 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 authorized capital then the Board of Directors will be competent to request payment of a share premium. If the Board of Directors adopts this decision then this share premium will be deposited into a blocked account the balance of which can only be reduced or transferred in whole on the basis of a resolution adopted by a General Meeting of Shareholders in accordance with the clauses governing an amendment of the articles of association.

This power of the Board of Directors will apply to capital increases that are subscribed to in cash or in kind, or that result from capitalization 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 authorized capital.

Statement of changes in the capital and in the number of shares

No changes occurred in the second financial year of Arseus NV.

Warrant plan of the Offer

As proposed by the Board of Directors, the Extraordinary General Meeting of Shareholders of 7 September 2007 approved the 'Warrant plan of the Offer'. This plan concerned the creation of no more than 6,550,699 warrants, each entitling the holder to subscribe to one share, to be offered to existing shareholders of Omega Pharma NV who acquired Arseus NV shares. At the adoption of the realized capital increase on 9 October 2007, the exact number of warrants issued proved to be 3,650,575. 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 moment of the IPO). No warrants were therefore exercised.

Share-based payments

On 6 September 2007, the Board of Directors approved two warrant plans for the benefit of the employees, directors and consultants of the Company and/or 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 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 years after the 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) or 7.5% for (ii).

The condition for vesting warrants is for employees that they still have an employment contract with the Company and for directors and consultants that their relationship with the Company has not been terminated.

The cost of the warrants is determined at the warrant's fair value on grant date and is spread over the vesting period of the warrants. The cost is recognized at the item other employee benefit expenses at an amount of 174 (thousand) euros for financial year 2008.

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

2008		
	Average exercise price in euros	Warrants
As at 1 January	10.25	1,221,400
Granted	8.14	56,000
Granted	6.29	10,000
Forfeited	10.25	(26,100)
Exercised		0
As at 31 December	10.12	1,261,300

No warrants were exercised in 2008.

The related weighted average exercise price per share at year end was in 2008 10.12 euros.

As at 31 March 2009, the total number of outstanding warrants potentially resulting in the issue of as many shares of the Company was 1,261,300. Their average exercise price is 10.12 euros.

Outstanding warrants at year end have the following expiry dates and exercise prices:

2008		
Expiry date	Exercise price	Warrants
2009 - May	10.25	321,667
2009 - May	8.14	6,667
2009 - May	6.29	3,333
2010 - May	10.25	321,667
2010 - May	8.14	6,667
2010 - May	6.29	3,333
2011 - May	10.25	379,242
2011 - May	8.14	6,667
2011 - May	6.29	3,333
2012 - May	8.14	9,000
2012 - May	10.25	57,575
2012 - May	8.14	9,000
2013 - May	10.25	57,575
2013 - May	8.14	9,000
2014 - May	10.25	57,575
2014 - May	8.14	9,000
Total	10.12	1,261,300

Fair value

The fair value of the warrants granted under Warrant Plan 1 and Warrant Plan 2 was determined using the 'Black and Scholes' valuation model and was 34 (thousand) euros for the

warrants granted in 2008. The main inputs into the model were the share price at grant date, the abovementioned exercise price, the standard deviation of expected share price returns, the above specified option life, and the annual risk-free interest rate.

Dividend

A dividend of 1,833 (thousand) euros was paid in 2007, this is 0.06 euros per share. At the Annual General Meeting of 11 May 2009, a dividend for 2008 will be proposed of 0.30 euros per share, which comes to a total dividend of 9,059 (thousand) euros. This dividend due is not recognized in these financial statements.

12. Provisions

(in thousands of euros)	Taxes	Disputes	Warranty obligations	Other obligations	Total
Balance at 1 January 2007	**49**	**264**		**983**	**1,296**
Additions					
Through business combinations				12	12
Other		21		912	933
Amounts used		(154)		(595)	(750)
Currency exchange differences				(1)	(1)
Transfers					
Balance at 1 January 2008	**49**	**131**		**1,311**	**1,491**
Additions					
Through business combinations				537	537
Other		(17)	8		(9)
Amounts used	(1)	(10)	(3)	(1,197)	(1,212)
Currency exchange differences				4	4
Transfers			381	(381)	
Balance at 31 December 2008	**48**	**104**	**385**	**273**	**811**

13. Pension obligations

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

(in thousands of euros)	2008	2007
Present value of funded obligations	10,386	9,712
Fair value of plan assets	(7,755)	(7,737)
Present value of unfunded obligations	2,631	105
Unrecognized actuarial losses (gains)	413	401
Liability in the balance sheet	3,044	2,376

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 in-house financial instruments of Arseus.

