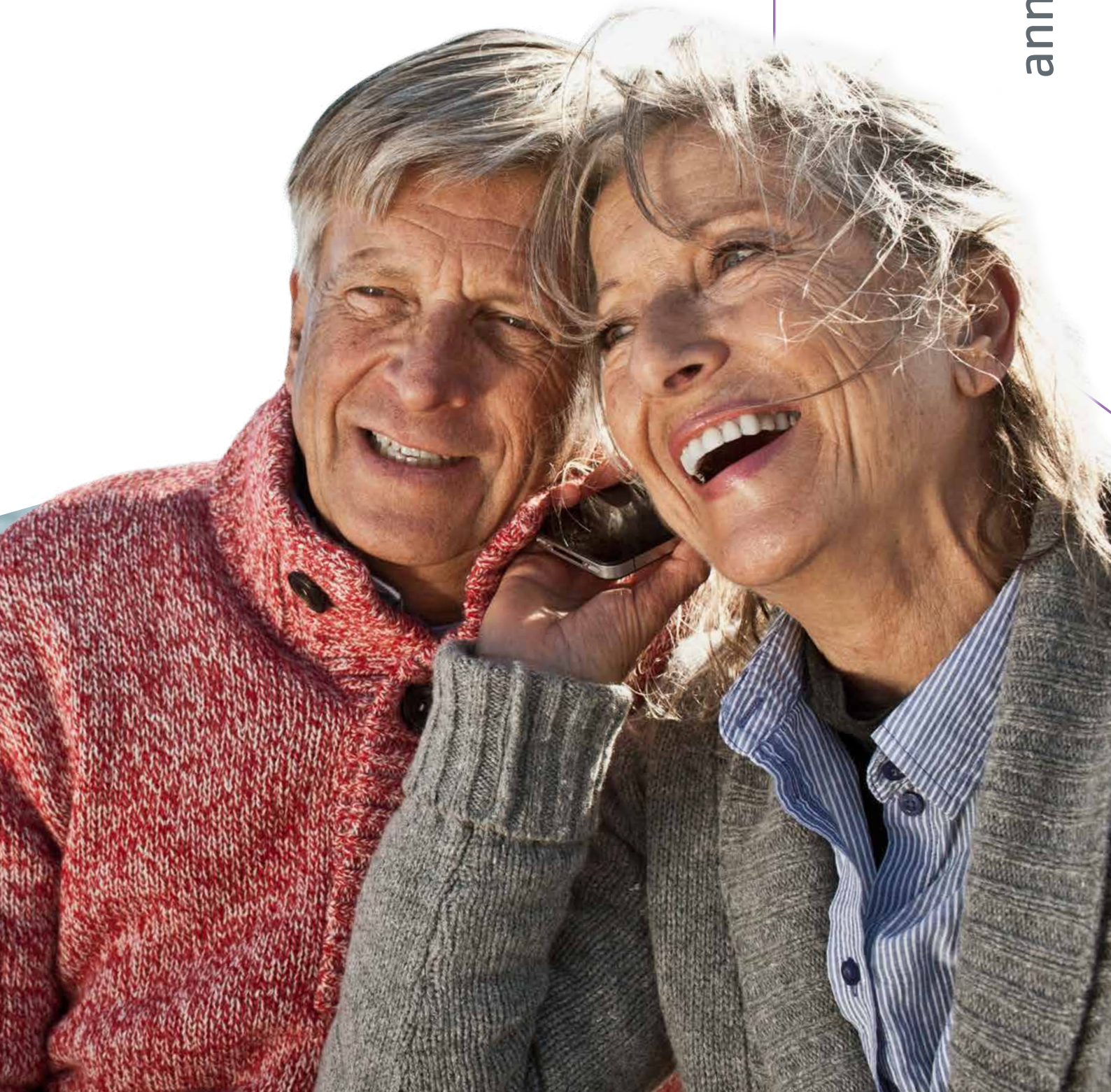
ARSEUS

Driving superior care

annual report 2012



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

Contents

Chairman's message

The foreword in the 2011 annual report ended with the management's forecast for the financial year which has ended, specifically that it expected healthy organic growth and profitability which would once again grow faster than turnover. If we look at the results from the past year, we see a gratifying increase in turnover of over 11%, 6% of which was organic. We also see growth in the EBIT of 25.5% and an increase in net profit of 55.7%.

These are good results, especially in light of the general economic situation in the world.
The results take on even more significance if we realise that this is now the fourth consecutive year in which the financial ratios at Arseus have increased faster than turnover.
Arseus seems now to have a patent for this, since the management has expressed a similar expectation for the 2013 financial year as well.
The explanation for this is that Arseus has a clear strategy, which is being realised consistently and with a great deal of professionalism and dedication. So a word of thanks is certainly owed to all those who once again put their full efforts into making the past year another successful one for Arseus.

The trend described above has manifested particularly in the division at Arseus which is by far the largest, specifically Fagron. This division managed to achieve an increase in turnover of 19.4%, with a REBITDA margin which has now grown to over 22%. Fagron's strategy is focused on optimising and innovating pharmaceutical compounding worldwide. In the past year, Fagron's market leadership was further expanded with acquisitions in Denmark, Brazil, Poland, the US and Colombia. A partnership was also entered into Australia and a location was opened in China. Fagron China is key for the purchasing and monitoring the quality of pharmaceutical raw materials in China.

Fagron now has 1,300 employees and is active in 30 countries worldwide. As already stated in my previous foreword, somewhat presumptuously, Fagron is indeed well on its way to becoming a successful, innovative pharmaceutical multinational.

Alongside Fagron, Corilus has also demonstrated excellent performance. Corilus grew last year by more than 10%, with the REBITDA growing faster than turnover here as well. During the past year, Corilus further strengthened its leading market position as a prominent supplier of ICT total solutions for medical specialists in Belgium, France and the Netherlands. Innovation and operational excellence are the keys to success here as well.

This leaves the medical and dental divisions, which were regrouped and which now consist of Healthcare Solutions on the one hand, in which Arseus' dental and medical distribution activities are accommodated, and Healthcare Specialties on the other, which is a collection of specialised companies focused on developing and marketing innovative dental and medical solutions and products.

The distribution activities showed organic growth of 4.3% in 2012, with the REBITDA more than doubling. We assume that the merging of the dental and medical distribution activities have created optimal conditions for healthy growth in the coming years.

As far as Healthcare Specialties is concerned, we saw a small decline in turnover and pressure on the REBITDA margin last year. This is due to, among other things, a cautious investment climate and a strong Swiss franc, which puts our international competitive position under pressure. Nonetheless we also see a number of interesting new product and concept developments in this sector, which give us confidence for the future.

The Board of Directors met a total of nine times last year, while the non-executive members met separately on one occasion. In addition to the strategy, other important topics discussed included: the acquisition pipeline, the operational processes and, particularly this year, the refinancing of the group. This was successfully concluded in mid-2012 with a bond loan

of 225 million euros and a new credit line with a term of five years. This secured the future financing of the group.
All of this once again took place in an open, constructive and professional manner, for which I would like to thank my fellow board members, in particular the CEO and CFO.

We are now under way in our seventh year since IPO in 2007 and are fully confident that this year too Arseus will be able to realise the objectives it has set. This is also evidenced by the proposal by the Board of Directors that the dividend for the past financial year be increased by 20% to 0.60 euros per share.

Robert Peek
Chairman of the Board of Directors

CEO's message

This annual report focuses especially on the older generation. The global population is ageing and longer use will therefore be made of healthcare. In order to be able to continue to meet this growing demand and at the same time guarantee the quality of the care, healthcare will have to be set up more efficiently without excess costs. This is why Arseus continually invests in innovative solutions with substantial added value in order to improve the efficiency and effectiveness of healthcare.

2012 was once again an excellent year for Arseus. Turnover grew organically by no less than 6.0%, while EBIT increased by 25.5% to 58.1 million euros. All other profitability indicators also increased faster than turnover in 2012. This is a clear confirmation that our strategic focus on developing and continually launching innovative products and concepts is a success. This is a result of which we can be proud. The current net financial debt/REBITDA ratio of 2.64 combined with a strong operational cash flow gives sufficient room to finance the well-filled acquisition pipeline and also pay our shareholders a healthy, steadily increasing dividend for the fifth year in a row.

As it has for the past 22 years, Fagron continues to be successful in optimising and innovating pharmaceutical compounding. Older patients in particular profit from the added value of Fagron's pharmaceutical compounded products. They usually have different specific pharmaceutical needs, wishes and requirements. Fagron gives these patients the possibility of obtaining medication tailored to their needs. Tailor-made medication means lesser side effects, which results in an improvement to the quality of care for the patient. This continuous focus on optimising and innovating pharmaceutical compounding enabled Fagron to realise turnover growth of 19.4% in 2012, of which 8.7% was organic growth. Fagron further consolidated its position as global market leader in 2012 with acquisitions in Brazil, Poland, Colombia, Denmark and the United States. Fagron also entered into a partnership in Australia and opened a location in China. Because of its excellent track record and the quality of the organisation, Fagron is able to quickly and smoothly integrate acquisitions.

In 2012 Corilus once again managed to strengthen its position as market leader in Belgium. Organic growth was no less than 10.8%.
REBITDA increased even faster, by 11.8% to 11.3 million euros. The strong organic turnover growth at Corilus was due to the further consolidation of market leadership and the continuous development and launch of new software solutions for medical professionals.

It was decided to implement a new divisional structure for the dental and medical activities. This structure is tailored to the various activities of Arseus and helps optimise the organisational structure. Alongside the Fagron and Corilus divisions, the Healthcare Solutions and Healthcare Specialties divisions were created.

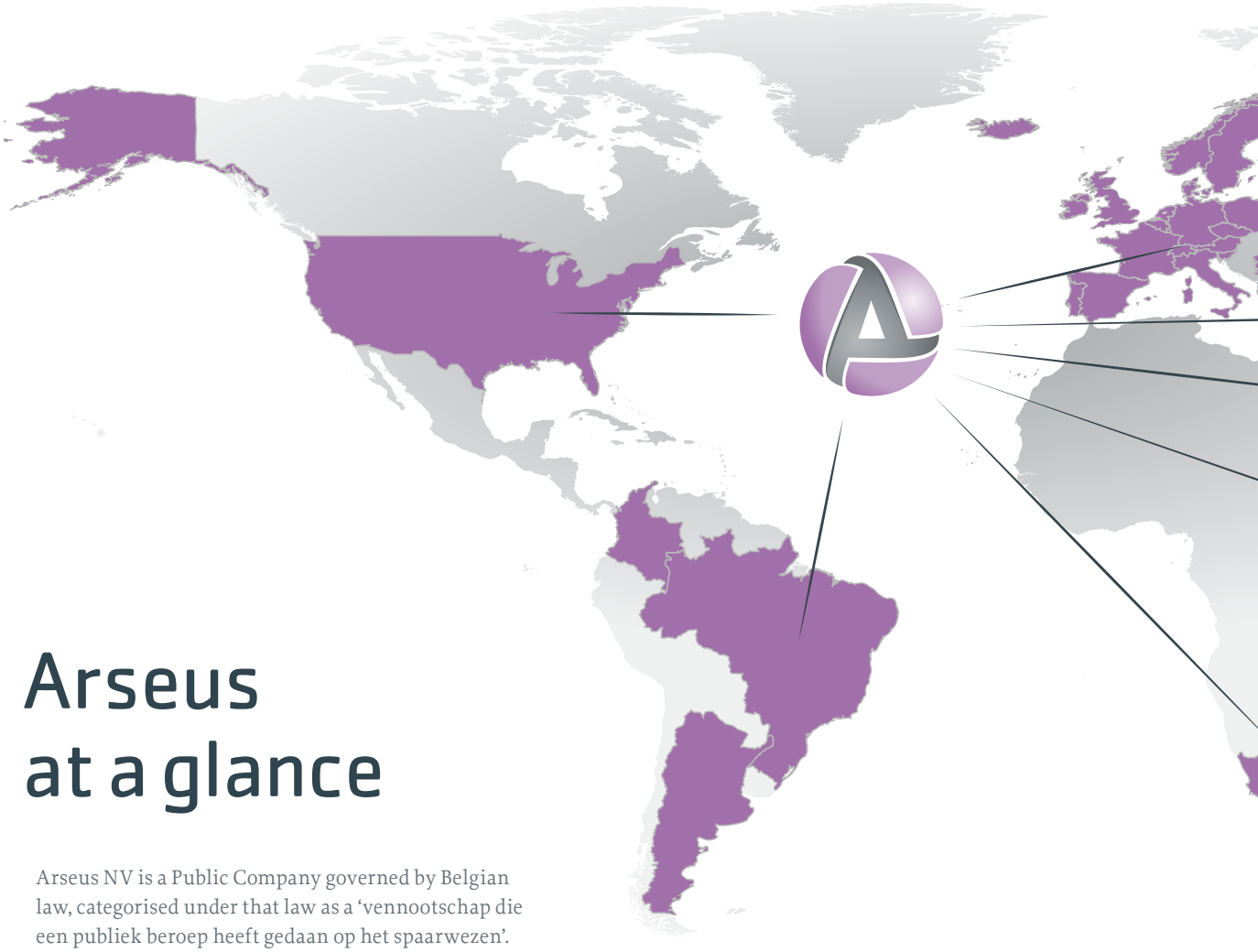
Healthcare Solutions is the division of Arseus which focuses on the dental and medical distribution activities of Arseus. Despite the postponed investments by Dutch dentists because of the experiment with unregulated dentistry rates, Healthcare Solutions managed to achieve positive organic growth of 4.3% in 2012. REBITDA more than doubled to 2.3 million euros.

Healthcare Specialties focuses on developing and launching innovative dental and medical solutions and products and includes the activities focused on dental laboratories, the technological activities of Hader in Switzerland and Julie-Owandy in France, and the surgical solutions of Duo-Med. The postponed investments of Dutch dentists and dental laboratories because of the aforementioned experiment with unregulated dentistry rates also had a negative impact on growth of -1.6%.

Arseus will continue to contribute to the quality and accessibility of care with innovative products and concepts. As such Arseus plays an important role in promoting the quality of life of patients as they grow older!

For the year 2013 as a whole, we expect to achieve healthy organic growth and a profitability that will once again grow faster than turnover. I therefore have every reason to look to the future with confidence!

Ger van Jeveren
Chief Executive Officer



Arseus at a glance

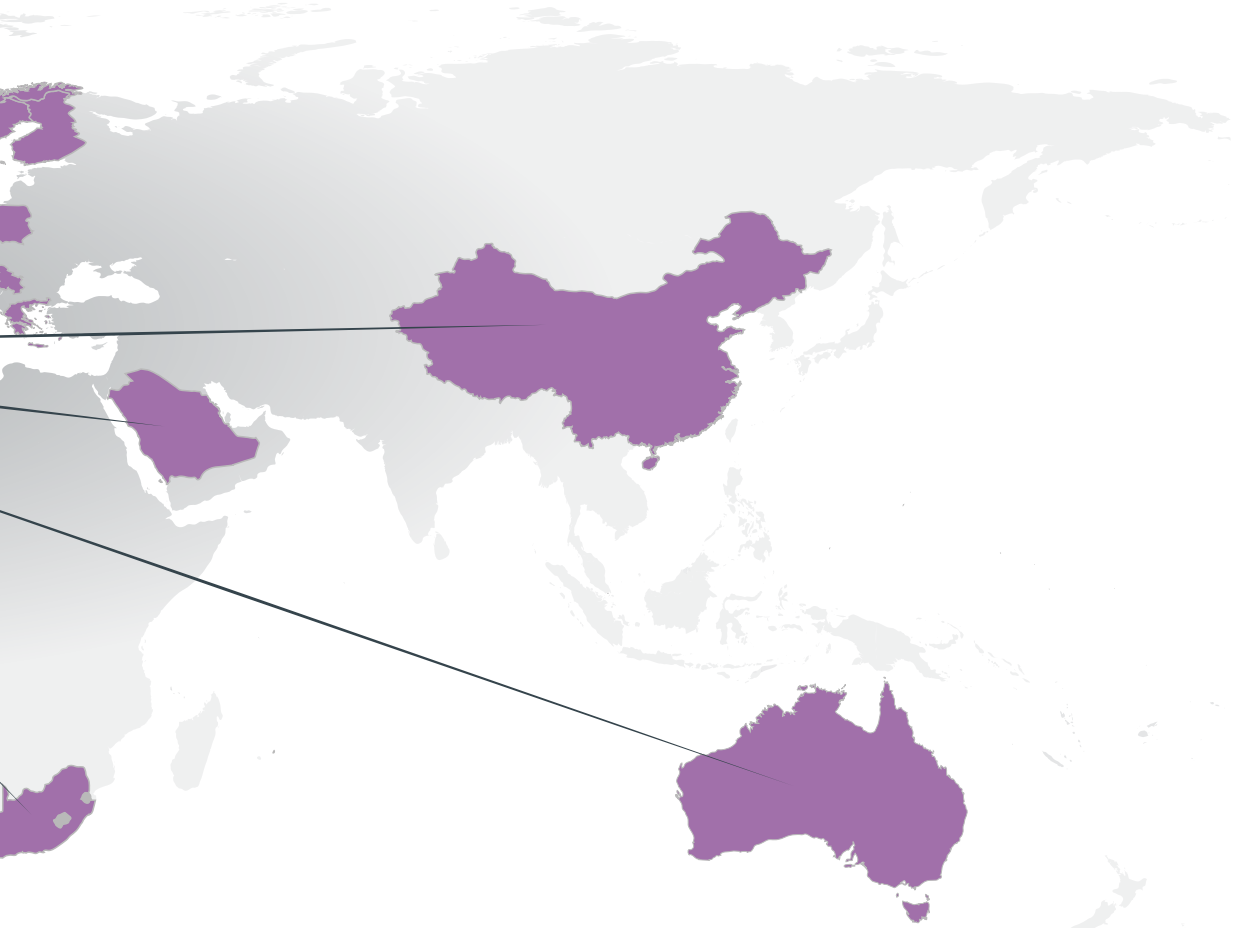
Arseus NV is a Public Company governed by Belgian law, categorised under that law as a 'vennootschap die een publiek beroep heeft gedaan op het spaarwezen'. Arseus NV has its registered office in Waregem (Belgium). Arseus NV has been listed on NYSE Euronext Brussels and NYSE Euronext Amsterdam since 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. Arseus BV's head office is located in Rotterdam (the Netherlands). Arseus BV is a 100% subsidiary of Arseus NV.

