



The original Dutch version of this annual report is available.  
In matters of any misinterpretation, the Dutch annual report  
will prevail.

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# Chairman's message

**This annual report brings us to our fourth annual report since the company's initial public offering on 5 October 2007. It is gratifying to note that the picture outlined at the time of the IPO, and especially the ambitions formulated in relation to that, have largely been realised. This is certainly reason for satisfaction but at the same time we realise that there are still important challenges and new ambitions before us.**

We can state for instance that of the four divisions, two are now among the 'best in class' in terms of results. We see that time and again Fagron is able to introduce new and innovative products and concepts on the market for compounded products. This market, written off by many for years as uninteresting, has been repositioned by Fagron's activities in such a way that it has once again become interesting. It goes without saying that the creative marketing and sales activities also play an important role in this.

While until last year Fagron was exclusively active on the European market, in the past year two continents have been added to its geographic scope via acquisitions in the United States and Brazil. It is important to note that although these markets may display many specific local characteristics, there are also a great many common elements. This ensures that these acquisitions can be energetically integrated and synergy benefits can be identified and even already realised to some extent.

For Corilus as well we see further expansion of its leading market position in Belgium and the ambition to become active in other countries with its software. The initial experiences have been promising.

With regard to the other two divisions, Arseus Dental and Arseus Medical, we must note that the larger of the two, Dental, is clearly lagging behind the market average in terms of profitability. What is important in this regard is that measures have since been taken so that

we have good reason to expect recovery in the coming years. At Medical we underwent a similar process in recent years and were able to achieve returns in line with the market last year. It is clear that, assuming that the measures taken and yet to be taken will be successful, these two divisions can provide an important boost to the profitability of the Group.

If we look at this profitability, we see that all important indicators increased faster than turnover in the past year and that many even showed double digit growth. On balance, this results in an increase in the recurring net profit per share of 21% to 0.98 euros. In line with this increase, it was proposed that the dividend be increased 22% to 0.44 euros per share. This proposal can also be interpreted as a sign of confidence in the future.

The Board of Directors met a total of eight times last year, one of these times without the attendance of the executive members. The strategy of the company and the four underlying divisions, including the 'buy and build' opportunities and the organic growth, the internal and external reports and corresponding analyses were all important topics of discussion. The financial ratios as well as the expansion of the financing were also the focus of attention.

In the annual meeting in May 2010, the three non-executive members of the Board of Directors, Messrs Stols, Vandewalle and myself, were reappointed for a new four-year term. Mr Colla, who resigned, was succeeded by Mr De Wilde.

I would like to thank my colleagues on the Board of Directors and in particular the two executive directors for the open and constructive way in which the Board of Directors was able to function last year.

Last but certainly not least, I would like to express our gratitude to all the company's employees, without whose great efforts these results would not have been achieved.

Robert Peek  
Chairman of the Board

# CEO's message

**This annual report is focused on the patient. Arseus seeks to guarantee optimal care for the patient by offering the best equipment, the best products, and the best methods for pharmaceutical, medical and dental treatments. The discussions, interviews and descriptions in this annual report will give you an impression of the impact our products and concepts have on patients' well-being.**

2010 was an excellent year for Arseus! Profit increased faster than turnover in 2010 thanks to the ongoing professionalisation of the organisation and broadly supported cost awareness. Turnover increased by 8.4% to 424.1 million euros while the recurring net profit increased by 19.6% to 29.3 million euros. In terms of operations, a sound foundation was laid in 2010 for the future growth of Arseus and its four divisions. Arseus's success is mainly due to the increasing cooperation between the various divisions of Arseus, where the in-house expertise and economies of scale are increasingly being used to develop unique added-value products and concepts and introduce these to the market.

With the acquisitions of the already fully integrated Gallipot in the United States and DEG in Brazil, Fagron developed in 2010 from a European player into the worldwide market leader and consolidator in the rapidly growing market for pharmaceutical compounding. The organic growth of no less than 7.8% is a confirmation of the success of Fagron's strategy, which focuses on revitalising pharmaceutical compounding in order to provide for the growing need for tailor-made medication. In 2011 Fagron will further strengthen its market leadership with robust organic growth and a focused buy-and-build strategy. The emphasis here is on acquisitions in Europe and North and South America. The importance of pharmaceutical compounding in dermatology for doctors and patients is explained on page 22.

With its cost-saving programme of 4 million euros, Arseus Dental managed to keep turnover in 2010 at the same level as 2009 despite weaker sales of equipment to dentists. The recurring EBITDA margin decreased in 2010. This decrease was due to a decline in the

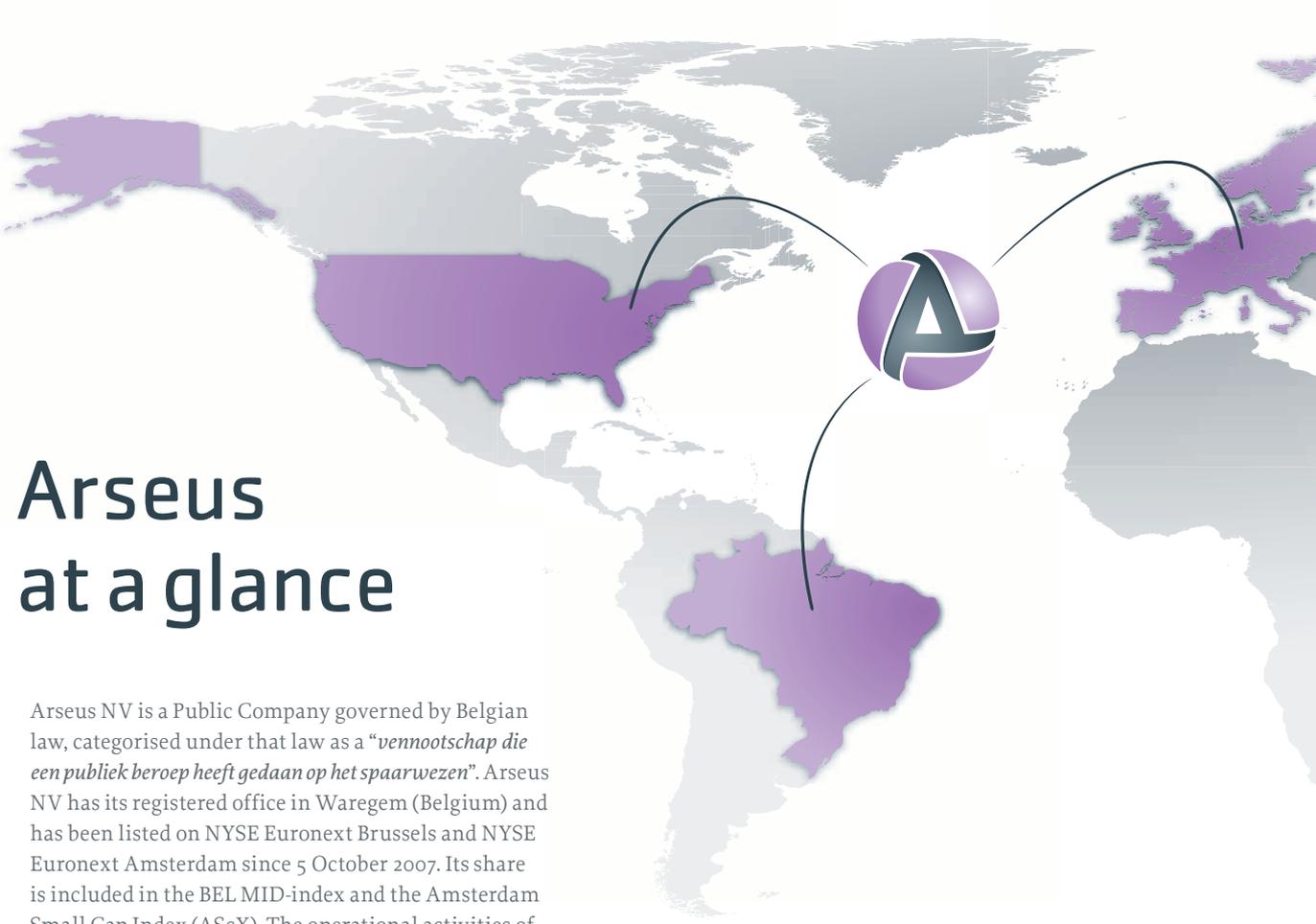
gross margin, lower than projected turnover from the sale of equipment to dentists and effects related to the restructuring. In 2011, the focus in the activities directed at dentists will be on offering integrated added-value total solutions that improve efficiency. In the technological activities, the emphasis is on the introduction of innovative technology that improves the quality, efficiency and effectiveness of both dental laboratories and dentists. Further improving the quality, service and customer-orientation at Arseus Dental plays an essential role in this. The testimonial on page 30 answers the question of what advantages the I-Max Touch 3D offers to patients.

The operational and financial developments at Arseus Medical have been outright impressive. In 2010 Arseus Medical successfully simplified its market approach, optimised the product range and improved the quality of its service provision. Activities with a low gross margin were phased out. The recurring EBITDA increased in 2010 by no less than 50.0%. In 2010 Arseus Medical built up a solid pipeline of innovative products and added-value solutions that constitute the basis for growth in 2011. The testimonial on page 40 gives an idea of how important it is for Automatic External Defibrillators to be available at public places.

Corilus managed to achieve organic growth of 7.9% in 2010 by further consolidating its market leadership in Belgium and the successful international roll-out of medical software. This confirms both the quality of the organisation and of Corilus's software. The testimonial on page 45 illustrates the added value of Greenock, software for pharmacies.

In 2010 the divisions of Arseus laid a solid foundation for future growth by continuous investments in innovation and product development. So I am very confident about the future!

Ger van Jeveren  
Chief Executive Officer



# Arseus at a glance

Arseus NV is a Public Company governed by Belgian law, categorised under that law as a “*vennootschap die een publiek beroep heeft gedaan op het spaarwezen*”. Arseus NV has its registered office in Waregem (Belgium) and has been listed on NYSE Euronext Brussels and NYSE Euronext Amsterdam since 5 October 2007. Its share is included in the BEL MID-index and the Amsterdam Small Cap Index (AScX). The operational activities of the Arseus group are driven by the Dutch company Arseus BV. The head office of Arseus BV is located in Rotterdam (the Netherlands).

Arseus supplies products, services and total solutions with substantial added value to professionals and institutions in the healthcare sector in Europe, the United States and Brazil. The activities are subdivided into four divisions. Fagron is the worldwide market leader in products and concepts for pharmaceutical compounding. Arseus Dental supplies dental products and concepts to dentists and dental laboratories in Belgium, the Netherlands, France, Germany and Switzerland. Arseus Medical supplies added-value medical and surgical products to specialists, elderly homes, homecare nurses and hospitals in Belgium and the Netherlands. Corilus supplies ICT total solutions for medical specialists in Belgium, the Netherlands and France. Arseus's clients can be categorised as 'healthcare

professionals', like pharmacists, dentists, surgeons, cardiologists, ophthalmologists, veterinarians and nurses.

The aim of Arseus is to realise sustainable growth by retaining its leading position in selected segments of the professional healthcare sector and expanding that position using an active buy-and-build strategy. Arseus strives to occupy the number 1 position on every market and in each market segment in which it is active.

With its 1,887 employees in 19 European countries, the United States and Brazil, Arseus achieved turnover of 424.1 million euros in 2010 (+8.4% compared to 2009) and a recurring EBITDA of 60.4 million euros (+14.7%). Net profit increased by 14.5% to 22.5 million euros in 2010.



### The markets of Arseus

- |                |             |                |               |
|----------------|-------------|----------------|---------------|
| Netherlands    | Germany     | Czech Republic | Slovenia      |
| Belgium        | Switzerland | Greece         | United States |
| Luxembourg     | Austria     | Denmark        | Brazil        |
| France         | Spain       | Norway         |               |
| United Kingdom | Portugal    | Sweden         |               |
| Ireland        | Italy       | Poland         |               |

### Market trends

The healthcare sector is a defensive sector that is relatively immune to cyclic movements. Everyone is ill sometimes and then needs care. The increasingly ageing population, the substantial rise in the number of chronically sick people, a growing awareness of medical treatments (both curative and preventative) and an increasing focus on aesthetics are only some of the trends that contribute to the ongoing rise in expenditure on healthcare. Conversely, pressure is increasing to ensure that healthcare remains affordable and accessible. This is only possible by organising the care differently. That is why more and more parties in the healthcare sector, including Arseus, are continually investing in innovative technological solutions to improve efficiency and effectiveness.

## Key figures

### Results

	2010	2009	2008	2007	2006
(x 1,000 euros)					
Net turnover	424,056	391,315	354,506	304,368	276,971
Recurring EBITDA <sup>1</sup>	60,412	52,668	47,589	41,404	35,881
EBITDA	48,689	42,525	39,303	35,665	26,805
EBIT	36,017	30,542	30,033	26,440	20,120
Net profit	22,479	19,639	14,900	16,260	12,123
Recurring net profit <sup>2</sup>	29,311	24,516	20,935	18,264	17,245
Gross margin	47.6%	47.5%	46.7%	47.0%	47.2%
Recurring EBITDA margin	14.2%	13.5%	13.4%	13.6%	13.0%
EBITDA margin	11.5%	10.9%	11.1%	11.7%	9.7%

### Balance sheet

	2010	2009	2008	2007	2006
(x 1,000 euros)					
Balance sheet total	573,592	472,160	417,733	347,467	285,458
Equity	208,122	196,352	185,530	178,225	100,812
Operational working capital <sup>3</sup>	71,517	63,336	64,159	56,707	49,296
Net operational capex <sup>4</sup>	19,159	16,322	19,157	14,349	5,137
Net financial debt <sup>5</sup>	166,089	113,923	104,391	50,560	103,174
Net financial debt/annualised REBITDA	2.49	2.19	2.25	1.33	
Average number of shares	29,995,199	30,214,757	30,680,209	26,548,780	25,000,000

### Cash flow statement

	2010	2009	2008	2007	2006
(x 1,000 euros)					
Total cash flow from operating activities	42,126	39,496	27,741	27,100	17,570
Total cash flow from investing activities	-72,645	-32,184	-58,538	-21,722	-13,776
Total cash flow from financing activities	47,116	8,447	21,477	19,899	-5,946
Total net cash flows for the period	16,596	15,758	-9,320	25,277	-2,152

<sup>1</sup> EBITDA before corporate costs and non-recurring result.

<sup>2</sup> Recurring net profit is defined as profit before non recurring items and the revaluation of financial derivatives, after taxes based at the group's effective tax rate.

<sup>3</sup> Operational working capital is the sum of stock, trade receivables less trade payables.

<sup>4</sup> Net operational capex is defined as intangible assets and property, plant and equipment that have been acquired or produced (excluding acquisitions), less assets sold.

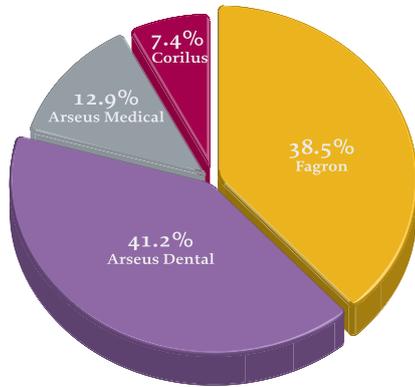
<sup>5</sup> Net financial debt is the sum of long term and short term financial borrowings, less cash (excluding financial instruments) and cash equivalents.

### Data per share

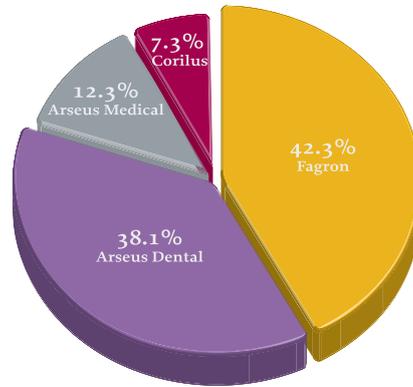
	2010	2009	2008	2007	2006
(ineuros)					
Net profit	0.75	0.65	0.48	0.61	0.48
Recurring net profit	0.98	0.81	0.68	0.69	0.69
Dividend	0.44	0.36	0.30	0.06	
Closing price (ultimo)	11.38	8.05	6.25	9.25	
Market capitalisation Arseus	355,000,477	251,120,724	194,969,506	288,554,869	

### Personnel

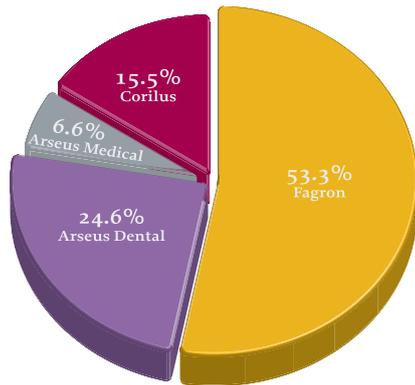
	2010	2009	2008	2007	2006
FTE as at 31 December	1,887	1,655	1,607	1,348	1,230



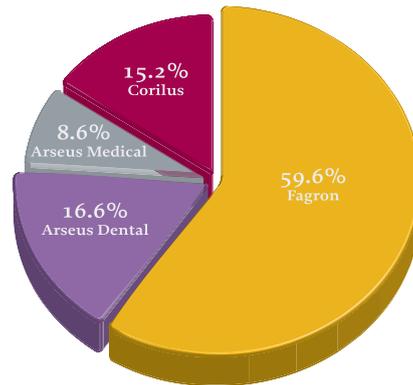
Turnover 2009



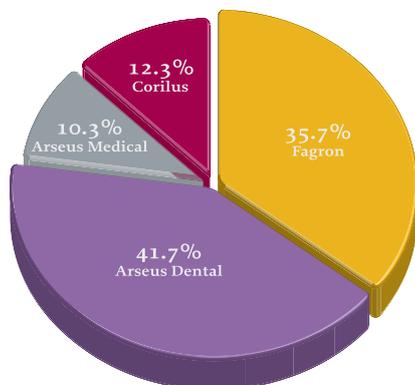
Turnover 2010



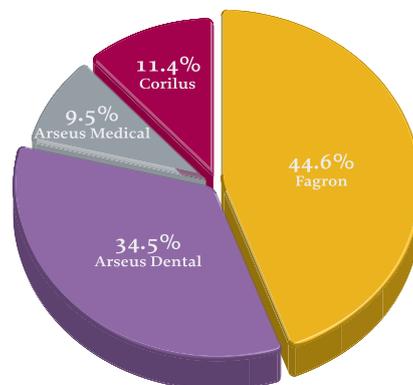
Rebitda 2009



Rebitda 2010



FTE 2009

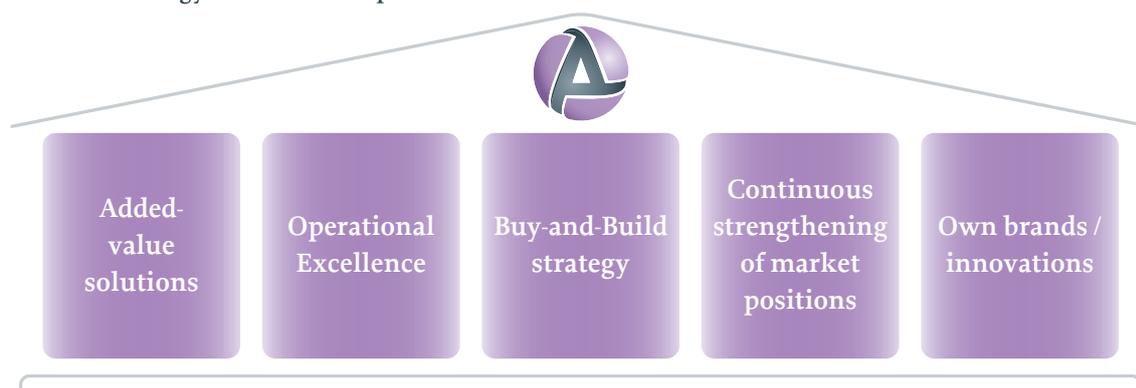


FTE 2010

# Strategy

The aim of Arseus is to realise sustainable growth by consolidating its leading position in select segments of the professional healthcare sector and expanding that position using an active buy-and-build strategy.

Arseus's strategy is based on five pillars.



## Total solutions with substantial added-value

Arseus strives to supply its customers with integrated innovative total solutions to allow them to concentrate fully on their most elementary task: supplying the best possible care to their patients. This high level of service increases customer satisfaction and retention and results in greater turnover per customer, while the added value of the solutions provided increases efficiency.

Care institutions want answers for ensuring that their care remains controllable and accessible. At the same time, they actually want to concentrate fully on their most elementary task: the well-being of their patients. This is only possible by organising the care differently. Using innovative total solutions and technology, it is possible to bring care to where it has the greatest impact on the life and health of people.

## Operational excellence

Operational excellence is a very important factor in creating sustainable value. To Arseus, operational excellence means continually optimising all its business processes. Innovation, standardisation and integration, process quality, customer-friendliness, information management, efficiency and continual focus on the clients all play an important part here.

By combining operations in multiple market segments and by sharing best practices, market data and customer information, reinforced by specific cross-selling opportunities, Arseus is able to provide its customers with excellent service while also stimulating growth and improving its profitability.

A cost-saving programme of 4 million euros was implemented at Arseus Dental in 2010. This involved a structural reduction of its workforce, a sharper focus on purchase and other efficiency-improving measures such as reducing the number of temporary staff, and raising cost awareness among its employees.

Arseus is of the opinion that operational excellence in all business processes will constitute the basis for reinforcing its competitive position and improving profitability.

## Buy-and-build strategy

Using an active buy-and-build strategy, aided by strong organic growth, Arseus aims to play a leading role in the consolidation in select segments of the professional healthcare sector. It is Arseus's ambition to utilise this strategy to develop into the market leader in the selected segments and markets.

In recent years, following extensive operational and financial due diligence, Arseus has managed to acquire companies. Financial discipline is a vital factor in this process. Arseus devotes a great deal of attention to identifying and carrying out such takeovers, but also to quickly integrating the companies after the acquisition to ensure that the acquired expertise can be retained and the potential synergy benefits can be quickly realised.

In 2010, as part of the buy-and-build strategy, a number of dental depots were acquired in France (Arseus Dental), Devroe Instruments was acquired in Belgium (Arseus Medical), Gallipot was acquired in the United States (Fagron) and DEG was acquired in Brazil (Fagron).

In 2011 Fagron wants to further strengthen its market leadership in the rapidly growing market for pharmaceutical compounding. The emphasis in Europe is on acquisitions in the existing markets and in Scandinavia and Central and Eastern Europe. Acquisition possibilities in North America and Latin America are also being looked into in order to further strengthen Fagron's market positions in these regions. Add-on acquisitions in existing markets are being considered for Arseus Dental, Arseus Medical and Corilus as soon as suitable opportunities arise.

## Continuous strengthening of market positions

It is Arseus's goal to consolidate its existing activities and expand them. Arseus strives to occupy the number 1 position on every market and in each segment in which it is active.

An active buy-and-build strategy will have to result in a further reinforcement of the existing market positions of Arseus Dental, Arseus Medical and Corilus and the further geographic expansion of Fagron. In 2011, Corilus will continue the strategy it adopted in 2010 to introduce the software applications successful in Belgium in other European countries.

## The positioning of own brands

Arseus constantly monitors developments in healthcare. This enables it to develop new products and concepts that meet the wishes and needs on the market. These products and concepts are increasingly being introduced on the market under its own brand.

Own brands offer many advantages compared to distributions. These brands help create brand value, result in higher profit margins, allow more freedom in determining product packaging, increase customer loyalty and reinforce Arseus's position. In 2010 Arseus achieved approximately 60% of its turnover from its own brands and concepts developed in house.

## Financing the growth

At the end of 2010 Arseus concluded an additional credit facility for 100 million euros with a term until 31 August 2012. This credit facility is a supplement to the existing credit facility of 200 million euros with a term to 31 August 2012, which dates from August 2007. The most important financial covenant of the combined facility is based on a net financial debt / recurring EBITDA ratio of maximum 3.25.

The syndicate of banks for both the existing and additional credit facility is comprised of ING (the coordinator and agent), KBC, BNP Paribas Fortis, Commerzbank and Dexia.

At year-end 2010, the net financial debt/annualised recurring EBITDA ratio was 2.49, fully in compliance with the covenant under the credit facility, which sets a maximum ratio of 3.25. Besides a solid balance sheet, Arseus also has sufficient financial strength to pursue its ambitious buy-and-build strategy, particularly within Fagron.

### Further growth in 2011

Based on current view and the existing portfolio of Arseus, for 2011 management is expecting turnover growth of between 8% and 12%, organic growth in turnover of between 3% and 6%, and a recurring EBITDA that is expected to grow faster than turnover for the fifth year in a row.







One-stop-shop  
for **pharmaceutical**  
compounding



# Key points

- Turnover increased 19.0% to 179.3 million euros (organic growth: 7.8%)
- REBITDA increased faster than turnover to 36.0 million euros
- Strong footprint in the United States thanks to acquisition of Gallipot
- Number 2 position in Brazil thanks to acquisition of DEG
- Pharma 2010 Award for Fagron Derma Concept

(x 1,000 euros)	2010	2009	Evolution
Turnover	179,339	150,741	+19.0%
REBITDA	36,012	28,089	+28.2%
REBITDA margin	20.1%	18.6%	
FTE	823.7	573.2	

In 2011, Fagron wants to further strengthen its market leadership in the rapidly growing market for pharmaceutical compounding through robust organic growth and a focused buy-and-build strategy. The emphasis in Europe is on acquisitions in existing markets, Scandinavia and Central and Eastern Europe. Fagron is also seeking acquisition possibilities in North America and Latin America to further strengthen its market positions in these regions.

## Position as market leader further reinforced

In just ten years, Fagron has grown from a local player to European market leader, and in 2010 it took on the role of global consolidator in the rapidly growing niche market for pharmaceutical compounding. With the acquisition in mid-May of the already fully integrated American Gallipot and the acquisition of the Brazilian DEG, Fagron became global market leader within one year and the only multinational 'one-stop-shop' for products, services and concepts for pharmaceutical compounding. Thanks to the outstanding track-record and the quality of the organisation and its employees, Fagron is able to integrate acquisitions quickly and smoothly, explicitly considering the existing synergies and scale benefits.

Fagron had an excellent year in every respect in 2010. Turnover increased by 19.0% to 179.3 million euros, while REBITDA was up 28.2% to 36.0 million euros. Organic turnover growth was 7.8%. These strong results confirm the success of Fagron's strategy, in which the revitalisation of pharmaceutical compounding plays a key role. As part of the strategy, Fagron continually introduces new products and concepts on the market to meet increasing global demand for tailor-made medication.