The amounts recognized in the income statement are as follows:

(in thousands of euros)	2008	2007
Current service cost	645	332
Interest cost on obligation	513	437
Return on plan assets	(377)	(408)
Net actuarial gains (losses) recognized during the year	(59)	(78)
	722	**283**
of which included in the movement of provisions	(241)	(191)
of which included in the employee benefit expenses	963	474

Movements in net liability:

(in thousands of euros)	2008	2007
Net liability in the balance sheet at 1 January	**2,376**	**2,349**
Expenses	722	283
Pensions paid directly from pension reserve		
Contributions/benefits	(54)	(256)
Transfer		
Net liability in the balance sheet at 31 December	**3,044**	**2,376**

In the Netherlands, Arseus has two defined benefit plans. The principal actuarial assumptions applied were as follows:

- The weighted average discount rate was 5.50% for 2007 and 5.70% for 2008;
- The weighted expected return on plan assets was 4.97% for 2007 and 4.9% for 2008;
- The weighted expected general salary increase was 2.50% for 2007 and 2.50% for 2008.

14. Taxes, remuneration and social security

(in thousands of euros)	2008	2007
Current income tax liabilities	5,675	4,464
Other current tax and VAT payables	6,166	6,365
Remuneration and social security payables	8,905	7,224
Taxes, remuneration and social security	**20,747**	**18,053**

a) deferred tax assets

(in thousands of euros)	Difference in depreciation rates	Employee benefits	Provi-sions	Tax losses	Other	Total
Balance at 1 January 2007	**445**	**573**	**775**	**7,705**	**539**	**10,037**
Result	(496)		(205)	4,106	50	3,455
Change in the scope of consolidation			125			125
Balance at 31 December 2007	**(51)**	**573**	**695**	**11,811**	**589**	**13,617**
Result	72	46	(487)	3,498	(369)	2,760
Change in the scope of consolidation				220		220
Balance at 31 December 2008	**21**	**619**	**208**	**15,530**	**220**	**16,598**

b) deferred tax liabilities

(in thousands of euros)	Difference in de-preciation rights	Other	Total
Balance at 1 January 2007	**2,157**	**266**	**2,423**
Result	387	95	483
Exchange rate differences		(35)	(35)
Balance at 31 December 2007	**2,544**	**326**	**2,871**
Result	40	(133)	(92)
Change in the scope of consolidation	35	2,127	2,163
Balance at 31 December 2008	**2,620**	**2,321**	**4,941**

15. Financial debts and financial instruments

(in thousands of euros)	2008	2007
Non current		
Finance lease liabilities	1,852	2,950
Bank borrowings	119,024	2,482
	120,876	**5,432**
Current		
Finance lease liabilities	897	825
Bank borrowings	790	72,088
Other borrowings	332	3
	2,018	**72,917**
Total borrowings	**122,894**	**78,349**

(in thousands of euros)	2008		2007	
Non current borrowings by term	Finance leases	Bank borrowings	Finance leases	Bank borrowings
More than 1 year but less than 5 years	1,852	116,388	804	654
More than 5 years	0	2,636	2,145	1,828
Total non current borrowings	**1,852**	**119,024**	**2,950**	**2,482**

a. Bank borrowings

The book value of the bank borrowings is expressed in euros. The effective interest rate at balance sheet date on 31 December 2008 was 5.005%.

The principal source of financing of Arseus is a credit facility of 200 million euros with a 5-year duration, with an option for a 2-year extension. As at end 2008, an amount of 115 million euros had been withdrawn. This amount is presented as a long-term bank loan. This is a loan with a variable interest rate of 1 to 6 months. The interest risk relating to 70 million euros of this loan was covered with financial derivatives. The fair value of these financial derivatives was as at end 2008 3.961 million euros, 1.576 million euros of which were presented as long-term liability and 2.385 million euros as short-term liability. The full fair value in 2008 was charged to the profit. Arseus has no other financial derivatives.

As do the borrowing companies, Arseus NV and Arseus Capital NV, the following companies serve as guarantors for the bank loan concluded by Arseus:

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. Finance leases

Property, plant and equipment include the following amounts where Arseus is a lessee under a finance lease.