Arseus supplies products, services and total solutions with substantial added value to professionals and institutions in the healthcare sector in 30 countries worldwide. The activities are subdivided into four divisions. Fagron is the worldwide market leader in products and concepts for pharmaceutical compounding. Corilus supplies ICT total solutions for medical specialists in Belgium, the Netherlands and France. Healthcare Solutions encompasses Arseus' dental and medical distribution activities and supplies products and concepts with added value in Belgium, the Netherlands, France and Germany. Healthcare Specialties focuses on developing and launching innovative dental and medical solutions and products and is active in Belgium, the Netherlands, France and Switzerland.

Arseus' clients can be categorised as 'healthcare professionals', e.g. 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 2,370 employees in 30 countries, Arseus achieved turnover of 547.0 million euros in 2012 (+11.1% compared to 2011) and a REBITDA of 87.4 million euros (+19.9%). Net profit increased by 55.7% to 43.8 million euros in 2012.



Market trends

The healthcare sector is a defensive sector that is relatively immune to cyclic movements. Everyone gets ill sometimes and then needs care. The increasingly ageing population, the substantial increase 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 increase 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.

Arseus' markets

Europe
The Netherlands
Belgium
Denmark
Germany
Finland
France
Greece
Ireland
Iceland
Italy
Luxembourg
Norway
Austria
Poland
Portugal
Serbia
Slovenia
Spain
Czech Republic
United Kingdom
Sweden
Switzerland

North America
United States

South America
Argentina
Brazil
Colombia

Pacific
Australia

Africa
South Africa

Asia
China

Middle East
Saudi Arabia

Key figures

Results

(x 1,000 euros)	2012	2011	2010	2009	2008	2007	2006
Net turnover	547,020	492,330	424,056	391,315	354,506	304,368	276,971
REBITDA[1]	87,405	72,928	60,412	52,668	47,589	41,404	35,881
EBITDA	75,305	60,788	48,689	42,525	39,303	35,665	26,805
EBIT	58,064	46,257	36,017	30,542	30,033	26,440	20,120
Net profit	43,821	28,140	22,479	19,639	14,900	16,260	12,123
Recurrent net profit[2]	49,356	31,496	29,311	24,516	20,935	18,264	17,245
Gross margin	49.6%	49.2%	47.6%	47.5%	46.7%	47.0%	47.2%
REBITDA margin	16.0%	14.8%	14.2%	13.5%	13.4%	13.6%	13.0%
EBITDA margin	13.8%	12.3%	11.5%	10.9%	11.1%	11.7%	9.7%

Balance sheet

(x 1,000 euros)	2012	2011	2010	2009	2008	2007	2006
Balance sheet total	748,894	680,232	573,592	472,160	417,733	347,467	285,458
Equity	245,384	220,452	208,122	196,352	185,530	178,225	100,812
Operational working capital[3]	51,315	58,405	71,517	63,336	64,159	56,707	49,296
Net operational capex[4]	19,480	17,330	19,159	16,332	19,157	14,349	5,137
Net financial debt[5]	233,117	188,557	166,089	113,923	104,391	50,560	103,174
Net financial debt / annualised REBITDA	2.64	2.48	2.49	2.19	2.25	1.33	
Average number of shares	30,519,821	30,082,477	29,995,199	30,214,757	30,680,209	26,548,780	25,000,000

Cash flow statement

(x 1,000 euros)	2012	2011	2010	2009	2008	2007	2006
Total cash flow from operating activities	67,744	72,147	42,126	39,496	27,741	27,100	17,570
Total cash flow from investing activities	-84,868	-62,353	-72,645	-32,184	-58,538	-21,722	-13,776
Total cash flow from financing activities	23,827	10,467	47,116	8,447	21,477	19,899	-5,946
Total net cash flow for the period	6,702	20,260	16,596	15,758	-9,320	25,277	-2,152

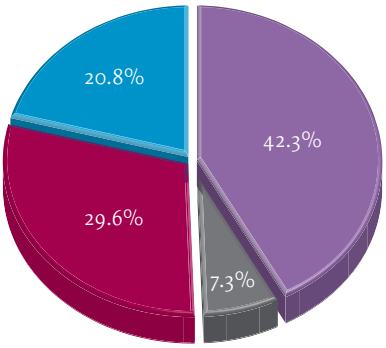
1 EBITDA before corporate costs and non-recurring result.
2 Recurrent net profit is defined as profit before non-recurring items and the revaluation of financial derivatives, after taxes based at the group's effective tax rate.
3 Operational working capital is the sum of stock and trade receivables, less trade payables.
4 The net operational capex is defined as intangible assets and property, plant and equipment that have been acquired or produced (excluding acquisitions), less the assets sold.
5 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

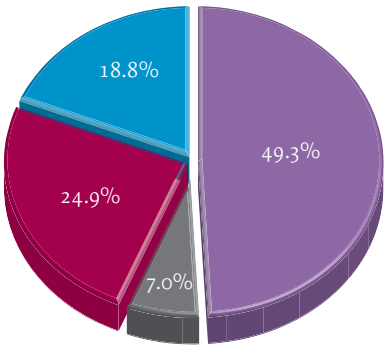
(in euros)	2012	2011	2010	2009	2008	2007	2006
Net profit	1.44	0.94	0.75	0.65	0.48	0.61	0.48
Recurring net profit	1.62	1.05	0.98	0.81	0.68	0.69	0.69
Dividend	0.60	0.50	0.44	0.36	0.30	0.06	
Closing price (ultimo)	15.50	11.03	11.38	8.05	6.25	9.25	
Market capitalisation Arseus	484,816,967	344,322,274	355,000,477	251,120,724	194,969,506	288,554,869	

Personnel

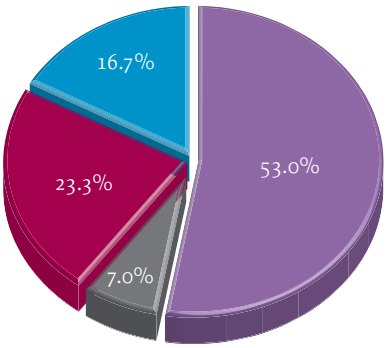
	2012	2011	2010	2009	2008	2007	2006
FTEs as at 31 December	2,370	2,229	1,887	1,655	1,607	1,348	1,230



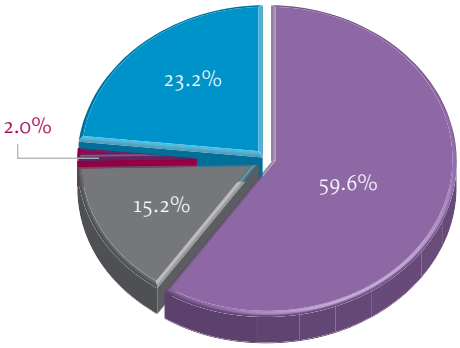
Turnover 2010



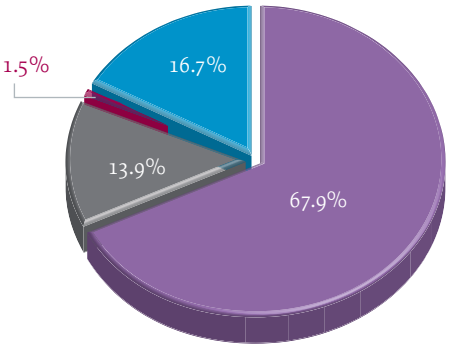
Turnover 2011



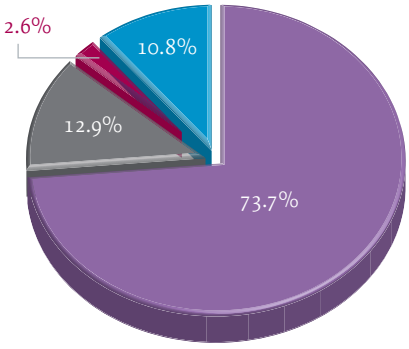
Turnover 2012



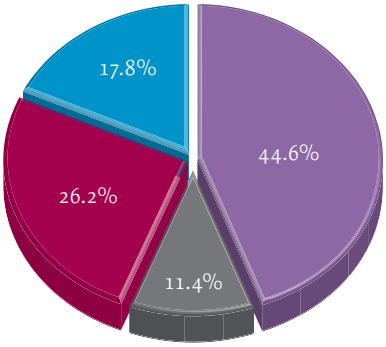
REBITDA 2010



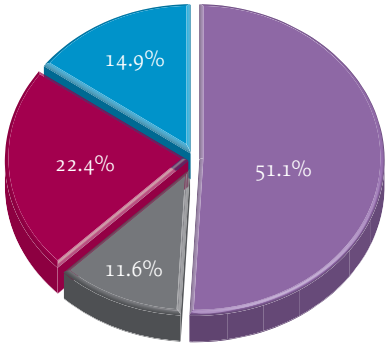
REBITDA 2011



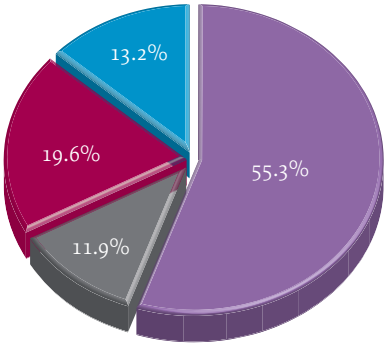
REBITDA 2012



FTE 2010



FTE 2011



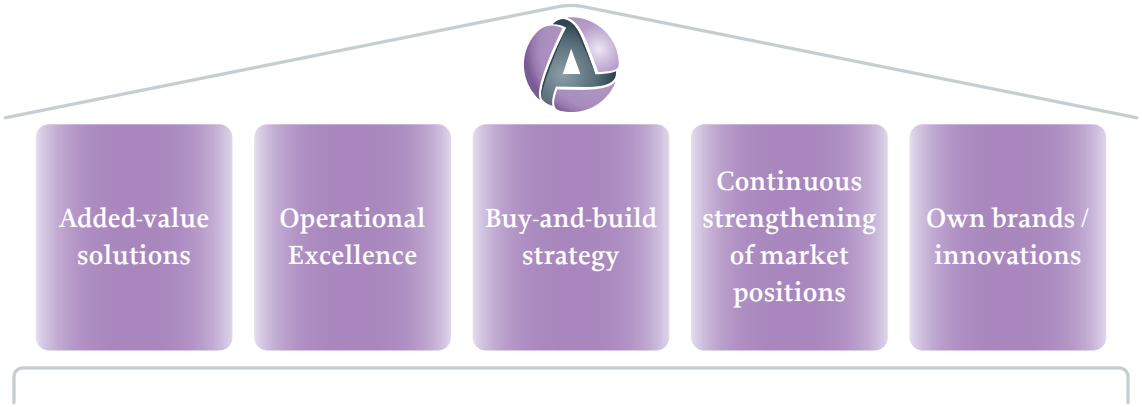
FTE 2012

Fagron Corilus Healthcare Solutions Healthcare Specialties

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' strategy is based on the following 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 to ensure that their care remains manageable 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 value sustainably. 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 its customers 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. Arseus believes that operational excellence in all business processes is the basis for reinforcing its competitive position and improving profitability.

Buy-and-build strategy

Using an active buy-and-build strategy, supported 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' ambition to utilise this strategy to develop into the market leader in its 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.

During 2012, vital steps were taken to further develop Fagron's worldwide market leadership in the fast-growing niche market of pharmaceutical compounding. As part of the buy-and-build strategy, Fagron further expanded its worldwide market leadership in 2012 with acquisitions in Brazil, Poland, Colombia, Denmark and the United States. Fagron Australia has also been operational since 1 October 2012. Because of its excellent track record and the quality of the organisation, Fagron is able to quickly and smoothly integrate acquisitions. As a result, the acquisitions make a positive contribution to the profit per share for Arseus from the start.

In 2013, Fagron will further strengthen its position as global market leader through an active buy-and-build strategy and robust organic growth. The emphasis lies on acquisitions in Europe and North and South America. Add-on acquisitions in existing markets will be considered for Corilus, Healthcare Solutions and Healthcare Specialties as soon as suitable opportunities present themselves.

Continuous strengthening of market positions

It is Arseus' goal to consolidate its existing operations and to expand them. Arseus strives to occupy the number 1 position on every market and in each segment in which it operates. Healthy organic growth combined with a buy-and-build strategy should result in further reinforcement of the existing market positions of Corilus, Healthcare Solutions, Healthcare Specialties and the further geographic expansion of Fagron. In 2013, Corilus will continue its strategy to introduce the in Belgium successful software applications 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' market position. In 2012, Arseus achieved approximately 75% of its turnover from own brands and from solutions and concepts developed in house.

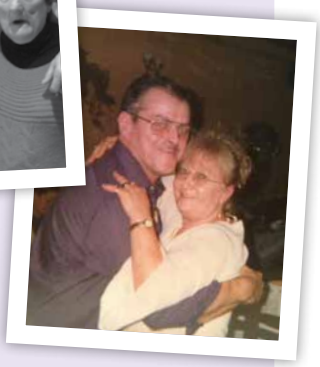
Financing the growth

Arseus has credit facilities available to a total amount of 300 million euros with a term until 3 July 2017. The key financial covenant of the credit facilities is based on a maximum net financial debt / REBITDA ratio of 3.25. The bank syndicate for the credit facilities consists of ING Belgium (as the coordinator), KBC Bank, BNP Paribas Fortis and Commerzbank.
On 2 July 2012 Arseus issued 225 million euros in bonds. The bonds have a maturity of five years and offer a fixed annual gross interest of 4.75%. The bonds are redeemable on 2 July 2017 at 100% of the nominal value.

At the end of 2012, the net financial debt / REBITDA ratio was 2.64 and therefore more than satisfied the condition of a debt ratio of maximum 3.25 as agreed in the credit agreement. Besides a solid balance sheet, Arseus therefore also has sufficient financial strength to pursue its ambitious buy-and-build strategy, particularly at Fagron.

Further growth in 2013

Based on the current view and the existing Arseus portfolio, for 2013 as a whole Arseus' management is expecting healthy organic growth and profitability that is expected to once again grow faster than turnover.



Etienne and Lieva

parents of Freya Philips

Employee's name:
Freya Philips

Age:
32

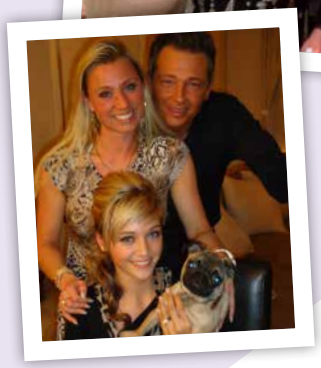
Position/department:
Software Support Engineer
Pharma/Corilus

City/country:
Kruibeke/Belgium

Parents' names:
Etienne & Lieva De Witte

Age:
Etienne 65, Lieva 63

City/country:
Zelzate/Belgium



How long have you been retired?
Etienne: 15 years already, including the pre-pension period. Fully retired only for the past six months.

What was your profession?
Etienne: Foreman at Sidmar
Lieva: Interior decorator

How do you spend your days?
Etienne: Household chores, playing billiards, taking care of my disabled sister-in-law and being a taxi driver for our granddaughter.
Lieva: Household chores, bingo, taking care of my disabled sister and cycling.

Name something you appreciate in your daughter which no one in the office would know about?
Etienne & Lieva: That she is a very independent person and is always ready to help out others.