## So what is pharmaceutical compounding?

Pharmaceutical compounding are medicines prepared in the pharmacy to a doctor's prescription. Compounding is essential to be able to provide the patient with tailor-made medication in time. It regularly happens for example that commercial



Clean room at Fagron



## Continuous growth since 1990

Fagron was founded in Rotterdam (the Netherlands) in 1990 by Ger van Jeveren. Through a continuous focus on innovation, quality and solution oriented thinking, Van Jeveren brought Fagron to a leading market position in the Netherlands in the pharmaceutical compounding segment. After the sale of Fagron in 2000, Van Jeveren continued to direct the further development and international growth, with the result that Fagron is global market leader and is active in 19 European countries, the United States and Brazil. Market leadership provides major competitive advantages, such as central purchasing of raw materials and optimum deployment of production facilities.

compounding does not contain the correct dosage, or that the available administration method is unsuitable. Besides this, medicines are regularly removed from the market because manufacturers do not find small-scale production sufficiently profitable. In this type of situation, pharmaceutical compounding, being tailor-made, provides a solution for the patient. Not every pharmacy does its own compounding. Due to cost considerations and increasing legislation, some pharmacies bundle their compounding activities. In recent years, compounding pharmacies have been set up in Europe, occupied with compounding for the benefit of several pharmacies.

Fagron provides high-quality pharmaceutical raw materials, semi-manufactured products, ready-to-use medicinal pharmaceutical compounds, services, concepts and other products in line with the specific and individual wishes of pharmacies, such as those in hospitals, for the preparation and provision of pharmaceutical compounding.

More than 2,000 different raw materials are purchased in bulk for the Fagron Group and conditioned in around 6,500 different types of packaging. The raw materials are bought in from selected and qualified manufacturers which comply with the strict IQM (International Quality Management) quality standards. All raw materials purchased must pass an acceptance and quality check according to the most recent pharmacopoeias.

## Fagron: One-stop shop for pharmaceutical compounding

Fagron is the only multinational one-stop shop for products and services for pharmaceutical compounding that sells and distributes pharmaceutical raw materials and instruments for pharmaceutical compounding, develops and markets proprietary pharmaceutical compounding formularies, markets and distributes Fagron-branded pharmaceutical

"My lungs have been severely damaged by years of close contact with toxic sprays. I now suffer heavily from constant asthma attacks. They take over my entire life and make any sort of exertion impossible. A few months ago, I was also diagnosed with Herpes Zoster, a viral infection which results in severe pain and itching. Systemic administration of morphine or its derivatives would have an adverse effect on my asthma. The doctors providing treatment were eventually able to help me by prescribing a local transdermal gel base: Fagron Transdermix. The pharmacist was able to incorporate the necessary painkillers into it. The infection no longer troubles me and the treatment's not had an adverse impact on my asthma.

compounding and cosmetic products to (hospital) pharmacies, provides third-party compounding services to (hospital) pharmacies and provides specialty pharmaceutical raw materials to the pharmaceutical, nutraceutical, veterinary and cosmetic industries. Fagron's product range includes more than 2,000 high quality pharmaceutical raw materials, available in more than 6,500 supply configurations. Besides these pharmaceutical raw materials, Fagron also supplies semfinished products for use in pharmaceutical compounding, such as aqua purificata, basic solutions, powder mixtures and cream and ointment bases. Fagron offers its customers in the pharmaceutical compounding sector an entire spectrum of pharmaceutical packaging materials, including bottles, phials, push-out strips and packaging boxes. The range also includes instruments used by pharmacists for compounding, such as weighing scales and mortars, and packaging equipment such as capsulation machines.

In 2005, Fagron made use of its established position and expertise in the supply of pharmaceutical raw materials to expand its range of products and services, in order to be able to supply up to 500 kilogrammes of specialised pharmaceutical raw materials to companies in the pharmaceutical, nutraceutical, veterinary and cosmetic industries.



30 March 2010: Laying the foundation of the new Fagron building



Artist's impression of Fagron Nederland's new head office and distribution centre

### New accommodation for Fagron Netherlands

The construction of Fagron's new head office and distribution centre started on Wednesday 30 March 2010. The starting signal for driving the first pile was given by Stephanie and Amber van Jeveren, daughters of Fagron's CEO, Ger van Jeveren.

Scheduled for completion in October 2011, a modern and environmentally friendly head office and distribution centre with a floor area of around 6,000 m<sup>2</sup> and 75 parking spaces will arise along the A20 motorway, near Rotterdam. Fagron Nederland will start using the new premises from 1 January 2012.



### Strong entry into the United States with the acquisition of Gallipot

Arseus finalised the acquisition of the American Gallipot Inc. on 4 June 2010. Gallipot is a leading supplier of pharmaceutical raw materials for pharma-

ceutical compounding to pharmacies in the United States. Gallipot's production facilities and laboratories, which are approved by the Food and Drug Administration (FDA), and its central warehouse are located in St. Paul, Minnesota. Gallipot also has a facility in Scottsdale, Arizona, to provide optimal services for clients in the western US. Gallipot enjoyed strong growth in recent years and achieved a turnover in 2009 of around US \$ 12.5 million and an EBITDA margin in line with that of Fagron.

Gallipot's strengths lie in ongoing research and development as it manufactures a wide assortment of bases and vehicles to help the compounding pharmacist. Examples of these include transdermal bases for enhanced penetration, less greasy formulations that help patients comply better with their therapies and preservative-free bases to help patients with specific allergies.

The acquisition of Gallipot gives Fagron a strong entry into the US market and forms an ideal platform for rolling-out the Fagron strategy of revitalising pharmaceutical compounding and profiting from the increasing demand for tailor-made medication. A program to make the best possible use of the scale benefits and introduce Fagron's broader product range in the US through Gallipot, was launched immediately.

Despite the global economic crisis, the market for pharmaceutical compounding in the US has shown

strong growth in recent years, a trend that is expected to continue in the coming years. The strong growth is attributable to increasing demand for tailor-made medication and the continued development of new and effective compounded applications. The majority of prescription pharmaceutical compounds in the US are covered by medical insurance.

On 1 July 2010, Hans van der Kolk, General Manager of Fagron Services in Uitgeest, was appointed as General Manager of Fagron's US activities.



### Pharma 2010 Award for Fagron Derma Concept

The Fagron Derma Concept was officially launched in Belgium at the biennial Pharma Expo, in Brussels. The Fagron Derma Concept gives prescribers and



"Patients have special needs as regards the medication they need caused by age, medical condition, individual disposition and environmental factors. Medicinal products made available by the pharmaceutical industry cannot always cover these needs: therefore, compounded drugs are very important in the pharmaceutical care. Fagron focuses on these special, unique and vulnerable groups in society who have special needs in healthcare and cure. For instance children. 75% of the medicinal products made available by the pharmaceutical industry are not registered for babies and children. There is no children formula available. Fagron takes care to make tailor made medication for children available. Naturally our medication meets the requirements for quality and safety for medicinal products.

This little cutie's got cancer. He's in hospital but his wellbeing and recovery will improve if he can go home. That's only possible if his specific medicines are available for homecare. Fagron takes care for compounding the drinks he needs, like mercaptopurine and dexamethason drink. Without any doubt about the quality since these patients are vulnerable. We care that this medication is not a daily punishment. By taste correction, so his medication has a good taste."

pharmacists the opportunity to provide their patients with professional, personalised dermatological advice. Developed and introduced in the Netherlands in 2008, the concept's unique feature is that hypoallergenic formulas provide a solution for people of all ages, with any type of skin and for any type of skin disease. The Fagron Derma Concept received the Pharma 2010 Award at the Pharma Expo for its unique added value for patients and prescribers.



Some of the products in the Fagron Derma Concept

## Number 2 position in Brazil thanks to acquisition of DEG

On 20 December 2010, Fagron signed a definite agreement for the acquisition of the Brazilian DEG, a leading supplier of raw materials for pharmaceutical compounding to Brazilian pharmacies. Based in São Paulo, DEG is the undisputed number two in the Brazilian market, and had a turnover in 2010 of around 25 million euros. DEG's EBITDA margin is around 16%. Approximately 95% of the turnover comes from the sale of pharmaceutical raw materials to compounding pharmacies. Industrial sales

contribute approximately 5% of the turnover. DEG was founded in 1974 by the Messrs Esteves, Giarreta and Dornelas. DEG's GMP production facilities, approved by ANVISA (Agência Nacional de Vigilância Sanitária), and its central warehouse are located in São Paulo.

Despite the global economic crisis, the market for pharmaceutical compounding in Brazil has grown significantly over the past years; a development that is expected to continue in the coming years. Patients in Brazil have a great deal of choice, which means they tend to opt for tailor-made pharmaceutical compounds which virtually always have less side effects and are therefore a valuable alternative. Partly because of this, Brazil is by far the largest market in the world for pharmaceutical compounding.

In addition to 25,000 regular pharmacies, Brazil also has approximately 7,000 compounding pharmacies. These Farmácia de Manipulação are specialised in preparing tailor-made medications for patients. The compounding pharmacies offer a unique concept in which the direct contact between the pharmacist and the prescriber concerning the possibilities of and developments in tailor-made medication plays an important role. The compounding pharmacies in Brazil have a very high level of knowledge and quality.

On 1 January 2011, Rafael Padilla, General Manager of Fagron Ibérica, was appointed General Manager of Fagron's Brazilian activities. Fagron Ibérica's present Business Development Manager, Juan Manuel Martin, took over from Rafael as General Manager on the same date.

"The doctor diagnosed psoriasis on my scalp at an early stage. It was only later that the flaky patches spread to the rest of my body. This sometimes led to embarrassing situations at the hairdressing school, when washing each other's hair for example. The dermatologist prescribed medication in creams, ointments and lotions. They helped me keep the condition substantially under control. On my doctor's advice, I recently started using a supplementary treatment in addition to my usual medication. According to my dermatologist, Fagron Derma's Huizinga cream is a very good maintenance basis as a daily supplement. I've been using the FDC Huizinga cream for three weeks now and the result is striking! So I'm eagerly awaiting further progress."



DEG in São Paulo (Brazil)



## Testimonial

# Importance of pharmaceutical compounding in dermatology

**Dr. Manuel Sánchez Regaña**  
Chef de clinique, Dermatology department  
University hospital Sagrat Cor, Barcelona, Spain.

"M.A.F.R. is a 28-year-old woman who has been attending our Dermatology department for treatment for her psoriasis for the past two years. Her father and brother also suffer from the same condition. Until now, M.A.F.R. tended to have around three major outbreaks every year, mainly stress-related. She had been given various topical and UVB radiation treatments, as her psoriasis often improves in the sun.

During her last visit, the patient told us that she wanted to become pregnant. We also noticed that her face, scalp, torso and nails were in a serious condition. Besides the major psychosocial consequences of her appearance, she was also suffering a lot of itching and pain around the nails. In recent months, she had stopped going to the gym or swimming pool for fear of attracting attention or being turned away. She no longer wore dark clothing due to the scales which constantly fell from her scalp.

Due to this new situation (a worsening of the psoriasis and her wish to become pregnant), we suggested a new treatment strategy, consisting of different pharmaceutical compounds."



## M.A.F.R.

"I'd suffered from psoriasis on my face, neck and nails for some time. Over the past two years, I'd been going for treatment at the dermatology department of Sagrat Cor hospital. I usually had around three outbreaks a year, which were treated with UVB radiation and standard treatments. Recently, the outbreaks had become worse and I was too embarrassed to go to the gym. And I also wanted to become pregnant.

The doctor suggested a customised pharmaceutical compounding treatment. One compound for each part of my body. I agreed to this. The doctor explained each compound and that they all contained a different Fagron-branded base. A different base for each type of skin, zone, dosage and application. The result was

amazing; within a few weeks the inflammation had much improved.

For me, the personalisation of the treatment has been very important to enable me to live a normal life. And I'm sure that I can now become pregnant with an easy mind."

### Iberogast given the status of registered medicine

TIMM Health Care (part of Fagron) has created a portfolio with consumer products in phytotherapy, nutraceuticals and homeopathic medicines, up to the quality level of GMP or HACCP.

Steigerwald is one of the brands that is exclusively represented by TIMM on the Dutch market. The key product of Steigerwald is Iberogast, a multi target drug for gastrointestinal problems. It is a liquid formulation of 9 herbs and has demonstrated efficacy in over 14 clinical trials. More than 6 million bottles of Iberogast are sold worldwide each year. Iberogast has been used by patients for over 50 years. The Dutch Medical Examination Board (CBG-MEB) has granted Iberogast a registered medicine (RVG) status in 2010.



"More than 70% of stomach problems are motility related. Iberogast has a good effect in these situations. And therefore it can help people like Tamara (32 years). For over 10 years she suffered from 'tummy complaints' almost every day. Abdominal bloating, nausea, diarrhea, constipation. Problems that completely ruled her daily life. Time for action. Tamara went to see her general practitioner. She did relaxing techniques, spoke with a psychologist, and her blood and stools were tested. Nevertheless no other diagnose could be found than Irritable Bowel Syndrome. Learn to live with it; try to lower your stress level. This helped a bit, but the complaints were still there. Tamara searched the internet for solutions and found the name of a nature dietician, Marijke de Waal-Malefijt, who give her the advice to use Iberogast, to get stomach and bowel back on track. Since that day a new life started. Iberogast and a healthy diet worked out for the best."

## InsuJet™, a new, innovative, needle-free insulin delivery system

InsuJet™ has been obtainable in the Netherlands through Fagron subsidiary Spruyt hillen since 1 November 2010. InsuJet™ is a new, effective, reliable and innovative, needle-free insulin delivery system. With the introduction of InsuJet™, a major advance has been made in the ease of insulin delivery for people with diabetes. InsuJet™ is an attractive option for diabetes patients who have to switch from oral medication to insulin and for people with diabetes who want to stop injecting insulin with a needle.

The reliability of InsuJet™ and the rapid effect of insulin delivered with the InsuJet™ have been scientifically researched in a clamp study. The clamp study was conducted in the UMC St. Radboud Hospital in Nijmegen on 18 healthy volunteers. The results of this study were presented at the winter meeting of the Dutch Diabetes Research Foundation (NVDO) on 2 and 3 December 2010.

There are about 850,000 people with diabetes in the Netherlands. In addition, it is estimated that another 250,000 affected people have not yet been diagnosed. About 1 in 5 of the people with diabetes take insulin. The number of people with diabetes in the Netherlands is expected to increase by 80% during the coming years. An estimated 1.3 million people will have type 1 or type 2 diabetes by 2025. This strong increase is being caused especially by the ageing of the population and the growing number of overweight people, according to Statistics Netherlands (CBS).

## Testimonial

# InsuJet™

### How did you become aware of InsuJet™?

A family member told me about it and I read a brochure and later an article in a newspaper. I then searched the internet for information.

### Have you been injecting insulin for long?

### How often do you inject insulin per day?

I've been injecting it four times a day since May 2010, three times short-acting insulin and once long-acting; I used 5mm needles at first and since November 2010 I've been using 4mm needles.

### Why do you want to use InsuJet™?

I would have preferred not to use any insulin at all but I didn't have a choice. Injecting was unpleasant. I especially put off injecting long-acting insulin until the last possible moment. I often used to get blood coming back out and lumps used to form, etc. After the introduction of the InsuJet™, I assumed it might be an improvement for me. After all, nothing ventured, nothing gained.



**What have your experiences with InsuJet™ been?**

Reasonably positive. In any case, I don't put off taking insulin any more. Within seven days I could take insulin without any problem. As I keep a record of my levels, I have the impression that the long-acting insulin is taken up better. In any case, my levels are significantly lower (> 1) in the morning than when I used to inject the same number of units with a needle. I think an added benefit is the idea that you can choose to set the level between 10 and 11, which isn't possible using the pen. "Your own control room", even if it's only an idea.

**InsuJet™ provides an attractive option for people who would rather not inject using a needle.**

**Do you think that's true?**

It's a nice one-liner or sales pitch. However, the question is: What are the disadvantages of the old methods and what are the benefits of this innovation? Because if you are not familiar with the pros and cons in practice, how can you see the InsuJet™ as an option? My feelings could be a determining factor too, if I were to say "yes". After using it for two months, I think, in relation to your slogan, that there would be more benefits for users with the aforementioned problem, despite any disadvantages there might be.

**Would you recommend InsuJet™ to other people?**

Yes, although it would be difficult. People hardly ever talk about the problems you face, so you can't simply recommend another product. However, in my case, the InsuJet™ is an improvement.

**What do you think of the instructions? Are they clear? Could they be improved?**

There's still room for improvement. Personally, I think more attention should be paid to the visual aspect. More details at the time of starting the InsuJet™ would be a good idea. Remember that some points are forgotten after the instructions because of the delivery period. A DVD could be supplied with instructions starting with the InsuJet™ and covering the insulin and the other products that are required. Customers have to read various instructions at the moment, yet isn't testing blood levels and working with the InsuJet™ actually part of a single process? Alternatively, you could have a website where the customer could watch the entire process according to the latest techniques. The need for information will increase as more people start using the InsuJet™.







**ARSEUS DENTAL**

Driving superior care

The preeminent  
partner in **innovative**  
**solutions** to  
all professionals in the  
**dental** market

# Key points

- Turnover increased 0.1% to 161.5 million euros (organic growth: -0.7%)
- REBITDA decreased 1.8 percentage points to 6.2%
- Introduction of a new organisational structure
- Implementation of a 4 million euros cost-saving programme
- Focus on providing integrated total solutions with substantial added value

(x 1,000 euros)	2010	2009	Evolution
Turnover	161,457	161,254	+0.1%
REBITDA	10,025	12,949	-22.6%
REBITDA margin	6.2%	8.0%	
FTE	636.6	669.4	

## General

Arseus Dental is the preeminent partner to supply innovative, specialist and added-value products and services to dentists, laboratories and other dental professionals. Arseus Dental provides solutions which reduce complexity, improve efficiency and make it easier for dentists to focus more closely on their patients. Given technology's rapid evolution, innovation and the provision of total solutions form a key part of Arseus Dental's approach. To improve services to customers, make optimum use of available knowledge and increase efficiency, Arseus Dental introduced a clear division on 1 January 2010 between



Dental treatment unit of A-dec

the distribution organisation for equipping dental practices and the organisation for supplying solutions to dental technicians and dental laboratories.

Arseus Dental is active in five European countries and is market leader in selected segments in the Netherlands, Belgium and France. These leading market positions allow Arseus Dental to offer its customers integrated total solutions, such as the complete installation and design of dental laboratories and dental practices. Providing maintenance and repair services for dental equipment, including selling maintenance contracts and providing various repair services, helps us maintain a strong customer loyalty.

The subsidiary based in France, Julie Owandy, develops, manufactures and assembles a full range of extra-oral imaging equipment for dentists, such as panoramic 2D and 3D units, as well as intra-oral digital sensors and cameras and all the associated image visualisation software. In addition, with around 35% of dentists in France, Julie Owandy has a very substantial customer base using its Julie dental practice management software. In Switzerland, Arseus Dental has a production facility called Hader, which manufactures precision components and products for the dental and orthopaedic industry.

Despite the 4 million euros cost-saving programme and weaker market conditions for equipment sales to dentists, Arseus Dental was able to maintain turnover in 2010 at the level achieved in 2009. Arseus Dental's technological activities (Arseus Dental Lab, Hader and Julie Owandy) achieved good organic growth in 2010. Although the dental trade fairs in Brussels and Paris went well for Arseus Dental, turnover was lower than expected. In the fourth quarter, Arseus Dental

consolidated its leading position in the French market by integrating two local dental equipment dealers.

In 2010 the REBITDA margin was down 1.8 percentage points vis-à-vis 2009. The decline was mainly the result of a decrease of 2.2 percentage points in the gross margin as a result of weaker market conditions, lower than expected turnover in distribution activities and the effects associated with restructuring.

In 2011, under Mario Huyghe's management, the focus of distribution activities will be on providing integrated total solutions with added value to improve the efficiency of dental practices. The focus of Arseus Dental's technological activities will be on strengthening innovation so that new high-quality products and concepts can be launched on the market through existing and new channels. Further improvements in quality, service and customer orientation in Arseus Dental will play an essential role in this. All these initiatives should result in increased turnover and profitability for Arseus Dental in 2011.

### Meeting our customers' needs

Arseus Dental is the preeminent partner for dentists, dental technicians and universities with dentistry programmes and it focuses on creating the maximum value for its customers. Arseus Dental provides (total) solutions that reduce complexity and make it easier for its customers to increase their professionalism and efficiency. The dental market is growing, as a result of an increasing degree of consumer focus on teeth and dental hygiene. Another important development in Europe is the growing number of group practices and the increasing number of individual dentists who work with multiple treatment units simultaneously. With workflow analysis and adapted design services, Arseus Dental helps dentists improve the efficiency of their practices.



Dentex 2010

### The partner for dentistry universities

Customers buying dental equipment often remain loyal to the brands that they used during their education. Arseus Dental has distribution agreements with the most important brands (e.g. A-dec, Anthos, Stern Weber, Soredex), and reinforces its market position by supplying those brands to dentistry schools and universities in the Netherlands, Belgium, France and Germany. This also serves to assure Arseus Dental of future growth while at the same time creating a favourable image on the markets where it operates.

### Julie Owandy launches Owandy-RX, I-Max Touch 3D and Visteo Touch at ADF in Paris

In November, Julie Owandy launched the Owandy-RX, I-Max Touch 3D and Visteo Touch at the ADF (Association Dentaire Française) in Paris.

The Owandy-RX generates X-rays for making images of patients' teeth. An intra-oral sensor is used for imaging. Patient safety is assured by the HF technology used. The modern and compact design makes the Owandy-RX highly suitable for all kinds of dental practices.

The I-Max Touch 3D is innovative dental imaging equipment which combines three imaging modes (3-dimensional, panoramic and cefalometric) in an universal device. The I-Max Touch 3D is simple to



#### HONEYMOON WITH THE I-MAX TOUCH BY OWANDY

“The installation of equipment for panoramic X-ray photos and teleradiography in my surgery has brought about many changes, not just for me as the orthodontist, but also for my patients (or my patients’ parents).

The advantage for me is that I can view the images directly, at any moment I choose, and assess the development of the patient’s teeth or the direction of tooth eruption. The equipment is comfortable for the patients, who now no longer have to move, and it also saves time for the practice. I’ve also been able to modernise my surgery and my patients appreciate coming into a modern surgery with up-to-date equipment. The panoramic X-ray equipment is very user friendly and the patient can continue sitting in a comfortable position, which is much more practical for children. I’m delighted with the quality of the images too.”

Dr. Christel Mathelin, orthodontist

operate, thereby enabling specialists to make and assess complete 3D-images and panoramic images in no time. The cephalometric option can be used to make X-ray images of the skull, for example.

The I-Max Touch 3D provides specialists with a single 3D image measuring 9 by 8 cm of the patient’s entire set of teeth for performing various types of examinations. Examples include the simulation of implants (examination of right maxillary joint, left maxillary

joint and maxillary sinus). Contrast images can be made using the panoramic Cone Beam I-Max Touch 3D contrast images.

The Visteo Touch is a stand-alone digital system for making and managing intra-oral images. The Visteo Touch is compact, can be used without a computer, and enables specialists to diagnose patients immediately, in the chair, thereby saving time and improving efficiency.



Visteo Touch



Julie Santé

### Julie Santé, software for dental surgeons in French health centres

Julie Owandy expanded its range of software products in 2010 with the introduction of Julie Santé, an application especially for dental surgeons in French health centres. Julie Santé is fully compatible with the extensive range of Julie Owandy imaging equipment. Thanks to its compatibility with the Twain standard, Julie Santé can also integrate images from other dental imaging equipment available on the market. To enable automatic consolidation of administrative patient

records, Julie Santé also has an interface to the Corilus Infosanté management application eLISA. The first installation of Julie Santé was carried out successfully at the end of September in a Parisian health centre.

### CAD/CAM technology

An important development in the field of dentistry is the growing impact of CAD/CAM technology for manufacturing dental crowns and bridges. This type of technology uses laser measurements to map out forms onto a computer. The computer then aids in designing (CAD) and manufacturing (CAM) the remainder of the digital construction model. The CAD/CAM bridge or crown is then cut from a monochromatic ceramic block or other materials, such as CoCr, Titanium, etc. Dental technicians will increasingly work with digital technologies in the future.

### Novux, a new, total concept for all applications in the dental CAD/CAM world

Producing implant suprastructures has become a routine procedure for some dental laboratories. For others it continues to be a considerable task and a search for the right design, materials and equipment. However, in every case, it often continues to be considerable task



#### VISTEO, A NEW SENSOR FOR MORE CONVENIENCE

"My specialism is endodontics. I've been using the Visteo since the moment it came on the market. I find the Visteo extremely practical for retroalveolar radiology; since using this sensor, I've taken 320 X-ray photos! The Visteo is really good, the sensor is ergonomic and it's the same size as its predecessors. The rotation of the handle is particularly useful for horizontal retroalveolar X-ray photos. The easiest images to obtain are those of the lower jaw and premolars. Comfort in the mouth is optimal and the sensor can easily be placed in the mouth. Because the handle is easy for the patient to hold, I can leave the treatment room while taking the photos.

And no more cable problems! When I used the sensor for the first time, I had a real 'wow' feeling. Of course I've got used to it since then, but I would definitely recommend the sensor to my colleagues."

Dr. Pierre Gaiffe, dentist in Verrières le Buisson (France) and user of Visteo since 1 June 2010

to produce a well-fitting structure which meets the requirements of the dentist and patient.

In early 2010, Arseus Lab Europe introduced the unique total concept, Novux, in the Netherlands and Belgium. Novux is a total CAD/CAM solution which provides dental laboratories with the greatest possible flexibility. Novux and its specialised, certified partners, such as AmannGirrbach and Ceka Preci-Line (part of Arseus Dental) conform to the wishes and requirements of dental laboratories and always guarantee excellent results, for all dental laboratories, whether they do their own scanning and modelling or outsource all or part of the process to scanning centres. The Novux concept enables dental laboratories to produce implant suprastructures, crowns and bridges of an excellent quality, quickly and simply under all conditions.

### Selexion, a new own-label for dental laboratories

With the introduction of a strong business orientation for the activities carried out in dental laboratories, the name Arseus Lab Europe was launched on 1 January 2010 as an organisation which supplies technology, solutions and consumables to dental laboratories. Arseus Lab Europe introduced its own label, Selexion, in Belgium, the Netherlands and France in September 2010. Selexion includes a complete range of products used on a daily basis by dental laboratories. All the products of the Selexion product portfolio are selected on the grounds of ten basic criteria, including added value for dental laboratories, manufacturer individuality, quality, and so forth. These criteria form the basis for Arseus Dental's guaranteed Selexion quality assurance to dental laboratories in their use of Selexion products for their work.