(in thousands of euros)	2008	2007
Cost - capitalized finance leases	6,346	6,610
Accumulated depreciation	(2,232)	(3,286)
Net amount of assets in leasing	**4,114**	**3,324**

The net amount of the finance leases concerns the following investments:

(in thousands of euros)	2008	2007
Buildings	2,758	1,924
Installations, machinery and equipment	1,279	1,270
Furniture and vehicles	77	130
Net amount of assets in leasing	**4,114**	**3,324**

Finance lease liabilities – minimum lease payments:

(in thousands of euros)	2008	2007
Within 1 year	1,971	1,398
More than 1 year but less than 5 years	2,978	2,618
More than 5 years		
Total	**4,948**	**4,016**
Future financing charges on finance leases	835	692
Present value of finance lease liabilities	**4,114**	**3,324**

c. Operating leases

Operating lease liabilities – minimum lease payments:

(in thousands of euros)	2008	2007
Within 1 year	4,581	3,447
More than 1 year but less than 5 years	13,424	5,874
More than 5 years	2,470	1,410
Total	**20,476**	**10,731**

Cash and cash equivalents, and trade receivables and other receivables generally have short times to maturity. Thus their carrying amounts approximates their fair value.

The item other non current assets relates 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 approximates their fair value.

The fair values of the bank borrowings and financial leasing liabilities are calculated based on the present value of the future payments associated with the debt.

16. Other current payables

(in thousands of euros)	2008	2007
Prepayments	820	1,269
Other payables	5,932	4,744
Accrued expenses	4,431	3,147
Other current payables	**11,182**	**9,159**

17. Turnover

(in thousands of euros)	2008	2007
Sale of goods	336,329	286,879
Rendering services	18,178	17,490
Turnover	**354,506**	**304,368**

18. Other operating income

(in thousands of euros)	2008	2007
Gain on disposal of fixed assets	174	1,849
Other operating revenues	3,988	2,031
Total other operating revenues	**4,162**	**3,881**

19. Employee benefit expenses

(in thousands of euros)	2008	2007
Wages and salaries	53,429	46,330
Social security costs	13,191	10,825
Pension costs - Defined benefit plans	963	474
Pension costs - Defined contribution plans	1,236	1,018
Other post-employment benefit contributions	1,415	551
Other employee benefit expenses	4,716	3,435
Total employee benefit expenses	**74,950**	**62,633**

Full-time equivalents rounded at one unit	2008	2007
Belgium	529	540
The Netherlands	362	330
France	210	88
Germany	203	198
Switzerland	119	108
Czech Republic	69	-
Italy	59	48
Spain	41	35
Denmark	9	-
United Kingdom	6	2
Total	**1,607**	**1,348**

As at 31 December 2008, the employment figure of Arseus (all consolidated companies) was 1,717 persons or 1,606.6 full-time equivalents. Out of this total, 537.4 FTE's are employed by Fagron, 669.1 FTE's by Arseus Dental, 161.2 FTE's by Arseus Medical, 206.8 FTE's by Corilus and 32.1 FTE's by Arseus Corporate.

20. Depreciations and amortizations

(in thousands of euros)	2008	2007
Depreciation and amortization	8,828	7,447
Write-down on inventories	523	1,654
Write-down on receivables	(82)	124
Depreciations and amortizations	**9,269**	**9,225**

21. Other operating expenses

(in thousands of euros)	2008	2007
Increase (decrease) in provisions for current liabilities	(708)	(182)
Increase (decrease) in provisions for pension liabilities	(241)	(191)
Other operating expenses	1,371	1,520
Non-recurring costs		2,396
Total other operating expenses	**422**	**3,543**

The item other operating expenses relates mainly to taxes and levies not being income taxes.

In 2008, non-recurring costs are not recognized at other operating expenses but are presented at their originating cost category. Total non-recurring costs covered by EBIT are 3.323 million euros and comprise mainly redundancy costs, and losses resulting from the selective phasing-out of consumables. Moreover, in the financial result the revaluation of the financial derivatives is a non-recurring result of -3.961 million euros. Total non-recurring costs after taxes are calculated by multiplying the grand total of non-recurring costs by the weighted average effective tax rate, thus resulting in 6.066 million euros.

22. Financial result

(in thousands of euros)	2008	2007
Financial income	506	1,603
Financial expenses	(5,426)	(876)
Interest expenses	(6,718)	(7,835)
Currency exchange differences	(408)	107
Financial result	**(12,046)**	**(7,001)**

The increase in financial expenses is caused mainly by the revaluation of financial derivatives (-3.961 million euros). This revaluation concerns the decrease in market value of the interest hedging instruments which under IAS 39 cannot be presented as hedging instrument, and is not a cash flow. To value the hedging instruments, the mixed instruments were split into their components and valued on the basis of valuation models, discounted cash flows, and Black & Scholes, as appropriate. The parameters used for these models are those valid as at year end.