What life lessons would you like to pass on to your daughter?
Etienne & Lieva: Be positive, don't dwell on the small disappointments in life.

What is your first memory or experience with dental or medical care?
Etienne: When I left the army, I had to have all my teeth pulled. Back then we did not have to go to the dentist every six months, so my teeth were not well cared for and my front teeth were deformed.
Lieva: I had to have a medical examination when I was six years old. At that age already I was told that I would have to have my tonsils removed. I still have never had that done... ugh...

What does healthcare mean to you?
Etienne & Lieva: Many years ago we took over the care of our disabled sister/sister-in-law. We have never had to rely on a homecare nurse. However, when we are too old to look after our sister/sister-in-law, we will have to look into the healthcare in Belgium in more detail. At the moment we are still able to do everything ourselves fortunately.

Arseus is constantly introducing new products and concepts on the market to meet patients' needs. What can Arseus do to further improve healthcare in your country?
Etienne & Lieva: We are not fully up to speed on all of Arseus' activities, but we do know that you are at the top. We therefore have full confidence in Arseus and its expertise.

FAGRON

Optimising and innovating compounding for tailor-made pharmaceutical care

Key points

- Turnover increased by 19.4% to 290.1 million euros
- Organic turnover growth of 8.7% (+9.6% at constant exchange rates)
- REBITDA increased by 30.1% to 64.4 million euros
- Strengthening of global market leadership through acquisitions in Brazil, Colombia, Poland, Denmark and the United States
- Partnership with NxGen Pharmaceuticals in Australia
- Establishment of Fagron China to optimise purchasing conditions for pharmaceutical raw materials and facilitate audits of suppliers

(x 1,000 euros)	2012	2011	Change
Turnover	290,083	242,938	19.4%
REBITDA	64,415	49,503	30.1%
REBITDA margin	22.2%	20.4%	
FTEs	1269.0	1115.2	

Further reinforcement of Fagron's market leadership

2012 was an excellent year for Fagron in all respects. Turnover grew by 19.4% to 290.1 million euros, 8.7% of which was organic growth (+9.6% at constant exchange rates). REBITDA increased by 30.1% to 64.4 million euros. Above-average results were achieved in Poland, the Netherlands, Belgium, the United Kingdom and Brazil. The continued strong results confirm the success of Fagron's strategy, which is focused on worldwide revitalisation of pharmaceutical compounding.

During 2012, vital steps were taken to further develop Fagron's worldwide market leadership in the fast-growing niche market of pharmaceutical compounding. In Colombia Fagron acquired compounding pharmacy Orbus Pharma and four compounding pharmacies from Quifarma. These compounding pharmacies are specialised in preparing tailor-made medication and have been operating under the name 'Fagron Colombia' since 1 January 2013. Fagron reinforced its market leadership in Brazil with the acquisition of Florien. Florien supplies pharmaceutical extracts and tinctures for pharmaceutical compounding to compounding pharmacies in Brazil. Florien's product range is fully complementary to the existing activities of Fagron in Brazil. In November 2012, Fagron finalised the acquisition of Danish ApodanNordic PharmaPackaging. The pharmaceutical packaging products developed by ApodanNordic PharmaPackaging are an important addition to the Fagron Group's broad range of packaging. The acquisition of US company B&B Pharmaceuticals was finalised at the end of 2012. By combining the activities of B&B Pharmaceuticals and Fagron US, Fagron will be able to achieve clear benefits. With the acquisition of B&B Pharmaceuticals, Fagron US will be even better positioned to provide pharmacists in the United States with innovative concepts and products for pharmaceutical compounding.

With its excellent track record and the quality of the organisation and its employees, Fagron is capable of quickly and smoothly integrating its acquisitions, concentrating explicitly on the relevant synergy and scale advantages.

Fagron China started on 1 October 2012. Fagron China optimises the purchasing conditions for Fagron's procurement of pharmaceutical raw materials in

Clean room at Fagron

Fagron Omeprazole & SyrSpend® SF Alka Kit

China and simplifies the audits of Chinese suppliers. It was also announced in November 2012 that Fagron has entered into a partnership with NxGen Pharmaceuticals, resulting in Fagron Australia being fully operational since 1 November 2012. Fagron Australia introduces Fagron's innovative products and concepts to the Australian market.

As part of Fagron's strategy, it was decided in 2012 to phase out a total of fourteen million euros in industrial turnover with a lower margin. Two million euros of this was realised in the second quarter of 2012. The remaining twelve million euros will be phased out in the period from 1 July 2012 to 30 June 2013. This means that approximately eight million euros in industrial turnover was terminated in 2012.

At present, Fagron is active in 30 countries worldwide and employs 1,300 people. In 2013, Fagron will further strengthen its position as global market leader through an active buy-and-build strategy and robust organic growth. The emphasis lies on acquisitions in Europe and North and South America.

From local player to market leader and consolidator in the market for pharmaceutical compounding

Fagron was established by Ger van Jeveren, the current CEO of Fagron and Arseus, in Rotterdam (the Netherlands) in 1990. 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 further development and international growth, with the result that Fagron is now global market leader and active in 30 countries in Europe, North America, South America, Asia, Africa, the Middle East and Oceania. Market leadership provides major competitive advantages, such as central procurement of raw materials, optimal utilisation of production facilities, and the option of international roll out of successful products.

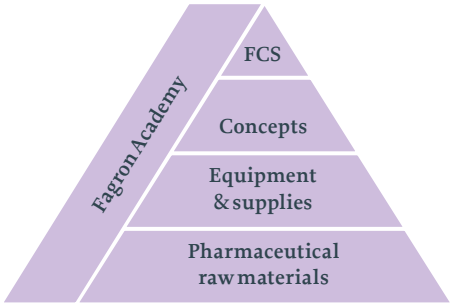
What is pharmaceutical compounding?

Pharmaceutical compounding are medicines prepared in the pharmacy to a doctor's prescription. This generally concerns medicinal products for which no commercial product is available but that are needed in medical practice. Compounding by a pharmacist is essential to be able to provide the patient with tailor-made medication in time.

It regularly happens, for example, that commercial compounding does not contain the correct dosage or does not have the required composition, or that the available method of administration is unsuitable. Furthermore, medicines are frequently discontinued because manufacturers do not find small-scale production sufficiently profitable. In this type of situation, pharmaceutical compounding, being tailor-made, provides a solution to the patient.

Not every pharmacy does its own compounding anymore. Due to cost considerations and increasing legislation, some pharmacies bundle their compounding activities. In recent years, Europe has seen the establishment of a growing number of compounding pharmacies which perform compounding for the benefit of several pharmacies.

A unique business model



In a period of just 20 years, Fagron developed from a local player into the only multinational one-stop-shop for pharmaceutical compounding with a unique business model. The diagram above shows a graphic representation of Fagron's business model.

Fagron SyrSpend® SF line of oral suspension vehicle

Pharmaceutical raw materials

In all countries in which Fagron is active, high-quality pharmaceutical raw materials are offered to (hospital) pharmacies and to the pharmaceutical, nutraceutical, veterinary and cosmetic industries.

Fagron's product range contains over 2,000 pharmaceutical raw materials bought in bulk from selected and qualified manufacturers who comply with strict quality standards. All raw materials purchased must pass an acceptance and quality check according to the most recent pharmacopoeias. In Fagron's clean rooms, the pharmaceutical raw materials are conditioned in approximately 6,500 different packaging forms that are sold to (hospital) pharmacies and industrial customers under the Fagron brand name.

As part of Fagron's strategy, which focuses on the global optimisation and innovation of pharmaceutical compounding, it was decided to phase out a total of 14 million euros in industrial turnover with a lower margin.

Examples of pharmaceutical raw materials offered by Fagron include amino acids, antibiotics, corticosteroids, exipients, nutritional additives, hormones, minerals, oils and fats, opiates, vitamins, alcohol and herbs.

Fagron Lollibase®

Equipment, instruments and supplies

Fagron's product range includes all equipment, instruments and supplies used by pharmacists for pharmaceutical compounding in the pharmacy. This includes scales, pestle and mortars, ointment mills, packaging equipment and packaging materials (bottles, vials, strips, boxes, etc.). Fagron's strategy is focussed to increasingly market these products under the Fagron brand name.
In the context of this strategy Fagron acquired Danish ApodanNordic PharmaPackaging in the fourth quarter of 2012. ApodanNordic PharmaPackaging specialises in the development and sale of packaging materials for pharmaceutical compounding to pharmacies and hospitals. ApodanNordic PharmaPackaging's products are increasingly being sold outside of Scandinavia. ApodanNordic PharmaPackaging's products are an important addition to Fagron's range of pharmaceutical packaging.

Lollies produced via pharmaceutical compounding with Fagron Lollibase®

Concepts

The more than 150 Fagron pharmacists develop innovative concepts, vehicles and formulas for pharmaceutical compounding, generally in collaboration with universities, prescribers and pharmacists. Fagron also supplies semifinished products for use in pharmaceutical compounding, such as aqua purificata, basic solutions, powder mixtures, cream and ointment bases, and vehicles. Furthermore, Fagron develops innovative concepts, solutions and vehicles that respond to specific and individual wishes of (hospital) pharmacies for pharmaceutical compounding.
In 2012 Fagron introduced, among other things, Pentravan®, Espumil®, SyrSpend® SF and Lollibase® worldwide.

Fagron Compounding Services

Due to cost considerations and increasingly strict regulations, it is no longer viable for every pharmacy to do its own compounding. In a number of European countries, Fagron has supplied an extensive range of pharmaceutically compounded products to (hospital) pharmacies for the past few years.

Fagron Academy

The aim of Fagron Academy is to inform prescribers and pharmacists about the use and importance of pharmaceutical compounding for their patients. By offering courses and training to pharmacists, Fagron Academy aims to expand their knowledge and skills in pharmaceutical compounding.
Worldwide Fagron has the most extensive offering of training and educational opportunities for pharmacists and prescribers on, among other things, pharmaceutical compounding techniques, evaluation of materials and use, forms of dosing, and quality and safety procedures.

Fagron Foundation

The Fagron Foundation was established in June 2012 in order to put personnel and financial resources to work to achieve social changes and improvements in healthcare and local communities.
Its actions are primarily focused on the well-being of children. Since its establishment, the Fagron Foundation has organised a number of successful activities in Brazil, Belgium and the Netherlands, in close cooperation with local partners and volunteers.

Fagron builds compounding pharmacy in Belgium

The regulations for hospital pharmacies in Belgium were further tightened up in 2013. For many hospitals this means a major investment in structural modifications and the implementation of Good Manufacturing Practices (GMP). It was decided in 2012 to build a new compounding pharmacy in Belgium because of increasing outsourcing of pharmaceutical compounding by both pharmacies and hospitals.
The Fagron Compounding Centre is expected to be operational in the second quarter of 2013. The compounding pharmacy will be equipped with eight clean room units in which aseptic compounds, high-risk compounds and aseptic high-risk compounds will be produced under GMP conditions.

Market leadership strengthened in Brazil with acquisition of Florien

After acquiring Brazilian company DEG in December 2010 and Pharma Nostra in July 2011, Fagron further strengthened its market leadership on the Brazilian market with the acquisition of Brazilian company Florien. Set up in 1994 and based in Piracicaba (close to Campinas), Florien is a leading supplier of pharmaceutical extracts and tinctures for pharmaceutical compounding to compounding pharmacies in Brazil. The product range of Florien is fully complimentary to the existing activities of Fagron in Brazil.

Expansion of global market leadership with acquisition of five compounding pharmacies in Colombia

Fagron finalised the acquisition of five compounding pharmacies in Colombia in November 2012. The compounding pharmacy Orbus Pharma and the four compounding pharmacies of Quifarma are located in Bogotá, Medellín and Cali and are specialised in the preparation of tailor-made medication. With the acquisition of these compounding pharmacies Fagron has taken a solid step in the rapidly growing market of pharmaceutical compounding in Colombia. Fagron's compounding pharmacies in Colombia have been operating under the name 'Fagron Colombia' since 1 January 2013.

Artist's impression of Fagron Colombia

Important addition to pharmaceutical packaging range through acquisition in Denmark

Fagron finalised the acquisition of Copenhagen-based ApodanNordic PharmaPackaging in Denmark in November 2012. Established in 1962, ApodanNordic PharmaPackaging specialises in the development and sale of packaging materials for pharmaceutical compounding to pharmacies and hospitals. Although a large part of the turnover is achieved in Scandinavia, ApodanNordic PharmaPackaging's products are being sold beyond Scandinavia to an increasing extent. ApodanNordic PharmaPackaging's products are an important addition to the Fagron Group's range of pharmaceutical packaging.

Strengthening of position in the United States

Fagron finalised the acquisition of B&B Pharmaceuticals in December 2012. B&B Pharmaceuticals, incorporated in 1997 and located in Aurora (Colorado), supplies controlled substances and pharmaceutical raw materials for pharmaceutical compounding to pharmacists in the United States. In 2012, B&B Pharmaceuticals achieved turnover of approximately six million US dollars, with an EBITDA margin above the average for Fagron. Fagron paid a multiple of 5.5 times EBITDA for this acquisition.

The range of B&B Pharmaceuticals' products fully complements Fagron's existing activities in the United States. By combining the activities of B&B Pharmaceuticals and Fagron, Fagron will be able to achieve clear benefits, not only in the areas of purchasing, analysis and production, but particularly in the areas of innovation and product assortment. From its offices in Aurora, St. Paul and Scottsdale, Fagron will be even better positioned to provide pharmacists in the United States with innovative concepts and products for pharmaceutical compounding.

A partnership in Australia

In Australia, Fagron has entered into a partnership with NxGen Pharmaceuticals, resulting in Fagron Australia being fully operational since 1 November 2012. Fagron Australia will be introducing Fagron's innovative products and concepts to the Australian market. Through Fagron Academy, Australian prescribers and pharmacists will be informed about the benefits and importance of pharmaceutical compounding for their patients. It also offers training courses to pharmacists to further enhance their skills in pharmaceutical compounding of tailor-made medicaton.

Optimisation of purchasing conditions with opening of Fagron China

Fagron China commenced operations as of 1 October 2012. Fagron China will optimise purchasing conditions of pharmaceutical raw materials in China and facilitate the audits of Chinese suppliers. Approximately 50% of the raw materials are imported from China.

Fagron China logo

Wayne and Katherine

parents of Mellisa Urban

Employee's name:
Mellisa Urban

Age:
46

Position/department:
Operations Manager/Fagron US

City/country:
Stillwater/United States

Parents' names:
Wayne Richard &
Katherine Rosalie Langstraat

Age:
Wayne 70, Katherine 68

City/country:
White Bear Lake/United States

How long have you been retired?
We have both been retired since January 2009.

What was your profession?
Wayne: I have a degree in electrical engineering. I was a project manager in the computer industry. For the last 20 years I owned a small business.
Katherine: I was a medical receptionist.

How do you spend your days?
Wayne: Odd jobs, volunteer work, fishing and researching investments.
Katherine: Researching antiques, volunteer work, visiting friends and 'Silver Sneakers', a fitness programme especially for seniors.

Name something you appreciate in your daughter which no one in the office would know about?
Wayne & Katherine: She is kind-hearted and loves cooking. She likes to cook for others and always has time for others.

What have you learned from your daughter and what life lessons would you like to pass on to your daughter?
Wayne & Katherine: She has taught us healthy cooking and the importance of exercise. The values we would like to pass on to her would be honesty, respect, a good work ethic, financial management keeping an eye on retirement, and the importance of taking the initiative.

Can you tell us an anecdote about your daughter?
Wayne & Katherine: She is always ready to help others; she is considerate of others and is well educated. She hates to iron. She doesn't even own an iron. She used to have to iron her father's work shirts and handkerchiefs, sheets and almost everything else. She swore then that when she grew up, she would never buy anything that needed ironing and if she did she would have the dry cleaners press it.

What is your first memory or experience with dental or medical care?
Wayne: I did not have health insurance until after college, when I got my first 'real' job. Health insurance wasn't really seen as a major benefit. I grew up in a small town where no one had medical insurance. You didn't need it because the costs were affordable. You only went to the doctor in an emergency or if you had a serious injury. You never went to the doctor for a check-up or for a minor issue.
Katherine: I didn't get health insurance until after I got married.

What does healthcare mean to you?
Wayne & Katherine: We both feel that healthcare is now very expensive and politicised. These days you have to have health insurance because the costs are so high. Nowadays someone who does not have health insurance has to pay much more for care than someone who has insurance.

What can Arseus do to further improve healthcare in your country?
Wayne & Katherine: We would like to see less expensive and more tailor-made medication available on a larger scale.