### Testimonial

## Dr. Bachoud (dentist)

#### The official opening of a practice!

After a renovation lasting two months, Dr. Bachoud's practice is now ready. She wanted to invest in a surgery with perfect aseptic characteristics in order to work in an ideal environment and she wanted to share her story with you. What happened?

In 2000, after working with two GPs for 17 years, Dr. Patricia Bachoud obtained the old building of the architectural firm owned by her husband and his associate.

"I bought a new A-dec chair which is suitable for both right and left-handed dentists to replace the chair in one of my surgeries. The old chair was dismantled and the new chair installed during the autumn half-term holiday. At the same time, we put in a desk and created a rest room next to the surgery... involving pulling down walls and other structural work.

We changed everything, including a door opening direction, to prevent the spread of dirt into clean areas. I also wanted to minimise the movement of air for heating and air-conditioning. The choice of equipment was finalised with the definitive installation of the chair, in collaboration with Arseus Dental. After the structural work was completed, it was time for the various installers to do their work. The Arseus Dental team was particularly efficient, leaving the noisy jobs until after the practice was closed and even worked on a Saturday. So I was able to continue working during the renovation."





## Testimonial

# Dr. Jörg Thiele (dentist)

Dentist with his own practice in the centre of Hannover and qualified dental technician. Member of the medical team of the Bundesliga club Hannover 96 and ice hockey club Hannover Scorpions.

**What do you value most in your partnership with Multident Dental GmbH (Arseus Dental Germany)?**  
I enjoy having close personal contacts with my business relations and that's exactly what I experience in my daily work with Multident. Besides the personal aspect, the innovative and individual opportunities which Multident offers are very important.

**What support do you get from Multident in your day-to-day work?**

The advice and innovations always reflect my way of working and the needs of my practice. Thanks to the excellent and intensive information exchange, my colleagues and practice continue to develop. The Multident package ensures that I don't have to worry about anything; I get attractive offers on products and equipment, qualified technical support and an interesting and extensive training programme. I know that the Multident Themes Forum will also enhance our practice.





ARSEUS MEDICAL

Driving superior care

Creating innovative solutions  
to support **healthcare**  
professionals to  
deliver **superior** care



# Key points

- Turnover increased 3.3% to 52.2 million euros (organic growth -5.3%)
- REBITDA increased 50% to 5.2 million euros
- Focus on innovative total solutions with substantial added value
- Phasing out of activities with a low gross margin
- Strategic acquisition of the Belgian Devroe Instruments

(x 1,000 euros)	2010	2009	Evolution
Turnover	52,203	50,526	+3.3%
REBITDA	5,225	3,483	+50.0%
REBITDA margin	10.0%	6.9%	
FTE	175.7	166.0	

In 2010, Arseus Medical simplified its market approach, optimised its product range and improved the quality of its services, all with great success. In 2010, REBITDA increased by no less than 50.0% to 5.2 million euros. The REBITDA margin increased impressively by 3.1 percentage points to 10.0%.

Activities with a low gross margin (annual turnover around 7.5 million euros) have been terminated through a strategic repositioning of the product range. New value-adding products and concepts, such as the Arseus Medication Management Solution and the Surgery to Sterilization concept, were added to the product range. Arseus Medical's acquisition of Devroe Instruments in December 2010 considerably enhanced its product range in this Surgery to Sterilization concept and strengthened its position in surgery and sterilization in the Benelux countries.

The focus of the strategy for 2011 is on expanding Arseus Medical's strong market positions in the Benelux countries through organic growth and acquisitions. Arseus Medical will also increasingly collaborate with other divisions of Arseus to develop integrated total solutions for its customers.

## General

Arseus Medical provides solutions to doctors, hospitals, rest homes and home nursing staff. The 176 employees assist customers with expanding, improving and increasing the efficiency of their practices, whereby the focus is on innovative products, services and concepts with substantial added value. The emphasis here is on five domains: Personal Care, Mobility, Hygiene/Disinfection/Sterilization, Diagnosis/Monitoring/Therapy, and Organisation and Infrastructure. Arseus Medical is market leader in selected segments in Belgium and has a prominent position in the Netherlands. Approximately 75% of turnover is achieved in Belgium and around 25% in the Netherlands.



Arseus Medical at Healthcare 2010

## Healthcare 2010, *the trade fair for the Belgian healthcare sector*

Healthcare 2010 is the Belgian platform for decision makers in the healthcare sector. As a strong player in the various domains of the healthcare sector, Arseus Medical was well represented here too. Arseus Medical presented a strong profile with a clear foundation in the five domains (Personal Care, Mobility, Hygiene/Disinfection/Sterilization, Diagnosis/Monitoring/

Therapy, and Organisation and Infrastructure), by exhibiting specific solutions for care providers and healthcare institutions.

The slogan in the Mobility domain was 'We keep everyone mobile'. Besides the range of ergonomically well-designed, robust wheel chairs for both permanent and temporary use, Arseus Medical also demonstrated the latest active and passive hoisting lifts as well as the ceiling lift for residents and patients with limited mobility.

The attention grabber in the HDS domain (Hygiene/Disinfection/Sterilization) was the 'Surgery to Sterilization' concept, the total solution for surgery and sterilization. Demonstrations were used to visualise the entire flow of the concept, starting with the use of the range of surgical instruments, cleaning, packaging and sterilization, right through to final transport and storage ready for use.

Arseus Medical supplies a complete solution for Diagnosis/Monitoring/Therapy (DMT) under the slogan 'Your partner in acute care'. The DMT concept covers the entire process from monitoring during transport and artificial respiration in the ambulance to diagnostic equipment in the hospital's accident & emergency unit.

Arseus Medical supplies for Personal Care are a major attraction for care providers in the care sector and provide a specific range of nursing, cleaning and protection products composed of leading brands and products under the private labels Texa and Dermavital.

The emphasis for Organisation & Infrastructure is on giving specific shape to the Arseus Medication Management Solution (AMMS) and making it complete.

### **AMMS, *the* integrated total solution for medication management**

AMMS is the integrated total solution for optimising the supply and administration of medication to care home residents via the pharmacy. AMMS comprises various products and services which are supplied as a



Wiegand medication trolley

total solution to care homes or pharmacies by various divisions of Arseus, especially Corilus, ACA Pharma (part of Fagron) and Arseus Medical. With its software solution, Corilus provides care homes and the pharmacy with the platform for communicating care plans from the rest homes to inside the pharmacy, where the information is converted into individual medicinal preparations which are customised for the resident/patient. ACA Pharma provides the required infrastructure for the pharmacy, which includes everything from Venalink blister packs and Wiegand medication trays to storage infrastructure and transport solutions. Arseus Medical supplies Wiegand medication trolleys, trays and infrastructure especially designed for care centres and nursing centres to ensure that medication goes to the right resident at the correct time and that the medication's administration can be re-entered in the Corilus care schedules.

### **AMMS in practice**

Managed by pharmacists De Loore & Bruggeman, the pharmacy Pharma2Care, in Zuienkerke (Belgium), was appointed by GVO (group of institutions providing care for the elderly) to supply institutions in the GVO group with blistered medicines. This is because Pharma2Care has the required know-how and experience, as well as a robotic dispensing system in its warehouse.

The GVO group is composed of nine rest homes in West Flanders and was looking for an efficient system for medication management. The AMMS concept provided the right solution, which led to the use of a robot, for blistering, in combination with Wiegand medication trolleys. In the pharmacy, the medication for chronic conditions is blistered and packaged in Wiegand blister boxes and then transported to the various rest homes in the GVO group.

Pharma2Care decided to use the Wiegand SwissModul trays to optimise efficiency in dispensing medication to rest home residents. The trays are arranged so that medication for six residents is placed on a single tray. The medication in a blister box for chronic conditions is placed at the front of the tray, while the back of the tray is used for medication for acute conditions, ointments and eye drops. ACA Pharma played an important role in this by providing the customer with professional and expert advice.

The SwissModul trays are distributed in the rest home using various Wiegand medication trolleys. Arseus Medical's product specialist, Ann Vanhoutte, assisted GVO in its choice of medication trolleys and jointly worked out a solution with GVO to meet all the clearly stated criteria for uniformity, user-friendliness, optimum use of the compartment and space, durability and hygiene. They soon decided that Wiegand medication trolleys were the right choice. This is because Wiegand medication trolleys have telescopic frames, solid-core walls and a sanitized (antibacterial) work top. The medication trolleys are also extremely light and manoeuvrable. GVO fully equipped its various institutions in the group in accordance with the detailed solution.

### Arseus Medical makes knowledge transfer a fundamental principle with Arseus Academy™

The supply of products for acute care is becoming increasingly technological. Clinical technologies and care technologies are evolving rapidly. With this in mind, Arseus Medical is developing a range of training courses by healthcare professionals for healthcare professionals. The quality of the training courses is of primary importance. Training courses of



Inserting a probe during UEGW congress in Barcelona

this kind were first introduced as a service in 2010, in the run-up to the Arseus Academy™.

### Arseus Medical organises workshops on the correct use of HFOV

Ventilation is one of the new focus areas of the Diagnosis/Monitoring/Therapy (DMT) team. Arseus Medical aims to make its added value recognisable to both existing and new customers by offering high-end products and services. Training in a clinical environment is also of primary importance for this. Arseus Medical's DMT team organises workshops for this on HFOV (High Frequency Oscillating Ventilation). A good and accredited training programme with theoretical training backed up by practical workshops with clinical experts is being constructed with the cooperation of the company's partner, Carefusion, and the required expertise available in a number of hospitals. For example, successful open sessions were organised in Stuivenberg Hospital, in Antwerp (Flanders) and on location in Belgium's Wallonian provinces.

For the scientific knowledge component, the DMT team counts on the professional and scientific knowledge of Dr. Malbrain, Dr. Bertrand, Dr. Duval and Kay Krüger (Carefusion's Marketing Manager) who create the theoretical framework. For the practical part of the workshops, participants are given the opportunity to follow the theory hands-on in focused

subject groups on 'adults' and 'neonatology'. The workshops also cover new technologies, such as closed-loop control on the basis of oxygen concentration.

These training courses focus on doctors as well as nurses working in IC (Intensive Care) who specialise in adult, paediatric and neonatal care. The large attendance is evidence of the need for permanent development in this complex subject matter and supports the demand for further expansion of training courses of this kind in the Arseus Academy™, as a platform for the transfer of knowledge.

### Arseus Medical organises workshop on “effective placement of feeding tubes”

The operation to place a feeding tube in the small intestine is usually carried out by a stomach, liver and bowel specialist. The operation involves using an endoscope, which is an extremely unpleasant experience for patients. In recent years, Arseus Medical's product specialists have been working to gain scientific acceptance of the Cortrak system, which enables the placement of tubes without the use of an endoscope. Using the Cortrak system, the tube can be inserted by a specialised nurse in a relatively short time.

Arseus Medical organised a workshop on the Cortrak system in October, at the UEGW congress (United European Gastroenterology Federation), the European congress for stomach, liver and bowel specialists, held in Barcelona. The workshop was organised in cooperation with a number of endoscopy nurses of Amsterdam Medical Centre (AMC).

Following a presentation by Ann Duflo, a senior nurse at AMC and the system's first user in the Netherlands, more than 80 international participants were able to see with their own eyes how simple and patient-friendly the system is to operate. Two volunteers from Arseus Medical were available for the demonstration and a tube was placed in each of them by one of the system's experienced users from AMC.

The enthusiasm of the nurses from AMC and the volunteers who were willing to undergo the operation also made it an extremely successful workshop. It will

definitely help make this very patient-friendly tube placement system more widely known.



Fred Easyport from Schiller

### Save lives with the FRED Easyport, the world's smallest Automatic External Defibrillator

The Dutch government encourages the placement of Automatic External Defibrillators in public places. A legislative bill on this is also currently being considered for approval in Belgium. The mortality rate in Belgium as a result of sudden cardiac arrest is 10,000 cases a year, or 30 a day. More than 50% of victims had no history whatsoever as cardiac patients. The response time is crucial in cardiac arrest cases. The chance of survival increases ten fold if the victim is given the first defibrillation shock within 5 minutes. Arseus Medical recently launched 3 specific solutions using the unique FRED (First Responder External Defibrillator), which had been customised for various target groups.

**FRED in your pocket** is the ideal solution for doctors and emergency assistance providers (such as police services), as they are usually the first on the scene of a heart failure. The ultra-small and extremely light (just 490 grams) FRED Easyport was developed for this and fits in a jacket pocket or doctor's bag. It also has all the functions of the larger versions.

**FRED in your company** focuses on companies with various sites or with a large floor area. Within the scope of expanding internal policy on protection and prevention at work, the FRED Easy is a must for every company of this kind. It's also easy to manage the AEDs in a highly cost-effective way with the FRED online system.

**FRED on your corner** finally provides a solution at various locations, such as sports arenas, train stations and public squares. After all, sudden cardiac arrest can occur anywhere. Placing a user-friendly FRED at a well indicated location can make the difference between life and death when someone has a cardiac arrest.

### Accelerated growth strategy in surgery with the acquisition of Devroe Instruments

On 23 December 2010, Arseus finalised the acquisition of Devroe Instruments, in Belgium, a leading player on the Belgian market for surgical instruments, endoscopy services and solutions for sterilization handling. In 2010 Devroe realised a turnover of approximately 3 million euros and achieved a double-digit EBITDA margin.

The acquisition of Devroe is fully in line with Arseus Medical's established growth strategy for surgery and sterilization. Since the beginning of this year Arseus Medical has been further developing its renewed S2S



Exhibition stand Arseus Medical

(Surgery to Sterilization) concept. This solution for the surgery and sterilization department of hospitals is aimed at improving the efficiency, traceability and quality of instrument and implant management. The S2S product offer of Arseus Medical consists of surgical instruments, fixation solutions with instrument identification as well as sterilization infrastructure and services.

With the acquisition of Devroe, Arseus Medical is strengthening its position and product offer in surgery and sterilization in the Benelux countries.

#### Erwin Beerens | CEO BEERENS

"I'm lucky to be alive to tell this story... During last year's summer holiday, I suddenly felt unwell and lost consciousness, despite having had a full check-up by a cardiologist before we left for France. The result of this check-up showed that I had no heart problems, so my wife and children had no idea what was happening or where to find the cause. Meanwhile the minutes ticked by. Fortunately at that moment a doctor from the local village came along and immediately diagnosed the problem: heart failure! The doctor quickly started classic reanimation through heart massage and mouth-to-mouth resuscitation. Another passer-by had the bright idea to take the AED from the wall of the local pharmacy. He placed the electrodes on my chest and after a few shocks, the defibrillator appeared to have done its job. It had saved my life! So you don't need to convince me about the importance of AEDs and I can't emphasise enough how important it is to install as many AEDs as possible in our society. So that a life can be saved at that one critical moment!"

With its exclusive distributions of quality instruments (Medicon, Nopa, Geister, Ackermann, Hipp) and Devroe's own OMF system (a customized total solution for the stomatologist and the maxillofacial surgeon), as well as the introduction of new positioning concepts and customer-specific services for inventory-taking, manufacturing and traceability of surgical instruments, Devroe is strategically complementary to Arseus Medical.

The name was changed on 1 January 2011 to Arseus Devroe. Arseus Devroe will focus on the Surgery to Sterilization concept, such as the provision of surgical instruments, fixation solutions with instrument identification, as well as sterilization equipment and complementary services.

## Testimonial

### **From now on, Dr. Peter Evens will use the Ziemer Femto-LDV laser to insert Intacs Intra-Corneal Rings**

For several months now, Wemmel-based ophthalmologist Dr. Peter Evens has been inserting Intacs Intra-Corneal Rings in patients with keratoconus. The patients have a defective cornea, leading to a bulge which distorts the natural curve and can severely interfere with normal vision. Until recently, the condition was difficult to treat and, ultimately, the only solution in many cases was a cornea transplant, with all the expense and inconvenience this involved for the patient.

Dr. Evens now uses an entirely different treatment method for the condition. Using the Ziemer Femto-LDV laser, he makes two channels at a predetermined depth in the cornea. The cornea is only a good 0.5 mm thick, so the laser's high precision is extremely useful. The surgeon then inserts two minuscule Intacs segments in Plexiglas into the channels and the rings return the cornea to its natural shape and provide the required rigidity, which means in many cases that a cornea transplant can be deferred or avoided. The operation is carried out under local anaesthesia as an outpatient procedure.



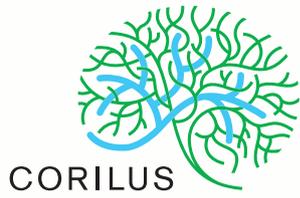
Arseus Devroe offices in Vichte

The Femto laser and intra-corneal rings are supplied and supported by Van Hopplynus Ophtalm, the Arseus Medical department which works specifically with ophthalmologists and opticians.

Dr. Evens: "Our initial results using this new, combined technique are extremely encouraging. The first patient we treated here had very limited vision before the operation, hardly two or three out of ten with his best eye. After the operation with the Femto laser and Intacs, and without any additional correction, he now comfortably sees seven out of ten – which is an extremely good result given his condition prior to that. We're therefore very satisfied with the technique and look forward to using it on more patients. Besides providing us with useful technology, Van Hopplynus Ophtalm also provides good clinical support and service for every operation."

Inspired by this success, from now on other colleagues of Dr. Evens who likewise use the Femto laser installed at the LRC centre in St. Martens Latem, will be applying the combined technique on their keratoconus patients.





Focus on total  
**ICT-solutions** for  
medical professionals



# Key points

- Turnover increased 7.9% to 31.1 million euros
- As in 2008 and 2009, REBITDA increased faster than turnover to 9.2 million euros
- Market leadership in Belgium further strengthened
- Successful introduction of software packages in France, Spain and the Netherlands

(x 1,000 euros)	2010	2009	Evolution
Turnover	31,057	28,795	+7.9%
REBITDA	9,150	8,148	+12.3%
REBITDA margin	29.5%	28.3%	
FTE	210.6	197.1	

growth in its position in health centres and among ophthalmologists in France. Corilus has an additional 8,000 dentists as customers in other European countries. These are users of the Mediadent digital image processing software.

Corilus had an excellent year in 2010. Annual turnover was up by 7.9% to 31.1 million euros thanks to new customers, an increase in the number of maintenance contracts and the further rolling out of the company's own software packages in France and Spain. Profitability therefore increased faster than turnover, which was also the case in 2008 and 2009. REBITDA increased by 12.3% to 9.2 million euros.

The focus of the strategy for 2011 is on further consolidating Corilus's leading market positions in Belgium through organic growth and acquisitions, and on introducing the innovative ICT total solutions for medical specialists in other European countries. In cooperation with Arseus Dental and Arseus Medical, Corilus will endeavour to accelerate the operationalisation of synergies.

## General

Corilus provides total ICT solutions for a wide range of medical and paramedical professions, such as pharmacists, dentists, family doctors, ophthalmologists, specialists, nurses, care homes and nursing homes, physical therapists, opticians and veterinarians. 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. With its installed base of 15,000 customers, Corilus is the undisputed market leader in Belgium, the market leader in the veterinary segment in the Netherlands and is showing strong



"When my optician explained the various types of eyeglasses to me, he used an Activisu mirror to explain the differences in detail by showing me images. He then measured the pupil distance and the correct centring of the eyeglasses. It's a considerable improvement on how measurements used to be made. My optician really keeps up with the latest developments."

## Scale of operations and focus on added value

The ICT-total solutions provided by Corilus are mostly developed in-house. For that reason, Corilus also owns the intellectual property rights to the software. Providing services to around 23,000 customers, Corilus operates with a workforce of 211 from five locations in Belgium, the Netherlands and France.

To be able to fulfil the wishes and expectations of the different target groups, Corilus employs its own team of pharmacists, dentists, doctors and other medical professionals that diligently follow all the latest



"Since my pharmacist started using his new Greenock software, my boxes of medication have been clearly labelled and I get a nicely produced computer printout with instructions on how to take the medicines and what effect they have. I also get a convenient patient medication schedule with details of the medication I have to take."

legislative developments and market trends. This way Corilus ensures that its applications are aligned with market needs and anticipate market trends.

Information technology is becoming increasingly important in the medical world. The eHealth platform would like to promote secure electronic information exchange and support between all actors in the health-care sector (doctors, hospitals, pharmacists, patients, ...), while respecting the protection of personal privacy and the medical obligation of professional confidentiality. The aims include the optimisation of the quality of healthcare provision and a reduction in administrative formalities for all the actors concerned.

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 offers a lot of opportunities. For that reason, Corilus is

increasingly crossing the boundaries of various disciplines to enable optimal communication between professionals in different fields.

## Developments in 2010

In 2010 Corilus started to provide training courses through the internet to enable customers to follow education at the most convenient time for them. The training courses are provided at the times most suitable for pharmacists, doctors, ophthalmologists or veterinarians (during lunch breaks or in the evening). Corilus uses **Web Conferencing** (also known as **Webinar**) technology to provide training courses on the internet, which enables customers to use their own computer to log into a training session given by a Corilus specialist. The customer listens to the specialist by telephone and follows the screens discussed by the specialist. These are interactive sessions with direct communication between the instructor and students.

Corilus has also developed **e-learning modules** for **Greenock**, in the form of a customised training course on the internet. Pharmacists can follow the training course at the time and location most convenient for them, on a 24/7 basis. Greenock e-learning's composition is extremely simple and intuitive: based on a video or simulation, the pharmacist receives an explanation of a certain action and is then supervised while attempting to carry out the action. Greenock e-learning goes further than this; the customer can also practice interactively and, in the event of an incorrect manipulation, the correct action or buttons are indicated. To conclude, customers can check



Dentex 2010 in Brussels

on the basis of a “final test” whether they and their employees are ready to start with Greenock. Corilus will be investing more in this under the slogan “it’s more than just bits and bytes” with the aim of also becoming a knowledge provider for practice management.

In 2010, more than 150 veterinary surgery practices registered for the Dutch **VetCIS**. Commissioned by the foundation VETbase (under the umbrella of KNMvD [Royal Netherlands Veterinary Association], FIDIN [Dutch Organisation for Producers and Importers of Veterinary Medicine] and the cooperative of veterinary surgery practices in the Netherlands [AUV]), Corilus developed VetCIS in 2009. VetCIS collects data concerning the prescription and delivery of veterinary medicinal products that can be used to calculate key indicators. This can be used by the individual veterinarians to benchmark his/her prescription behaviour. This was stipulated as a condition for veterinarians to be able to maintain their own pharmacy function. Sufficient data were available at the end of 2010 to determine the scale of consumption of veterinary medicinal products in the pig breeding and calf breeding sectors.

In 2009, Corilus modified **Softalmo**, the software package for ophthalmologists, in accordance with wishes expressed in France and introduced the software there, within the scope of the strategic objective of marketing software in Europe that has proved successful in Belgium. In 2010, Softalmo was installed in 6 French hospitals (Epernay, CHU Amiens, Fondation Rothschild, CHU Dijon, CHU Nantes, Centre de Santé de Franconville). Corilus ophthalmological software is now used by a total of 120 ophthalmologists in France, 450 in Belgium and Luxembourg and 35 in the Netherlands.

Corilus launched a new version of the Baltes dentistry package on the Belgian market in January. **Baltes Imaging Edition** includes integrated software for digital image processing. This means that the image processing system is digitally linked; the quality of X-rays has been considerably improved and when images are made they are automatically linked to patient records. Baltes Imaging Edition also has the major advantage that it is completely compatible with digital image processing equipment of various suppliers. Grouping all the services (software, hardware, maintenance and training) was very well received by the market and demonstrates that there is a need for total concepts of this kind.

Besides the Baltes Standard Edition (for normal dental practices) and Baltes Imaging Edition (for managing digital imaging), Corilus launched **Baltes Hospital Edition** in April. Baltes Hospital Edition has all the functions of Baltes but also provides advanced interfaces to other hospital information systems through HL7 protocols. This means that Baltes can be integrated with the information on patients and rates used in the hospital. The Baltes Hospital Edition supports Oracle as well as Microsoft SQL database management systems.

In March, **Dermadoc**, software for dermatologists was launched in Belgium. This innovative and leading application is fully adapted to the wishes and requirements of the dermatologist, for his/her private practice, as well as in the hospital. It is easy for the dermatologist to configure Dermadoc to his/her own personal work methods and the package evolves in line with the requirements of the dermatology practice. Due to meticulous registration, Dermadoc operates as a decision support system, making patient



**BALTES**  
Software for dentists

“I’ve never forgotten an appointment since my dentist started working with the new Baltes software. He sends me a text message beforehand to remind me. I think it’s a fantastic extra service for patients. He recently showed me my dental chart on the computer screen, with all the X-rays he’s ever taken. It gives me a good feeling. A fast service is guaranteed.”

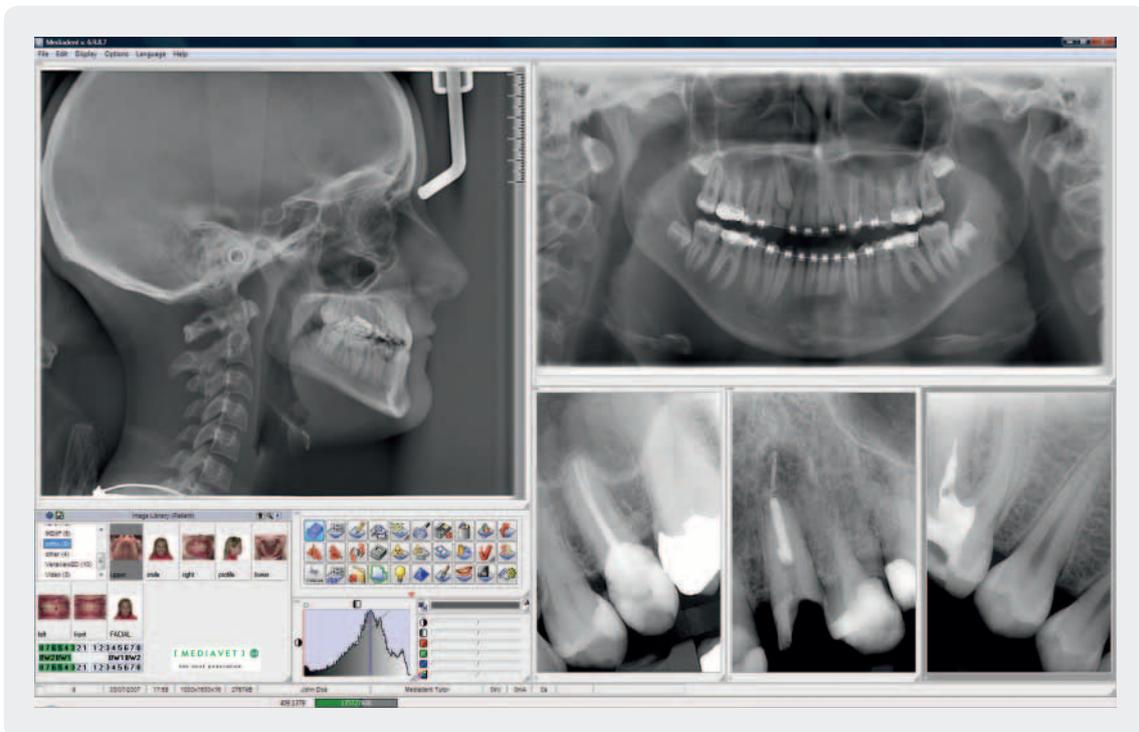
follow-up by the dermatologist easier. The Fagron Derma Concept was integrated in the solution in this process. This was very well received by users.