The item interest-coverage concerns 70 million euros of the total financing.

23. Income taxes

(in thousands of euros)	2008	2007
Current tax	5,828	6,151
Deferred tax	(2,741)	(2,972)
Income taxes	**3,087**	**3,179**
Weighted average current tax rate	17.16%	16.35%
Profit before tax	17,987	19,439
Tax calculated at weighted average statutory tax rate	5,732	7,876
Income not subject to tax	(5,352)	(5,692)
Expenses not deductible for tax purposes	822	309
Tax on profit previous years	437	(77)
Other	1,448	764
Total tax charge	**3,087**	**3,179**

In the item “other “ an amount of 0.4 million euros concerns lost tax losses carried forward, as they resulted from mergers, and an amount of 0.6 million euros concerns taxes paid over dividend flows within Arseus.

24. Earnings per share

(in euros)	2008	2007
Basic earnings per share		
Profit attributable to equity holders of the Company	14,869,097	16,260,064
Weighted average number of ordinary shares	30,680,209	26,548,780
Basic earnings per share	0.48	0.61
Diluted earnings per share		
Profit attributable to equity holders of the Company	14,869,097	16,260,064
Weighted average number of ordinary shares	30,680,209	26,548,780
Effect of warrants	-	-
Weighted average number of ordinary shares (diluted)	30,680,209	26,548,780
Diluted earnings per share	0.48	0.61
Basic earnings per share before non-recurring items		
Profit attributable to equity holders of the Company	14,869,097	16,260,064
Non-recurring items, (after tax)*	6,065,529	2,003,936
Profit before non-recurring items attributable to equity holders of the Company	20,934,626	18,264,000
Weighted average number of ordinary shares	30,680,209	26,548,780
Basic earnings per share before non-recurring items	0.68	0.69
Profit attributable to equity holders of the Company	14,869,097	16,260,064
Non-recurring items, (after tax)*	6,065,529	2,003,936
Profit before non-recurring items attributable to equity holders of the Company	20,934,626	18,264,000
Weighted average number of ordinary shares	30,680,209	26,548,780
Effect of warrants	-	-
Weighted average number of ordinary shares (diluted)	30,680,209	26,548,780
Diluted earnings per share (in euros)	0.68	0.69

(*) See Note 21 for definition and calculation of the non-recurring items (after tax).

25. Contingencies

Arseus is involved in a number of claims, disputes and legal proceedings within the normal conduct of its business. Management believes that these claims, disputes and legal proceedings will not, in the aggregate, have a materially adverse impact on the financial condition of Arseus.

Nevertheless, due to their individual significance the contingencies below require disclosure.

On the date of these financial statements, Arseus was involved in the following material disputes, it being understood that the term 'material' shall be interpreted as referring to disputes with a financial risk exceeding 0.750 million euro:

- One of the subsidiaries of Arseus, Corilus Wallonie SA, is subject to several claims by the Belgian tax authorities in the amounts of 7.273 million euros, 7.809 million euros, 9.812 million euros, and 7.504 million euros, respectively, to be added to the tax base of Corilus Wallonie SA for the income years 2003, 2004, 2005, and 2006 (with an additional 10% tax penalty applied). Arseus deems it unlikely that a Belgian court will follow the reasoning of the Belgian tax authorities in this respect.

- One of the subsidiaries of Arseus, Fagron Iberica, has received a claim in the amount of 12.953 million euros from Abbott GmbH&Co.KG. The court of first instance No. 37 of Barcelona ruled in favour of Fagron Iberica on 11 March 2005, but Abbott GmbH&Co KG filed an appeal, which is still pending. In 2008, the court again ruled that Fagron Iberica is not required to pay any compensation, in response to which Abbott GmbH&Co.KG appealed again. The ruling in this appeal is expected by 2011. Depending on the outcome, the matter may not be settled until 2013. Arseus deems it likely that it will be indemnified for all negative consequences in this regard.

- One of the subsidiaries of Arseus, Alphadent, has been sued by two customers for supplying allegedly faulty dental materials. The customers claiming respectively (i) 0.369 million euros for defective materials (to be increased with legal interest) and 25 euros per day for moral damage as from 1 January 1999 up to the date of judgement, and (ii) 0.553 million euros for material damage (to be increased with legal interest) and 25 euros per day for moral damage as from 1 January 1999 up to the date of the judgement. If the claim on Alphadent is allowed, Arseus deems it likely that it will successfully claim damages from

the supplier of the allegedly defective dental materials (who is also a party in this dispute). The proceedings are currently pending before the Commercial Court in Antwerp. The Commercial Court in Antwerp has appointed two experts to assess whether the dental materials are defective. The experts filed their report on 8 March 2005. The case will be heard on 27 May 2009.