CORILUS

Total ICT-solutions for medical professionals

Key points

- Turnover increased by 10.8% to 38.0 million euros
- REBITDA increased by 11.8% to 11.3 million euros
- In Belgium, one pharmacy a day converted to Greenock in 2012
- Successful introduction of two new innovative software suites
- Market leadership strengthened in Belgium with the acquisition of HealthConnect

(x 1,000 euros)	2012	2011	Change
Turnover	38,036	34,318	10.8%
REBITDA	11,264	10,074	11.8%
REBITDA margin	29.6%	29.4%	
FTEs	274.1	253.9	

The strategy focus in 2013 is on further consolidating Corilus' leading market positions in Belgium through organic growth and acquisitions, and on increasingly introducing its innovative ICT solutions for medical specialists in other European countries.

General

Corilus provides total ICT solutions for a wide range of medical and paramedical professions, such as pharmacists, dentists, GPs, ophthalmologists, nurses, residential care centres, physiotherapists, midwives, opticians, veterinarians, hospitals, national health services and insurers. Based on sophisticated and innovative software, Corilus offers substantial added value and a high level of customer satisfaction, in combination with excellent service and a great hardware range. With its installed base of 19,300 customers, Corilus is the undisputed market leader in Belgium and market leader in the veterinary segment in the Netherlands, and has a strong position in health centres and among ophthalmologists in French hospitals. Corilus also serves 10,000 dentists worldwide, who are using Mediadent, the software for digital image processing.

Corilus' turnover increased organically in 2012 by 10.8% to 38 million euros, while the REBITDA grew by 11.8% to 11.3 million euros. In 2012 Corilus further strengthened its leading market position as a dominant supplier of ICT total solutions for medical specialists in Belgium, France and the Netherlands.

Scale of operations and focus on added value

The software solutions provided by Corilus are mostly developed in house. For that reason, Corilus also owns the intellectual property rights to the software. With a workforce of 274 employees in Belgium, the Netherlands and France, Corilus provides its software solutions to around 29,300 healthcare professionals.

In order to be able to fulfil the needs and expectations of the various target groups, Corilus employs its own team of pharmacists, dentists, doctors and other medical professionals, who closely follow both legislative developments and market trends. This is how Corilus ensures that its applications always comply with the ever-changing legislation and regulations and the wishes and requirements of its customers. The constant focus on innovation in combination with close monitoring of legislation and market trends ensures that new versions of existing software suites are regularly put on the market. With as result: constant innovation and strengthening of the software from Corilus.

Corilus is the only company in Belgium that develops software solutions for more than one group of medical professions. This is an important strategic advantage that offers a range of opportunities. For that reason, Corilus is increasingly crossing the boundaries of various disciplines to enable optimal communication between professionals in different fields, anticipating the opportunities that E-health offers.

Developments in 2012

The complete and innovative software solutions from Corilus support a whole series of medical and paramedical professions in managing their practices and in conducting research or performing analyses. The software suites from Corilus improve efficiency, so that the customer has more time for his patient.

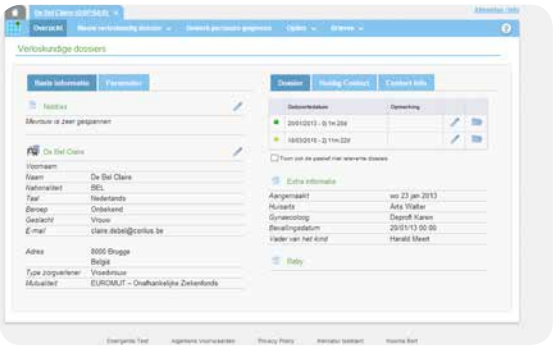
Corilus also offers several opportunities each year for training. In 2012 as well, Corilus further extended its range of training to medical professionals via the Internet. Corilus provides these training courses using Web Conferencing technology, allowing customers to attend a training session provided by one of Corilus' specialists from their own computer. The training courses are provided at times most convenient for pharmacists, dentists, doctors, ophthalmologists or veterinarians. These are interactive sessions with direct communication between the teacher and the customer.

Emergentis

In May 2012, on the International Day of the Midwife, Corilus launched its new software for midwives on the Belgian market. This software was given the name Emergentis, with the symbolic meaning of 'life'. Emergentis is an Electronic Midwives Dossier, specifically for Belgian midwives. Corilus worked closely with the Flemish association for midwives in developing the software. In consultation with Corilus' developers, this association provided the input necessary to arrive at the desired user interface, which was repeatedly tested against the practice. In the development of Emergentis, the needs and demands of the modern midwife and the protection of patients' personal information was taken into account. Emergentis is well organised and user-friendly. Administrative burdens are reduced thanks to the clear dossiers. Emergentis allows the user to easily consult patient data, register deliveries and keep track of postnatal follow-up in an orderly manner.

EMERGENTIS

Software for Midwives



Screenshot from Emergentis

Emergentis, the new software for midwives

Emergentis also has an extensive list of medications which midwives can consult for information on the effects for pregnancy.
Emergentis is a fully web-based application and can therefore be accessed any time and from anywhere. Emergentis can be accessed from any platform, including desktop PCs, laptops or tablets, without any data being lost.
The software is automatically updated, which ensures that midwives are always working with the most recent information. In short, Emergentis is a clearly organised and user-friendly total solution for midwives, which can be fully customised for each user.

Softalmo and Optisoft

Softalmo and Optisoft, two complete solutions for ophthalmologists, make it possible to manage individual and group practices, as well as hospital departments. In addition to processing patient information, by scanning in patient dossiers for instance, the suites also enable external communication, such as the electronic sending of letters. Softalmo and Optisoft also have a medication database module. Ophthalmologists can not only consult the database, they can also supplement it with pharmaceutical compounding or ophthalmology products.

In December 2012, Corilus signed an agreement with the ophthalmologists of the AZ Sint Lucas hospital in Bruges for the installation of Softalmo. The AZ Sint Lucas hospital in Bruges opted for Corilus because of the team's experience and professionalism and the user-friendliness of the software.
The Corilus software suites are now used by more than 850 ophthalmologists in Belgium, the Netherlands, Luxembourg and France.

Increasing number of out-of-hours GP surgeries use Trigonia

In Belgium, out-of-hours GP surgeries are increasingly being set up by groups of GPs in a particular region in order to provide high-quality medical care during weekends and public holidays. Due to market and customer requirements, Corilus developed a new software suite for these out-of-office surgeries. The software suite, Trigonia, was developed in close consultation with the out-of-office surgeries and is fully matched to their work and procedures. Already in 2011 Corilus became the market leader in this segment. This market leadership was strengthened in 2012. Various out-of-hours GP surgeries started using Trigonia, including the out-of-hours surgery in Tienen, with 90 affiliated GPs, the out-of-hours GP surgery of the Medical Centre in Maasmechelen, with 30 affiliated GPs, and the out-of-hours GP surgery of the Zennevallei, Ghent and Pallieterland area.

HUISARTSEN WACHTPOSTEN GENT

Huisartsen Wachtpost Pallieterland

Greenock

Pharmaceutical care is key in pharmacies and pharmacists can offer substantial added value as reliable advisors to patients. In order to support the pharmacists in this respect, Corilus developed and introduced Greenock. The Greenock software helps the pharmacist in the daily management of the pharmacy. Greenock also makes it possible to manage several pharmacies in a clearly organised and detailed manner.
In Belgium, at least one pharmacy a day successfully converted to Greenock in 2012. The key arguments underlying the decision to use the Greenock software are the user-friendliness of the software, the attention to pharmaceutical care, and the possibility of managing all pharmacies from a single central location. Corilus' knowledge and expertise in this software in combination with its focus on service made an important contribution to the positive experiences with Greenock.

Screenshot from Greenock

Corilus trains the Greenock Pharmacy users via an e-learning platform, which allows for individual customised Internet-based training. E-learning means that pharmacists can attend the training course at the time and location most convenient for them. The customer can use a 'final exam' to assess whether he and his employees have reached the desired knowledge level to start working with Greenock. More than 500 Belgian pharmacies now use Greenock.

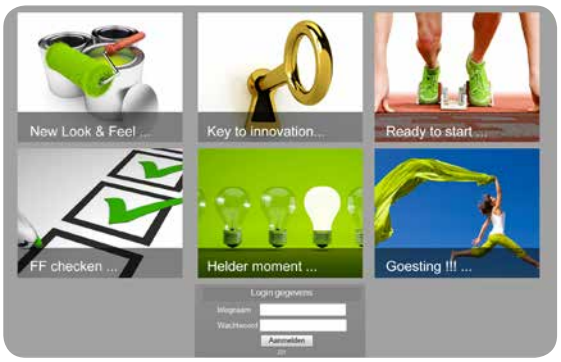
Greenock in action

Morion

In 2012 Corilus successfully launched Morion, the innovative software suite for opticians, in Belgium. Morion supports opticians in the daily management of an optician's shop and enables strong communication with customers. Morion is web-based and is therefore always up to date and can be accessed from anywhere.
The manual entry of eye test results is not only time-consuming for the optician, it also leaves much room for error. By linking Morion to the testing equipment, the test results are automatically integrated in the customer file, which saves time and limits the margin for error. Morion also makes it possible to link various agendas, thus minimising the chance of double booking appointments. The integrated cashier functionality and linking of ordering programs further optimises the management of the optician's shop.

MORION

Software for opticians



Screenshot from Morion

The software is ideally suited for management of several shops: the central reporting, reporting per employee, profitability calculation per shop and overview of the communal stocks enable the optician to easily monitor and manage several optician's shops in a detailed and clearly organised manner.
Additionally, alongside support for the day-to-day management of the practice, Morion can be used to strengthen customer loyalty with the help of Morion Eye-Commerce. Morion Eye-Commerce is a unique collection of marketing modules specially developed for the optician's shop. The Morion Eye Friends modules facilitates direct communication with the customer via smartphone or tablet. Morion Eye Friends also allows the customer to view his personal details and most recent test results via his personal page, and order additional lenses via that page. Morion SMS and Morion Eye Message make it possible to send customers an text message or e-mail with the latest news and offers from the optician's shop. These two modules can also be used to remind customers to make an appointment for new lenses or glasses.
A great many optician's shops changed over to Morion in 2012. The other software suites aimed at optician's shops, such as Cinnaber and Baltes, also underwent technological development in 2012. These software suites now use state-of-the-art SQL technology.

Belgian market leadership strengthened with acquisition of HealthConnect

The acquisition of Belgian HealthConnect was announced at the beginning of 2013 in line with Corilus' strategy to further strengthen its leading market position in Belgium. In three years' time HealthConnect managed to become market leader in the field of innovative IT projects and integration software in the healthcare sector, such as communication software Hector, Vitalink and other pioneering e-Health projects. By expanding the customer base to include hospitals, laboratories and other organisations, Corilus is even better positioned to simplify the cooperation with these parties and to further boost its added value.

Giuseppe

father of Reginalda Russo Aguiar

Employee's name:
Reginalda Russo Aguiar

Age:
44

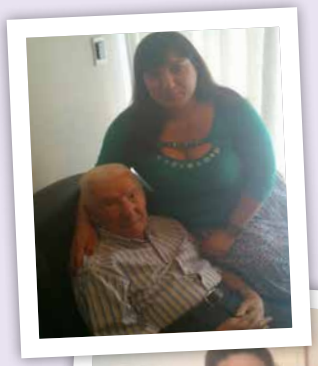
Position/department:
Pharmaceutical Development/
Fagron Brazil

City/country:
São Paulo/Brazil

Father's name:
Giuseppe Russo

Age:
89

City/country:
São Paulo/Brazil



How long have you been retired?
I have been retired for 30 years already.

What was your profession?
I was a businessman.

How do you spend your days?
I help my wife with the housekeeping, I watch television and I read a lot. I also take a walk every morning.

Name something you appreciate in your daughter which no one in the office would know about?
My daughter is very considerate of me and her mother; she takes very good care of us, so we get everything we need. She is also a hard worker. She is very stubborn and never gives up if there is something she wants.

What life lessons would you like to pass on to your daughter?
The life lesson I would like to pass on to my daughter would be that you have to set a goal and fight for it.

What is your first memory or experience with dental or medical care?
As a child I lived in a small city in Italy. There was only one doctor. He had to come from another city to visit us once a week. He was very friendly.

What does healthcare mean to you?
At my age it means improving the quality of life.

Arseus is constantly introducing new products and concepts on the market to meet patients' needs. What can Arseus do to further improve healthcare in your country?
Introduce more preventative medication for the older generation, to improve their health and well-being.

HEALTHCARE SOLUTIONS

Driving superior care

Provider of

total solutions with

substantial added value for

dental & medical

professionals

Key points

- Turnover increased by 4.3% to 127.7 million euros
- REBITDA increased by 104.8% to 2.3 million euros
- Focus on innovative solutions with substantial added-value
- Introduces new innovative products, services and total solutions in cooperation with leading partners

(x 1,000 euros)	2012	2011	Change
Turnover	127,687	122,388	4.3%
REBITDA	2,320	1,133	104.8%
REBITDA margin	1.8%	0.9%	
FTEs	450.4	488.0	

General

Healthcare Solutions encompasses Arseus' dental and medical distribution activities. This division supplies products and added-value solutions to the dental sector (dentists), the medical sector (hospitals, medical specialists and GPs) and the care sector (nursing homes and homecare nurses).
The distribution activities of Healthcare Solutions focused on dental practices are specialised in supplying integrated total solutions, products and services which make a significant contribution to the day-to-day operations of the dentist, such as workflow and practice management, hygiene management and digital imaging. Healthcare Solutions also makes it possible to provide the dentist with all the equipment needed for his dental practice, based on exclusive agreements with leading brands.
The distribution activities of Healthcare Solutions focused on the medical sector and care sector support customers in expanding, optimising and increasing efficiency in their practice and healthcare institution. Within the medical sector, Healthcare Solutions focuses both intramurally and extramurally on efficient diagnostic and therapeutic solutions, as well as on systems for monitoring patients and acute care.
Within the healthcare sector, Healthcare Solutions is active in medical and care supplies for personal care, hygiene and disinfection, diagnostics, monitoring, therapy and infrastructure, and in provisions in mobility and stoma/incontinence care.
In short, the products and total solutions from Healthcare Solutions increase efficiency and guarantee high-quality results while reducing complexity and costs. As such Healthcare Solutions enables its customers to devote more attention to their patients.

Healthcare Solutions achieved organic growth of 4.3% in 2012. REBITDA increased by 104.8% to 2.3 million euros. The distribution activities aimed at dental practices achieved healthy organic growth in 2012. The reinforced image, new product launches and innovation-related training resulted in excellent growth in both France and Germany. The growth was limited as a result of the experiment with unregulated dentistry rates in the Netherlands, which prompted Dutch dentists to postpone their investments.
The distribution activities aimed at ophthalmologists, bandagistery, hospitals and nursing homes achieved positive turnover growth, despite the effects of phasing out a number of non-strategic distributions in 2011. The activities aimed at ophthalmologists in particular had a strong year.

Workflow according to the newest hygiene guidelines

User-friendly CarieScan Pro is one of the most accurate on the market

Arseus Hygiene Centre

Dental practices are increasingly seeking solutions to manage and optimise hygiene management in the practice. In 2012, Archimed, Arseus' interior specialist for dental practices, launched a new total concept, specifically for the Arseus Hygiene Centre (AHC). This unique sterilisation concept which follows the most recent hygiene guidelines provides the total solution for optimal sterilisation in the practice. Thanks to automated process documentation and a fully integrated software and IT solution for the traceability of equipment, the Arseus Hygiene Centre allows dentists to conduct a consistent hygiene policy in their practice, in a simplified and efficient manner.

The best caries detection in the world

In 2012 Healthcare Solutions successfully introduced CarieScan Pro. This innovative scan is used to detect caries, a common tooth disease caused by bacteria. With an accuracy of 94.8%, CarieScan Pro detects more hidden caries than any other product on the market.

CarieScan Pro is not only the most accurate device on the market for caries detection, it is also extremely user-friendly. The scan uses a simple measuring technique and the results can be read out immediately. The wireless connection with the control software ensures that the results do not need to be entered manually in the patient dossier, thus saving time and reducing the margin of error. The scan optimises the treatment for both the dentist and the patient. The patient feels no pain and since no x-rays are emitted, there is no risk to the patient's health.

Innovation with new exclusive distributions launched at ADF 2012

Healthcare Solutions, in cooperation with preferred partners, introduced new applications in dental treatments, such as the laser gamma from Biolase and the surgical microscopes from Seiler and Möller-Wedel, at the Association Dentaire Française (ADF) conference in Paris in November 2012.

New developments in radiology software were introduced at the end of 2012. Together with the development of a 3D image of a patient's jaw, these new developments also make it possible to show the patient the entire implant treatment in 3D and the results of this treatment. This makes the patient actively involved in his own treatment.

At the end of 2012 the French government decided to reimburse photos made using the 3D cone beam technology. This decision had a positive impact on the dental distribution activities of Healthcare Solutions.

The Waterlase, one of the innovations which was launched at ADF and Dentex

Dentex 2012

Dentex is a trade fair for Belgian dental professionals held every two years. Dentex provides a forum for information sessions and demonstrations so that dental professionals can be introduced to the latest innovations in the field. The 18th edition of Dentex took place in October 2012. As Belgian market leader, Healthcare Solutions of course had a prominent presence at this trade fair. Visitors to the stand could get to know the innovative products, total solutions and the broad service offering of Healthcare Solutions, which includes workflow solutions, imaging solutions and hygiene management.