Starting in June, Corilus will be participating in the pilot stage of **MyCareNet for elderly homes** in Belgium. The aim of MyCareNet is to make a start on information technology procedures intended to simplify present working methods by speeding up access to useful and constantly updated information. From 2011, rest homes will be able to forward their invoices to insurance institutions via the MyCareNet link. **Infipus software** for nursing staff is also recognised for MyCareNet.

In the summer, as has become the tradition, Corilus invited all **final-year medical and veterinary students** at the universities of Ghent, Leuven, Brussels and Antwerp to get acquainted with Corilus at a convivial and especially sports-oriented event which ended with a barbecue. During the brief introduction, 'tomorrow's customers' were able to get a good impres-

sion of the solutions that Corilus can offer them. To maintain contact with these promising groups, Facebook groups have also been started to enable open and direct communication.

Corilus entered into a partnership in September with the Dutch company, HD Medi, for the distribution of Corilus's **Multidose software** in the Spanish market. Multidose software was developed to assist pharmacists with the production of fractionated medication for rest homes. The software takes care of the management of medicine stocks, the credit balances of patients and keeps an up-to-date record of all changes after the receipt of prescriptions or in the production of fractionated medication. The various reports and lists that can be retrieved from the Multidose software enable pharmacists to make the necessary preparations so that the actual production can take place quickly and efficiently. The pharmacist's preparation of medicines in blister packs or dispensers saves the nurse time, thereby making monitoring, compliance and related care possible. Being able to access the medication schedule also



Screenshot of Mediavent/Baltes



"I always wonder how my general practitioner knows what I mean when I ask him for those small, white pills, in a yellow box with red letters. How does he know that's the only medication that doesn't make me feel nauseous? How come he remembers my follow-up Tetanus injection, while I don't know whether the last one was 5, 7 or 10 years ago? His medical software makes all the patient information readily accessible immediately."

enables pharmacists to provide more pharmaceutical care. The initial projects have shown that the number of errors in delivery, preparation and administration has decreased substantially.

In October, at the Pharma Expo in Brussels, Corilus introduced a portable terminal: a new step towards efficiently managing a pharmacy or group of pharmacies. **PharmaScan** enables the pharmacist to move through the entire pharmacy and to maintain wireless contact with the computer system. This advanced scanner

enables the pharmacist to carry out several management tasks quickly. For example, the pharmacist can count stock, check medicine expiry dates, register incoming orders, etc. PharmaScan comprises a hand scanner and the required software modules. PharmaScan communicates with Greenock Pharmacy or PharmaWin/Offigest through the new web services technology.

Corilus has been distributing **CR-technologie of Dürr Medical** for the veterinary market in Belgium since November. Computer Radiography (CR) enables the cost-effective conversion of X-ray systems into digital systems. CR technology also offers various other benefits, such as speeding up the rate at which images are produced and reducing the amount of film material used. Veterinarians can view digital images immediately. The images can also be filed straight-away. The workflow becomes simpler and, perhaps the most important benefit is that thanks to the software the images can be optimised for more detailed analysis.

Since November, in cooperation with Arseus Medical, Corilus has been distributing high-tech **Nidek measuring equipment** for opticians. The range includes a fully-equipped optometry unit, various models of automatic foci meters, various auto refractometers, the latest fully automatic refractor, a slit lamp with optional digital camera, various optotype display screens and the first "plug & play" cornea topograph. This approach has enabled Corilus to make the computerisation of its optics business even more complete; in addition to OptiSoft, the user-friendly program for managing the optics business, the powerful PCs and peripheral equipment, the intelligent Activisu mirrors and the dynamic communication with Activ'Screen, Corilus can now supply high-quality Nidek measuring equipment too.



High quality measuring equipment for Nidek opticians







Information  
about the **Arseus**  
share



# Information about the Arseus share

## Stock market quotation

Arseus is listed on the NYSE Euronext stock exchange in Brussels and Amsterdam. The Arseus share is included in the BEL MID Index and effective 2 March 2010 the share is also included in the Amsterdam Small Cap Index (AScX).

At 31 December 2010 the market value of Arseus was 355.0 million euros, an increase of 41.4% compared to the end of 2009. At 31 December 2010, 31,195,121 shares, 6,000,000 VVPR-strips and 3,650,575 warrants were listed on NYSE Euronext.

On 16 February 2011 Arseus issued 1,018 new shares as a result of the exercise of warrants under the Warrant Plan of the Offer. Warrants that were not exercised expired. These 1,018 newly issued shares are entitled to dividend from the 2011 financial year onward. Consequently, these 1,018 newly issued shares are listed on a separate line on NYSE Euronext (ISIN code BE0380320805) until 10 May 2011.

At 30 March 2011, the number of Arseus shares with voting rights is 31,196,139. The total number of voting rights (denominator) is 31,196,139. The authorised capital is 319,820,911.43 euros.

## Shares

- ISIN code: BE0003874915
- Euronext: RCUS
- ISIN code: BE0380320805 (temporary, until 10 May 2011)
- Euronext: RCUST

## VVPR-strips

- ISIN code: BE0005617882
- Euronext: RCUSS

## Stock price

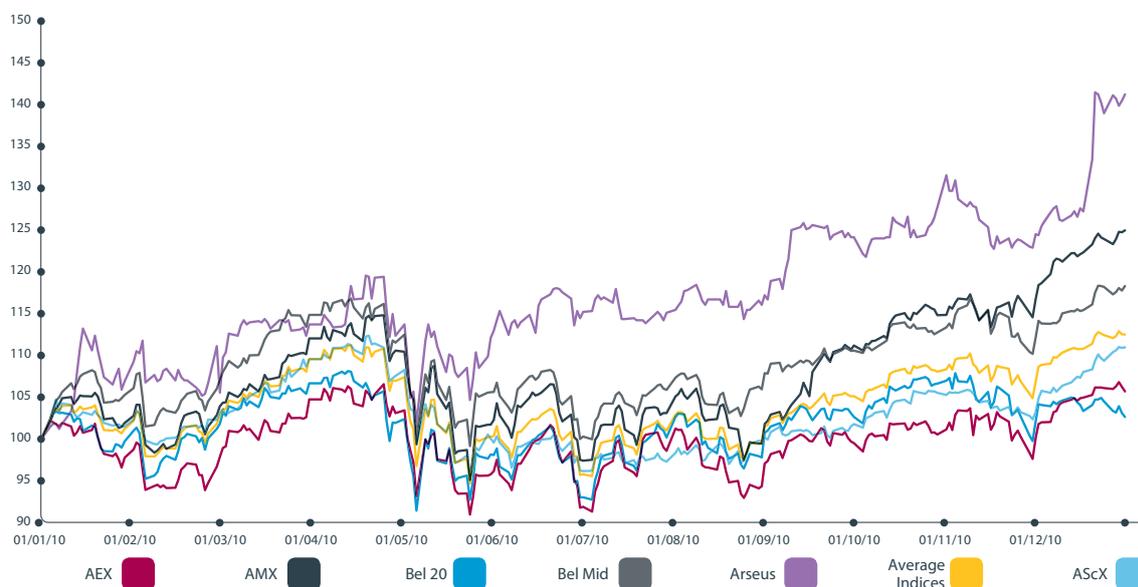
In 2010, the Arseus share price increased 41.4% to 11.38 euros per share. In the same period, the BEL MID index increased 18.4%, while the AScX index increased 11.0%. The Arseus share has increased 14.4% since the company's initial public offering on 5 October 2007. By comparison, the BEL MID index and the AScX have decreased 16.2% and 34.1% respectively in the same period.

## The Arseus share

	2010	2009	2008
Highest share price	€11.53	€8.66	€9.59
Lowest share price	€7.92	€5.40	€5.58
Closing price at the end of the year	€11.38	€8.05	€6.25
Highest day turnover	170,153	176,222	282,867
Lowest day turnover	3,547	6,255	1,608
Average day turnover	31,812	35,195	29,983
Dividend	€0.44 <sup>1)</sup>	€0.36	€0.30
Dividend yield at closing price	3.9%	4.5%	4.8%
Market capitalisation at the end of the year	€355,000,477	€251,120,724	€194,969,506

1) Dividend proposal of the Board of Directors of Arseus to the General Meeting of Shareholders to be held on 9 May 2011

## The performance of Arseus and the indices in 2010



## Shareholder structure

Arseus received the following notifications of shareholding (status as at 30 March 2011) pursuant to the Belgian Law of 2 May 2007 concerning the disclosure of major shareholdings in listed companies.

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

	Number of shares	% of effective voting rights
EnHold NV	8,026,397	25.73%
Couckinvest NV / Coucke	3,528,080	11.31%
Fortis Investment Management SA	2,756,357	8.84%
Arseus NV (treasury shares)	1,105,585	3.54%
Public	15,779,720	50.58%
Total (denominator)	31,196,139	100.00%

## Dividends

A proposal will be submitted to the Annual General Meeting of Shareholders to be held on 9 May 2011 to issue a gross dividend of 0.44 euros per share. This amounts to a net dividend of 0.33 euros per share. This is equal to the gross dividend minus dividend withholding tax, which in Belgium amounts to 25%.

For shares presented with a VVPR strip, the withholding tax is only 15%, so that the net dividend is 0.374 euros per share.



Ger van Jeveren at the NYSE Opening Bell Ceremony on 29 November 2010

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 available at [www.arseus.com](http://www.arseus.com).

Investors and (potential) investors, analysts, journalists and other interested parties are invited to direct questions to Mr Constantijn van Rietschoten, Director of Corporate Communications, at +31 88 33 11 222, and by email at [constantijn.van.rietschoten@arseus.com](mailto:constantijn.van.rietschoten@arseus.com)

### Financial calendar

- 9 May 15:00 Annual General Meeting of Shareholders
- 11 May Ex dividend listing
- 13 May Record date (in accordance with stock exchange regulations)
- 16 May Dividend Payment date
- 8 July\* Second quarter 2011 trading update
- 5 August\* 2011 semi-annual figures
- 10 October\* Third quarter 2011 trading update

\* Results and trading updates will be published at 07:30.

### 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.



Group photo of the ING Belgium Equity Investments Seminar participants in New York







# Corporate Governance Statement





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# Application of the Belgian Corporate Governance Code

Arseus NV (the “Company”) adheres to the Belgian Corporate Governance Code 2009 as reference code. This code is available at the website [www.corporate-governancecommittee.be](http://www.corporate-governancecommittee.be) in the section “Code 2009”. Arseus adheres to the “apply or explain” principle. Arseus is of the opinion that for the 2010 financial year, it satisfies all principles and provisions from the Belgian Corporate Governance Code 2009, with two deviations

1. No independent internal audit function has been set up. The Audit Committee decided that there was no need to set up an independent internal audit function for 2010.

2. Shareholders who individually or jointly represent at least 20% of the capital can propose topics for the agenda for the General Meeting, on condition that the proposals are submitted to the Board of Directors at least 90 days in advance. The Belgian Corporate Governance Code 2009 embraces the principle that this should be possible with at least 5% 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 horizon from exercising too great an influence on the strategy of the Company, which is focused on continuity and sustainable achievements in the mid-term.

## Composition of the Board of Directors

Composition at the time this annual report was prepared

<ul style="list-style-type: none"> <li>● Member of the Committee</li> <li>■ Chairman of the Committee</li> </ul>	Term of the position	Independent director	Nomination and Remuneration Committee	Audit Committee
Gerardus van Jeveren	4 years			
Jan Peeters	4 years			
Couckinvest NV (permanent representative Marc Coucke)	4 years			
Robert Peek (Chairman)	4 years	x	●	
Johannes Stols	4 years	x	●	●
Luc Vandewalle	4 years	x		●
Supplyco B.V. (permanent representative Cedric Van Cauwenberghe)	4 years			■
WPEFIV Holding Coöperatief W.A. (permanent representative Frank Vlayen)	4 years		■	
EnHold NV (until 13 november 2010 permanent representative Socius BVBA, represented by Mr Marcel Colla, with effect from 13 November 2010 permanent representative De Wilde J Management BVBA, represented by Julien De Wilde)	4 years			

The current terms of Messrs Van Jeveren and Peeters and of Couckinvest NV end after the General Meeting of the year 2011. The Board of Directors proposes that they be granted a new term of 4 years which will expire after the General Meeting of 2015.

The current terms of Supplyco B.V., WPEF IV Holding Coöperatief W.A. and EnHold NV end after the General Meeting of the year 2013.

The current terms of Messrs Peek, Stols and Vandewalle end after the General Meeting of the year 2014.

## Composition of the Executive Committee

Composition at the time of this annual report was prepared

Name and position	Term of the position
Gerardus van Jeveren CEO Arseus and CEO Fagron	4 years
Jan Peeters CFO Arseus	4 years
Frank Verbakel Group Financial Controller Arseus	4 years
Mario Huyghe CEO Arseus Medical - appointed as of 1 March 2010 CEO Arseus Dental - appointed as of 1 February 2011	4 years
Dirk Van Lerberghe CEO Corilus - appointed as of 1 March 2010	4 years

Ms Sagaert resigned as member of the board and CEO Arseus Dental as of 1 February 2011.

The terms of Messrs Van Jeveren, Peeters and Verbakel end after the General Meeting of the year 2011.

The terms of Messrs Huyghe and Van Lerberghe end as of 28 February 2014.

## Summarised curricula vitae

Below are summarised curricula vitae of the members of the most important management bodies or their permanent representatives.

### Gerardus van Jeveren (1960): Chief Executive Officer



Gerardus van Jeveren is Chief Executive Officer of Arseus. Mr Van Jeveren was the founder and main shareholder of Fagron Pharmaceuticals BV, which was acquired by Omega Pharma in 2000. Prior to the formation of Fagron he held various positions in sales and marketing, including commercial manager at Pharbita Generics, a subsidiary of Medicopharma NV. Following the acquisition of Fagron by Omega Pharma, Mr Van Jeveren was appointed country manager at Omega Pharma, responsible for the Netherlands and Germany. In 2003, he was appointed business unit manager at Fagron, responsible for the Netherlands, Belgium, Germany and Spain, and in 2006 he was appointed CEO of Arseus. Mr van Jeveren followed the South-West Netherlands teacher training college in Delft.

### Jan Peeters (1966): Chief Financial Officer



Jan Peeters is Chief Financial Officer of Arseus. Mr Peeters joined Omega Pharma as Chief Financial Officer in 1993, after working for three years as a business analyst at Exxon Chemical International. Mr Peeters served as CFO of Omega Pharma for eight years, during which Omega Pharma was successfully floated. In 2001, Mr Peeters was appointed Deputy Chief Executive Officer at Omega Pharma, a position he held until 7 November 2006. In 2005, he was appointed business unit manager of Omega Pharma's dental division (now Arseus Dental) and was assigned global responsibility for the split of Arseus from Omega Pharma. In 2006, he was appointed CFO of Arseus. Mr Peeters obtained a Masters in Applied Economics from the University of Antwerp and a post-graduate diploma in Management from the Vlerick Management School.

### Frank Verbakel (1960): Group Financial Controller



Frank Verbakel is the Group Financial Controller of Arseus. Between 1983 and 1996 he held various financial positions within the pharmaceutical division of Akzo Nobel. In 1997, he was appointed controller within 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, becoming Group Financial Controller and a member of the Executive Committee of Arseus in 2007. Mr Verbakel studied Business Economics at the Fontys College Eindhoven.

## Robert Peek (1945)

Robert Peek is a graduate of the Hogere Textielschool in Enschede, the Nederlandse Economische Hogeschool in Rotterdam and the Hochschule für Wirtschaft und Sozialwissenschaften in Sankt Gallen, Switzerland. In 1973, he joined Organon International, part of the pharmaceutical division of Akzo Nobel. After holding various positions, including director of Organon Greece, Organon Venezuela and regional manager South America, he became manager Marketing Services, responsible for the global marketing policy.

In 1988, he moved to OPG Groep NV (now Mediq NV), where he joined the board of directors on 1 July 1989. From January 2001, he became responsible on the board of directors for all operational activities of the group companies (COO), followed by his appointment as chairman of the board of directors (CEO) on 1 March 2003, the position he held until his retirement at the end of 2005.



## Johannes Stols (1959)

Johannes Stols held various positions in the Government Audit Department (Rijksaccountantsdienst), ABN AMRO Bank NV and Stada Arzneimittel AG. Until 2006, he was Chief Operational Officer and a member of the board of directors of Stada Arzneimittel AG, and was founding member of the board of many Stada subsidiaries. He is also a consultant to many corporations, including Stada Arzneimittel AG and Goldman Sachs London (ad hoc) and among other things, has chaired the European Generic Medicine Association, the Euro Specialities Association and the Netherlands Cystic Fibrosis Foundation.



## Luc Vandewalle (1944)

Luc Vandewalle obtained a master's degree in Applied Economics from Ghent University. He was appointed to the board and the executive committee of BBL in December 1992. He chaired the bank's executive committee from 1 January 2000 to 30 June 2007 and has served as chairman of the board of directors of ING Belgium NV since 1 July 2007. Mr Vandewalle is currently chairman of the VZW CAW Stimulans, chairman of the West Flanders Regional Fund of the King Boudewijn Foundation and chairman of the VZW Waak (sheltered workshops). Mr Vandewalle is also a member of the board of directors of Sea-Invest NV, Sea-Invest Corporation, Besix NV, Galloo, Transics NV, NV Sioen, Pinguin-Lutosa and a number of other companies.



### Couckinvest NV – Marc Coucke (1965)



Marc Coucke graduated in Pharmacy from the State University of Ghent and obtained an MBA from the Vlerick School for Management in Ghent. He is the founder of Omega Pharma NV and, as the permanent representative of Couckinvest NV, has served for many years as CEO and director of the Omega Pharma Group. In addition to this position, Mr Coucke is currently also chairman of NV Couckinvest, chairman of NV Alychlo and director at Enfinity NV.

### WPEF IV Holding Coöperatief W.A. – Frank Vlayen (1965)



Frank Vlayen is principal and partner at Waterland Private Equity NV ('Waterland') and is responsible for all Waterland activities in Belgium. He also holds responsibility for a number of specific target markets within the Waterland investment themes. Before joining Waterland, he worked as an engagement partner at Accenture UK, where he advised utility and industrial companies in the fields of M&A and corporate strategy. Prior to that, he was director business development for Citigroup Consumer Banking Europe and vice president of Tractebel's international energy division. He began his career at Fortis Bank (then Generale Bank), working in the fields of corporate finance and trade finance. Mr Vlayen has worked in Belgium, the UK, Central and Eastern Europe and in Hong Kong. He graduated magna cum laude in the MBA programme at the Vlerick Leuven Ghent Management School and cum laude in Business Engineering from the Catholic University of Leuven.

### Supplyco B.V. – Cedric Van Cauwenberghe (1975)



Cedric Van Cauwenberghe is investment director at Waterland Private Equity NV in Belgium. He was previously investment director at Rendex Partners, a venture capital fund, where he was responsible for the technology fund, Rendex ICT Fund. Before that, he was responsible for business development at ChemResult NV, a business software company, and co-founder and financial director of FastBidder NV, a technology start-up. He started his career as a management consultant for the establishments of Roland Berger Strategy Consultants in Brussels, Frankfurt and Barcelona, where he focused on corporate strategy and organisational efficiency. He graduated in Business Engineering from the Free University of Brussels with great distinction.

### EnHold NV – Julien De Wilde (1944)

Julien De Wilde graduated in Civil Engineering from the Catholic University of Leuven (Belgium). He held various management positions at Texaco from 1969. In 1986 he was appointed member of Texaco's European Board in New York. In 1988 he took on leadership of Recticel's research and business development centre. A year later he joined the Executive Committee of Alcatel Bell, where he was responsible for strategy and general services. Mr De Wilde served as CEO of Alcatel Bell from 1995 to 1998 and as Executive Vice-President and member of Alcatel's Executive Committee in Paris from 1999 to 2002, in which position he was responsible for Europe, the Middle East, Latin America, India and Africa. He served as CEO of the Bekaert Group from 1 July 2002 to May 2006. Mr De Wilde is currently Chairman of the Board of Directors of Agfa Gevaert and Nyrstar and member of the Board of Directors of KBC Bank and Telenet. He is also honorary chairman of Agoria.



### Mario Huyghe (1963) – CEO Arseus Medical and Arseus Dental

Since 1 January 2009, Mario Huyghe has been responsible for the Arseus Medical division. Since 1 February 2011 he has also been responsible for the Arseus Dental division.

Mr Huyghe began his career at the Belgian distribution group Meda (now Acertys). In the past nine years, he has held a number of management positions at General Electric Healthcare, where he held global responsibility for the Life Support Anesthesia-Carestation division from 2005 to 2008. Mr Huyghe graduated in engineering from the Catholic University of Leuven and obtained an MBA from the VlerickLeuven Ghent Management School.



### Dirk Van Lerberghe (1963) – CEO Corilus

Dirk Van Lerberghe has been responsible for the Corilus division since 25 May 2009. Mr Van Lerberghe began his career at Sycron, where he rose from the Sales department to become general manager for Belgium, the Netherlands and France. Sycron was later acquired by Real Software, where Mr Van Lerberghe held a seat on the executive committee. He has gained considerable experience in expanding international customer networks. With the development and expansion of an application for automation in the medical surgery room, he also acquired experience in the medical sector. Mr Van Lerberghe studied at the EHSAL in Brussels.



# Board of Directors

The composition and functioning of the Board of Directors of Arseus satisfies all provisions of the Belgian Corporate Governance Code 2009. The Company's Board of Directors consists of at least five and no more than eleven members, who do not necessarily have to be shareholders. The Board of Directors is composed of executive, non-executive and independent directors.

## Appointment of the members of the Board of Directors

Non-executive directors must hold at least half of the seats on the Board of Directors, and at least three directors must be independent, within the meaning of Article 526ter of the Belgian Companies Code. Executive and non-executive directors are appointed by a meeting of shareholders for a renewable term of up to four years. If a seat becomes available on the board before the end of the term, the remaining directors have the right to temporarily appoint a new director to fill that position until the shareholders decide to appoint a new director at the next meeting of shareholders. This matter must be included in the agenda for the next meeting of shareholders. There is no age limit 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 Board of Directors is in particular responsible for, among other things, determining the strategy, the risk profile, the values and the main policy lines, ensuring that the necessary financial and human resources are available to achieve the objectives, supervising and assessing the financial and operational performance and development of the operating results of the group, approving the framework for internal control and risk management, structuring the Executive Committee,

establishing its powers and obligations and evaluating its performance, supervising the quality and completeness of financial announcements as well as the integrity and prompt disclosure of the financial statements and other substantive financial and non-financial information, determining the corporate governance structure and supervising compliance with the provisions of the Corporate Governance Code, installing specialised Committees, establishing their internal terms of reference and assessing their effectiveness, promoting an effective dialogue with the shareholders and potential shareholders, approving contracts for the appointment of the CEO and other members of the Executive Committee, selecting the Statutory Auditor on the nomination of the Audit Committee and supervising his performance, and supervising the internal audit function if an independent internal audit function is established. The Corporate Governance Charter and the internal terms of reference of the Board of Directors can be found on the corporate website ([www.arseus.com](http://www.arseus.com)) in the section entitled Corporate Governance.

## Specialised Committees within 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, which are available at the corporate website ([www.arseus.com](http://www.arseus.com)) in the section entitled Corporate Governance. The Committees report to the Board of Directors after every meeting.



Arseus Board of Directors

### **Audit Committee**

The composition of the Audit Committee complies with all provisions of the Belgian Corporate Governance Code 2009.

All members of the Audit Committee have sufficient book-keeping and auditing experience. The Audit Committee is the primary point of contact for the internal audit function (if an internal audit function was set up) and the Statutory Auditor. Without prejudice to the statutory duties of the Board of Directors, the Audit Committee is responsible for developing an audit programme that covers all activities of the Company in the long term, and is, in particular, responsible for:

1. determining the internal financial reporting to the Board of Directors;

2. monitoring the financial reporting process;
3. monitoring the effectiveness of the Company's internal control and risk management systems;
4. monitoring the internal audits and their effectiveness;
5. monitoring the statutory audit of the financial statements and the consolidated financial statements, including follow-up to questions and recommendations formulated by the Statutory Auditor;
6. assessing and monitoring the independence of the Statutory Auditor, taking particular note of additional services provided to the Company.

Following internal talks, the Audit Committee found that there was no need to set up an independent internal audit function for 2010.

## Nomination and Remuneration Committee

The Board of Directors decided in 2010 to merge the Nomination Committee and the Remuneration Committee. The composition of the Nomination and Remuneration Committee complies with all provisions of the Belgian Corporate Governance Code 2009.

The main duties with regard to nominations are drawing up the appointment procedures for the members of the Board of Directors and members of the Executive Committee, nominating suitable candidates for vacant directorships, 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 directors and members of the Executive Committee, and evaluating potential candidates for a position on the Executive Committee.

The main duties with regard to remuneration 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 overall remuneration of the directors and members of the Executive Committee, formulating recommendations on the performance targets for the CEO, the other members of the Executive Committee and other key managers, formulating recommendations on the award of bonuses and long-term incentives for the CEO and other members of the Executive Committee, and discussing the functioning and performance of the Executive Committee.

## Executive Committee

### Appointment of the members of the Executive Committee

The composition and functioning of the Executive Committee complies with all provisions of the Belgian Corporate Governance Code 2009.