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 2007 and 2008 was as follows:

(in thousands of euros)	Fixed remuneration component (1)	Variable remuneration component	Other remuneration components (2)
Financial year 2008			
Ger van Jeveren, CEO	429	200	19
Executive Committee, including the CEO	1,012	200	35
Non-executive members of the Board of Directors	150		
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		

(1) Costs for Arseus, i.e. gross amount including employee/employee social security contributions, if applicable.

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

The Remuneration Committee formulates proposals every year concerning the remuneration policy and/or 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 warrant plans of Arseus, in the course of 2007 Mr van Jeveren acquired 500,000 warrants, the other members of the Executive Committee 300,000. The members of the Executive Committee, in office as of 31 December 2008, hold a combined total of 800,000 warrants.

The following table provides an overview of the transactions in 2008 and 2007 between Arseus and Omega Pharma NV:

(in thousands of euros)	**2008**	**2007**
Sale of goods to Omega Pharma companies	189	524
Sale of services to Omega Pharma companies	16	2,252
Sale of goods and services	**205**	**2,776**
Purchase of goods from Omega Pharma companies	145	440
Purchase of services from Omega Pharma companies	78	7,799
Purchase of goods and services	**223**	**8,239**

The cost-plus formula was used to determine the sale prices.

Prices for reciprocal services provided are based on actual costs incurred, allocated on the basis of a series of reasonable distribution keys.

27. Business combinations

Arseus completed a number of acquisitions in the financial year 2008. As the acquired activities were immediately – in their entirety or to a significant degree – integrated in existing entities of Arseus, their respective contributions to the profit of Arseus has not been reported separately. Moreover, the scale of these acquisitions was relatively limited in proportion to the size of the entire Group.

In the area of pharmaceutical products a controlling interest was acquired in Tamda during 2008 (recognized in the consolidated financial statements as from April 2008). The acquisition price was about 9 million euros excluding acquiring costs, representing an increase in goodwill of 3.831 million euros. This goodwill was fully allocated to the operational business segment Fagron. The fair value of the acquired assets and liabilities is detailed below. In 2007, Tamda realized turnover of approximately 6 million euros.

Fair value of the acquired assets and liabilities of Tamda (in thousands of euros)	
Intangible assets	7
Property, plant and equipment	5,109
Inventories	1,935
Trade receivables	835
Other receivables	395
Cash	4,233
Total assets	12,514
Deferred taxes	23
Trade payables	593
Other current debts	3,921
Minority stakes	2,073
Net acquired assets	5,906
Goodwill	3,831
Total acquisition amount	9,737

In the area of pharmaceutical products the activities of Unikem were acquired in 2008 as well (recognized in the consolidated financial statements as from August 2008). The acquisition price was approximately 3 million euros, representing an increase in goodwill of 1.806 million euros. This goodwill was fully allocated to the operational business segment Fagron. In 2007, Unikem realized turnover of approximately 3 million euros.

And in the area of dental products Julie-Owandy was acquired in 2008 (recognized in the consolidated financial statements as from March 2008). The acquisition price was about 18 million euros, excluding acquiring costs, representing an increase in goodwill of 18.671 million euros, 8.980 million euros of which was already in place prior to acquisition in the form of goodwill generated by the software acquired by Julie-Owandy. This goodwill was fully allocated to the operational business segment Dental. The fair value of the acquired assets and liabilities is detailed below. In 2007, Julie-Owandy realized turnover of approximately 20 million euros.

Fair value of the acquired assets and liabilities of Julie-Owandy (in thousands of euros)	
Intangible assets	7,105
Property, plant and equipment	315
Deferred taxes	66
Inventories	2,495
Trade receivables	3,702
Other receivables	2,140
Cash	1,599
Total assets	17,422
Non current provisions	30
Deferred taxes	2,243
Financial debts	4,097
Trade payables	3,391
Other current debts	7,217
Net acquired assets	444
Goodwill	18,671
Total acquisition amount	19,116

A few smaller companies and activities were also acquired in 2008 for a total acquisition price of 7.332 million euros. Total acquired net assets for purposes of allocating the total acquisition price relating to these smaller companies and activities was 0.443 million euro, allocated costs 0.101 million euros.

A provisional determination has been made of the fair value of the acquired assets and liabilities of a number of acquired activities.