The Dentex trade fair was a great success for Healthcare Solutions.

CareFusion

In June 2012, exclusive distribution rights were obtained in Belgium as well as the Netherlands for CareFusion's AirLife range. Carrying CareFusion's AirLife range means that Healthcare Solutions is able to provide the most complete respiratory therapy. The products of the Airlife range play a crucial role in supporting mechanical respiration.

Healthcare Solutions also successfully expanded its offering of respiration support in the areas of diagnostics, monitoring and therapy in 2012. In addition to the focus on acute care with CareFusion's AVEA system, Healthcare Solutions is also focusing on paediatric and neonatal care departments with the innovative Clio technology, part of the AVEA system, and the updated Infant-Flow range.

CareFusion's products, which are known for their reliability and extremely high quality, guarantee quality results for the patient and meet the wishes and requirements of Healthcare Solutions' customers.

The Airlife solutions play a crucial role in supporting mechanical respiration

Bluetooth data transmission via the Schiller MS 12 Blue

Innovative developments in cardiology

Healthcare Solutions aims to constantly supply the best care and quality for patients. Patient comfort is an essential part of this. In 2012, Healthcare Solutions introduced innovative solutions on the Belgian market for the electrocardiogram, or ECG, in cooperation with leading cardiologists, doctors and Schiller, an important developer and manufacturer of cardiology testing equipment.

The Schiller CS-200 Excellence, the Schiller MS 2010 and the Schiller MS 12 Blue are examples of innovative ECG equipment. Convenience in use and high quality are priorities here. These products can help reduce the doctor's workload, while guaranteeing the continued quality of data and patient comfort. Thanks to the integrated data transmission technology, the Schiller MS 12 Blue can remotely transmit data via Bluetooth to a personal desktop or laptop for evaluation.

By bringing together quality, precision and a refined ergonomic design, these products set new standards for the future of ECG equipment.

The Kangaroo vest makes 'kangaroo care' as safe and comfortable as possible for both parents and babies

Healthcare Solutions presents: Safe and comfortable 'kangaroo care' with the Benjamin Kangaroo vest

With its medical activities, Healthcare Solutions is already active in the NICU (Neonatal Intensive Care Unit) with CareFusion's respiratory range. Thanks to the continuous focus on innovative products and solutions and monitoring of latest trends and developments, Healthcare Solutions is able to constantly introduce new products and concepts on the market. In 2012 Healthcare Solutions launched the Benjamin Kangaroo vest on the Belgian market in cooperation with manufacturer Babybloom. The so-called Kangaroo method is used for premature babies to give them better chances of survival. The method originated in Colombia because of a lack of incubators. Despite the many positive effects of 'kangaroo care', it emerged in practice that parents found it extremely uncomfortable to hold a premature baby in the right position for long periods of time. Healthcare Solutions provides a solution for this. The Kangaroo vest makes 'kangaroo care' as safe and comfortable as possible.

Thanks to the Benjamin Kangaroo vest, parents are personally involved in their child's treatment.

Arseus Days a record-breaking success!

The first Arseus Days were organised in 2011.
The Arseus Days combine practical lectures and workshops for medical professionals. In addition, demonstrations of Healthcare Solutions products are given and promotional campaigns are introduced. Based on the pre-defined target groups, the visitors were offered a tailored programme.
After two successful editions in 2011, the Arseus Days were once again organised in April and September 2012. Unlike the previous editions of the Arseus Days, the pre-defined target groups were allocated to different dates in 2012. During the third edition, for instance, a distinction was made between the target group 'Care & Nursing', which primarily focuses on nursing homes and independent homecare nurses, and the target group 'Doctors', which focuses on GPs. Dividing the attendees up in this way made it possible to organise targeted workshops and demonstrations that put a clear focus on the topical issues in the various target groups.
The Arseus Days proved extremely successful once again in 2012, in view of the positive feedback and record number of visitors.

The Arseus Days programme tied in seamlessly with current topics on the Healthcare market

Healthcare Solutions scores at Young Cardiologists' Symposium!

Healthcare Solutions held the annual ECG symposium for the Belgian Young Cardiologists association at the Arseus Training Centre in Brussels in May 2012. More than forty interested cardiologists participated in these 'Interactive ECG course for dummies'.

Besides lectures from leading cardiologists, the symposium also hosted demonstrations of various tools, such as the hyper Q tool from the Schiller CS-200 Excellence, a new non-invasive method for preventing heart problems caused by inadequate circulation. This tool proved so accurate in its predictions that it can be seen as an important addition to the existing equipment for cardiology diagnostics.

Thanks to the great success, it was decided to once again hold the 'Interactive ECG course for dummies 2013' at the Arseus Training Centre.

Ophtalmologica Belgica conference 2012

At the end of November 2012, the OB conference 'Ophtalmologica Belgica' took place at the Brussels Expo. For three days ophthalmologists could attend more than 50 lectures and wet labs. Every year the conference is a highly anticipated networking event for all players in this sector. The exposition space is a platform where they can meet and show the newest developments. More than 850 ophthalmologists and 300 specialised nurses attended the conference.

The 20th edition of the OB was the ideal platform for the distribution activities aimed at ophthalmologists to disseminate their new strategy: a clear product assortment divided among the three expertise areas of diagnostics, imaging and surgery. For each of these three domains, the assortment has been optimised and aimed at prominent market leaders, such as Nidek, Haag-Streit, Heidelberg Engineering and Ziemer, who are all synonymous with quality and innovation.

Wally

father of Annick Mignon

Employee's name:
Annick Mignon

Age:
48

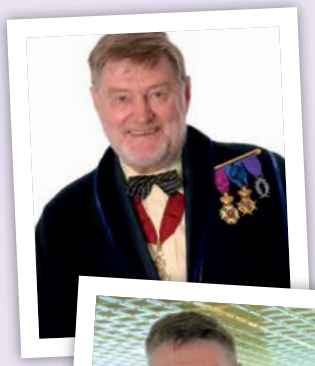
Position/department:
Sales Representative/Duo-Med

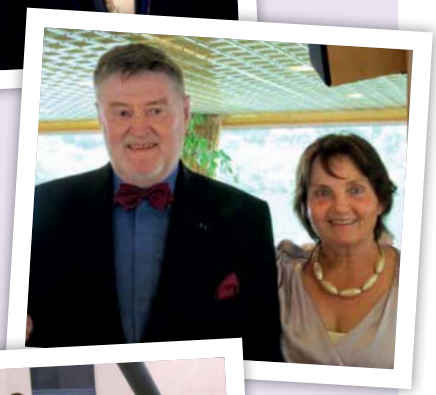
City/country:
Londerzeel/Belgium

Father's name:
Wally Struys

Age:
70

City/country:
Belgium





How long have you been retired?
I've been retired since July 2008.

What was your profession?
University professor.

How do you spend your days?
Research, teaching, publications and giving interviews.

Name something you appreciate in your daughter which no one in the office would know about?
In addition to her professional skill and motivation, she is also an especially caring and loving wife, mother and daughter!

What life lessons would you like to pass on to your daughter?
Ambition is good. Be patient, but also be assertive.

What is your first memory or experience with dental or medical care?
Long ago, I must have been six or seven years old, I had to wear a palate prosthesis.

What does healthcare mean to you?
Thanks to healthcare I have the best possible health and I can have the good quality life that I desire.

Arseus is constantly introducing new products and concepts on the market to meet patients' needs. What can Arseus do to further improve healthcare in your country?
Continue to focus on improving the quality of your products and ensuring that healthcare remains accessible for everyone.

HEALTHCARE SPECIALTIES

Driving superior care

Preeminent partner for innovative products and concepts for dental & medical professionals

Key points

- Turnover decreased by 1.6% to 91.2 million euros
- Focus on providing integrated solutions with substantial added-value
- Division into three subdivisions to improve efficiency and strengthen customer focus
- Introduction of new innovative tools for orthopaedic surgery
- New exclusive partnerships in the area of laparoscopic surgery

(x 1,000 euros)	2012	2011	Change
Turnover	91,215	92,685	-1.6%
REBITDA	9,406	12,219	-23.0%
REBITDA margin	10.3%	13.2%	
FTEs	303.8	324.6	

General

Healthcare Specialties focuses on developing and launching innovative dental and medical solutions and products. Healthcare Specialties distinguishes itself from the competition with strong private labels and exclusive partnerships.
In order to increase impact, improve efficiency and reinforce customer focus, Healthcare Specialties has been subdivided into three focused subdivisions:
The activities focused on dental laboratories, the technological activities in Switzerland (Hader) and France (Julie-Owandy) and the surgical solutions of Duo-Med.
In 2012, Healthcare Specialties achieved turnover of 91.2 million euros, a decrease of 1.6% in comparison to 2011.

Activities aimed at dental laboratories

The activities aimed at dental laboratories supply innovative products and services to dental laboratories in Europe. A complete range of services is offered, from teeth to equipment and from dentist's chairs to CAD/CAM solutions. With its own labels, the support of leading partners, and exclusive distribution agreements, it is able to satisfy the customer's wishes.
The activities aimed at dental laboratories achieved positive turnover growth in 2012. This growth was mainly due to innovative activities such as CAD/CAM, the quality of the training programmes provided for dental technicians and the successful Ceka Preci-line attachments. The experiment with unregulated dentistry rates in the Netherlands prompted Dutch dental laboratories to postpone their investments in 2012.

CAD/CAM technology

An increasingly important development in the field of dentistry is the growing impact of CAD/CAM technology for manufacturing dental crowns, dental bridges and abutments on implants. This type of technology uses laser measurements to map out shapes onto a computer. The computer then aids in designing (CAD) and manufacturing (CAM) the remainder of the digital construction model. The CAD/CAM bridge, crown or abutment is then milled from a block of monochromatic ceramic and/or other materials, such as CoCr and Titanium. Dental technicians in Europe increasingly work with digital technology.
The CAD/CAM technology continues to evolve. Thanks to Ceramill Sintron®, it is becoming possible for dental technicians to dry mill non-precious metals. This can be done using desktop milling machines in the facility's own laboratory. Until now, this was impossible because of the hardness of the material.

Because of the 'wax-like' texture of the Ceramill Sintron® blocks, the material can be easily milled, similar to wax in a milling unit. They achieve their final form during the subsequent sintering process with Argon protective gas and further submersion of the structures. The result is a non-precious metal construction with perfect homogeneous structure.

Based on the positive test results and feedback, the process and quality of the material has been endorsed at the highest level and guarantees maximum safety for the dental technician, the dentist and also the patient. This system also enables the dental technician to very comfortably make non-precious metal constructions without going through the whole series of time-consuming processes. This results in shorter delivery times.

In addition to the products from various leading companies, Healthcare Specialties also has its own label focused on providing total CAD/CAM solutions to dental laboratories. Novux not only supplies the products required for installing CAD/CAM in dental laboratories, thanks to its close cooperation with a number of milling centres it also enables the dental technician to outsource part of the CAD/CAM process. Novux makes providing the customer with the newest technologies and the best service a priority.

Ceka Preci-line

Ceka Preci-line, the own label of the subdivision aimed at dental laboratories, is a leading company in dental attachments. These attachments are used to affix dental prostheses in the patient's mouth. Ceka Preci-line is offered via 150 dealers in 85 countries. By keeping a close eye on developments in the market for dentistry and dental technology, Ceka Preci-line succeeds at constantly ensuring its offerings anticipate the ever-changing wishes and requirements of customers. Guaranteeing optimal prosthetic provision is the most important constant in this. Patients worldwide appreciate not only the customised retention and long life of the Ceka Preci-line attachment, but also the reassuring 'click' they feel when positioning the prosthesis.

CEKA
ATTACHMENTS
PRECI-LINE

'Back to School'

In June 2012, the open day of the subdivision of Healthcare Specialties aimed at dental laboratories was held at the Institut Sainte-Marie in Jambes. This institute is one of the schools which offer a dental technician degree programme. Old and new were brought together under one roof on this day. The audience included both dental technician students and experienced professionals.

In particular the new dental laboratory was an important attraction during this open day. Healthcare Specialties installed a state-of-the-art CAD/CAM centre in the school. At this centre, the latest developments in CAD/CAM were shown and visitors were given an opportunity to assist in the live demonstrations.

The excellent turnout and interest shown in combination with the positive feedback confirmed the success of this open day.

The new dental laboratories of the Institut Sainte-Marie, set up by Arseus Dental Lab

The technological activities in Switzerland and France

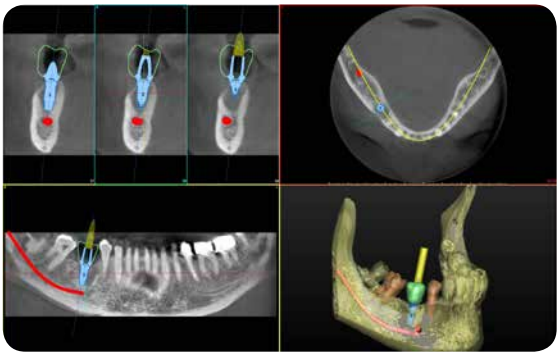
Julie-Owandy develops, produces and introduces a complete in-house range of imaging equipment for dentists. Julie-Owandy supplies fully in-house developed software for dental imaging and practice management for dentists. Julie-Owandy is market leader in France.
Hader is based in La Chaux-de-Fonds, Switzerland, and develops, produces and introduces precision components for the dental, medical and industrial market.

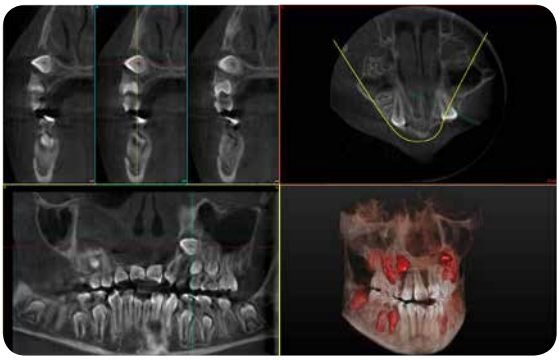
Hader and Julie-Owandy both had a difficult year last year. The cautious investment climate caused the turnover at both Julie-Owandy and Hader to be lower than budgeted. The introduction of the I-Max Touch 3D, Julie-Owandy's digital three-dimensional dental imaging equipment, in the United States was delayed, while Hader experienced a temporary setback because of amended legislation and regulation. The strong Swiss franc also had a negative impact on Hader's international competitive position in 2012.

I-Max Touch 3D

Julie-Owandy, renowned for its development and production of digital imaging equipment, expanded its range of panoramic equipment in 2011 to include the I-Max Touch 3D. The I-Max Touch 3D is revolutionary, easy to use and very rapid compared to other digital imaging equipment on the market.
Julie Owandy and Materialise Dental entered into a strategic partnership in 2011, enabling the users of their products to have the best solution for digital 3D imaging on the dental market: the combination of the I-Max Touch 3D and the leading 3D treatment planning software, SimPlant®.
The success of the I-Max Touch 3D spread in 2012. In order to meet the requirements of the modern dental practice, the R&D team decided to increase

I-MAX TOUCH 3D





I-Max Touch 3D, the best solution for digital 3D imaging

the scanning volume. Thanks to a diameter of 9.3 cm and a height of 8.3 cm, the scanning volume of the I-Max Touch 3D guarantees a representation of the entire upper and lower jaw with a single recording, including impacted teeth and regardless of the shape or structure of the patient's jaw. By combining imaging, diagnosis and treatment planning, the I-Max Touch 3D is the complete solution for digital 3D imaging.

Opteo Sensor from Julie-Owandy

During the conference of the Association Dentaire Française (ADF) in November 2012, Julie-Owandy presented the most recent addition to its assortment of intra-oral sensors. The Opteo sensor is an innovative and functional imaging system which meets the wishes and requirements of our customers.

Opteo: the first intelligent direct USB intra-oral sensor

The sensor assists dentists in their daily practice. Thanks to the intelligent Automatic Activation System, fewer actions are needed to make a high-definition image and the quality of the image is guaranteed.

The Opteo sensor can make and display high-resolution x-ray images very rapidly. Since there is no longer any need to wait for the x-ray images to be scanned or developed, the dentist can concentrate on the patient and increase efficiency.

The Opteo sensor was developed to increase patient comfort. Thanks to the Opteo sensor's ergonomic design, with its rounded corners and sloping edges, it is no longer uncomfortable for the patient to have a dental x-ray done. The Opteo sensor also uses a low radiation dose, so the patient's health is protected.

The Opteo sensor can be linked to the innovative practice management software from Julie-Owandy. The software from Julie-Owandy can be used to automatically update and save patient data based on the scan results and x-ray images can be added directly to the patient dossier.