The Company has established an Executive Committee in the sense of the Corporate Governance Act of



Executive Committee Arseus

2 August 2002. The Board of Directors appoints the members of the Executive Committee based on the recommendations of the Nomination and Remuneration Committee. The members are appointed for a four-year term.

Ms Sabine Sagaert resigned as member of the Executive Committee as of 1 February 2011.

### 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 for 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 and control of the business unit (managers), legal matters, intellectual property, environment and permits, human resources, insurances, tax and subsidy matters, and the preparation 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](http://www.arseus.com)), in the chapter entitled Corporate governance. 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 Executive Committee also provides quarterly reports on its activities to the Board of Directors.

## Activity report of the Board of Directors and the Committees in 2010

In addition to discussing the financial reports, the Board of Directors devoted special attention to determining the corporate strategy and the company's organic and non-organic growth in 2010.

### Board of Directors

The executive and non-executive members of the Board of Directors met on 7 occasions in 2010 (14 January, 1 March, 14 April via conference call, 28 April, 18 August, 27 October, and 7 December). All directors were in attendance at these meetings, unless stated otherwise below:

- 14 January: absent: Mr Luc Vandewalle and EnHold NV, represented by Socius BVBA, represented by Mr Marcel Colla
- 1 March: absent: EnHold NV, represented by Socius BVBA, represented by Mr Marcel Colla
- 14 April: absent: EnHold NV, represented by Socius BVBA, represented by Mr Marcel Colla, and Mr Jan Peeters, who was represented by Mr Frank Verbakel
- 18 August: absent: Mr Luc Vandewalle and Mr Johannes Stols
- 27 October: absent: EnHold NV, represented by Socius BVBA, represented by Mr Marcel Colla
- 7 December: absent: Mr Luc Vandewalle and EnHold NV, represented by De Wilde J. Management BVBA, represented by Mr Julien De Wilde.

The non-executive directors met separately on one occasion in 2010 (on 10 May). During this meeting, Mr Luc Vandewalle and Couckinvest NV, represented by Marc Coucke, were absent.

### Audit Committee

The Audit Committee, consisting of Supplyco B.V., represented by Cédric Van Cauwenberghe, and Messrs Johannes Stols and Luc Vandewalle met on eight occasions in 2010 (1 March, 26 March via conference call, 28 April, 1 June via conference call, 25 June via conference call, 18 August, 27 October and 7 December).

All members of the Audit Committee were in attendance at these meetings, unless stated otherwise below:

- 26 March: absent: Mr Johannes Stols
- 25 June: absent: Mr Luc Vandewalle and Mr Johannes Stols
- 18 August: absent: Mr Luc Vandewalle
- 7 December: absent: Mr Luc Vandewalle

Mr Jan Peeters attended all meetings at the Audit Committee's request.

Messrs Ger Van Jeveren and Robert Peek also attended a number of meetings at the Audit Committee's request.

### Nomination and Remuneration Committee

The Remuneration Committee and Nomination Committee were merged to form the Nomination and Remuneration Committee in 2010.

The Nomination and Remuneration Committee, consisting of WPEF IV Holding Coöperatief W.A., with Frank Vlayen as permanent representative, and Messrs Stols and Peek, met on three occasions in 2010 (17 March, 28 April, and 1 December). All members of the Nomination and Remuneration Committee were in attendance at these meetings, unless stated otherwise below:

- 17 March: absent: Mr Johannes Stols

### Process for the evaluation of the Board of Directors and its Committees

Under the leadership of the Chairman, the Board of Directors conducts an evaluation every two years of its own size, composition and functioning and that of its Committees, as well as of its interaction with the Executive Committee.

The Chairman of the Board of Directors and the performance of his role within the Board of Directors are also evaluated.

This evaluation has four objectives:

1. to assess the functioning of the Board of Directors and the Committees;
2. to determine whether key issues are thoroughly prepared and discussed;
3. to assess the actual contribution of every director to the work of the Board of Directors, his or her attendance of Board and Committee meetings and his or her constructive involvement in the talks and the decision-making process;
4. to assess the existing composition of the Board of Directors and the Committees in the light of the required composition of the Board of Directors or the Committees.

Every two years, the CEO and the Nomination and Remuneration Committee assess both the functioning and the performance of the Executive Committee.

### **Policy on 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 Board members or members of the Executive Committee not covered by the conflict of interest arrangement. All members of the Board of Directors and the Executive Committee are expected to avoid actions, positions or interests that are contrary to, or appear to be contrary to the interests of the Company or of one of the companies of the Arseus group. Furthermore, 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.

If Article 523 of the Belgian Companies' Code applies, the director in question must also refrain from participating in the relevant discussions and from voting.

### **Rules for the prevention of insider trading and market abuse**

The Board of Directors has drawn up rules to prevent privileged information being unlawfully used by directors, shareholders, managers, employees and certain third parties (jointly referred to as 'Insiders'). These rules are an integral part of the Corporate Governance Charter and are available at the corporate website ([www.arseus.com](http://www.arseus.com)) in the section Corporate Governance. 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 prohibition periods.

A Closed Period is:

- (i) the period of fifteen days preceding the publication of the annual results of the Company or, if shorter, the period from the closing of the financial year concerned up to and including the moment of publication; and
- (ii) the period of 15 days immediately preceding the publication of the half-year or quarterly results of the Company, or, if shorter, the period as from the closing of the half-year or quarter concerned up to and including the moment of publication.

A Prohibition Period covers any period that is indicated as such by the compliance officer. Certain transactions – to be named specifically – remain possible in exceptional cases during the closed and prohibition periods. Insiders that wish to acquire or sell securities of the Company must notify the compliance officer in writing of this intention prior to the transaction. In response to this notification, the compliance officer may issue a negative recommendation with respect to the planned 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 recorded in a special register. Transactions that can reasonably be expected to potentially have a sensitive impact on the stock market price of the Company's shares will be announced in compliance with the rules for occasional provision of information.

### Description of the main features of the internal control and risk management systems

The Board of Directors is responsible for the strategy and the accompanying risk profile, and for the design and operation of the internal risk management and control systems. The purpose of these systems is (1) to be continually aware, with a reasonable degree of certainty, of the extent to which Arseus is achieving its strategic and operational goals, (2) to secure the reliability of the financial reporting and (3) to act in compliance with the laws and regulations applying to Arseus.

The design of these internal risk management and control systems in relation to Arseus' strategic, operational, compliance and financial reporting risks has high priority within Arseus and, partly in view of the development of the environment and the company itself, is continually subject to further refinement and improvement. The design and operation of these internal risk management and control systems is continually evaluated.

Nevertheless, these systems can never guarantee with absolute certainty that no significant inaccuracies can arise at Arseus.

Arseus gives priority to internal control and management. The internal control and management is continually assessed and further professionalised, devoting attention to the governance structure, processes, systems and controls, and to awareness among the management and employees of the importance of implementing these correctly. In concrete terms, the internal governance of Arseus is built up of the following elements:

### Development of strategy

The strategy of Arseus and the associated objectives and ambitions are critically assessed and where necessary adjusted each year on the basis of market developments, the opportunities and threats identified, an analysis of strengths and weaknesses and a strategic risk assessment. The Board of Directors is responsible for this.

### Budgets

The strategic objectives, including the main opportunities and risks, are discussed with the Executive Committee (which includes the CEOs of the various divisions). The strategic objectives of Arseus as a whole and the contribution of the various divisions to one or more of those objectives form the basis for the budgets of the units. In addition to a financial budget, the budget for each business unit (both divisions and individual companies) contains a number of concrete business targets that are translated into key performance indicators (KPIs), which are consistently monitored for progress during the year.

### Reporting, analysis and review

The financial results and forecasts of the business units are analysed monthly at both the local and central level, with the aid of the Arseus Management Information System (Okapi). Okapi is available to the management and the controllers of the business units, and to the Executive Committee and the central Corporate Controlling department.

The management and controllers of the various business units report monthly on progress in achieving their business plans, the resulting KPIs and their financial performance to the Executive Committee and the central Corporate Controlling department. Progress meetings are held regularly on the basis of these reports, at which at least the actions agreed in earlier reviews, the financial results, the updated forecasts, staff turnover and recruitment and the progress and developments in the business are discussed.

## **General Directives**

Responsibilities, powers, guidelines and procedures at Arseus are clearly and accessibly recorded in the Arseus General Directives. Every important process is covered. The management and business controllers of the business units are responsible for the correct application of the processes and systems. The guidelines, procedures, processes and systems of acquisitions are also integrated as soon as further integration occurs.

## **Compliance reviews and external audits**

In addition to the external audits, various compliance reviews are performed of the quality system used, the administrative organisation and the financial results. The Statutory Auditor focuses on the correct application and operation of internal control measures that are important for the preparation of the financial statements. The outcomes of the Statutory Auditor's audits are reported orally and in writing to Corporate Controlling, the CFO and the Audit Committee.

The compliance reviews are performed by Corporate Controlling and also focus on the correct application and compliance of internal procedures and guidelines. They are oriented towards both financial and operational audits. The aim is to achieve continual further professionalisation of our internal controls on the basis of the outcomes. These instruments also contribute towards a continual increase in risk awareness within Arseus.

The Audit Committee found that there was no need to set up an independent internal audit function for 2010.

# 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 Nomination 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 was based on the provisions of Belgium's Corporate Governance Code 2004, and the Board of Directors has set the primary goal of continuing compliance with the principles and provisions of this Code as fully as possible.

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

The Corporate Governance Charter has since been adapted to the Belgian Corporate Governance Code of 12 March 2009 and the Board of Directors approved the revised version of the Corporate Governance Charter on 23 March 2010.

The Nomination Committee and Remuneration Committee were formally merged to create the Nomination and Remuneration Committee by a decision of the Board of Directors on 27 October 2010.

The Company is of the opinion that it complies with all the principles and provisions of the Belgian Corporate Governance Code 2009, with the exception of the right of shareholders representing at least 20% of the capital to propose topics for the agenda of the General Meeting. The Belgian Corporate Governance Code 2009 embraces the principle that this should be possible with at least 5% 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 horizon from exercising too great an influence on the strategy of the Company, which is focused on continuity and sustainable achievements in the mid-term.

Furthermore, the Company does not provide for an internal audit function. The Audit Committee found that there was no need to set up an independent internal audit function for 2010.

The complete Corporate Governance Charter, including its annexes, is available at the corporate website ([www.arseus.com](http://www.arseus.com)) in the section Corporate Governance. Future changes to the Charter will also be published on the corporate website.

## 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 convocation notice.

All holders of shares, warrants and bonds (where applicable) issued by Arseus and all holders of depositary receipts for shares 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 shares and warrants 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 dematerialised instruments must deposit a certificate of unavailability issued by a recognised account holder or the intermediary at the place stated in the convocation notice no later than three business days before the meeting.

In accordance with Article 536 of the Belgian Companies Code, a registration date may be stated in the notice convening the General Meeting. If this is the case then shareholders are entitled to participate in the General Meeting and exercise their voting rights only for shares that 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 be more than fifteen days or less than five business 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 need not be a shareholder. In the convocation notice, the Board of Directors may establish conditions for the authorisation and may require that the authorisation be submitted to a venue stated in the convocation notice no later than three business days prior to the General Meeting.

Shareholders who individually or jointly represent at least 20% of the capital can propose topics for the agenda for the General Meeting, on condition that the proposals are submitted to the Board of Directors at least 90 days in advance. The Belgian Corporate Governance Code 2009 embraces the principle that this should be possible with at least 5% 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 horizon from exercising too great an influence 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. The articles of association can be found on the corporate website ([www.arseus.com](http://www.arseus.com)) in the section Investor Relations.

## Consultation of the Company's documents

The stand-alone and consolidated financial statements, articles of association, annual reports and other information that is made public for the benefit of the shareholders is available from the registered

office of the Company free of charge. The articles of association can be found on the corporate website ([www.arseus.com](http://www.arseus.com)) in the section Investor Relations.

## Number of shares and share capital

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

On 7 September 2007, the Extraordinary Shareholders Meeting of Arseus NV resolved, subject to completion of the IPO, to increase the share capital through a contribution in kind consisting of: (i) a contribution in kind in the form of shares of Arseus BV by Omega Pharma, and (ii) the contribution 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. This brought the total number of Arseus shares to 31,195,121 and the authorised capital to 319,810,475 euros.

On 16 February 2011, 1,018 new shares were issued as the result of the exercise of warrants under the Warrant Plan of the Offer. These newly issued shares are entitled to dividend from the 2011 financial year onward. Consequently, these 1,018 newly issued shares are listed on a separate line on NYSE Euronext (ISIN code BE0380320805) until 10 May 2011. The number of voting securities of Arseus is 31,196,139. The total number of voting rights (denominator) is 31,196,139. The authorised capital totals 319,820,911.43 euros.

## Shareholders' structure and notifications of shareholding

Based on the notifications of shareholding that the Company received up to 30 March 2011, and taking the denominator as per 30 March 2011 into account, the shareholders' structure of the Company is as follows.

	Number of shares	% of effective voting rights
EnHold NV	8,026,397	25.73%
Couckinvest NV/Coucke	3,528,080	11.31%
Fortis Investment Management SA	2,756,357	8.84%
Arseus NV (treasury shares)	1,105,585	3.54%
Public	15,779,720	50.58%
<b>Total</b>	<b>31,196,139</b>	<b>100.00%</b>

The notifications are also available in the section Investor Relations/Info for shareholders of the corporate website ([www.arseus.com](http://www.arseus.com)).

In accordance with Article 11 of the Company's articles of association, 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, are determined at 3%, 5% and multiples of 5%.

## Conflicts of interest

The procedure of Article 523 of Belgium's Companies Code was not applied in 2010.

## Buy-back of treasury shares

The Extraordinary General Meeting of 16 June 2009 granted the Company's Board of Directors the additional authorisation to buy back treasury shares for a period of five years from 16 June 2009, for a price no less than 1.00 euros and no more than the average of the closing prices in the 10 working days prior to the date of the acquisition or exchange, plus 10%, in such a manner that the Company at no time owns shares in its own capital with an accounting par value in excess of 20% of the Company's issued capital. In view of the market conditions and in the interests of the Company, the Board of Directors resolved to continue the buy-back programme. At 30 March 2011, Arseus owned 1,105,585 treasury shares.

## Warrants

On 6 September 2007, the Company's Board of Directors approved three warrant plans for employees, directors/managers/consultants of Arseus NV and/or its subsidiaries, and for shareholders of Omega Pharma NV who 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, key third parties and consultants to participate forms a key stimulus for the Company's further expansion and growth.

The Warrants of the Offer expired in January 2011. Consequently, on 16 February 2011, 1,018 new shares were issued as the result of the exercise of warrants under the Warrant Plan of the Offer.

By a decision of the Board of Directors on 11 May 2009, carried before civil-law notary Dirk Van Haesebrouck, the exercise period of the warrants awarded to the beneficiaries before 31 August 2008 as part of Warrant Plan 1 (plan for employees), was extended by five years to 17 December 2020, in compliance with the Recovery Act.

The General Meeting of 10 May 2010 ratified the decision of the Board of Directors of 13 July 2009 extending the exercise period for the rights granted to the beneficiaries before 31 August 2008 as part of Warrant Plan 2 (plan for directors/managers/consultants) by five years, to 17 December 2017, on the proviso that the beneficiaries will only be entitled to acquire existing shares in the Company, rather than new shares, if the warrants are exercised after the expiry of the initial term (i.e. if they are exercised after 17 December 2012).

No new warrants were granted nor were any warrants exercised under Warrant Plan 1 or Warrant Plan 2 in 2010.

Further details of the modalities of Warrant Plan 1 and Warrant Plan 2 and the movements in the number of warrants in the 2010 financial year are provided in Note 20 in the consolidated financial statements, on page 117 of this annual report.

## Stock options

On 7 December 2009, the Company's Board of Directors approved the Stock Option Plan 2009 for directors, consultants and employees of Arseus NV and/or its subsidiaries. The Stock Option Plan 2009 was approved by the Extraordinary General Meeting of 27 January 2010.

With the Stock Option Plan 2009, the Board of Directors aims to create a long-term incentive for persons who can make a significant contribution to the Company's success, growth and value creation. The Stock Option Plan 2009 is regarded as an important retention tool and aims to create a common interest between the Company's option holders and shareholders, aimed at an increase in the value of the Company's shares.

The Stock Option Plan 2009 can be viewed at the corporate website ([www.arseus.com](http://www.arseus.com)) in the section Investor Relations/General Meeting. In 2010, the stock options were awarded under the Stock Option Plan 2009.

Further details of the modalities of the Stock Option Plan 2009 and the movements in the number of stock options in the 2010 financial year are provided in Note 20 in the consolidated financial statements, on page 117 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 euros in a way and under the conditions to be established by the Board of Directors, within the term of five years of the publication date of the decision in the Annexes to the Belgian Bulletin of Acts, Orders and Decrees (22 October 2007).

As at 31 December 2010 the Board of Directors is still authorised to increase the capital by a maximum amount of 319,810,475 euros.

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

## Statutory Auditor

Arseus's Statutory Auditor is CVBA PricewaterhouseCoopers Bedrijfsrevisoren, a company governed by Belgian law with registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, and administrative headquarters at Wilsonplein 5G, 9000 Ghent, represented by the professional partnership Peter Opsomer BVBA, with registered office at Rattepoelstraat 7, 9680 Maarkedal, which is in turn represented by its permanent representative Mr Peter Opsomer. PricewaterhouseCoopers Bedrijfsrevisoren was appointed in 2010 as Arseus's Statutory Auditor for a term of three financial years, ending on the date of the Annual General Meeting to be held in 2013. PricewaterhouseCoopers Bedrijfsrevisoren receives a total annual remuneration of 355,000 euros for all audits within the group, including the audit of the consolidated financial statements.

Details about the remuneration of the Statutory Auditor in 2010 can be found in Note 28 to the financial statements on page 128 of this annual report.

## Remuneration Report

### Remuneration for non-executive directors

The non-executive directors do not receive any performance-based remuneration, nor any benefits in kind or benefits connected with pension schemes. The Chairman of the Board of Directors receives annual remuneration of 35,000 euros. Each non-executive member of the Board of Directors receives annual remuneration of 20,000 euros. A director who serves on a Committee receives annual remuneration of 5,000 euros for each Committee to which he/she is appointed.

In concrete terms, this means the following remunerations were paid in 2010:

• Robert Peek	€ 40,000
• Luc Vandewalle	€ 25,000
• Johannes Stols	€ 30,000
• Couckinvest NV	€ 20,000
• WPEF Holding Cooperatief W.A.	€ 25,000
• Supplyco B.V.	€ 25,000
• EnHold NV	€ 20,000

### Remuneration policy for executive directors and the members of the Executive Committee

The remuneration of executive directors follows entirely from their executive positions. The following principles were applied in 2010 for the policy for executive directors and members of the Executive Committee:

On the one hand there is a *fixed remuneration*; in 2010 this remuneration increased by 0.4% for members who were already members of the Executive Committee in 2009. This remuneration is based on market rates, taking account of the size of the company, the sector, the growth profile and the profitability. On the other hand there is also a *variable remuneration* in cash. For the CEO, this remuneration amounts to a maximum of 120% of the fixed annual remuneration and for the other members of the Executive Committee, to a maximum of 60% of the fixed annual remuneration.

No shares or warrants were granted to members of the Board of Directors or members of the Executive Committee in 2010.

As part of the sale of Omega Pharma's 24.04% interest and Couckinvest's 1.06% interest to Waterland, the Board of Directors approved a stock option plan on 7 December 2009 amounting to 1,000,000 stock options. The purpose of the stock option plan is to provide an additional incentive for the Executive Committee and the management of the Company. The plan was approved by the Extraordinary General Meeting of Shareholders on 27 January 2010. The executive members of the Board of Directors and the members of the Executive Committee were granted stock options in January 2010.

More details on the warrants/stock options can be found in this Remuneration Report.

### Evaluation criteria for bonuses paid to members of the Executive Committee on the basis of the performance of the Company or its business units

The criteria in 2010 for the award of performance-related bonuses to members of the Executive Committee are based for 80% on financial targets, namely (1) turnover, (2) EBIT, (3) net income, (4) the average operational working capital and (5) gross capex, each of these five components being assessed on an equal basis. For the remaining 20% the criteria are based on personal/discretionary targets that are clearly defined and set down in writing annually. The variable remuneration is granted on the basis of these financial and personal targets which are fixed annually.

The Corporate Governance Act of 6 April 2010 prescribes that from the 2011 financial year onward, the variable remunerations must be spread out over time as follows, barring contrary legal provisions or explicit approval by the General Meeting:

- 50% of the variable remunerations may be related to performance in the particular year (in this case, 2011) and is paid out after one year therefore;

- the remainder must be spread out over at least the two following years, whereby at least 25% must be based on performance over a period of at least 3 years, therefore 25% in 2012 and 25% in 2013. This mandatory spread does not apply if the variable remuneration amounts to 25% or less of the annual remuneration.

The Nomination and Remuneration Committee is of the opinion, however, that there are justified reasons why it would not be opportune for Arseus to change its current bonus system, based on annual targets, and link it to long-term objectives over 2 and 3 years:

- First of all, Arseus's Executive Committee is already strongly aligned with Arseus's long-term performance via the current warrants and stock option plan;
- Moreover, Arseus also pursues an active buy & build strategy, which makes it neither simple nor opportune to set long-term targets relevant for Arseus in advance. The use of long-term sales, net income or EBIT targets would be pointless if significant acquisitions were to take place in the course of the subsequent years.

### Remuneration of the CEO and the other members of the Executive Committee

The table below contains information on the 2010 remuneration package.

Information on remuneration (x 1,000 euros)	CEO	Other members of the Executive Committee	Explanation
Base salary	424	1,426	Paid as gross salary This is a Defined Contribution. The employee pays 1/3 of the premium and the employer pays 2/3. A maximum pensionable salary of 160,000 euros applies.
Variable remuneration	291	299	
Pensions	16	18	
Other remuneration components	1	3	Compensation for collective health insurance.
Shares/share options/warrants	500,000	440,000	

The Nomination and Remuneration Committee therefore advises that the General Meeting be asked in May 2011 to approve the decision not to apply the spread

variable remuneration scheme as provided for in the Corporate Governance Act and to maintain Arseus's current bonus system, based on annual targets.

The table below contains information on the warrants allocated under Warrant Plan 2 and the stock options allocated. Page 118 of this annual report contains further details of the Warrant Plan 2 and the Stock Option Plan.

Information on warrants	Balance at 31/12/2009	Granted in 2010	Exercised in 2010	Expired in 2010	Balance at 31/12/2010
CEO – Ger van Jeveren	500,000	0	0	0	500,000
Jan Peeters	250,000	0	0	0	250,000
Frank Verbakel	50,000	0	0	0	50,000
Mario Huyghe	10,000	0	0	0	10,000
Dirk Van Lerberghe	0	0	0	0	0
Sabine Sagaert	0	0	0	0	0
Information on stock options	Balance at 31/12/2009	Granted in 2010	Exercised in 2010	Expired in 2010	Balance at 31/12/2010
CEO – Ger van Jeveren	0	500,000	0	0	500,000
Jan Peeters	0	250,000	0	0	250,000
Frank Verbakel	0	50,000	0	0	50,000
Mario Huyghe	0	40,000	0	0	40,000
Dirk Van Lerberghe	0	50,000	0	0	50,000
Sabine Sagaert	0	50,000	0	0	50,000

Further information about the remuneration of the CEO and the members of the Executive Committee is provided in Note 26 to the consolidated financial statement on page 126 of this annual report.

### Information on severance pay

New management contracts were concluded with Messrs Ger van Jeveren, Frank Verbakel and Jan Peeters' management company in 2010. These management contracts provide for an 18-month notice period in the event the contract is terminated, or a fixed severance package, equal to the amount of the monthly fixed remuneration owed over 18 months, plus one and a half times the average of the variable remuneration granted over the last 3 calendar years prior to the calendar year in which the contract is terminated.

Although the Corporate Governance Act of 6 April

2010 prescribes that severance packages for executive directors and members of the Executive Committee may not exceed 12 months fixed and variable remuneration, the Nomination and Remuneration Committee has advised in this case that a notice period of 18 months or severance pay of 18 months be used, because of the many years served by Messrs van Jeveren, Peeters and Verbakel within the Group. If, however, the service provider has not achieved 50% of the financial targets set annually, in implementation of principle 7.18 of the Belgian Corporate Governance Code 2009, the notice period shall be 12 months in the event of termination with observance of a notice period. In the event of termination with

payment of a fixed severance package, this severance pay will only be equal to the amount of the monthly fixed remuneration owed for 12 months.

The management contracts of Messrs Mario Huyghe and Dirk Van Lerberghe provide for a 12-month notice period in the event the contract is terminated, or a fixed severance package equal to the amount of the monthly fixed remuneration owed for 12 months.

## Annual information

A summary of the 'annual information' as referred to in Title X 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.

All this information can be found on the corporate website ([www.arseus.com](http://www.arseus.com)) in the section Investor Relations. Some of this information may be out of date.

## Prospectus

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.

## Periodic press releases and information

15 January 2010	Trading update, fourth quarter and full-year 2009 Excellent year for Arseus: turnover increases 10.3% to EUR 391.3 million
2 March 2010	Consolidated results 2009 2009: An excellent year for Arseus
16 April 2010	Trading update, first quarter 2010 Turnover Arseus increases 7.4%
14 July 2010	Trading update, second quarter 2010 Arseus realises turnover growth of 7.8%
20 August 2010	Interim financial statements REBITDA and profit increase double digit and faster than turnover
15 October 2010	Trading update, third quarter 2010 Arseus realises turnover growth of 8.8%

### **Periodic press releases and information in the period from 1 January 2011 to 15 April 2011**

10 January 2011	Trading update, fourth quarter and full-year 2010 Arseus achieves turnover growth of 9.3%
16 February 2011	Consolidated results 2010 REBITDA, EBIT and recurrent net profit increase double digit and faster than turnover
8 April 2011	Trading update, first quarter 2011 Arseus realises turnover growth of 15%

### **Occasional press releases and information**

12 January 2010	Disclosure of received notification
27 January 2010	Special shareholders meeting approves all motions
1 February 2010	Disclosure of received notification
10 March 2010	Disclosure of acquisition of treasury shares
19 March 2010	Disclosure of acquisition of treasury shares
30 March 2010	Disclosure of acquisition of treasury shares
7 April 2010	Disclosure of acquisition of treasury shares
26 April 2010	Disclosure of acquisition of treasury shares
7 May 2010	Disclosure of acquisition of treasury shares
10 May 2010	Arseus announces the acquisition of Gallipot in the US
10 May 2010	Annual General Meeting of Arseus approves all motions
18 May 2010	Disclosure of acquisition of treasury shares
27 May 2010	Disclosure of acquisition of treasury shares
4 June 2010	Arseus completes acquisition of Gallipot in the US
7 June 2010	Disclosure of acquisition of treasury shares
16 June 2010	Disclosure of acquisition of treasury shares
25 June 2010	Disclosure of acquisition of treasury shares
12 November 2010	Change of permanent representative of EnHold NV
20 December 2010	Strategic acquisition of Brazilian DEG
23 December 2010	Arseus Medical accelerates growth strategy in surgery

### **Occasional press releases published in the period from 1 January 2011 to 15 April 2011**

18 February 2011	Exercise of warrants increases capital of Arseus
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### **Notifications of shareholding received in 2010**

8 January 2010	KBC Asset Management NV
28 January 2010	KBC Asset Management NV

### **Notifications of shareholding received in the period from 1 January 2011 to 15 April 2011**



# Financial Annual Report 2010

# Declaration

We declare that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2010, 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 description of the main risks and uncertainties they are faced with.