The total represents an increase in goodwill of 31.640 million euro, 9.968 million euros of which is allocated to the operational segment Fagron and 21.676 million euros to Dental.

28. Information on the Statutory Auditor, his remuneration and related services

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

(in thousands of euros)	2008
Audit fee for the Group audit 2008	
Arseus Group	288
Audit fee for PricewaterhouseCoopers Bedrijfsrevisoren	161
Audit fee for parties related to PricewaterhouseCoopers Bedrijfsrevisoren	127
Additional services rendered by the Auditor to the Group	
Other engagements linked to the auditor's mandate	70
Additional services rendered by parties related to the Auditor to the Group	
Tax advisory services	52
Other services	244

The item other engagements, i.e. strictly financial auditing work, relates mainly to due-diligence work.

29. Significant events after balance sheet date

No significant events occurred after balance sheet date.

30. Additional notes

1. Off balance sheet rights and liabilities - collateral:

One of the entities of Arseus, Hader SA, has granted mortgage registration in the amount of 1.234 million euros as part of its financing.

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

ABC Ducro Dental BV
Arseus Medical BV
Arseus BV
Corilus BV
De Collegiale Bereiding BV
DSD BV
Fagron BV
Fagron Group BV
Fagron Services BV
Lamoral BV
Oudheusden Dental BV
Oudheusden Dental Lab BV
Spruyt hillen BV
Timm Health Care BV
XO CARE Nederland BV

31. List of the 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 (The Netherlands)	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 Kralingseweg 207-211, 3062 CE Rotterdam (The Netherlands)	100%
Arseus Capital NV Textielstraat 24, 8790 Waregem (Belgium) (BE 0471.941.919)	100%
Arseus Health Textielstraat 24, 8790 Waregem (Belgium) (BE 0435.200.792)	100%
Arseus Hospital NV Boomsesteenweg 524, 2610 Wilrijk (Belgium) (BE 0440.200.450)	100%
Arseus Laboratories SAS Rue de Normandie 25, Horbourg (France)	100%
Arseus Medical BV Gelderlandhaven 4, 3433 PG Nieuwegein (The 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 Boulevard Ornano 30/34, 93200 Saint-Denis (France)	100%
Bufa Deutschland GmbH Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)	100%

Certa NV 100%
Avenue du Commerce 23, 1420 Braine-L'Alleud (Belgium) (BE 0416.616.681)

Corilus BV 100%
Randhoeve 221, 3995 GA Houten (The Netherlands)

Corilus Vlaanderen NV 100%
Hogenakkerhoek 5, 9150 Kruibeke (Belgium) (BE 436.953.029)

Corilus Wallonie SA 100%
Parc Créalys, Rue Camille Hubert 23, 5032 Gembloux (Belgium) (BE 0428.555.896)

De Collegiale Bereiding BV 100%
Hinmanweg 13, 7575 BE Oldenzaal (The Netherlands)

Denteco 2000 SA 100%
ZAC du Pré Catelan, Rue Delesalle, 59110 La Madeleine (France)

Dorge Medic SA 100%
Chausse de Nivelles 351, 5020 Temploux (Belgium) (BE 0443.678.988)

DSD BV 100%
Markerkant 1303I, 1314 AL Almere (The Netherlands)

Euro Dental & Medical NV 100%
Textielstraat 24, 8790 Waregem (Belgium) (BE 0450.810.171)

Eurotec Dental GmbH 100%
Forumstrasse 12, 4468 Neuss (Germany)

Eurotec Dental SAS 100%
147 rue Manin, 75019 Paris (France)

Fagron A/S 100%
Skelbaekgade 1, DK – Copenhagen (Denmark)

Fagron BV 100%
Hoogeveenenweg 210, 2913 LV Nieuwerkerk aan den IJssel (The Netherlands)

Fagron GmbH & Co KG 100%
Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)

Fagron Group BV 100%
Kralingseweg 207-211, 3062 CE Rotterdam (The Netherlands)

Fagron Iberica SAU 100%
Carrer de Josep, Tapiolas 15, 8226 Terrassa (Spain)

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 (The Netherlands)	100%
Fagron Services BVBA (previously Belgo Chemica BVBA) Industrieweg 1, 2850 Boom (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%
Info Santé SA Rue Gabriel Peri 30, 92700 Colombes (France)	100%
JOS Developpement SAS Allée Kepler 4/6, 77420 Champs sur Marne (France)	100%
JPG Pharma NV Ondernemersstraat 4, 2500 Lier (Belgium)	100%
Lamoral BV Cartografenweg 18, 5141 MT Waalwijk (The Netherlands)	100%
Lamoral NV Textielstraat 24, 8790 Waregem (Belgium) (BE 0405.122.676)	100%
LT Concept Srl Boucle de la Bergerie 5, 57070 St Julien Les Metz (France)	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%
Nolte GmbH Schürfweg 29, 49477 Ibbenüren (Germany)	100%