Hader Click

In line with the strategy of innovation, Hader continued in 2012 to develop and launch new added-value dental and medical orthopaedic products, such as the Hader Click. This orthopaedic aid is used for affixing orthopaedic implants. The advantage of the Hader Click is that the risk of contagion and infection is minimised for the patient thanks to a simple cleaning and sterilisation procedure.
The Hader Click has been market tested and has already been endorsed by various leading orthopaedic surgeons.

Hader Click

Hader Lucky

The Hader Lucky was introduced at the International Dental Show in Cologne in March 2013. The Hader Lucky is the latest surgical torque wrench and is a high-precision dental instrument used by dental surgeons for tightening dental implants. In order to affix so-called abutments, parts that ensure a good fit between the implant and the crown, to the dental implants in the patient's mouth, these must be tightened using small screws of different sizes. A torque wrench is used to tighten these screws. Until now the surgeon had to adjust the torque wrench manually when he needed a different size. This is not only time consuming but also very sensitive to error. The one key – one colour – one torque concept of the Hader Lucky provides a solution to this. The concept consists of five different torque wrenches, each with a fixed setting linked to a particular colour. When the surgeon needs a different size screw during the operation, he no longer needs to manually adjust the torque wrench, but simply replaces it with the torque wrench with the right colour and setting.
The Hader Lucky is made up of fewer parts than the usual instruments, which extends the life span of the instrument. The Hader Lucky also minimises the risk of contagion and infection for the patient thanks to a simple cleaning and sterilisation procedure.

Hader Torque

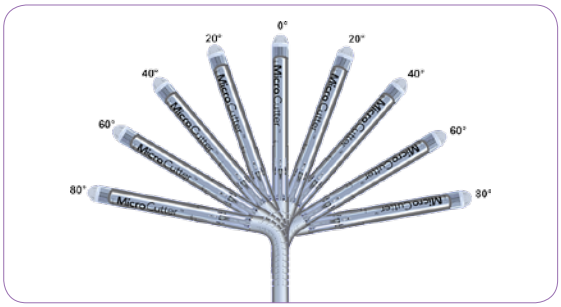
The surgical solutions from Duo-Med

Duo-Med supplies innovative products to doctors and hospitals in Belgium, the Netherlands and Luxembourg. Duo-Med distinguishes itself on the market by carrying exclusive distribution agreements and solutions with high added value.
Duo-Med had a good year. In 2012 Duo-Med secured exclusive distribution rights for Cardica in Belgium, the Netherlands and Luxembourg. The new technology of the Cardica MicroCutter offers patients numerous benefits.

The Cardica MicroCutter

When tissue needs to be stapled and cut via a laparoscopic entrance during an operation, until now surgeons used devices with an external diameter of 12.7 mm. For the patient this meant a large incision and for the surgeon it meant little room to manoeuvre in the body.

The MicroCutter from Cardica is significantly smaller than other endostaplers on the market. The MicroCutter from Cardica is a five-millimetre device and therefore a miniaturisation of existing technology, the main advantage for the patient being smaller incisions. That means faster recovery, less pain and less risk of infections. It enables the surgeon to refine existing operations (especially in VATS = Video Assisted Thoracic Surgery).



Five-millimetre MicroCutter with 160° flexibility

Octoport

Octoport

Octoport was successfully launched on the market in 2012. Octoport is the innovative solution in Single Incision Laparoscopic Surgery. In 2012 Duo-Med started up Centres of Excellence in Flanders and Wallonia. 'Peer-to-peer' training is organised in these centres four times per year. These practical training sessions focus on the Octoport. Because of the great success of the centres and the training sessions, the Centre of Excellence in Flanders will also be used by the Dutch sales team for training Dutch surgeons in the use of the Octoport.

Duo-Med Instruments

In 2012 Belgian Arseus Devroe was renamed Duo-Med Instruments. From October 2012 all activities of Duo-Med and Duo-Med Instruments have been managed from a single location. The back-offices of both Duo-Med and Duo-Med Instruments have been optimised.

Besides the optimisation of the organisation, the product portfolio was also tackled. New exclusive agreements were concluded and the focus on high-margin surgery products was reinforced with the hiving off of non-focus products.

José Dagoberto

father of Leandro da Silva Castro

Employee's name:
Leandro da Silva Castro

Age:
27

Position/department:
Procurement Manager/Pharma Nostra

City/country:
Campinas/Brazil

Father's name:
José Dagoberto Pinto de Castro

Age:
66

City/country:
Rio de Janeiro/Brazil

How long have you been retired?
I retired about five years ago but I still work as a civil engineer.

What was your profession?
Civil engineer.

How do you spend your days?
Every week I visit the many building projects for which I am responsible.

Name something you appreciate in your son which no one in the office would know about?
He is an only child. He is very open and never selfish. His colleagues know him well and also know his many qualities. There really are no secrets.

What have you learned from your son and what life lessons would you like to pass on to your son? Can you tell us an anecdote about your son?
I can say that I have learned a great deal from my son and continue to learn from him. He is teaching me English. I remember the first time we went to the United States as a family. Leandro got stuck with his finger in a hole. I immediately started to ask for help in Portuguese. At the time Leandro turned to me, he was only six, and said calmly: 'Father, you have to say HELP!' I'll never forget that.

What is your first memory or experience with dental or medical care?
The most drastic experience I have had so far has been that all my teeth had to be replaced with implants and prostheses. Since I don't have health insurance, that was also a particularly expensive procedure.

What does healthcare mean to you?
Healthcare gives us the opportunity to live longer and spend a longer time with our family and friends.

Arseus is constantly introducing new products and concepts on the market to meet patients' needs. What can Arseus do to further improve healthcare in your country?
Even with the improving social status of Brazil, it is clear that we as a country, especially in healthcare, still need help from companies in the form of foundations and individual assistance. With the focus on humanity, we will stimulate the social and personal growth of the citizens of our country.

ARSEUS
Driving superior care

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.
Its share is included in the BEL MID index and the Amsterdam Small Cap Index (AScX).

At 31 December 2012, the market value of Arseus amounted to 484.8 million euros, a 40.8% increase compared to the end of 2011. At 31 December 2012, 31,278,514 shares, 225,000 bonds with a nominal value of 1,000 euros per bond and 6,000,000 VVPR-strips were listed on NYSE Euronext.

On 14 June 2012, Arseus issued 61,626 new shares as a result of the exercise of warrants under Warrant Plans 1 and 2. These newly issued shares are eligible for dividend from the 2012 financial year onward.

On 2 July 2012, Arseus NV issued 225 million euros in bonds, consisting of 225,000 bonds with a nominal value of 1,000 euros per bond. The bonds were listed on NYSE Euronext Brussels on 2 July 2012 under ISIN code BE0002180462. The bonds have a maturity of five years and offer a fixed annual gross interest of 4.75%. The bonds are redeemable at 100% of the nominal value on 2 July 2017.

The number of Arseus shares with voting rights is 31,278,514. The total number of voting rights (denominator) is 31,278,514. The authorised capital amounts to 320,601,893.93 euros.

Shares

ISIN code: BE0003874915
Euronext: RCUS

Bonds

ISIN code: BE0002180462
Euronext: ARS17

VVPR-strips

As a result of the Belgian Pluriannual Estimates Act of 27 December 2012, which imposes a harmonised withholding tax rate of 25%, NYSE Euronext Brussels cancelled the listing of the VVPR-strips as of 1 January 2013.

Stock price

The price of the Arseus stock increased by 40.5% to 15.50 euros per share in 2012. Over the same period, the BEL MID index increased 20.0%, while the AScX index increased 7.0% in 2012. Since the company's initial public offering on 5 October 2007, Arseus shares have increased 51.2%. By comparison, the BEL MID index and the AScX have decreased 18.2% and 46.7% respectively over the same period.

Stock market quotation

	2012	2011	2010	2009
Highest share price	€ 15.50	€ 12.90	€ 11.53	€ 8.66
Lowest share price	€ 10.39	€ 8.91	€ 7.92	€ 5.40
Closing price at the end of the year	€ 15.50	€ 11.03	€ 11.38	€ 8.05
Highest day volume	210,164	282,010	170,153	176,222
Lowest day volume	2,007	2,919	3,547	6,255
Average day volume	29,428	38,633	31,182	35,195
Dividend	€ 0.60	€ 0.50	€ 0.44	€ 0.36
Dividend yield at closing price	3.9%	4.5%	3.9%	4.5%
Market capitalisation at the end of the year	€ 484,816,967	€ 344,322,274	€ 355,000,477	€ 251,120,724

The performance of Arseus and the indices in 2012

Shareholder structure

Arseus received the following notifications of shareholding (status as at 11 April 2013) pursuant to the Belgian Law of 2 May 2007 concerning the disclosure of major shareholdings in listed companies.

	Number of shares	% of effective voting rights
EnHold NV	8,166,908	26.11%
Alychlo NV/Coucke	3,528,080	11.28%
BNP Paribas Investment Partners SA	1,546,052	4.94%
Arseus NV (treasury shares)	974,546	3.12%
Public	17,062,928	54.55%
Total (denominator)	31,278,514	100.00%

Article 11 of Arseus' Articles of Association stipulates that interests must be disclosed as soon as a threshold of 3%, 5% and multiples of 5% has been exceeded.

Dividend

A proposal will be submitted to the Annual General Meeting of Shareholders to be held on 13 May 2013 to issue a gross dividend of 0.60 euros per share, an increase of 20% compared to the dividend of 0.50 euros per share in 2011. The net dividend will amount to 0.45 euros per share. This is equal to the gross dividend minus dividend withholding tax, which in Belgium amounts to 25%.

Investor Relations Policy

Arseus believes that good, open and timely communication with its investors, analysts and others with (financial) interests in the company is very important in order to inform them as effectively and promptly 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. This annual report is one of those forms of communication. All other relevant information, such as the annual and half-year figures, trading updates, press releases and background information, is available at www.arseus.com.

Investors and potential investors, analysts, journalists and other interested parties are invited to direct questions to:

Constantijn van Rietschoten
Director of Corporate Communications
+31 88 33 11 222
constantijn.van.rietschoten@arseus.com

Financial calendar

5 April	Capital Markets Day in Rotterdam (the Netherlands)
13 May, *3 p.m.*	General Meeting of Shareholders in Waregem (Belgium)
2 August*	Half-year figures 2013
8 October*	Trading update, third quarter 2013

* *Results and trading updates will be published at 7.30 a.m.*

Lothaire and Frieda

parents of Dominique Deschietere

Employee's name:
Dominique Deschietere

Age:
53

Position/department:
CEO Arseus Dental Lab – Ceka Preci-line

City/country:
Kortrijk/Belgium

Parents' names:
Lothaire Desouter and Frieda Denecker

Age:
Lothaire 77, Frieda 74

City/country:
Kortrijk/Belgium

Interview was conducted by grandson Sander Deschietere, Dominique's son, who has already held student summer jobs at various divisions in the Arseus Group.

What was your profession? How long have you been retired?
Lothaire: I was an independent master tailor and have been retired for 13 years.
Frieda: I was a pre-school teacher and stopped working in this profession 35 years ago.

How do you spend your days?
Both indicated that they run short of time for their many activities.
Lothaire: I collect stamps and also like to work on researching my family's history almost every day. I look in the archives of various cities as part of that. I also enjoy watching a number of sports, like football, cycling and three-cushion billiards. When I was younger I played a lot of football myself and played billiards in my free time.
Frieda: I enjoy knitting. I also always supported the children in all sorts of activities, like scouting, sport, etc.

Name something you appreciate in your son which no one in the office would know about?
We admire Dominique for his great perseverance. This is expressed in the fact that he has worked his way up in his professional career. He started and grew his own business from the ground up and in the meantime, after selling his businesses, has remained active and also continued to grow in the organisation of the Arseus Group. As an adolescent it was clear that leadership was a quality of his. As a 16-year-old leader during the holidays and later as a group leader in the scouts.

What life lessons would you like to pass on to your son?
Always have both feet on the ground; simplicity is a virtue. And in addition to that also a saying that is really part of the Flemish nature, specifically 'Virtue is its own reward.'

Can you tell us an anecdote about your son?
He asked us one day to let him take horse-riding lessons. In order to pay for the lessons he worked weekends as a waiter but during the holidays he also mucked out the horse stalls and looked after the horses in order to get free riding lessons in return.

What is your first memory or experience with dental or medical care?
Having two sons who work or worked in the dental sector certainly meant we became familiar with the developments in the dental sector of course. In the beginning years Frieda even worked in Dominique's business for a few years (dental specialist trade for dental technicians). Of course with four children it was also clear to us that certain periods of our life were dominated by childhood illnesses, certain ailments and even some broken limbs. We always found that there was proper healthcare while we were raising our children.

What does healthcare mean to you?
Healthcare is well organised in Belgium. We encounter that daily. There are also possibilities that can give us a nice and pleasant old age without too many health problems. At the moment we are on a waiting list for a service flat, for instance. If we live in this flat, we won't have to spend as much time looking after a large house. As we get older we will also be able to enjoy the care and the medical assistance and support there.

ARSEUS
Driving superior care

Report of the Board of Directors

Report of the Board of Directors on the consolidated financial statement

Consolidated income statement

The operating income increased by 10.9% from 493.582 million euros in 2011 to 547.603 million euros in 2012. The net turnover represents 99.9% of the operating income and increased by 11.1%, from 492.330 million euros in 2011 to 547.020 million euros in 2012. Organic growth amounted to 6.0% (6.4% at constant exchange rates) in 2012. The acquisitions in 2011, combined with the acquisitions in 2012 of Polish Galfarm, Brazilian Florien, Danish ApodanNordic PharmaPackaging and American B&B Pharmaceuticals within the Fagron division, form the main components of external growth in 2012.

Arseus implemented a new divisional structure at the start of 2013. This divisional structure is tailored to the various activities of Arseus and also supports effective decision-making and individual responsibility. Alongside the Fagron and Corilus divisions, the Healthcare Solutions and Healthcare Specialties divisions were created. Healthcare Solutions encompasses Arseus' dental and medical distribution activities. Healthcare Specialties encompasses the activities focused on dental laboratories, the technological activities in Switzerland (Hader) and France (Julie-Owandy) and the surgical solutions of Duo-Med. The 2012 key figures per division are based on the new divisional structure at Arseus. The 2011 key figures per division were drawn up on a similar basis to 2012.

In 2012, Fagron realised a growth in turnover of 19.4%, 8.7% of which organic (9.6% at constant exchange rates). REBITDA increased by 30.1% to 64.415 million euros. The continued strong results confirm the success of Fagron's strategy, which is focused on worldwide revitalisation of pharmaceutical compounding. During 2012, important steps were taken to further develop Fagron's worldwide market leadership within the fast-growing niche market of pharmaceutical compounding. In Colombia, Fagron acquired compounding pharmacy Orbus Pharma and four compounding pharmacies from Quifarma. These compounding pharmacies are specialised in preparing tailor-made medication and have been operating under the name 'Fagron Colombia' since 1 January 2013.

Fagron reinforced its market leadership in Brazil with the acquisition of Florien. Florien supplies pharmaceutical extracts and tinctures for pharmaceutical compounding to compounding pharmacies in Brazil. Florien's product range is fully complementary to the existing activities of Fagron in Brazil. In November 2012, Fagron finalised the acquisition of Danish ApodanNordic PharmaPackaging. The pharmaceutical packaging products developed by ApodanNordic PharmaPackaging are an important addition to the Fagron Group's broad range of packaging. The acquisition of US company B&B Pharmaceuticals was finalised at the end of 2012. By combining the activities of B&B Pharmaceuticals and Fagron US, Fagron will be able to achieve clear benefits. With the acquisition of B&B Pharmaceuticals, Fagron US will be even better positioned to provide pharmacists in the United States with innovative concepts and products for pharmaceutical compounding. Fagron China commenced operations as of 1 October 2012. Fagron China optimises the purchasing conditions for Fagron's procurement of pharmaceutical raw materials in China and simplifies the audits of Chinese suppliers. It was also announced in November 2012 that Fagron has entered into a partnership with NxGen Pharmaceuticals, resulting in Fagron Australia being fully operational since 1 November 2012. Fagron Australia introduces Fagron's innovative products and concepts to the Australian market.

Corilus' turnover increased organically in 2012 by 10.8% to 38.036 million euros, while the REBITDA

increased by 11.8% to 11.264 million euros. In 2012 Corilus further strengthened its leading market position as a leading supplier of ICT total solutions for medical specialists in Belgium, France and the Netherlands. Greenock, the software solution for pharmacies, was successfully implemented at a great many pharmacies in Belgium in 2012. In line with the strategy, Corilus also successfully introduced two new software solutions: Morion, the innovative software for opticians, and Emergentis, the fully web-based software for midwives. Following the successful introduction of Softalmo in France in 2011, this leading software for ophthalmologists was also successfully introduced in the Netherlands in 2012. Corilus finalised the acquisition of HealthConnect at the beginning of February 2013. HealthConnect is the market leader in Belgium in innovative IT projects and integration software for the healthcare sector. Corilus's strategy for 2013 is aimed at further expanding Corilus's leading market positions in Belgium through organic growth and acquisitions and at increasingly introducing the innovative total ICT solutions for medical specialists in other European countries.