In the name and on behalf of the Board of Directors,

Ger van Jeveren, CEO  
Jan Peeters, CFO  
30 March 2011

## FINANCIAL ANNUAL REPORT 2010

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# Consolidated financial statements

## Consolidated income statement

	Note	2010	2009
(x 1,000 euros)			
<b>Operating income</b>		<b>425,262</b>	<b>393,624</b>
Turnover	6	424,056	391,315
Other operating income	7	1,206	2,309
<b>Operating expenses</b>		<b>(389,246)</b>	<b>(363,082)</b>
Trade goods		(222,210)	(205,401)
Services and other goods		(63,208)	(62,026)
Employee benefit expenses	8	(89,606)	(82,030)
Depreciation and amortisation	9	(12,672)	(11,983)
Other operating expenses	10	(1,549)	(1,641)
<b>Operating profit</b>		<b>36,017</b>	<b>30,542</b>
Financial income	11	477	554
Financial expenses	11	(6,437)	(7,990)
<b>Profit before income tax</b>		<b>30,056</b>	<b>23,107</b>
Income tax expenses	12	(7,578)	(3,468)
<b>Profit after income tax</b>		<b>22,479</b>	<b>19,639</b>
<b>Attributable to:</b>			
<b>Equity holders of the company (net profit)</b>		<b>22,357</b>	<b>19,553</b>
Non-controlling interest		122	85
<b>Profit for the period</b>		<b>22,479</b>	<b>19,639</b>
Profit for the period per share (in euros)	13	0.75	0.65
Diluted profit per share (in euros)	13	0.75	0.65
Recurring net profit per share (in euros)	13	0.98	0.81
Diluted recurring net profit per share (in euros)	13	0.97	0.81

## Consolidated statement profit for the period

	2010	2009
(x 1,000 euros)		
<b>Profit after income tax</b>	<b>22,479</b>	<b>19,639</b>
Currency translation adjustments		
Movements for the period	2,836	(104)
Non-controlling interest	116	31
<b>Total direct movements in equity</b>	<b>2,952</b>	<b>(73)</b>
<b>Profit for the period</b>	<b>25,431</b>	<b>19,565</b>
<b>Total profit for the period attributable</b>		
to the equity holders of the company	25,193	19,449
to non-controlling interest	238	116

## Consolidated balance sheet

	Note	2010	2009
(x 1,000 euros)			
<b>Non current assets</b>		<b>355,810</b>	<b>289,532</b>
Intangible assets	14	284,498	229,455
Property, plant and equipment	15	48,862	38,631
Financial assets	16	818	1,228
Deferred tax assets	17	20,785	19,205
Other non current assets	16	846	1,014
<b>Current assets</b>		<b>217,782</b>	<b>182,628</b>
Stock	18	66,059	60,771
Trade receivables	19	86,303	70,170
Other current assets	19	14,234	17,403
Cash and cash equivalents		51,186	34,284
<b>Total assets</b>		<b>573,592</b>	<b>472,160</b>
<b>Equity</b>		<b>208,122</b>	<b>196,352</b>
Shareholder's equity (parent)	20	216,654	202,187
Treasury shares	20	(10,816)	(7,881)
Non-controlling interest	20	2,284	2,046
<b>Non current liabilities</b>		<b>225,747</b>	<b>157,097</b>
Provisions	21	975	857
Pension obligations	22	3,276	3,365
Deferred tax liabilities	17	4,363	4,232
Borrowings	23	214,960	146,305
Financial instruments	23	2,172	2,339
<b>Current liabilities</b>		<b>139,723</b>	<b>118,711</b>
Borrowings	23	2,315	1,902
Financial instruments	23	2,758	2,974
Trade payables		80,845	67,605
Taxes, remuneration and social security	17	27,000	24,337
Other current payables	24	26,806	21,893
<b>Total equity and liabilities</b>		<b>573,592</b>	<b>472,160</b>

## Consolidated statement of changes in equity

	Share capital & share premium	Other reserves	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
(x 1,000 euros)							
<b>Balance at 31 December 2008</b>	317,302	(195,917)	(8,120)	70,281	183,546	1,984	185,530
Currency translation adjustments		(104)			(104)	31	(73)
Profit for the period				19,553	19,553	85	19,639
<b>Total recognised income for the period</b>	317,302	(196,021)	(8,120)	89,834	202,996	2,100	205,096
Purchase of treasury shares			239		239		239
Dividends relating to 2008 result				(9,073)	(9,073)		(9,073)
Share-based payments		144			144		144
Purchase non-controlling interests						(54)	(54)
<b>Balance at 31 December 2009</b>	317,302	(195,876)	(7,881)	80,761	194,306	2,046	196,352
Currency translation adjustments		2,836			2,836	116	2,952
Profit for the period				22,357	22,357	122	22,479
<b>Total recognised income for the period</b>	317,302	(193,040)	(7,881)	103,118	219,499	2,284	221,783
Purchase of treasury shares			(2,935)		(2,935)		(2,935)
Dividends relating to 2009 result				(10,880)	(10,880)		(10,880)
Share-based payments		154			154		154
Purchase non-controlling interests							
<b>Balance at 31 December 2010</b>	317,302	(192,887)	(10,816)	92,238	205,838	2,284	208,122

## Consolidated cash flow statement

	2010	2009
(x 1,000 euros)		
<b>Operating activities</b>		
Profit before income taxes	30,056	23,107
Taxes paid	(7,803)	(5,436)
Adjustments for financial items	5,960	7,436
Total adjustments for non-cash items	11,642	11,662
Total changes in working capital	2,269	2,727
<b>Total cash flow from operating activities</b>	<b>42,126</b>	<b>39,496</b>
<b>Investment activities</b>		
Capital expenditures	(19,159)	(16,322)
Investments in existing shareholdings (subsequent payments) and in new holdings	(53,486)	(15,862)
<b>Total cash flow from investing activities</b>	<b>(72,645)</b>	<b>(32,184)</b>
<b>Financing activities</b>		
Purchase of treasury shares	(3,152)	
Dividends paid	(10,812)	(9,073)
New borrowings	69,443	26,031
Reimbursement of borrowings	(1,979)	(2,589)
Interest received (paid)	(6,385)	(5,922)
<b>Total cash flow from financing activities</b>	<b>47,116</b>	<b>8,447</b>
<b>Total net cash flow for the period</b>	<b>16,596</b>	<b>15,758</b>
Cash and cash equivalents – start of the period	34,284	18,503
Gains or losses on exchange on liquid assets	306	23
Cash and cash equivalents – end of the period	51,186	34,284
<b>Change in cash and cash equivalents</b>	<b>16,596</b>	<b>15,758</b>

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” particularly relates to depreciation, amortisation 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 8.0% from 393.624 million euros in 2009 to 425.262 million euros in 2010. The **net turnover** represents 99.7% of the operating income and increased 8.4% from 391.315 million euros in 2009 to 424.056 million euros in 2010. Organic growth was 2.7% in 2010. The acquisitions in 2009 combined with the acquisitions in 2010 of the Brazilian DEG and American Gallipot within the Fagron division and the Belgian Devroe Instruments within the Arseus Medical division, together form the main components of external growth in 2010.

The turnover evolved in a different pattern for each division.

The **Fagron Group** experienced 19.0% turnover growth in 2010 and organic growth was 7.8%. 2010 was an historic year for Fagron. Fagron was only active in Europe until the beginning of 2010. With the strategic acquisition of American Gallipot in May and the acquisition of Brazilian DEG in December, Fagron became the worldwide market leader in pharmaceutical compounding in the space of one year.

Fagron's persistently strong turnover growth is due to the continuous introduction of new concepts and products for pharmaceutical compounding in order to provide for the growing demand worldwide for tailor-made medication.

**Arseus Dental** experienced 0.1% turnover growth in 2010 and organic growth of -0.7% as the result of lower than expected sales of equipment in Belgium and France.

Arseus Dental's technology-driven activities achieved excellent organic growth in 2010. Swiss Hader

managed to continue the strong organic growth of the third quarter into the fourth quarter. The recovery in the activities related to dental laboratories also continued in the fourth quarter. French Julie-Owandy successfully introduced the I-Max Touch 3D (digital 3-dimensional dental imaging equipment) during ADF in Paris.

The dental trade fairs in Brussels and Paris went as expected and resulted in good turnover from equipment at the end of the year. In the fourth quarter Arseus Dental reinforced its leading position on the French market by the integration of two local dental equipment dealers.

**Arseus Medical's** turnover grew by 3.3% in 2010, of which -5.3% was organic growth. In 2010 the emphasis at Arseus Medical was on the strategic repositioning of the product range with the aim of improving profitability. Activities with a low gross margin were phased out (turnover of approximately 7.500 million euros on annual basis) and new value-adding exclusive distributions in healthcare were added to the product range.

New activities with a high gross margin, such as sterilisation, surgery, ventilation, cardiology and medication management (AMMS), and existing activities such as bandagistry and high-grade medical technology were successful in 2010.

Arseus Medical's Surgery to Sterilization (S2S) concept was formally launched in the fourth quarter after the installation of sterilisers (MMM Group) in the first Belgian hospitals. In the surgical field, implants from Medartis and instruments from Berger Surgical were introduced. With the acquisition of Devroe Instruments in December 2010, Arseus Medical strengthened its position and product range in surgery and

sterilisation in the Benelux with leading A-brands such as Medicon, Geister, Ackermann and Hipp. The growth of Duo-Med was continued and strengthened by its further roll-out in the Belgian market as well as its introduction in the Dutch market.

**Corilus** experienced 7.9% turnover growth in 2010, which was equal to the organic growth. The continuously strong growth of Corilus confirms the success of the strategy in which the emphasis is on developing and launching client-oriented innovative IT-total solutions for medical specialists and the European roll-out of these. Corilus also experienced very strong growth in Belgium with solutions for digital imaging for dentists.

In December 2010, Corilus signed an agreement for the supply and installation of Softalmo in a hospital in Nantes (France).

The **gross margin** (the difference between turnover on the one hand and trade goods, raw and auxiliary materials on the other) amounts to 201.845 million euros. This represents 47.6% of the turnover. The gross margin in 2009 was 47.5%.

The total **operating expenses**, defined as services and various goods, employee benefit expenses and other operating expenses minus other operating income, amounts to 153.157 million euros, increasing by 9.767 million euros compared to 2009. The cost coverage, defined as operating expenses versus gross margin, improved from 77.1% in 2009 to 75.9% in 2010.

**Depreciation and amortisation** increased by 5.8% from 11.983 million euros in 2009 to 12.672 million euros in 2010.

The **operating profit** amounts to 36.017 million euros and represents 8.5% of turnover, an improvement of 5.475 million euros compared to 2009. In 2009 the operating result was 30.542 million euros, representing 7.8% of the turnover.

The **financial result** amounts to -5.960 million euros against -7.436 million euros in 2009. This improvement is due to the positive revaluation of the financial derivatives in 2010 of 0.382 million euros compared

to a negative revaluation of -1.351 million euros in 2009. This positive revaluation relates to the increase in the market value of the interest rate hedges that do not qualify for hedge accounting in accordance with IAS 39.

Excluding the revaluation of the financial derivatives, the financial result amounts to -6.342 million euros, an increase of 4.2% compared to 2009. This increase is due to an increase in the net financial debt, while interest rates have, on balance, decreased.

This brings **profit before income tax** to 30.056 million euros, an increase of 6.950 million euros compared to 2009.

The **taxes** amount to 7.578 million euros, of which 2.320 million euros relates to a settlement of a tax claim within the Corilus division. In the prospectus and the 2007, 2008 and 2009 annual reports, Arseus reported that Corilus SA (a subsidiary of Arseus) had a dispute with the Belgian tax authority on the fiscal treatment of the tax years 2003 to 2007. In early 2011, Corilus contracted a settlement of the dispute with the tax authority for a total sum of 2.320 million euros. Because Corilus had already made payments totalling 2.481 million euros, Corilus will receive 0.332 million euros, including interest, from the Belgian tax authority.

The recurrent taxes therefore amount to 5.257 million euros, or 17.5% of the profit before income taxes, against 15.0% in 2009.

**Profit after income tax** amounts to 22.479 million euros, an increase of 14.5% in comparison to 2009. The **non-controlling interest** amounts to 0.122 million euros and concerns Fagron A/S in the Czech Republic, formerly Tamda. As a result, the **share of Arseus** comes to 22.357 million euros.

## 1.2. Consolidated balance sheet

The **consolidated balance sheet** total increased by 21.5% from 472.160 million euros in 2009 to 573.592 million euros in 2010.

### Assets

Total **non-current assets** amount to 355.810 million euros. This amount is 66.278 million euros higher than in 2009.

The **intangible assets** increased by 55.043 million euros. This increase is caused mainly by the recognition of goodwill as a result of the acquisitions of American Gallipot, Brazilian DEG and Belgian Devroe Instruments, and by the R&D activities of Corilus and Arseus Dental. **Property, plant and equipment** increased by 10.231 million euros, caused by, among other things, the construction of a new head office and distribution centre for Fagron Nederland and the installation of a pick robot in the central warehouse of Fagron Nederland.

**Net operating capital expenditures** amount to 19.159 million euros and represent 4.5% of turnover. The most important component is an investment of 7.896 million euros in a new head office and distribution centre for Fagron Nederland. The net operating capital expenditures also included investments in R&D, automation and a pick robot for Fagron Nederland. If the investment in the new head office and distribution centre for Fagron Nederland is disregarded, the operating capital expenditures decrease by 30% compared to 2009, to 2.7% of the annual turnover.

**Financial assets** amount to 0.818 million euros.

**Deferred tax assets** represent a value of 20.785 million euros. They are mainly related to tax losses carried forward which are likely to be appropriated in the future.

The **other non-current assets** (0.846 million euros) are mainly security deposits.

Total **current assets** amount to 217.782 million euros compared to 182.628 million euros in 2009, an increase of 35.154 million euros. The most important changes were the increase in stock by 5.288 million euros or 8.7%, the increase in trade receivables by 16.133 million euros or 23.0% and the increase in cash and cash equivalents by 16.902 million euros or 49.3%.

### Equity and liabilities

Total **equity** amounts to 208.122 million euros. This represents an increase of 11.770 million euros in comparison to 2009.

Total **liabilities** increased from 275.808 million euros in 2009 to 365.470 million euros in 2010. This represents an increase of 89.663 million euros.

**Provisions** increased by 0.118 million euros.

**Pension obligations** amount to 3.276 million euros, a decrease of 2.6% in comparison to 2009.

**Deferred tax liabilities** relate among other things to temporary differences between reporting and fiscal accounting at the local entities. These amounted to 4.363 million euros in 2010 against 4.232 million euros in 2009.

**Non-current interest-bearing financial liabilities** (long-term borrowings) amount to 214.960 million euros, an increase of 68.655 million against 2009.

**Current interest-bearing financial liabilities** (short-term borrowings) amount to 2.315 million euros, an increase of 0.413 million euros against 2009.

As at 31 December 2010, **net financial debt** (total current and non-current interest-bearing financial liabilities plus other long-term liabilities less cash and cash equivalents) amounts to 166.089 million euros, versus 113.923 million euros at the end of 2009. This increase is due to investments, the acquisitions of Gallipot, DEG and two local dental dealers in France and the payment for the compounding pharmacy in the Netherlands at the end of 2009. At the end of 2010, the net financial debt/annualised REBITDA ratio was

2.49, fully in compliance with the covenant under the credit facility, which sets a maximum of 3.25.

**Trade payables** are 13.240 million euros higher (+19.6%) than in 2009 at 80.845 million euros. This increase is related to the evolution of the operating working capital, defined as stocks plus trade receivables less trade payables, from 63.336 million euros in 2009 to 71.517 million euros in 2010. This therefore represents a 12.9% increase, caused by the acquisitions made by Arseus in 2010. Without the impact of the acquisitions, the working capital would have decreased in 2010. This structural improvement is primarily due to a persistent focus on strict stock control and debtor management.

**Taxes, remuneration and social security** amount to 27.000 million euros, an increase of 2.663 million euros in comparison to 2009.

**Other current payables** amount to 26.806 million euros versus 21.893 million euros in 2009. This increase was caused by the increase in subsequent payments for acquisitions.

### 1.3. Consolidated cash flow statement

The consolidated cash flow statement takes as its starting point the **profit before income taxes** of 30.056 million euros, as reported in the consolidated income statement.

From this amount are deducted the outgoing cash flows before taxes, being 7.803 million euros. This amount includes all income taxes effectively paid during 2010.

Then the elements from operating activities not having a cash flow effect or not directly related to operating activities are reintroduced. This represents a total of 17.602 million euros. A significant portion relates to paid interest (6.385 million euros) recognized as cash flows from financing activities (see below) minus the positive revaluation of financial derivatives (0.382 million euros). In this context, depreciations and amortisations 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 (positive effect of 2.269 million euros).

Total **cash flows from investment activities** produced an outflow of 72.645 million euros relating to capital expenditures in the amount of 19.159 million euros and payments for existing shareholdings (subsequent payments) and in new holdings in the amount of 53.486 million euros.

**Total financing activities** represent an inflow of 47.116 million euros. Arseus purchased 3.152 million euros in treasury shares in 2010 and paid out 10.812 million euros in dividends. Payment of interest on loans and other financial elements such as financial discounts produced an outflow of 6.385 million euros, the new borrowings an inflow of 69.443 million euros. This is offset by repayment of borrowings in the amount of 1.979 million euros.

In the reporting period, total cash and cash equivalents increased by 16.596 million euros: from 34.284 million euros at the start of the reporting period to 51.186 million euros at the end of the reporting period. The minor difference relates to losses on exchange on liquid assets.

# Notes to the consolidated financial statements

## 1. General information

Arseus NV (the 'Company') and its subsidiaries (together, the 'Group') constitute a multinational group of companies that supplies products, services and concepts to professionals and institutions in the healthcare sector in Europe, the United States and Brazil. The company 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 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 operational activities of the Arseus Group are driven by the Dutch company Arseus BV. The head office of Arseus BV is located in Rotterdam.

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

The Board of Directors approved the publication of these consolidated financial statements on 30 March 2011.

## 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.

### 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), which are stated at fair value.

a) New and revised standards and interpretations of existing standards applied by the Group in 2010.

The following new standards, revised standards and interpretations first apply to the reporting period of the group starting from 1 January 2010:

- IFRS 3 (revised): 'Business combinations'. Relates to how consolidated participations are reported. The new requirements apply to business combinations with an acquisition date in the first period starting on or after 1 July 2009;
- IAS 27 (revised): 'The consolidated financial statements and the stand-alone financial statements'. Relates to the presentation requirements in the financial statements (effective as of 1 July 2009);
- 'Improvements to the IFRS standards' (2009)

The application of the standards above did not have any noteworthy impact on the company's financial result or balance sheet position.

The following new standards, revised standards and interpretations first apply to the reporting period of the group starting from 1 January 2010, but are not relevant for the group:

- IAS 39 (amendment): 'Financial instruments: Inclusion and valuation' concerning qualifying hedged positions (effective as of 1 July 2009);
- IFRS 1 (amendment): 'Additional disclosures for first time adopters' (effective as of 1 January 2010);
- IFRS 1 (amendment): 'First application of IFRS';
- IFRS 2 (amendment): 'Share-based payment transactions settled in cash within a group of entities' (effective as of 1 January 2010);

- IFRIC 12: 'Service provision under concession agreements' (effective as of 30 March 2009);
- IFRIC 15: 'Agreements for the construction of real estate' (effective as of 1 January 2010);
- IFRIC 16: 'Hedging of net investments in foreign activities' (effective as of 1 July 2009);
- IFRIC 17: 'Payment of non-cash assets to shareholders' (effective as of 1 July 2009);
- IFRIC 18: 'Assets, received from customers' (effective as of 31 October 2009).

b) The following standards, amendments to existing standards and interpretations of existing standards were published by the IASB and endorsed by the EU but do not take effect until the 2011 financial year or later, and will not be applied early by the group:

- IFRIC 19: 'Extinguishing financial liabilities with equity instruments' (effective as of 1 July 2010);
- IAS 24 (revised): 'Related party disclosures' (effective as of 1 January 2011);
- IFRIC 14 (change to interpretation): 'Minimum financing requirements for defined contribution scheme' (effective as of 1 January 2011);
- IFRS 1: 'Presentation of the financial statements', an amendment to the disclosures to financial instruments upon first-time adoption of IFRS (effective as of 1 July 2010);
- IAS 32 (revised): 'Classification of claim emissions' (effective as of 1 February 2010).

The introduction of the changes reported under this point b is not expected to have any significant impact on the financial reporting.

New standards, amendments to existing standards and interpretations that were published by the IASB but not yet endorsed by the EU include:

- IFRS 9: 'Financial instruments'. This standard is the first step in the process of replacing IAS 39. (effective as of 1 January 2013)
- IFRS 7 (amendment): 'Financial instruments: disclosures' (effective as of 1 July 2011)
- IAS 12 (amendment): 'Taxes' in relation to deferred taxes (effective as of 1 January 2012)
- IFRS 1 (amendment): 'First-time adoption of IFRS' after a period of severe hyperinflation and the

- revocation of dates of application for the first-time adopters (effective as of 1 July 2011);
- "Improvements to the IFRS standards" (2010).

### 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 given, 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 year-end rate;

- 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 translated 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 where appropriate. Depreciation is calculated pro rata temporis on the basis of the useful life of the asset, in accordance with the following depreciation parameters:

Buildings	25 to 60 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. Gains and losses on the disposal of an entity include the book value in goodwill relating to the entity sold.

#### *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 of their expected 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 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 not be 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 financial assets available for sale. 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 included in 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 determined, in which case they are valued at cost. Unrealised gains and losses arising from changes in the fair value are recognized in equity. When the related assets are sold or impaired, the accumulated fair value adjustments are recognized in the income statement.

Any events or change 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 in which a significant portion of the risks and benefits of ownership are retained by the lessor 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 – Financial leases**

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

Financial 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 financial 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 the 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 future defined benefit obligations less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service pension 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 in the income statement 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 ceases 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 taxes as recognized in the income statement include 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 balance sheet 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 for 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 any 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 fully 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**

Risk management is extremely important to Arseus in order to secure the long-term business objectives and the value creation of the company. 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 related to market and growth is that Arseus may face unfavourable market situations or competition that develops to Arseus' disadvantage.

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 key customers, or a disturbed balance between demand and supply in the markets where Arseus is active.

Arseus wants to achieve sustainable growth by consolidating its leading position in selected segments of professional healthcare by means of organic growth and to further expand this via an active buy-and-build strategy. The active acquisition policy also enables Arseus to achieve synergy benefits and improve efficiency. This is accompanied by the risk that acquired entities may not meet expectations. Arseus limits this risk as much as possible by a continuous process of international market research and by subjecting possible acquisition candidates to rigorous due diligence. After acquisition, Arseus integrates the acquired entity as quickly and as thoroughly as possible, both in strategic and organisational policies.

### **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.

Adequate and reliable financial reporting is essential for both the internal management reports and the external reporting. Group-wide reporting guidelines have been drawn up within Arseus to this end, based on IFRS and internal information needs.

All entities periodically prepare business plans, budgets and interim forecasts at predetermined

moments. Discussions with the management of the entities take place periodically on the general course of affairs, including the realisation and feasibility of the forecasts issued and strategic decisions.

With regard to fiscal regulation, Arseus makes use of the possibilities offered by the fiscal legislation and regulation without taking any unnecessary risks in doing so. Arseus also has the support of external fiscal advisers in this regard.

### **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. The most important credit facility of 300 million euros has a term until 30 August 2012. At the end of 2010, the net financial debt/annualised recurring EBITDA ratio was 2.49, fully in compliance with the covenant under the credit facility which sets a maximum ratio of 3.25.

Arseus manages the cash and financing flows and the risks arising from these by means of a group-wide treasury policy. In order to optimise the financial position and keep the related interest charges to a minimum, the cash flows of the companies are centralised in a single cash pool as much as possible.

### **Credit risk**

Credit risk involves the risk that a debtor or other counterparty is unable to satisfy its payment obli-

gations to Arseus, resulting in a loss for Arseus. 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. Arseus has an active policy to reduce operational working capital; from this perspective the group aims to reduce the accounts receivable balance.

### **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 210 (thousand) euros. A 70 million euros financing risk due to the variable interest rate is covered by financial derivatives.

### **Exchange rate risk**

The exchange rate risk is the risk on results due to fluctuations in the exchange rates. Arseus reports its financial results in euro 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. This involves entities that operate in the Czech crown, the Swiss franc, the British pound, the Danish krone, the Polish zloty, the US dollar and the Brazilian real. In 2010 these entities collectively represent less than 8% of the consolidated turnover and just over 9% of the operating result of Arseus.

Because the acquisitions in countries outside the euro zone are largely strategic in nature, the effects of fluctuations in the exchange rate will be limited in the long term.