Oudheusden Dental BV Leeuweriklaan 2, 3704 GR Zeist (The Netherlands)	100%
Oudheusden Dental Lab BV Edisonweg 11 a, 3404 LA IJsselstein (The Netherlands)	100%
Owandy Benelux Sprl Chaussée Bara 68, 1420 Braine L'Alleud (Belgium)	100%
Owandy GmbH Sternenstrasse 13, D-77694 Lehl-Sundheim (Germany)	100%
Owandy Iberia Sl Centro bbc Barajas c/jerez de los cabalieros 2, 28042 Madrid (Spain)	100%
Owandy Inc 192 Lexington Avenue, Suite 1101, 10016 NY New York (United Stated of America)	100%
Owandy Radiologie Italia Srl Via del Guado 57, 20033 MI Desio (Italy)	100%
Owandy SAS Allée Kepler 4/5, 77420 Champs sur Marne (France)	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 (The Netherlands)	100%
Tamda a.s. Holicka 1098/31M, 772 00 Olomouc (Czech Republic)	74%
Timm Health Care BV Lorenzlaan 4, 3401 MX IJsselstein (The Netherlands)	100%
Van Hopplynus Ophtalm SA Rue Colonel Bourg 105, 1030 Bruxelles (Belgium) (BE 0447.467.334)	100%
XO CARE The Netherlands BV Bijsterhuizen 20-18A, 6604 LJ WIJCHEN (The 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 financial statements of the company Arseus NV as of and for the year ended 31 December 2008

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 financial statements as well as the required additional disclosure.

Unqualified opinion on the consolidated financial statements

We have audited the consolidated financial statements of Arseus NV and its subsidiaries (the "Group") as of and for the year ended 31 December 2008, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2008, the consolidated income statement, the consolidated statement of change in shareholders' equity, and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet total was 417.733 million euros and the consolidated income statement shows a profit for the financial year, Group share, of 14.869 million euros.

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

Our responsibility is to express an opinion on these consolidated financial statements 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 the Instituut der Bedrijfsrevisoren. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated statements 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 financial statements. The selection of these procedures is a matter for our judgement, as is the assessment of the risk that the consolidated financial statements 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 and fair presentation of the consolidated financial statements, 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

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accounting policies used and the reasonableness of accounting estimates made by management as well as the presentation of the consolidated financial statements taken as a whole. Finally, we have obtained from the Board of Directors and Group officials the explanation 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 financial statements give a true and fair view of the Group's net worth and financial position as of 31 December 2008 and of its results and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) 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 consolidated financial statements.

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

The management report on the consolidated financial statements deals with the information required by the law and is consistent with the consolidated financial statements. 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 impact 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, 22 April 2009

The Statutory Auditor
PricewaterhouseCoopers Bedrijfsrevisoren bcvba
Represented by

Lieven Adams
Bedrijfsrevisor

Peter Opsomer
Bedrijfsrevisor

Statutory financial statements »

Condensed stand-alone income statement Arseus NV

(in thousands of euros)	2008	2007
Operating income	**1,354**	**135**
Turnover	0	0
Other operating income	1,354	135
Operating charges	**2,132**	**3,908**
Goods for resale, raw materials and consumables	0	0
Services and other goods	1,916	3,908
Remuneration, social security and pensions	66	0
Depreciations and amortizations	28	0
Other operating charges	122	0
Operating profit	**(778)**	**(3,772)**
Financial result	**14,167**	**9,490**
Profit from ordinary activities before taxes	**13,389**	**5,717**
Exceptional result	**0**	**0**
Profit for the financial year before taxes	**13,389**	**5,717**
Result taxes	**0**	**0**
Net profit for the financial year	**13,389**	**5,717**