Healthcare Solutions, the division focusing on the dental and medical distribution activities of Arseus, achieved organic growth of 4.3% in 2012. REBITDA increased by 104.8% to 2.320 million euros.
The distribution activities aimed at dental practices achieved healthy organic growth in 2012. The reinforced image, new product launches and innovation-related training resulted in excellent growth in both France and Germany. The experiment with unregulated dentistry rates in the Netherlands prompted Dutch dentists to postpone their investments.
The distribution activities of Healthcare Solutions aimed at ophthalmologists, bandagistery, hospitals and nursing homes achieved positive turnover growth, despite the effects of phasing out a number of non-strategic distributions in 2011. The activities aimed at ophthalmologists had a strong year. In June, the exclusive distribution rights were acquired in Belgium as well as the Netherlands for the AirLife range of respiratory products from CareFusion.
Healthcare Specialties focuses on developing and launching innovative dental and medical solutions and products. In 2012, Healthcare Specialties achieved turnover of 91.2 million euros, a decrease of 1.6% in comparison to 2011. REBITDA decreased by 23.0% to 9.406 million euros.
The activities aimed at dental laboratories achieved positive turnover growth in 2012. This growth was mainly due to new and innovative activities such as CAD/CAM. The experiment with unregulated dentistry rates in the Netherlands prompted Dutch dental laboratories to postpone their investments in 2012.
Swiss Hader and French Julie-Owandy (Arseus Dental Technology) both had a difficult year. The cautious investment climate caused the turnover at both Julie-Owandy and Hader to be lower than budgeted. Hader also suffered in 2012 from the strong Swiss franc, which adversely affected the international competitive position. In line with the strategy of innovation, Hader developed and launched new dental and medical orthopaedic products with added value, such as the Hader Click, in 2012 as well. This orthopaedic aid is used for affixing pins in bones. The advantage of the Hader Click is that the risk of contagion and infection is minimised for the patient. Duo-Med, which supplies doctors and hospitals in the Benelux with innovative products, solutions and services, had a good year. In 2012, Duo-Med secured exclusive distribution rights for Cardica in the Benelux. The new technology of the Cardica MicroCutter offers patients numerous benefits. The MicroCutter allows smaller incisions to be made and that means faster recovery, less pain and less risk of infections.

The gross margin (the difference between turnover on the one hand and trade goods, raw and auxiliary materials on the other) was 271.563 million euros in 2012. This represents 49.6% of the turnover. The gross margin in 2011 was 49.2%.

The total operating expenses, defined as services and various goods, employee benefit expenses and other operating expenses minus other operating income, amounts to 196.260 million euros, an increase of 14.986 million euros compared to 2011. The cost coverage, defined as operating expenses versus gross margin, was 72.3% in 2012.

Depreciation and amortisation increased by 18.6% from 14.531 million euros in 2011 to 17.241 million euros in 2012.

The operating result was 58.064 million euros, representing 10.6% of the turnover. This represents an increase of 11.807 million euros compared to 2011. In 2011, the operating result was 46.257 million euros, representing 9.4% of the turnover.

The financial result amounts to -14.928 million euros compared to -9.179 million euros in 2011. This increase is due to an increase in the net financial debt and an average increase in interest rates.
The financial derivatives were subject to a negative revaluation of 0.295 million euros in 2012. This negative revaluation relates to the decrease 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 -14.633 million euros.

This brings profit before income tax to 43.136 million euros, an increase of 6.058 million euros compared to 2011.

The effective tax rate, as a percentage of the profit before taxes, amounted to -1.6%. This is the result of setting up a deferred tax asset in Brazil. In accordance with Brazilian tax regulations, the goodwill becomes tax deductible as a result of the merger of a number of legal entities.
The effective cash tax rate[1] for the Arseus Group amounts to 24.9% in 2012.

Profit for the period amounts to 43.821 million euros, an increase of 55.7% in comparison to 2011.

Consolidated balance sheet

The consolidated balance sheet total increased by 10.1% from 680.232 million euros in 2011 to 748.894 million euros in 2012.

Assets

Total non-current assets amount to 511.287 million euros, an increase of 64.911 million euros compared to 2011. The intangible assets increased by 50.797 million euros to 417.866 million euros. This increase was mainly due to the recognition of goodwill relating to acquisitions of the Polish Galfarm, Brazilian Florien, Danish ApodanNordic PharmaPackaging and American B&B Pharmaceuticals, and as a result of the R&D activities of Corilus, French Julie-Owandy and Swiss Hader.

Property, plant and equipment increased by 2.105 million euros to 59.255 million euros. This increase was due to the last investments in the new head office and distribution centre for Fagron Netherlands, the construction of a compounding pharmacy in Bornem, Belgium, and the takeover of assets as part of acquisitions.

The net operational capital expenditures amount to 19.480 million euros, which is 3.6% of the 2012 turnover. The net operational capital expenditures included investments in R&D, automation and the aforementioned investment in the construction of a compounding pharmacy in Bornem, Belgium, and the last investments in the new head office and distribution centre for Fagron Netherlands.

Financial assets amount to 0.843 million euros.

Deferred tax assets represent a value of 32.296 million euros. The increase compared to 2011 was mainly due to setting up a deferred tax asset in Brazil.

1 The effective cash tax rate is defined as the taxes paid divided by the profit before tax.

The other non-current assets amount to 1.027 million euros and are mainly security deposits.

Total current assets amount to 237.607 million euros in 2012 compared to 233.856 million euros in 2011, an increase of 3.751 million euros. The key changes were the increase in stock by 9.320 million euros (12.2%), the decrease in trade receivables by 12.963 million euros (17.1%), and the increase in cash and cash equivalents by 2.502 million euros (3.6%). The decrease in trade receivables is due to stricter management of outstanding invoices and factoring.

Equity and liabilities

Total equity amounts to 245.384 million euros. This represents an increase of 24.932 million euros in comparison to 2011.

Total liabilities increased from 459.780 million euros in 2011 to 503.510 million euros in 2012. This represents an increase of 43.730 million euros.

Provisions increased by 2.468 million euros to 3.519 million euros.

Pension obligations in 2012 amount to 4.801 million euros, an increase of 23.6% in comparison to 2011.

Deferred tax liabilities relate among other things to temporary differences between reporting and fiscal accounting at the local entities. These amounted to 2.466 million euros in 2012 against 1.932 million euros in 2011.

Non-current interest-bearing financial liabilities (long-term borrowings) amount to 300.604 million euros in 2012, an increase of 296.254 million euros against 2011. This increase is due to the refinancing which was successfully concluded on 3 July 2012. Current interest-bearing financial liabilities (short-term borrowings) amount to 4.865 million euros in 2012, a decrease of 249.192 million euros against 2011. As at 31 December 2011, net financial debt (total current and non-current interest-bearing financial liabilities plus other long-term liabilities less cash and cash equivalents) amounts to 233.117 million euros, versus 188.557 million euros at the end of 2011. At year-end 2012, the net financial debt/annualised REBITDA ratio was 2.64, fully in compliance with the covenant under the credit facility, which sets a maximum ratio of 3.25.

Trade payables are 3.447 million euros, or 3.7% higher than in 2011, amounting to 97.641 million euros.

Taxes, remuneration and social security amount to 34.389 million euros, a decrease of 2.949 million euros in comparison to 2011.

Other current payables amount to 51.477 million euros versus 59.521 million euros in 2011.

Consolidated cash flow statement

The consolidated cash flow statement takes as its starting point the profit before income taxes of 43.136 million euros, as reported in the consolidated income statement.

From this amount are deducted the outgoing cash flows before taxes, being 10.728 million euros. This amount includes all income taxes effectively paid during 2012. 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 31.825 million euros. A significant portion relates to paid interest (9.527 million euros) recognised as cash flows from financing activities (see below) plus the negative revaluation of financial derivatives (0.295 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 3.511 million euros). The total cash flow from operating activities amounts to 67.744 million euros, a decrease of 6.1% in comparison to 72.147 million euros in 2011.

Total cash flows from investing activities produced an outflow of 84.868 million euros relating to capital expenditures in the amount of 19.480 million euros and payments for existing shareholdings (subsequent payments) and new holdings in the amount of 65.388 million euros.

The total of cash flows from financing activities represents an inflow of 23.827 million euros. Arseus increased its share capital by 0.608 million euros in 2012 and paid out 15.300 million euros in dividends. Payment of interest on loans and other financial elements such as financial discounts produced an outflow of 9.527 million euros, the new borrowings producing an inflow of 302.127 million euros. This is offset by repayment of borrowings in the amount of 254.551 million euros.

Total cash and cash equivalents increased by 6.702 million euros: from 69.850 million euros at the start of the reporting period to 72.352 million euros at the end of the reporting period.
The difference of 4.200 million euros is due to losses on exchange on liquid assets.

Maria

grandmother of Dina De Haeck

Employee's name:
Dina De Haeck

Age:
34

Position/department:
COO Arseus Dental Solutions & Arseus Medical Solutions

City/country:
Puurs/België

Grandparent's name:
Maria Caluwaerts

Age:
her little secret

City/country:
Buggenhout/Belgium

How long have you been retired?
Ten years

What was your profession?
Founder and owner of a perfumery.

How do you spend your days?
Reading the newspaper or a book, cooking, visiting exhibitions.

Name something you appreciate in your granddaughter which no one in the office would know about?
Dina is friendly, intelligent and can strike up a conversation with anyone. No doubt everyone at the office is aware of that.

What have you learned from your granddaughter and what life lessons would you like to pass on to your granddaughter?
Dina's motto, short but sweet, is 'never give up.' I agree wholeheartedly with that.

What is your first memory or experience with dental or medical care?
My first visit to the dentist was traumatic and very painful. Fortunately a visit to the dentist now is much more pleasant and not as painful. Teeth are also better protected now.

What does healthcare mean to you?
More comfort, less pain, more and better information.

Arseus is constantly introducing new products and concepts on the market to meet patients' needs. What can Arseus do to further improve healthcare in your country?
There have already been significant improvements to medical and dental care. I am very happy with my current dentist and dental care. Keep on doing what you're doing!

ARSEUS
Driving superior care

Corporate Governance Statement

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.corporategovernancecommittee.be in the section 'Code 2009'. Arseus adheres to the 'comply-or-explain' principle. Arseus is of the opinion that for the 2012 financial year, it satisfies all principles and provisions from the Belgian Corporate Governance Code 2009, with one exception: No independent internal audit function has been set up. The Audit Committee found that there was no need to set up an independent internal audit function for 2012.

Composition of the Board of Directors

Composition at the time this annual report was prepared

● Member of the Committee ■ Chairman of the Committee	Term of the position	Independent director	Nomination and Remuneration Committee	Audit Committee
Gerardus van Jeveren	Four years			
Jan Peeters	Four years			
Mylecke Management, Art & Invest NV (permanent representative: Marc Coucke)	Four years			
Robert Peek (Chairman)	Four years	x	●	
Johannes Stols	Four years	x	●	●
Luc Vandewalle	Four years	x		●
Supplyco B.V. (permanent representative: Cedric Van Cauwenberghe)	Four years			■
WPEF IV Holding Coöperatief W.A. (permanent representative: Frank Vlayen)	Four years		■	
EnHold NV (permanent representative: De Wilde J Management BVBA, represented by Julien De Wilde)	Four years			

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 Board of Directors proposes that they be reappointed for a term of four years which will expire after the General Meeting of 2017.
The renewal of their term will therefore be included as an item on the agenda for the Annual General Meeting of 13 May 2013.
The current terms of Mr Peek, Mr Stols and Mr Vandewalle end after the General Meeting of the year 2014. The current terms of Mr Van Jeveren and Mr Peeters and of Mylecke Management, Art & Invest NV end after the General Meeting of the year 2015.

It is currently being discussed internally how the requirement that one third of the Board of Directors consist of female directors can be satisfied in 2016.

Composition of the Executive Committee

Composition at the time this annual report was prepared

Name and position	Term of the position
Gerardus van Jeveren – Chairman and CEO Fagron	Four years
Jan Peeters – CFO	Four years
Frank Verbakel – Group Financial Controller	Four years
Ariom BVBA permanent representative: Mario Huyghe, CEO Healthcare Solutions	Four years
Essensys NV permanent representative: Dirk Van Lerberghe as manager of Loemax BVBA – CEO Corilus	Four years

The terms of Ariom BVBA and Essensys NV end on 28 February 2014.

The terms of Mr Van Jeveren, Mr Peeters and Mr Verbakel end after the General Meeting of the year 2015.

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 programme 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 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 master's degree 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. In addition, he chaired the European Generic Medicine Association, the Euro Specialities Association and the Netherlands Cystic Fibrosis Foundation. Mr Stols currently serves as a consultant for many companies, including Stada Arzneimittel AG and a number of private-equity funds.

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. From 1 July 2007 to 9 May 2011, Mr Vandewalle was the chairman of the Board of Directors of ING Belgium. Since 9 May 2011, Mr Vandewalle has been a member of ING's Supervisory Board. 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, Besix NV, Galloo, Transics NV, NV Sioen, Matexi and a number of other companies.

Mylecke Management, Art & Invest 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 Mylecke Management, Art & Invest NV, has served for many years as CEO and director of the Omega Pharma Group. Alongside this position he is currently also Chairman of Mylecke Management, Art & Invest NV and of Alychlo NV, and director at Enfinity NV.

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

Frank Vlayen is managing principal and partner at Waterland Private Equity NV 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 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 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 principal and partner 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 (Solvay) 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.

Ariom BVBA – Mario Huyghe (1963) – CEO Healthcare Solutions

Since 1 January 2009, Mario Huyghe has been responsible for the Healthcare Solutions division. Mr Huyghe began his career at the Belgian distribution group Meda (now Acertys). Before his employment at Arseus, 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 Vlerick Leuven Ghent Management School.

Essensys NV – 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 statement 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) 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 internal terms of reference, which are available at the corporate website (www.arseus.com) in the section entitled 'corporate governance'. The Committees report to the Board of Directors after every meeting.

Board of Directors of Arseus

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 bookkeeping 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 statement and the consolidated financial statement, 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 2012.

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 members have the necessary expertise in the area of remuneration policy.
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 consist of:

1. preparing, assessing and making proposals to the Board of Directors concerning the remuneration policy to be implemented regarding the directors, the members of the Executive Committee, the other executives as referred to in the last subsection of Article 96 §3 of the Belgian Companies Code and the persons responsible for the daily management, and, where applicable, concerning the ensuing proposals to be presented to the shareholders by the Board of Directors;
2. preparing, assessing and making proposals to the Board of Directors concerning individual remuneration of the directors, the members of the Executive Committee, the other executives as referred to in the last subsection of Article 96 §3 of the Belgian Companies Code and the persons responsible for the daily management, including variable remuneration and long-term premiums, which may be associated with shares, in the form of share options or other financial instruments, and severance pay, and, where applicable, concerning the ensuing proposals to be presented to the shareholders by the Board of Directors;

Executive Committee of Arseus

3. preparing recommendations regarding performance targets for the CEO and the other members of the Executive Committee and other key managers;
4. preparing recommendations regarding allocation of bonuses and long-term incentives to the CEO and other members of the Executive Committee;
5. discussing the functioning and performance of the Executive Committee;
6. reviewing both the functioning and performance of the Executive Committee with the CEO at least once per year;
7. preparing the remuneration report to be added to the Corporate Governance Statement by the Board of Directors, and announcing the remuneration report to the Works Council, or, if there is no Works Council, to the employee representatives in the committee for prevention and protection at work, or, if this is not in place, to the union representatives;
8. providing an explanation of the remuneration report at the annual General Meeting of Shareholders.

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 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.

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 units (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), in the section 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 2012

Board of Directors

In 2012, in addition to discussing financial reporting, the Board of Directors devoted a great deal of attention to determining the corporate strategy, corporate funding and the company's organic and non-organic growth.
The executive and non-executive members of the Board of Directors convened nine times in 2012 (19 and 20 January, 6 February, 29 March, 14 May, 11 June, 12 June, 3 August, 30 October and 7 December).
All directors attended these meetings, unless stated otherwise below:

- 6 February: absent: Enhold NV, with as permanent representative De Wilde J Management BVBA, with as permanent representative Mr Julien De Wilde
- 14 May: absent: Mr Luc Vandewalle
- 30 October: absent: Mr Luc Vandewalle

By means of a written resolution of 12 June 2012, the Board of Directors adopted the list of warrants that were exercised in the context of Warrant Plans 1 and 2, both approved by the Board of Directors on 6 September 2007.

The non-executive directors met separately on one occasion in 2012 (on 13 March); the main topic discussed at the meeting was the company's remuneration policy. During these meetings, all non-executive members of the Board of Directors were present with the exception of Mr Johannes Stols and EnHold NV, with as permanent representative De Wilde J Management BVBA, with as permanent representative Mr Julien De Wilde.