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. Arseus covered a 70 million euros financing risk due to the variable interest rate. 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 2010, the cumulative revaluation of financial derivatives amounted to 4.930 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 that 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 financial reporting principles 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 2010 was 251.944 million euros (2009: 199.825 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 2010 was 3.276 million euros (2009: 3.365 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 judgements. 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. Fagron develops and markets its own pharmaceutical formularies, sells and distributes instruments and pharmaceutical raw materials for pharmaceutical compounding, sells and distributes compounded and cosmetic products under its own brand name, Fagron, to pharmacists, provides third-party pharmaceutical compounding services to pharmacists and hospitals, and provides specialty pharmaceutical raw materials to the pharmaceutical, nutraceutical, veterinary and cosmetic industries.
- 2 Arseus Dental** provides specialist products and services to dentists, labs and other dental professionals. Furthermore, Arseus Dental produces and assembles a complete in-house range of imaging equipment for dentists, such as x-ray units, panoramic units, intra-oral digital sensors and cameras. In Switzerland, Arseus Dental (as OEM supplier) manufactures precision components for the dental and orthopaedic industry.
- 3 Arseus Medical** provides innovative products, services and solutions for doctors, hospitals, retirement homes and homecare nurses. The focus lies on personal care, mobility, organisation, hygiene & sterilisation and diagnostics.
- 4 Corilus** provides total IT solutions for a wide range of medical and paramedical professions, such as pharmacists, dentists, GPs, ophthalmologists, and veterinarians.

The segment results for the reporting period ending 31 December 2010 are as follows:

2010	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
(x 1,000 euros)						
<b>Total turnover</b>	<b>179,376</b>	<b>161,567</b>	<b>52,414</b>	<b>31,191</b>		<b>424,548</b>
Intersegment turnover	(37)	(110)	(211)	(134)		(492)
Turnover	179,339	161,457	52,203	31,057		424,056
Operating result per segment	34,429	293	4,025	5,310	(8,041)	36,017
Financial result						(5,960)
Profit before income tax						30,056
Income tax expenses						(7,578)
<b>Profit for the period</b>						<b>22,479</b>

The segment results for the reporting period ending 31 December 2009 are as follows:

2009	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
(x 1,000 euros)						
<b>Total turnover</b>	<b>150,793</b>	<b>161,356</b>	<b>50,690</b>	<b>28,997</b>		<b>391,836</b>
Intersegment turnover	(52)	(102)	(164)	(203)		(521)
Turnover	150,741	161,254	50,526	28,795		391,315
Operating result per segment	25,490	4,574	2,769	4,523	(6,813)	30,542
Financial result						(7,436)
Profit before income tax						23,107
Income tax expenses						(3,468)
<b>Profit for the period</b>						<b>19,639</b>

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

2010	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
(x 1,000 euros)						
Depreciation and amortisation	1,949	3,298	902	3,495	2,809	12,453
Write-down on stock	(332)	(355)	79	(10)		(617)
Write-down on receivables	22	788	(95)	113	7	836

2009	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
(x 1,000 euros)						
Depreciation and amortisation	2,043	3,066	682	3,151	1,942	10,885
Write-down on stock	347	37	126	2		512
Write-down on receivables	39	640	4	(97)		586

As at 31 December 2010 the assets and liabilities, and the capital expenditure (investments) for the reporting period ending on this date, are as follows:

2010	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
(x 1,000 euros)						
Assets	197,800	180,743	63,375	47,498	84,176	573,592
Liabilities	62,122	57,484	21,635	8,644	215,585	365,470
Capital expenditures	1,345	1,976	1,047	4,072	10,719	19,159

As at 31 December 2009 the assets and liabilities, and the capital expenditure (investments) for the reporting period ending on this date, are as follows:

2009	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
(x 1,000 euros)						
Total assets	133,841	166,920	60,442	45,896	65,061	472,159
Total liabilities	44,190	47,630	17,301	5,916	160,771	275,808
Capital expenditure	1,732	3,074	887	4,056	6,574	16,322

Segment assets consist primarily of property, plant and equipment, intangible assets, stock, 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 elements as corporate borrowings.

Turnover of Arseus in 2010 and 2009 by geographical segments is as follows:

	2010	2009
(x 1,000 euros)		
The Netherlands	127,779	115,263
Belgium	126,493	124,272
France	65,083	63,691
Germany	47,484	44,591
Italy	14,835	14,427
Switzerland	9,779	9,527
Spain	9,227	8,120
United States	7,148	
Czech Republic	5,669	5,642
Brazil	5,473	
Denmark	3,003	4,146
United Kingdom	2,040	1,636
Poland	43	
<b>Total</b>	<b>424,056</b>	<b>391,315</b>

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

## 6. Turnover

	2010	2009
(x 1,000 euros)		
Sale of goods	402,984	372,184
Rendering services	21,071	19,131
<b>Turnover</b>	<b>424,056</b>	<b>391,315</b>

## 7. Other operating income

	2010	2009
(x 1,000 euros)		
Gain on disposal of fixed assets	419	712
Other operating income	787	1,597
<b>Total other operating income</b>	<b>1,206</b>	<b>2,309</b>

## 8. Employee benefit expenses

	2010	2009
(x 1,000 euros)		
Wages and salaries	60,570	57,151
Social security costs	15,755	15,295
Pension costs - defined benefit plans	928	599
Pension costs - defined contribution plans	1,441	1,359
Other post-employment benefit contributions	4,607	1,296
Other employment costs	6,305	6,331
<b>Total employee benefit expenses</b>	<b>89,606</b>	<b>82,030</b>

Full-time equivalents (rounded at one unit)	2010	2009
Belgium	522	521
The Netherlands	395	400
France	243	249
Germany	192	193
Brazil	178	
Switzerland	102	100
Czech Republic	81	75
Italy	59	56
United States	48	
Spain	41	40
United Kingdom	12	7
Denmark	10	12
Poland	3	2
<b>Total</b>	<b>1,887</b>	<b>1,655</b>

At 31 December 2010, Arseus' workforce (fully consolidated companies) comprised 1,991 persons or 1,887.0 full-time equivalents. Of these, 823.7 full-time equivalents are attributable to Fagron, 636.6 to Arseus Dental, 175.7 to Arseus Medical, 210.6 to Corilus and 40.4 to Arseus Corporate.

## 9. Depreciation and amortisation

(x 1,000 euros)	2010	2009
Depreciation and amortisation	12,453	10,885
Write-down on stock	(617)	512
Write-down on receivables	836	586
<b>Depreciation and amortisation</b>	<b>12,672</b>	<b>11,983</b>

## 10. Other operating expenses

(x 1,000 euros)	2010	2009
Increase (decrease) in provisions for current liabilities	(181)	(80)
Increase (decrease) in provisions for pension liabilities	(213)	218
Other operating expenses	1,943	1,503
<b>Total other operating expenses</b>	<b>1,549</b>	<b>1,641</b>

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

Non-recurring costs are not recognized as other operating expenses but are presented in their originating cost category. The total non-recurring costs included in the EBIT amount to 5.998 million euros. These costs mainly consist of restructuring costs at Arseus Dental where the workforce was reduced by 75 fulltime equivalents in 2010. Just as in 2009, an extra provision of 0.750 million euros was also created because of a conflict with a client, stemming from 2002, concerning payment for products supplied. This case is concluded with this additional provision. In addition, the revaluation of the financial derivatives constitutes a non-recurring result of 0.382 million euros in the financial result. The total non-recurring costs after income taxes are calculated by multiplying the sum of the non-recurring costs by the weighted average effective income tax rate and come to 6.954 million euros.

## 11. Financial result

(x 1,000 euros)	2010	2009
Financial income	477	554
Financial expenses	(1.463)	(2.978)
Interest expenses	(4.959)	(4.855)
Currency exchange differences	(14)	(157)
<b>Financial result</b>	<b>(5.960)</b>	<b>(7.436)</b>

The financial income largely relates to the revaluation of financial derivatives (0.382 million euros). This positive revaluation relates to the change in the market value of the interest rate hedges that are not a cash flow and do not qualify for hedge accounting in accordance with IAS 39. 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 financial result, excluding the revaluation of the financial derivatives, amounts to -6.342 million euros, an increase of 4.2% compared to 2009. This increase is due to an increase in the net financial debt, while interest rates have, on balance, decreased.

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

## 12. Income tax expenses

(x 1,000 euros)	2010	2009
Current tax expenses	8,911	5,636
Deferred tax	(1,333)	(2,168)
<b>Income tax expenses</b>	<b>7,578</b>	<b>3,468</b>
Weighted average current tax rate	25.21%	15.01%
Profit before income tax	30,056	23,107
Tax calculated at weighted average statutory tax rate	9,233	6,343
Income not subject to taxes	(4,366)	(4,415)
Expenses not deductible for tax purposes	456	390
Tax on profit previous years	2,320	15
Other	(64)	1,135
<b>Income tax expenses</b>	<b>7,578</b>	<b>3,468</b>

In 2009, in the item "other" an amount of 0.6 million euros concerns taxes paid over dividend flows within Arseus.

In the prospectus and the 2007, 2008 and 2009 annual reports, Arseus reported that Corilus SA (a subsidiary of Arseus) had a dispute with the Belgian tax authority on the fiscal treatment of the tax years 2003 to 2007. In early 2011, Corilus contracted a settlement of the dispute with the tax authority for a total sum of 2.320 million euros. This amount of 2.320 million euros is included in the line 'Tax on profit previous years'.

### 13. Earnings per share

	2010	2009
(x 1,000 euros)		
<b>Basic earnings per share</b>		
Profit attributable to equity holders of the Company	22,357	19,553
Weighted average number of ordinary shares (x 1,000)	29,995	30,215
Basic earnings per share (in euro)	0.75	0.65
<b>Diluted earnings per share</b>		
Profit attributable to equity holders of the Company	22,357	19,553
Weighted average number of ordinary shares (x 1,000)	29,995	30,215
Effect of warrants	102	-
Weighted average number of ordinary shares (diluted; x 1,000)	30,097	30,215
Diluted earnings per share (in euro)	0.75	0.65
<b>Earnings per share before non-recurring items</b>		
Profit attributable to equity holders of the Company	22,357	19,553
Non-recurring items, after tax*	6,954	4,963
Profit before non-recurring items attributable to equity holders of the company	29,311	24,516
Weighted average number of ordinary shares (x 1,000)	29,995	30,215
Basic earnings per share before non-recurring items (in euro)	0.98	0.81
Profit attributable to equity holders of the Company	22,357	19,553
Non-recurring items, after tax*	6,954	4,963
Profit before non-recurring items attributable to equity holders of the company	29,311	24,516
Weighted average number of ordinary shares (x 1,000)	29,995	30,215
Effect of warrants	102	-
Weighted average number of ordinary shares (diluted; x 1,000)	30,097	30,215
Diluted earnings per share (in euro)	0.97	0.81

\* See Note 10 for definition and calculation of the non-recurring items (after tax).

## 14. Intangible assets

	Goodwill	Develop- ment	Conces- sions & patents	Brands	Software	Other	Total
(x 1,000 euros)							
<b>Net book value as at</b>							
<b>1 January 2009</b>	<b>173,785</b>	<b>11,289</b>	<b>1,718</b>	<b>6,186</b>	<b>8,049</b>	<b>100</b>	<b>201,126</b>
Investments	18	5,812	159	28	4,218		10,235
Acquisitions	26,244	101		(2,023)	84		24,407
Disposals					(8)		(8)
Amortisation		(2,705)	(496)	(217)	(2,656)	(26)	(6,100)
Other movements		121	(23)		(84)		14
Exchange differences	(221)				2		(219)
<b>Net book value as at</b>							
<b>31 December 2009</b>	<b>199,825</b>	<b>14,619</b>	<b>1,357</b>	<b>3,974</b>	<b>9,605</b>	<b>74</b>	<b>229,455</b>
Gross carrying amount	199,825	28,774	5,320	4,610	19,102	148	257,779
Accumulated amortisation		(14,155)	(3,962)	(636)	(9,497)	(74)	(28,324)
<b>Net book value</b>	<b>199,825</b>	<b>14,619</b>	<b>1,357</b>	<b>3,974</b>	<b>9,605</b>	<b>74</b>	<b>229,455</b>
<b>Net book value as at</b>							
<b>1 January 2010</b>	<b>199,825</b>	<b>14,619</b>	<b>1,357</b>	<b>3,974</b>	<b>9,605</b>	<b>74</b>	<b>229,455</b>
Investments		6,707	240	77	2,604		9,629
Acquisitions	51,776			342			52,118
Disposals					(41)		(41)
Amortisation		(3,503)	(396)	(362)	(3,069)	(4)	(7,334)
Other movements		53	(4)		85		135
Exchange differences	343	179			15		538
<b>Net book value as at</b>							
<b>31 December 2010</b>	<b>251,944</b>	<b>18,056</b>	<b>1,197</b>	<b>4,032</b>	<b>9,199</b>	<b>70</b>	<b>284,498</b>
Gross carrying amount	251,944	35,841	5,489	5,030	20,964	148	319,416
Accumulated amortisation		(17,785)	(4,292)	(998)	(11,765)	(78)	(34,918)
<b>Net book value</b>	<b>251,944</b>	<b>18,056</b>	<b>1,197</b>	<b>4,032</b>	<b>9,199</b>	<b>70</b>	<b>284,498</b>

### Goodwill

Goodwill is tested at least 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 divisions of Arseus: Fagron, Arseus Dental, Arseus Medical and Corilus.

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

	2010	2009
Fagron	113.86	72.83
Arseus Dental	76.18	71.22
Arseus Medical	38.26	34.11
Corilus	23.64	21.66
<b>Totaal</b>	<b>251.94</b>	<b>199.83</b>

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		Perceptual		Gross Margin (%)		Discount Rate (%)	
	5 year growth (%)		Growth Rate (%)					
	2010	2009	2010	2009	2010	2009	2010	2009
Fagron	5	5	2.5	2.5	51.48	50.91	12.81	10.6
Arseus Dental	4	4	2.0	1.5	39.68	42.33	8.74	9.66
Arseus Medical	3	3	2.5	2.5	43.12	39.53	8.54	8.86
Corilus	3	2	1.5	1.5	75.88	76.89	8.88	8.68

Above assumptions were subjected to a sensitivity analysis confirming that for 2010 no impairment of goodwill was required.

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.

## 15. Property, plant and equipment

	Land and buildings	Plant machinery and equipment	Furniture and vehicles	Leasing and other similar rights	Other tangible assets	Assets under construction	Total
(x 1.000 euro)							
<b>Net book value as at 1 January 2009</b>	<b>10,084</b>	<b>3,525</b>	<b>3,478</b>	<b>4,114</b>	<b>10,977</b>	<b>2,296</b>	<b>34,473</b>
Investments	2,030	1,127	1,127	34	2,510	1,433	8,261
Acquisitions	1,543	398	125	21	312		2,399
Disposals	(745)		(145)	(22)	(714)		(1,626)
Amortisation	(528)	(976)	(1,387)	(678)	(1,216)		(4,785)
Other movements	1,570	1,714	408	(745)	(689)	(2,422)	(164)
Exchange differences	41	18	2	(20)		32	73
<b>Net book value as at 31 December 2009</b>	<b>13,994</b>	<b>5,807</b>	<b>3,609</b>	<b>2,703</b>	<b>11,181</b>	<b>1,338</b>	<b>38,631</b>
Gross carrying amount	16,052	15,639	15,395	3,939	15,874	1,338	68,237
Accumulated amortisation	(2,058)	(9,833)	(11,786)	(1,237)	(4,693)		(29,606)
<b>Net book value</b>	<b>13,994</b>	<b>5,807</b>	<b>3,609</b>	<b>2,703</b>	<b>11,181</b>	<b>1,338</b>	<b>38,631</b>
<b>Net book value as at 1 January 2010</b>	<b>13,994</b>	<b>5,807</b>	<b>3,609</b>	<b>2,703</b>	<b>11,181</b>	<b>1,338</b>	<b>38,631</b>
Investments	8,099	2,021	709		1,859	194	12,882
Acquisitions	1,572	1,162	116	7	226		3,083
Disposals	(348)	(9)	(100)		(1,515)		(1,972)
Amortisation	(365)	(1,595)	(1,354)	(430)	(1,373)		(5,118)
Other movements	1,059	223	30		8	(1,388)	(66)
Exchange differences	588	356	10	458		10	1,422
<b>Net book value as at 31 December 2010</b>	<b>24,599</b>	<b>7,965</b>	<b>3,019</b>	<b>2,738</b>	<b>10,387</b>	<b>155</b>	<b>48,862</b>
Gross carrying amount	27,000	20,012	15,198	4,594	16,204	155	83,164
Accumulated amortisation	(2,401)	(12,047)	(12,179)	(1,856)	(5,817)		(34,302)
<b>Net book value</b>	<b>24,599</b>	<b>7,965</b>	<b>3,019</b>	<b>2,738</b>	<b>10,387</b>	<b>155</b>	<b>48,862</b>

'Other movements' concern mainly assets under construction that became available for use in the course of 2010.

An investment in the amount of 7.896 million euros was made in 2010 for the construction of a building for Fagron Nederland. There is a remaining contractual obligation of 1.401 million euros.

## 16. Financial assets and other non-current assets

	Financial assets	Other non-current assets	Total
(x 1,000 euros)			
<b>Balance at 1 January 2009</b>	<b>1,061</b>	<b>957</b>	<b>2,018</b>
Investments	140	231	371
Transfers and disposals		95	95
Reimbursements	24	(270)	(246)
Other	3	1	3
<b>Balance at 31 December 2009</b>	<b>1,228</b>	<b>1,014</b>	<b>2,241</b>
<b>Balance at 1 January 2010</b>	<b>1,228</b>	<b>1,014</b>	<b>2,241</b>
Investments	27	48	75
Transfers and disposals	7	1	8
Reimbursements	(409)	(218)	(627)
Other	(34)	2	(32)
<b>Balance at 31 December 2010</b>	<b>818</b>	<b>846</b>	<b>1,665</b>

An analysis of the assets mentioned above showed that none of these need to undergo an extraordinary impairment in 2010.

Other fixed assets concern receivables with different due dates. The fair value approximates the book value.

## 17. Taxes, remuneration and social security

	2010	2009
(x 1,000 euros)		
Current income tax liabilities	3,823	4,305
Other current tax and VAT payables	10,830	9,082
Remuneration and social security payables	12,346	10,950
<b>Taxes, remuneration and social security</b>	<b>27,000</b>	<b>24,337</b>

#### a) Deferred tax assets

	Differences in depreciation rates	Employee benefits	Provisions	Tax losses	Other	Total
(x 1,000 euros)						
<b>Balance at 31 December 2008</b>	<b>21</b>	<b>619</b>	<b>208</b>	<b>15,530</b>	<b>220</b>	<b>16,598</b>
Result	39		122	1,705	477	2,344
Change in the scope of consolidation			263			263
<b>Balance at 31 December 2009</b>	<b>60</b>	<b>619</b>	<b>594</b>	<b>17,235</b>	<b>697</b>	<b>19,205</b>
Result	150	184	(429)	330	1,085	1,320
Change in the scope of consolidation			261			261
<b>Balance at 31 December 2010</b>	<b>210</b>	<b>803</b>	<b>426</b>	<b>17,565</b>	<b>1,782</b>	<b>20,785</b>

#### b) Deferred tax liabilities

	Difference in depreciations rates	Other	Total
(x 1,000 euros)			
<b>Balance at 31 December 2008</b>	<b>2,620</b>	<b>2,321</b>	<b>4,941</b>
Result	88	(797)	(709)
Change in the scope of consolidation			
<b>Balance at 31 December 2009</b>	<b>2,708</b>	<b>1,524</b>	<b>4,232</b>
Result	322	(299)	23
Change in the scope of consolidation	108		108
<b>Balance at 31 December 2010</b>	<b>3,138</b>	<b>1,225</b>	<b>4,363</b>

### 18. Stock

	2010	2009
(x 1,000 euros)		
Raw materials	13,714	7,335
Auxiliary materials	3	74
Work in progress	2,438	1,303
Finished goods	8,630	7,938
Trade goods	41,276	44,121
<b>Stock</b>	<b>66,059</b>	<b>60,771</b>

## 19. Trade and other current assets

	2010	2009
(x1,000 euros)		
Trade receivables	88,520	72,217
Provision for impairment of receivables	(2,218)	(2,046)
<b>Total trade receivables</b>	<b>86,303</b>	<b>70,170</b>
<b>Other receivables</b>	<b>14,234</b>	<b>17,403</b>

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 not yet due would not fulfil their payment obligations. Provisions were made for known exposures. The item other current assets mainly concerns taxes to be refunded over the reporting period and value added tax. A 750 (thousand) euros provision was made for a single debtor in the other receivables item concerning a dispute dating back to 2002. This case is concluded with this provision.

	Carrying amount	Of which not past-due at year-end	Of which due at year-end			
			Less than 30 days	Between 31 and 90 days	Between 91 and 150 days	More than 150 days
(x1,000 euro)						
Trade receivables at						
31 December 2010	86,303	58,683	14,490	7,537	1,807	3,786
Trade receivables at						
31 December 2009	70,170	44,290	13,539	6,336	1,873	4,132

Cash and cash equivalents, trade receivables and other receivables usually have due dates that are close to each other. Therefore, their book value approximates the fair value.

## 20. 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 of 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 Bulletin of Acts, Orders and Decrees.

As at 31 December 2010, 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 fourth 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 were exercisable from 17 to 28 January 2011 at an exercise price of 13.88 euros. The exercise price of each warrant is equal to 140% (rounded up to the next euro quarter (0.25 euros) of the Offer Price, adjusted for exceptional dividend as provided for in the terms and conditions of the Warrant plan of the Offer.

On 16 February 2011, 1,018 new shares were issued as a result of the exercise of warrants under the Warrant Plan of the Offer. These newly issued shares are entitled to dividend from the 2011 financial year onward.

Consequently, these 1,018 newly issued shares are listed on a separate line on NYSE Euronext (ISIN code BE0380320805) until 10 May 2011. The number of voting securities of Arseus is 31,196,139.

The total number of voting rights (denominator) is 31,196,139. The authorised capital amounts to 319,820,911.43 euros.

#### **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).

The warrants granted under Warrant Plan 1 (for employees) have a lifetime of 8 years as of the date on which they are granted.

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.

Pursuant to a decision taken by the Board of Directors dated 11 May 2009, held in the presence of the notary Mr Dirk van Haesebrouck, the period during which the warrants granted to beneficiaries prior to 31 August 2008 in the context of Warrant Plan 1 are exercisable, was extended by 5 years to 17 December 2020, in accordance with the Amendment Act (Herstelwet).

The warrants granted under Warrant Plan 2 (for directors and consultants) have a lifetime of 5 years as of the date of Issue.

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 7.5% for (i) or 15% for (ii).

Pursuant to a decision of the Board of Directors dated 13 July 2009 it was decided, subject to the resolute condition of any decision to the contrary taken by the General Meeting, to extend the period for exercising the rights granted to beneficiaries prior to 31 August 2008 under Warrant Plan 2 by five years to 17 December 2017, on the understanding that beneficiaries exercising their rights following the expiry of the initial period (exercising of rights after 17 December 2012) will solely be entitled to acquire existing, instead of new, shares in the Company. This extension was presented to the Board of Directors at the annual meeting on 10 May 2010. The General Meeting ratified this proposal.

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 154 (thousand) euros for financial year 2010. In relation to the change to the exercise periods given above, at the moment of the change the actual value of the warrants without taking the change into account was compared to the actual value after the change. No additional costs needed to be recognised.

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

2010	Average exercise price in euros	Warrants
Per 1 January 2010	10.11	1,249,750
Granted	8.68	500
Forfeited	10.25	20,750
Forfeited	8.14	5,500
Exercised		
Per 31 December 2010	10.11	1,224,000

No warrants under Warrant Plan 1 or Warrant Plan 2 were exercised in 2010.

The related weighted average exercise price per share at year-end amounted to 10.11 euros in 2010.

As of 30 March 2011, the total number of warrants not yet exercised which could prompt the issue of the same number of shares of the Company amounted to 1,224,000. Their average exercise price amounts to 10.11 euros.

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

Expiry date	Exercise price	Warrants
2011 - May	10.25	1,006,100
2011 - May	8.14	10,000
2011 - May	6.29	5,000
2012 - May	10.25	48,300
2012 - May	8.14	17,375
2012 - May	6.29	5,000
2013 - May	10.25	48,300
2013 - May	8.14	7,375
2013 - May	7.77	3,125
2013 - May	8.11	125
2013 - May	8.68	125
2014 - May	10.25	48,300
2014 - May	8.14	7,375
2014 - May	7.77	3,125
2014 - May	8.11	125
2014 - May	8.68	125
2015 - May	8.14	7,375
2015 - May	7.77	3,125
2015 - May	8.11	125
2015 - May	8.68	125
2016 - May	7.77	3,125
2016 - May	8.11	125
2016 - May	8.68	125
<b>Total</b>	<b>10.1056</b>	<b>1,224,000</b>

### Fair value

The fair value of the warrants granted under Warrant Plan 1 and Warrant Plan 2 was determined using the 'Black & Scholes' valuation model and was 10 (thousand) euros for the warrants granted in 2010. The main inputs into the model were the share price at grant date, the above mentioned exercise price, the standard deviation of expected share price returns, the above specified option life, and the annual risk-free interest rate.

### Stock option plan

On 7 December 2009, the Board of Directors approved the Arseus NV Stock Option Plan (Stock Option Plan) for employees, directors, and consultants of the Company and/or subsidiaries, which approval was

subsequently ratified by the Special Shareholders' Meeting of 27 January 2010.

The options granted under the Stock Option Plan are granted free of charge and, in line with the plan, have a term of 6 years from the date of offer. Options not exercised at the end of the six-year term, on 16 January 2016 therefore, are void by operation of law.

In accordance with the provisions of Section 43, § 4, 1° of the Act of 26 March 1999 concerning the Belgian Action Plan for Employment 1998 (Stock Options Act), the Exercise Price shall be determined on the basis of the share's average closing price during the thirty days preceding the date of the offer of the Options, and was therefore calculated at 8.5214 euros per option. The Options shall be exercisable during the third, fourth, fifth and sixth calendar year following the calendar year in which the Options were offered, each time for 25%.

The Exercise of the Options at the Exercise Price shall take place unconditionally and may only take place in the month of April of each calendar year and may take place for the first time in April 2012 in the proportions specified below.

Exercise of maximum	Time
25 % of the Options granted	April 2012
50 % of the Options granted	April 2013
75 % of the Options granted	April 2014
100 % of the Options granted	April 2015

2010	Average exercise price in euros	Stock options
Per 1 January		
Granted	8.52	987,500
Forfeited		
Exercised		
<b>Per 31 December</b>	<b>8.52</b>	<b>987,500</b>

## Dividend

A dividend of 10.879 (thousand) euros was paid in 2009, this is 0.36 euros per share. At the Annual General Meeting of 9 May 2011, a dividend for 2011 will be proposed of 0.44 euros per share, which comes to a total dividend of 13,154 (thousand) euros. This dividend due is not recognized in these financial statements.