Condensed stand-alone balance sheet Arseus NV

(in thousands of euros)	2008	2007
Fixed assets	**375,216**	**316,249**
Formation expenses	0	0
Intangible assets	113	0
Property, plant and equipment	0	0
Financial assets	375,103	316,249
Current assets	**84,538**	**81,793**
Debtors due after one year	69,569	69,569
Inventories and orders in execution	0	0
Debtors due within one year	7,886	12,217
Investments	7,026	0
Cash at bank and in hand	5	6
Deferred charges and accrued income	52	1
Total assets	**459,754**	**398,042**
Capital and reserves	**327,986**	**323,656**
Capital	319,810	319,810
Share premiums	0	0
Legal reserve	955	286
Not available reserve	6,250	0
Available reserve	971	0
Profit carried forward	0	3,560
Creditors	**131,768**	**74,386**
Creditors due after one year	115,000	0
Creditors due within one year	13,906	73,706
Accrued charges and deferred income	2,862	680
Total liabilities	**459,754**	**398,042**

Appropriation of profits Arseus NV

(in thousands of euros)	2008	2007
Profit to be appropriated	**16,949**	**5,717**
Profit for the year to be appropriated	13,389	5,717
Profit carried forward from the previous financial year	3,560	0
Transfers from capital and reserves	**899**	**0**
To the reserves	899	0
Transfer to capital and reserves	**8,789**	**286**
To statutory reserves	669	286
To other reserves	8,120	0
Result to be carried forward	**0**	**3,560**
Profit to be carried forward	0	3,560
Profit to be distributed as dividends	**9,059**	**1,872**
Dividend	9,059	1,872

Accounting policies

The accounting policies used for the stand-alone statutory financial statements of Arseus NV are in accordance with the KB of 31.01.2001 implementing the Belgian Companies Code.

Statutory financial statements of Arseus NV

As required by article 105, Belgian Companies Code, this annual report contains a condensed version of the statutory financial statements of Arseus NV. The annual report and the Statutory Auditor's report will be filed and will be available for inspection at the company's registered seat.

The Statutory Auditor expressed his unqualified opinion on the statutory financial statements of Arseus NV over financial year 2008.

Alphabetical terminology list

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

EBIT:	"Earnings Before Interests and Taxes", *Result of operating activities*
EBITDA:	"Earnings Before Interests, Taxes, Depreciations and Amortizations", *Result of operating activities* plus depreciations and amortizations, operating cash flow
EBT:	"Earnings Before Taxes", Profit before taxes, *Result of operating activities* after *net financing costs*
Financial result:	*Net financing costs, result of financing income and financing costs*
Gearing ratio:	Net financial debt as percentage of *total Equity*
Gross margin:	Net turnover less acquired *trade goods, raw materials and auxiliary materials* and adjusted for *change in inventories and WIP*, as a percentage of net turnover
Net capex:	Net capital expenditure, *Capital expenditure (investments)* and *produced assets* less *turnover 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* and less *cash and cash equivalents*
Net profit:	*Profit (loss) of the reporting period*, consolidated result

Net turnover:	*Revenue*
Non-recurring items:	One-off charges not related to ordinary operations
Operating cash flow:	EBITDA, "Earnings Before Interests, Taxes, Depreciations and Amortizations", *Result of operating activities* plus depreciations and amortizations
Operating result:	*Result of operating activities*, EBIT ("Earnings Before Interests and Taxes")
REBIT:	"Recurring Earnings Before Interests and Taxes", *Result of operating activities* adjusted for all non-recurring items
REBITDA:	"Recurring Earnings Before Interests, Taxes, Depreciations and Amortizations", *Result of operating activities* plus depreciations and amortizations and adjusted for all non-recurring items
Recurring net operating cash flow:	*Profit (loss) of the reporting period* plus depreciations and amortizations and adjusted for all non-recurring items
Recurring net profit:	*Profit (loss) of the reporting period*, adjusted for non-recurring items
Recurring operating cash flow:	*Profit (loss) from operating activities* plus depreciations and amortizations and adjusted for all non-recurring items
Working capital:	Inventories plus *Trade receivables* less *Trade payables*

Forward-Looking Statements Caution

This annual report may contain forward-looking statements. Forward-looking statements are statements that are not historical facts, such as but not limited to communications expressing or implying beliefs, expectations, intentions, forecasts, estimates or predictions (and the assumptions they are based on) on the part of Arseus. Forward-looking statements by definition involve risks and uncertainties. The actual future results or circumstances may therefore differ materially from those expressed or implied in forward-looking statements. Such a difference may be caused by a range of factors (such as but not limited to evolving statutory and regulatory frameworks within which Arseus operates, claims in the areas of product liability, currency risks, et cetera). Any forward-looking statements contained in this annual report are based on information available to the management of Arseus at date of publication. Arseus assumes no obligation to publish a formal notice each time changes in said information occur or changes or developments occur otherwise in relation to forward-looking statements contained in this annual report.

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