## 21. Provisions

	Taxes	Disputes	Warranty obligations	Other	Total
(x 1,000 euros)					
<b>Balance at 1 January 2009</b>	<b>48</b>	<b>104</b>	<b>385</b>	<b>273</b>	<b>811</b>
Additions					
Through business combinations			92	35	127
Other		75	(64)	45	57
Amounts used		4	7	(238)	(226)
Other				(1)	(1)
Transfers		(1)	90		89
<b>Balance at 1 January 2010</b>	<b>48</b>	<b>183</b>	<b>511</b>	<b>115</b>	<b>857</b>
Additions					
Through business combinations		139	41	160	341
Other		114	89	140	342
Amounts used		(313)	(172)	(39)	(523)
Other					
Transfers			(22)	(20)	(42)
<b>Balance at 31 December 2010</b>	<b>48</b>	<b>123</b>	<b>448</b>	<b>357</b>	<b>975</b>

## 22. Pension obligations

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

	2010	2009
(x 1,000 euros)		
Present value of funded obligations	13,064	12,390
Fair value of plan assets	(9,441)	(8,735)
Present value of unfunded obligations	3,623	3,655
Unrecognized actuarial losses (gains)	(347)	(290)
Liability in the balance sheet	3,276	3,365

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:

(x 1,000 euros)	2010	2009
Current service cost	(118)	142
Interest cost on obligation	582	540
Return on plan assets	(340)	(396)
Net actuarial gains (losses) recognized during the year	591	531
	<b>715</b>	<b>817</b>
of which included in the movement of provisions	(213)	218
of which included in the employee benefit expenses	928	599

Movements in net liability:

(x 1,000 euros)	2010	2009
<b>Net liability in the balance sheet at 1 January</b>	<b>3,365</b>	<b>3,044</b>
Expense	715	817
Pensions paid directly from pension reserve		
Contributions/benefits	(804)	(496)
Transfer		
<b>Net liability in the balance sheet at 31 December</b>	<b>3,276</b>	<b>3,365</b>

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

- The weighted average discount rate was 5.20% for 2010 and 5.20% for 2009;
- The weighted expected return on plan assets was 3.82% for 2010 and 3.82% for 2009;
- The weighted expected general salary increase was 2.50% for 2010 and 2.50% for 2009.

## 23. Financial debts and financial instruments

	2010	2009
(x 1,000 euros)		
<b>Non current</b>		
Financial lease liabilities	1,264	1,332
Bank borrowings	213,697	144,941
Other borrowings		32
	<b>214,960</b>	<b>146,305</b>
<b>Current</b>		
Financial lease liabilities	683	639
Bank borrowings	850	483
Other borrowings	782	781
	<b>2,315</b>	<b>1,902</b>
<b>Total</b>	<b>217,275</b>	<b>148,207</b>

Non-current borrowings by term	2010 Financial leases	2010 Bank borrowings	2010 Other borrowings	2009 Financial leases	2009 Bank borrowings	2009 Other borrowings
(x 1,000 euros)						
More than 1 year but less than 5 years	1,264	211,891		1,332	142,999	32
More than 5 years		1,805			1,942	
<b>Total non-current borrowings</b>	<b>1,264</b>	<b>213,697</b>		<b>1,332</b>	<b>144,941</b>	<b>32</b>

### a. Bank borrowings

The book value of the bank borrowings is expressed in euro. The effective interest rate at balance sheet date on 31 December 2010 was 2,586%.

The principal source of financing of Arseus is a credit facility of 300 million euros which has a duration to 30 August 2012. As at end 2010, an amount of 210 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 at year-end 2010 was 4.930 million euros, 2.172 million euros of which was presented as long-term liability and 2.758 million euros as short-term liability. The full movement in fair value in 2010 was added to the result. 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

- ACA Pharma BVBA
- Alphadent NV
- Arseus NV
- Arseus Capital NV
- Arseus Dental Nederland BV
- Arseus Lab BV
- Certa NV
- Corilus SA
- Duo-Med NV
- Dutch Biofarmaceutics BV
- Fagron BV
- Lamoral NV
- Spruyt hillen BV

## b. Financial leases

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

(x 1,000 euros)	2010	2009
Cost – capitalized financial leases	4,594	3,939
Accumulated depreciation	(1,856)	(1,237)
<b>Net amount of assets in leasing</b>	<b>2,738</b>	<b>2,703</b>

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

(x 1,000 euros)	2010	2009
Buildings, installations and machinery	2,738	2,691
Furniture and vehicles		12
<b>Net amount of assets in leasing</b>	<b>2,738</b>	<b>2,703</b>

Financial lease liabilities – minimum lease payments:

(x 1,000 euros)	2010	2009
Within 1 year	731	686
More than 1 year but less than 5 years	1,499	1,594
More than 5 years		
<b>Total</b>	<b>2,230</b>	<b>2,279</b>
Future financing charges on financial leases	284	309
<b>Present value of financial lease liabilities</b>	<b>1,947</b>	<b>1,970</b>

### c. Operating leases

Operating lease liabilities – minimum lease payments:

(x 1,000 euros)	2010	2009
Within 1 year	5,749	5,759
More than 1 year but less than 5 years	10,818	11,491
More than 5 years	4,932	2,667
<b>Total</b>	<b>21,499</b>	<b>19,918</b>

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.

### 24. Other current payables

(x 1,000 euros)	2010	2009
Prepayments	2,097	1,643
Other payables	21,857	18,492
Accrued expenses	2,852	1,758
<b>Other current payables</b>	<b>26,806</b>	<b>21,893</b>

Trade payables and other commitments generally have due dates that are close to each other. The reported values approximate the fair values.

### 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.

- One of the subsidiaries of Arseus, Corilus SA, is subject to several claims by the Belgian tax authorities in the amounts of 0.768 million euros, 6.547 million euros, 7.809 million euros, 9.812 million euros, and 7.480 million euros, respectively, to be added to the tax base of Corilus SA for the income years 2002, 2003, 2004, 2005, and 2006 (with an additional 10% tax penalty applied). In early 2011, Corilus contracted a settlement of the dispute with the tax authority for a total sum of 2.320 million euros. Because Corilus had already made payments totalling 2.481 million euros, Corilus will receive 0.332 million euros, including interest, from the Belgian tax authority.

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 euros:

- 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.

## 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 2009 and 2010 was as follows.

	Fixed remuneration component <sup>1</sup>	Variable remuneration component	Other remuneration components <sup>2</sup>
(x 1,000 euros)			
<b>2009 financial year</b>			
Ger van Jeveren, CEO	421	215	21
Executive Committee, including the CEO	1,023	370	41
Non-executive members of the Board of Directors	150		
<b>2010 financial year</b>			
Ger van Jeveren, CEO	424	291	16
Executive Committee, including the CEO	1,850	591	37
Non-executive members of the Board of Directors	185		

The variable remuneration component for the 2010 fiscal year is the bonus effectively paid out in 2011.

The Remuneration Committee formulates proposals annually for the remuneration policy and/or other benefits for members of the Executive Committee and the CEO. In the event of any requests for resignation, an arrangement in line with the market will be applied.

In 2007, members of the Board of Directors who do not serve on the Executive Committee obtained 110,000 warrants. The resignation of two members in 2009 brings the total number of outstanding warrants in this context to 90,000. In the course of 2007, Mr van Jeveren obtained 500,000 warrants, while the other members of the Executive Committee obtained 300,000. The members of the Executive Committee, in the composition in effect on 31 December 2010, together hold 810,000 warrants.

In the course of 2010, Mr van Jeveren obtained 500,000 stock options, while the other members of the Executive Committee obtained 440,000.

<sup>1</sup> Costs for Arseus, i.e. the gross amount including any social security contributions.

<sup>2</sup> Includes costs for pensions, insurances and the cash value of the other benefits in kind

The CEO rents out buildings to a group company for an amount of 241,000 euros. The rental arrangement stems from the time before the company was acquired by Omega Pharma, the legal predecessor to Arseus, and was supported by independent valuation reports upon its commencement. The rental arrangement was reported to Arseus's Board of Directors in 2007 upon the incorporation. The rental agreements are due to expire.

## 27. Business combinations

Arseus completed a number of acquisitions in the financial year 2010. 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 have not been reported separately.

In the pharmaceutical products sector, American Gallipot Inc. (included in the consolidated financial statements from April 2010) was acquired in 2010. Approximately 11.8 million euros was paid for the acquisition, representing an increase in goodwill of 10.372 million euros. This goodwill was fully allocated to the Fagron operating business segment. The fair value of the acquired assets and liabilities is detailed below.

### Fair value of the acquired assets and liabilities of Gallipot Inc.

(x 1,000 euros)	
Property, plant and equipment	148
Deferred tax assets	460
Inventories	1,215
Trade receivables	779
Other receivables	79
Cash	125
Total assets	2,807
Trade payables	619
Other current debts	764
Net acquired assets	1,424
Goodwill	10,372
Total acquisition amount	11,796

In the pharmaceutical products sector, Brazilian DEG (included in the consolidated financial statements from November 2010) was also acquired. Approximately 37.338 million euros was paid for the acquisition, representing an increase in goodwill of 31.473 million euros. This goodwill was fully allocated to the Fagron operating business segment. The fair value of the acquired assets and liabilities is detailed below.

### Fair value of the acquired assets and liabilities of DEG Importação De Produtos Químicos Ltda

(x 1,000 euros)	
Property, plant and equipment	2,559
Deferred tax assets	18
Inventories	3,668
Trade receivables	4,282
Other receivables	71
Total assets	10,598
Trade payables	3,564
Other current debts	1,170
Net acquired assets	5,865
Goodwill	31,473
Total acquisition amount	37,338

Much of the goodwill on the acquisitions will be tax deductible and the correct amount will be determined as soon as the purchase price allocation is definitive.

In the area of surgical instruments, endoscopy services and sterilisation-handling solutions, Devroe Instruments (included in the consolidated financial statements from November 2010) was also acquired in 2010. Approximately 3.9 million euros was paid for the acquisition, representing an increase in goodwill of 4.169 million euros. This goodwill was fully allocated to the Medical operating business segment.

Several other smaller companies and activities were acquired in 2010 as well, for a total purchase price of 6.086 million euros. The total net assets acquired for allocation of the purchase price related to these smaller companies and activities amounted to 1.854 million euros. The total goodwill also increased by 0.343 million euros as the result of exchange rate differences.

These acquisitions in 2010, together with the final determination of the fair value of the assets and liabilities acquired in 2009, increased the goodwill by 5.762 million euros.

The fair value of a number of acquired assets and liabilities has been determined provisionally.

The total represents an increase in the goodwill of 52.119 million euros, of which 41.027 million euros was allocated to the Fagron operating segment, 4.961 million euros to Arseus Dental, 4.153 million euros to Arseus Medical and 1.978 million euros to Corilus.

No material acquisitions have been made in 2011 as of the date of publication of the 2010 annual report.

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

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

(x 1,000 euros)	2010	2009
<b>Audit fee for the Group audit</b>		
Arseus Group	355	365
Audit fee for PricewaterhouseCoopers Bedrijfsrevisoren	179	167
Audit fee for parties related to PricewaterhouseCoopers bedrijfsrevisoren	176	198
<b>Additional services rendered by the auditor to the group</b>		
Other engagements linked to the Auditor's mandate	37	30
<b>Additional services rendered by parties related to the Auditor to the Group</b>		
Tax advisory services	39	71
Other services	8	25

The item other engagement, other than strictly financial audit work, relates mainly to due diligence work.

## 29. Significant events after balance sheet date

In the first quarter of 2011, Corilus strengthened its position on the Belgian market for software for Residential Care Centres with the acquisition of the Belgian company CMS. As a result of this acquisition, Corilus can quickly respond to and profit from the consolidation trend among Residential Care Centres. An additional advantage is that Corilus can directly integrate its Infiplus software for home care nurses with CMS's GERACC software for Residential Care Centres. This enables it to respond to the important development that Residential Care Centres are increasingly cooperating with home care.

## 30. Additional notes

1 Off balance sheet rights and liabilities – collateral:

- Hader SA has provided a mortgage registration in the amount of 1.028 million euros in the context of its financing.
- Arseus BV has issued a guarantee in the amount of 1.395 million euros in the context of the new construction of the head office of Fagron Nederland.

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

- Arseus BV
- Arseus Dental BV
- Arseus Dental Nederland BV
- Arseus Lab BV
- Arseus Medical BV
- Corilus BV
- DSD BV
- Dutch BioPharmaceutics BV
- Fagron Brazil Holding BV
- Fagron BV
- Fagron Group BV
- Fagron Services BV
- Novux Lab BV
- Spruyt hillen BV
- Steunpunt Apotheek Mierlo-Hout BV
- Timm Health Care BV
- Twipe BV

## 31. List of the consolidated companies

Abacus BVBA	Land van Rodelaan 7,9820 Schelderode (Belgium)	100%
ABC Dental and Pharmaceutical Consultancy NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
ACA Pharma BVBA	Textielstraat 24, 8790 Waregem (Belgium)	100%
ADDentaire Sarl	90 Rue du Faubourg de Béthune, 59000 Lille (France)	100%
Alphadent NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
APPEGSA	Rue de la Sambre 6, 6032 Charleroi (Belgium)	100%
Arseus België NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
Arseus BV	Kralingseweg 207-211, 3062 CE Rotterdam (The Netherlands)	100%
Arseus Capital NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
Arseus Dental BV	Kralingseweg 207-211, 3062 CE Rotterdam (The Netherlands)	100%
Arseus Dental Nederland BV	Cartografenweg 18, 5141 MT Waalwijk (The Netherlands)	100%
Arseus Distribution SA	ZAC du Pré Catelan Rue Delesalle, 59110 La Madeleine (France)	100%
Arseus Est Sarl	Boucle de la Bergerie 5, 57070 St Julien Les Metz (France)	100%
Arseus France SAS	Boulevard Ornano 30/34, 93200 Saint-Denis (France)	100%
Arseus Hospital NV	Boomsesteenweg 524, 2610 Wilrijk (Belgium)	100%
Arseus Ile-de-France SA	Avenue Alphand 2, 75116 Paris (France)	100%
Arseus Lab BV	Leeuweriklaan 2, 3704 GR Zeist (The Netherlands)	100%

ArseusLab NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
ArseusLab SAS	27 rue des Frères Lumière, 68000 Colmar (France)	100%
ArseusMedical BV	Gelderlandhaven 4, 3433 PG Nieuwegein (The Netherlands)	100%
ArseusMedical NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
Arseus NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
ArseusOuest SAS	Le Bordage, 35510 Cesson Sevigne (France)	100%
Arseus Tec NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
Arseus Tec SAS	Boulevard Ornano 32, 93200 Saint-Denis (France)	100%
Bruco Hospital NV	Dragonderdreef 5, 8570 Vichte (Belgium)	100%
Certa SA	Textielstraat 24, 8790 Waregem (Belgium)	100%
Corilus BV	Randhoeve 221, 3995 GA Houten (The Netherlands)	100%
Corilus Info Santé SA	Rue Gabriel Peri 30, 92700 Colombes (France)	100%
Corilus SA	Rue Camille Hubert 23, 5032 Gembloux (Belgium)	100%
Deg Importação De Produtos Químicos Ltda	Rua Jurupari, 803 – Jardim Oriental, 04348-070 São Paulo (Brazil)	100%
Devroe Instruments Bvba	Dragonderdreef 5, 8570 Vichte (Belgium)	100%
Dorge Medic SA	Chausse de Nivelles 351, 5020 Temploux (Belgium)	100%
DSDBV	Markerkant 1303I, 1314 AL Almere (The Netherlands)	100%
Duo-Med NV	Berkenlaan 53, Londerzeel (Belgium)	100%
Dutch BioPharmaceutics BV	Steenovenweg 15, 5700 AJ Helmond (The Netherlands)	100%
Eurotec Dental GmbH	Forumstrasse 12, 4468 Neuss (Germany)	100%
Eurotec Dental SAS	147 rue Manin, 75019 Paris (France)	100%
Fagron a.s.	Holicka 1098/31M, 772 00 Olomouc (Czech Republic)	100%
Fagron A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen (Denmark)	100%
Fagron Brasil Empreendimentos E Participações Ltda	Rua Jurupari, 803 – Jardim Oriental, 04348-070 São Paulo (Brazil)	100%
Fagron Brazil Holding BV	Kralingseweg 207-211, 3062 CE Rotterdam (The Netherlands)	100%
Fagron BV	Hoogeveenweg 210, 2913 LV Nieuwerkerk aan den IJssel (The Netherlands)	100%
Fagron GmbH & Co KG	Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)	100%
Fagron Group BV	Kralingseweg 207-211, 3062 CE Rotterdam (The Netherlands)	100%
Fagron Holding USA LLC	Orange street 1209, New Castle County (United States)	100%
Fagron Iberica SAU	Carrer de Josep Tapiolas 15, 8226 Terrassa (Spain)	100%
Fagron NV	Textielstraat 20, 8790 Waregem (Belgium)	100%
Fagron Poland SP. Z.o.o	Albatrosów 1, Krakow (Poland)	100%
Fagron SAS	rue Gabriel Peri 30, 92700 Colombes (France)	100%
Fagron Services BV	Molenwerf 13, 1911 DB Uitgeest (The Netherlands)	100%
Fagron Services BVBA	Industrieweg 2, 2850 Boom (Belgium)	100%
Fagron UK Ltd	Pink Ribbon Lane 1 First Floor, NE1 1DW Newcastle upon Tyne (United Kingdom)	100%
Gallipot Inc.	2400 Pilot Knobroad, 55120 St. Paul (United States)	100%
GJDSA	Ieperstraat 30, Menin 8930 (Belgium)	100%
Hader SA	Rue Jardinière 153, 2300 La Chaux-de-Fonds (Switzerland)	100%
Icade Sarl	Rotonde Auguste Colonna - BP 144, 42160 Andrezieux Boutheon (France)	100%
Imagelevel NV	Nieuwerkerkenstraat 29, 9100 Nieuwerkerken-Waas (Belgium)	100%
JPG Pharma NV	Ondernemersstraat 4, 2500 Lier (Belgium)	100%
Liengme SA	Boulevard de Eplatures 39, 2300 La Chaux-de-Fonds (Switzerland)	100%
Lamoral NV	Textielstraat 24, 8790 Waregem (Belgium)	100%

Médical Universal SAS	1 Rue Galilée, 69800 Saint Priest (France)	100%
Multident GmbH	Mellendorferstrasse 7-9, 30625 Hannover (Germany)	100%
Nolte GmbH	Schürfweg 29, 49477 Ibbenbüren (Germany)	100%
Novux Lab BV	Leeuweriklaan 2, 3705 GR Zeist (The Netherlands)	100%
Owandy Benelux Sprl	Chaussée Bara 68, 1420 Braine L'Alleud (Belgium)	100%
Owandy Iberia SLU	Centro bbc Barajas c/ Jerez de los cabaleros 2, 28042 Madrid (Spain)	100%
Owandy Inc	192 Lexington Avenue Suite 1101, 10016 NY New York (United States)	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%
Pharmaflores SA	Rue Botrieux 7, 7864 Lessines (Deux-Acres) (Belgium)	100%
Polichimica Srl	Via Del Fonditore 4/4, 40138 Bologna (Italy)	100%
Rocam SA	Rue Jardinière 153, 2300 La Chaux-de-Fonds (Switzerland)	100%
Spruythillen BV	Tinbergenlaan 1, 3401 MT IJsselstein (The Netherlands)	100%
Steunpunt Apotheek Mierlo-Hout BV	Steenovenweg 15, 5700 AJ Helmond (The Netherlands)	100%
Timm Health Care BV	Tinbergenlaan 1, 3401 MT IJsselstein (The Netherlands)	100%
Twipe BV	Kralingseweg 207-211, 3062 CE Rotterdam (The Netherlands)	100%
Van Hopplynus Ophtalm SA	Rue Colonel Bourg 105, 1030 Bruxelles (Belgium)	100%
Zenith Pharmaceuticals Cyprus Ltd	Doma Building Arch Makarios III Avenue 227, 3105 Limassol (Cyprus)	100%



**STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED ACCOUNTS OF THE COMPANY ARSEUS NV AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**Unqualified opinion on the consolidated accounts**

We have audited the consolidated accounts of Arseus NV and its subsidiaries (the "Group") as of and for the year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated balance sheet as of 31 December 2010 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The total of the consolidated balance sheet amounts to EUR (000) 573.592 and the consolidated statement of income shows a result for the year, group share, of EUR (000) 22.357.

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

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

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts.

The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to the preparation and fair presentation of the consolidated accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the consolidated accounts taken as a whole. Finally, we have obtained from the board of directors and Group officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated accounts give a true and fair view of the Group's net worth and financial position as of 31 December 2010 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

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*PwC Bedrijfsrevisoren cvba, burgerlijke vennootschap met handelsvorm - PwC Réviseurs d'Entreprises scrl, société civile à forme commerciale - Financial Assurance Services  
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**Additional remark**

The company's board of directors is responsible for the preparation and content of the management report on the consolidated accounts.

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

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

Ghent, 15 April 2011

The statutory auditor  
PwC Bedrijfsrevisoren cvba  
Represented by

Peter Opsomer  
Bedrijfsrevisor

# Statutory financial statements

## Condensed stand-alone income statement Arseus NV

	2010	2009
(x 1,000 euros)		
<b>Operating income</b>	<b>2,793</b>	<b>2,185</b>
Turnover		
Other operating income	2,793	2,185
<b>Operating charges</b>	<b>3,411</b>	<b>2,288</b>
Goods for resale, raw materials and consumables		
Services and other goods	3,266	2,152
Remuneration, social security and pensions	94	107
Depreciation and amortisation	29	28
Other operating charges	22	1
<b>Operating result</b>	<b>-618</b>	<b>-103</b>
<b>Financial result</b>	<b>17,795</b>	<b>12,499</b>
<b>Profit from ordinary activities before taxes</b>	<b>17,177</b>	<b>12,396</b>
<b>Exceptional result</b>		
<b>Profit for the financial year before taxes</b>	<b>17,177</b>	<b>12,396</b>
<b>Result taxes</b>		
<b>Net profit for the financial year</b>	<b>17,177</b>	<b>12,396</b>

### Condensed stand-alone balance sheet Arseus NV

	2010	2009
(x 1,000 euros)		
<b>Fixed assets</b>	<b>400,143</b>	<b>375,328</b>
Formation expenses		
Intangible assets	57	85
Property, plant and equipment		
Financial assets	400,086	375,243
<b>Current assets</b>	<b>114,131</b>	<b>107,273</b>
Debtors due after one year	69,569	69,569
Inventories and orders in execution		
Debtors due within one year	8,570	1,169
Investments	11,613	8,616
Cash at bank and in hand	24,334	27,904
Deferred charges and accrued income	45	15
<b>Total assets</b>	<b>514,274</b>	<b>482,601</b>
<b>Capital and reserves</b>	<b>333,526</b>	<b>329,503</b>
Capital	319,810	319,810
Share premiums		
Legal reserves	2,434	1,575
Unavailable reserves	10,816	7,840
Available reserves	278	278
Profit carried forward	188	
<b>Creditors</b>	<b>180,748</b>	<b>153,098</b>
Creditors due after one year	166,000	141,000
Creditors due within one year	14,564	11,954
Accrued charges and deferred income	184	144
<b>Total liabilities</b>	<b>514,274</b>	<b>482,601</b>

## Appropriation of profits Arseus NV

	2010	2009
(x 1,000 euros)		
<b>Profit to be appropriated</b>	<b>17,177</b>	<b>12,396</b>
Profit for the year to be appropriated	17,177	12,396
Profit carried forward from the previous financial year		
<b>Transfers from capital and reserves</b>		<b>693</b>
To the reserves		693
<b>Transfers to capital and reserves</b>	<b>3,835</b>	<b>2,210</b>
To statutory reserves	859	620
To other reserves	2,976	1,590
<b>Result to be carried forward</b>	<b>188</b>	
Profit to be carried forward	188	
<b>Profit to be distributed as dividends</b>	<b>13,154</b>	<b>10,880</b>
Dividend	13,154	10,880

## 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 2010.

# 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 bold.

Operating cash flow:	EBITDA, "Earnings Before Interests, Taxes, Depreciations and Amortizations", <b>Result of operating activities</b> plus depreciations and amortisations.
Operating result:	<b>Result of operating activities</b> , EBIT ("Earnings Before Interests and Taxes")
Gross margin:	Net turnover less acquired <b>trade goods, raw materials and auxiliary materials</b> and adjusted for <b>change in inventories and WIP</b> , as a percentage of net turnover
EBIT:	"Earnings Before Interests and Taxes", <b>Result of operating activities</b>
EBITDA:	"Earnings Before Interests, Taxes, Depreciations and Amortizations", <b>Result of operating activities</b> plus depreciations and amortizations, operating cash flow
EBT:	"Earnings Before Taxes", Profit before taxes, <b>Result of operating activities after net financing costs</b>
Financial result:	<b>Net financing costs, result of financing income and financing costs</b>
Gearing ratio:	Net financial debt as percentage of <b>total Equity</b>
Net capex:	Net capital expenditure, <b>Capital expenditure (investments)</b> and <b>produced assets</b> less <b>turnover of investment goods and investment goods taken out of service</b>
Net financial debt:	The sum of <b>current and non-current interest-bearing borrowings</b> plus <b>derivative financial instruments</b> and less <b>cash and cash equivalents</b>
Net turnover:	<b>Revenue</b>
Non-recurring items:	One-off charges not related to ordinary operations
Net result:	<b>Profit (loss) of the reporting period</b> , consolidated result
REBIT:	"Recurring Earnings Before Interests and Taxes", <b>Result of operating activities</b> adjusted for all non-recurring items
REBITDA:	"Recurring Earnings Before Interests, Taxes, Depreciations and Amortizations", <b>Result of operating activities</b> plus depreciations and amortizations and adjusted for all non-recurring items
Recurring net result:	<b>Profit (loss) of the reporting period</b> , adjusted for non-recurring items
Recurring net operating cash flow:	<b>Profit (loss) of the reporting period</b> plus depreciations and amortisations and adjusted for all non-recurring items
Recurring operating cash flow:	<b>Profit (loss) from operating activities</b> plus depreciations and amortisations and adjusted for all non-recurring items
Gearing ratio:	Net financial debt as percentage of <b>total Equity</b>
Working capital:	<b>Inventories</b> plus <b>Trade receivables</b> less <b>Trade payables</b>

### Forward-looking statements caution

This annual report may contain forward-looking statements. Forward-looking statements are statements that are not historical facts, containing information 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, etcetera). 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.