Audit Committee

The Audit Committee, consisting of Supplyco B.V., represented by Mr Cedric Van Cauwenberghe, and Mr Stols and Mr Vandewalle, convened three times during 2012 (6 February, 3 August and 7 December). All members of the Audit Committee attended these meetings.
Mr Van Jeveren, Mr Peeters and Mr Peek attended the meetings on 6 February and 3 August at the request of the Audit Committee.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, consisting of WPEF IV Holding Coöperatief W.A., with Mr Frank Vlayen as permanent representative, and Mr Stols and Mr Peek, met on two occasions in 2012 (5 March via conference call and 7 March). All members of the Nomination and Remuneration Committee attended these meetings, unless stated otherwise below:

- 7 March: absent: Mr Johannes Stols

Mr Ger van Jeveren was present at the meeting of the Nomination and Remuneration Committee of 7 March 2012, discussing the remuneration of the members of the Executive Committee.

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 of the Committees.

The evaluation of the Board of Directors in terms of its size, composition and functioning and that of its Committees, as well as of its interaction with the Executive Committee, took place on 5 February 2013 under the leadership of the Chairman of the Board of Directors. This evaluation resulted in a positive assessment with a number of fewer significant points to be worked on.

The CEO and the Nomination and Remuneration Committee annually assess both the functioning and the performance of the Executive Committee. The evaluation of the Executive Committee takes place in the context of determining the variable remuneration of the Executive Committee members.

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 for transactions and other contractual relationships between the Company and its Board members or members of the Executive Committee not covered by the conflict of interest arrangement 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 deliberations 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) 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 Periods and Blocked Periods.

A Closed Period is:

(i) the period from 1 January up to the moment the annual results of the Company over the closed financial year are published;

(ii) the period from 1 July up to the moment the results of the Company over the previous six-month period are published;

(iii) the period of 15 days immediately preceding the publication of the quarterly results of the Company, or, if shorter, the period as from the closing date of the quarter concerned up to and including the moment of publication.

A Blocked 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 Closed Periods and Blocked 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 guarantee 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 is, partly in view of the development of the environment and the company itself, 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

Arseus' strategy 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. Acquisitions are also integrated in terms of guidelines, procedures, processes and systems 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 statement. 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 of and compliance with 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 2012.

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 Committee, and the Remuneration Committee. The Charter also includes the policy established by the Board of Directors for transactions and other contractual relations between the Company and its directors and members of the Executive Committee. The Board of Directors had furthermore established rules to prevent insider trading. The Charter was based on the provisions of the Belgian Corporate Governance Code 2004, and the Board of Directors had 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 was subsequently 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. After that, the definition of 'Closed Period' was amended and the Corporate Governance Charter was aligned with the new mandatory provisions of the Belgian Companies Code.
Finally, by decision of the Board of Directors of 14 May 2012, Article 3.3.2 of Annex 3 to the Corporate Governance Charter (Rules for the prevention of insider trading and market abuse) was amended to allow not only the exercise of warrants, but also the exercise of stock options during a Closed Period or Blocked Period. The current version of the Corporate Governance Charter was approved by the Board of Directors on 14 May 2012.

The Company is of the opinion that it fulfils all principles and provisions of the Belgian Corporate Governance Code 2009 (with the exception of the internal audit function not being in place) and all provisions of the Act of 6 April 2010.

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

General Meeting

The General Meetings are convened by the Board of Directors or the Statutory Auditor(s) (or, as the case may be, the liquidator(s)).

The annual General Meeting will be held on the second Monday of May at 3 p.m. If that day is an official public holiday, the General Meeting is held at the same time on the next working day. The venue is Arseus NV's registered office or the venue as stated in the convocation for this meeting.

Convening notices for the General Meetings are in the form and within the time limits as set out in the Belgian Companies Code and the convocations must at least contain the details as set out in Article 533bis of the Belgian Companies Code.

The right to attend the General Meeting and to exercise voting rights shall be granted solely based on the administrative registration of the shares in the shareholder's name on the fourteenth day before the General Meeting at midnight, Belgian time, either through the shareholder's registration in the Company's shares register, or by their registration in the accounts of a certified account holder or intermediary, irrespective of the number of shares that the shareholder is holding on the actual date of the General Meeting. The date and hour as aforementioned form the registration date.

Shareholders shall report their intention to attend the General Meeting at the latest by the sixth day before the date of the meeting to the Company or to the relevant person appointed by the Company. The certified account holder or intermediary shall provide the shareholder with a certificate proving with how many dematerialised shares that were registered in its accounts in the shareholder's name as at the registration date the shareholder indicated to participate at the General Meeting.
A register designated by the Board of Directors will serve to record for each shareholder who expressed a wish to attend the General Meeting the name and address or statutory office, the number of shares in his/her possession as at the registration date and with which he/she indicated to participate at the General Meeting, and a description of the documents showing that he/she held the relevant shares as at the registration date.

Holders of bonds, warrants or certificates issued in cooperation with the Company are permitted to attend the General Meeting with an advisory vote, on the condition of compliance with the admission conditionsapplicable to shareholders.

Any shareholder with a right to vote may be represented by a natural person or legal entity at the General Meeting in accordance with the applicable provisions in the Belgian Companies Code. In the convocation, the Board of Directors defines the procedure for voting by proxy and the proxy form to be used when granting the proxy, such within the limits as set out in the Belgian Companies Code. The Company must receive the proxies at the latest by the sixth day before the date of the General Meeting in accordance with the procedure determined by the Board of Directors. The calculation of the rules regarding quorum and majority shall be based solely on the proxies of the shareholders that comply with the admission formalities such as set out in the Articles of Association.
One or more shareholders that jointly hold at least 3% of the authorised share capital shall have the right of having items placed on the agenda of the General Meeting and submitting motions to vote concerning to the agenda items or items to be placed on the agenda. This Article does not apply to a General Meeting convened based on subsection 2 of Article 533 §3 of the Belgian Companies Code.
On the date that shareholders submit an agenda item or motion to vote, the relevant shareholders prove that they reach the 3% threshold, either based on a certificate of registration of the relevant shares in the Company's shares register, or based on a certificate issued by a certified account holder or intermediary proving that the relevant number of dematerialised shares was registered to their name and account.
The subjects to be placed on the agenda and the motions to vote that were placed on the agenda are discussed only if the above-mentioned 3% of the capital is registered in accordance with Article 536 §2 of the Belgian Companies Code.

The requests must be set out in writing and must be accompanied by the text of the subjects to be discussed and the associated motions to vote, or by the text of the motions to vote to be placed on the agenda. A post or e-mail address must be included, to which the Board of Directors will send the confirmation of receipt of these requests.
The Company must receive the requests at the latest by the twenty-second day before the date of the General Meeting. Requests are sent to the Company electronically at the address stated in the convocation of the General Meeting. The Company shall confirm receipt of the requests within a period of forty-eight hours from receipt.
Upon receipt of the requests, the Company shall act in accordance with the Belgian Companies Code, in particular with Article 533ter §3 of the Belgian Companies Code.
The provision set out in Article 533ter of the Belgian Companies Code must be applied in good faith by both the shareholders and the Company. This may be applied only in the interest of the company.
The directors shall answer the questions asked by the shareholders during the meeting or in writing regarding their report, or regarding the agenda items, such insofar sharing the information or facts is not potentially detrimental to the Company's business interests or to the confidentiality to which the Company, its directors or statutory auditor(s) have committed.
During the meeting, the Statutory Auditor(s) shall answer the questions asked verbally by the

shareholders during the meeting or in writing regarding their report.
If there are various questions regarding the same subject, the directors and Statutory Auditor(s) may answer these in a single response.
As soon as the convocation has been published, the shareholders may ask the questions referred to in the first paragraph in writing, which shall be answered in the meeting by, as the case may be, the directors or the Statutory Auditor(s), insofar the relevant shareholders complied with the formalities to be completed before being admitted to the meeting. The questions may be addressed to the Company's electronic address as stated in the convocation of the General Meeting. The Company must have received the questions in writing at the latest on the sixth day before the meeting.

Arseus NV's Articles of Association were amended during the Extraordinary General Meeting on 14 May 2012 to reflect the mandatory provisions of the Act of 20 December 2010 (Act regarding exercising certain rights of shareholders of listed companies). The coordinated Articles of Association may be consulted on the corporate website (www.arseus.com) in the section 'investor relations'.

Consultation of the Company's documents

The stand-alone and consolidated financial statement, Articles of Association, annual reports and other information that is made public for the benefit of the shareholders are 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) in the section 'investor relations'.

Number of shares and authorised capital

Arseus NV was founded on 29 June 2007. Upon 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. Non-exercised warrants under the Warrant Plan of the Offer lapsed. After this issue, the number of voting securities of Arseus amounted to 31,196,139. The total number of voting rights (denominator) amounted to 31,196,139. The authorised share capital amounted to 319,820,911.43 euros.

On 16 June 2011, 20,749 new shares were issued as a result of exercising warrants under Warrant Plans 1 and 2, both approved by the Board of Directors on 6 September 2007. The number of voting securities of Arseus amounts to 31,216,888. The total number of voting rights (denominator) is 31,216,888. The authorised capital amounts to 320,023,050.35 euros.

On 14 June 2012, 61,626 new shares were issued as a result of exercising warrants under Warrant Plans 1 and 2, both approved by the Board of Directors on 6 September 2007. The number of Arseus shares with voting rights is 31,278,514. The total number of voting rights (denominator) is 31,278,514. The authorised capital amounts to 320,601,893.93 euros.

At the time of preparation of this annual report, therefore, the capital amounts to three hundred twenty million six hundred one thousand eight hundred ninety-three euros and ninety-three cents (320,601,893.93 euros) represented by thirty-one million two hundred seventy-eight thousand five hundred fourteen (31,278,514) shares, without indication of nominal value but with an accounting par value of one thirty-one million two hundred seventy-eight thousand five hundred fourteenth (1/31,278,514th) part of the capital.

Shareholder structure and notifications of shareholding

Based on the notifications of shareholding received by the Company as of 11 April 2013, and taking into account the denominator, the shareholding in the Company is as follows:

	Number of shares	% of effective voting rights
EnHold NV	8,166,908	26.11%
Alychlo NV / Coucke	3,528,080	11.28%
BNP Paribas Investment Partners	1,546,052	4.94%
Arseus NV (treasury shares)	974,546	3.12%
Public	17,062,928	54.55%
Total	**31,278,514**	**100.00%**

The notifications are also available on the corporate website (www.arseus.com), in the section 'investor relations', under 'Info for shareholders'.

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 from Article 423 of the Belgian Companies Code was applied once in 2012, specifically during the meeting of the Board of Directors on 14 May 2012 in which the individual award of stock options under the Stock Option Plan 2011 was approved. The passage from the minutes of the particular decision is presented verbatim below, stating the reasons for the conflict of interest as well as the explanation and property-law consequences for the Company.

Approval of the individual award of stock options under the Stock Option Plan 2011 – for decision-making purposes

The chairman declared that at the end of 2011 the Company had approved a long-term incentive plan for the senior management of the Company and the Companies affiliated with the Company (the Stock Option Plan 2011). This plan was presented for approval to the General Meeting of the Company held on 14 May 2012.
No options have been awarded from this plan as yet. At the advice of the Nomination and Remuneration Committee, the Board of Directors now wished to approve the following individual award of stock options under the Stock Option Plan 2011 on condition of (i) the approval of the Stock Option Plan 2011 by the Company's general meeting and (ii) approval by the Company's Extraordinary General Meeting of the amendment of the Articles of Association which provides for the deviation from Article 520ter, first and second subsections, of the Belgian Companies Code. The Nomination and Remuneration Committee issued positive advice in this context.

Conflicts of interest

The Board of Directors proceeded with the procedure set out in Article 523 of the Belgian Companies Code before starting deliberations on the agenda items.

Article 523 of the Belgian Companies Code

Pursuant to Aarticle 523 of the Belgian Companies Code, it was asked that every director in attendance at the meeting disclose, if relevant, his/her direct or indirect interest of a property-law nature in the matters being discussed and it was noted that if such a statement were made, the particular director would be excluded from participation in the deliberations and vote on such a resolution.

Statement from Gerardus van Jeveren and Jan Peeters

Gerardus van Jeveren and Jan Peeters, both of whom are members of the Executive Committee, declared that they had a potential conflict of interest in relation to the approval of the individual awards under the Stock Option Plan 2011 since both of them could be beneficiaries of the Stock Option Plan 2011. The Company's Statutory Auditor will be informed about the conflicts cited in point (a). Pursuant to the provision of Article 523 of the Belgian

Companies Code, these directors will not participate in the deliberations and vote.

Justification and explanation of the decision to be taken

In the context of the Stock Option Plan 2011, the Company intends to (i) better align the new managers joining the group (through acquisitions or otherwise) with Arseus' long-term success, and (ii) be able to offer existing managers a supplementary financial incentive when they are promoted by awarding extra options.

Property-law consequences for the Company

The options awarded in the context of the Stock Option Plan 2011 have an exercise price equal to the average closing share price during the thirty days preceding the date of the offer of the options.
When exercising the options, the Company will have to own the necessary shares, which may mean that the Company may have to buy in treasury shares. Since the options will only be exercised if the stock market price is higher than the exercise price, the operation will involve a cost and/or lost profit for the Company. Since the future stock market price of the Arseus share is difficult to estimate, it is also impossible to determine the property-law consequences for the Company at this time.

Company interest

Taking the above into account, the Board of Directors believes that the decision that must be taken is in the best interest of the Company.

Deliberation and decision

RESOLUTION: After discussion, the Board of Directors took the decision to approve the individual award of options under the Stock Option Plan 2011 as proposed by the Nomination and Remuneration Committee on suspensive condition of (i) the approval of the Stock Option Plan 2011 by the Company's general meeting and (ii) approval by the Company's Extraordinary General Meeting of the amendment of the Articles of Association which provides for the deviation from Article 520ter, first and second subsections, of the Belgian Companies Code, on the understanding that the options cannot be offered to the beneficiaries earlier than after the suspensive conditions cited above have been satisfied.

The Nomination and Remuneration Committee will guarantee the offer of the options to the beneficiaries in accordance with the provisions of the Stock Option Plan 2011.

Purchase 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 of no less than 1 euro and no more than the average of the closing prices in the ten 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 buyback programme.
The Company bought back 40,528 treasury shares during the past financial year. On 11 April 2013, Arseus owned 974,546 treasury shares.

Warrants

On 6 September 2007, the Company's Board of Directors approved three warrant plans for employees, for 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. On 16 February 2011, 1,018 new shares were issued as a result of exercising warrants under the Warrant Plan of the Offer.

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 five years to 17 December 2020, in accordance with the Amendment Act (Herstelwet).

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 in the context of Warrant Plan 2 (plan for directors/ managers/consultants) by five years, in other words until 17 December 2017, on the understanding that beneficiaries exercising their rights following the expiry of the initial period (in other words, exercising rights after 17 December 2012) will solely be entitled to acquire existing, instead of new, shares in the Company.

During 2012, 61,626 warrants were exercised under Warrant Plans 1 and 2. On 14 June 2012, 61,626 new shares were issued as a result of exercising warrants under Warrant Plans 1 and 2.

For further details regarding the modalities of Warrant Plans 1 and 2 and the movements of the number of warrants during the 2012 financial year, please refer to Note 20 to the consolidated financial statement, which is included on page 126 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) in the section 'investor relations'.

In 2010, 987,500 stock options were awarded under the Stock Option Plan 2009. In 2012, 127,250 stock options were exercised 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 2012 financial year are provided in Note 20 to the consolidated financial statement, which can be found on page 126 of this Annual Report.

On 27 October 2011, the Company's Board of Directors approved the Stock Option Plan 2011 for consultants and employees of Arseus NV and/or its subsidiaries, such under the suspensive condition of approval by the General Meeting. The Stock Option Plan 2011 was presented for approval to the Annual General Meeting held on 14 May 2012, which approved the Stock Option Plan 2011. In the context of the Stock Option Plan 2011, the Board of Directors intends to (i) better align the new managers joining the group (through acquisitions or otherwise) with Arseus' long-term success, and (ii) be able to offer existing managers a supplementary financial incentive when they are promoted by awarding extra options. The Stock Option Plan 2011 can be viewed at the corporate website (www.arseus.com) in the section 'investor relations'.

In 2012, 250,000 stock options were awarded under the Stock Option Plan 2011.

Authorised Capital

The Extraordinary General Meeting on 5 June 2012 decided to renew the authorisation of the Board of Directors to increase the authorised share capital, such with a majority of at least three fourths of the votes and within the limits of the existing authorisation as set out in Article 5bis of the Articles of Association, in one or more rounds by a maximum amount of 320,023,050.35 euros, such within a period of five years from the date of announcing such a decision in the Appendices to the Belgian Official Gazette (29 June 2012).

Consequently, as at 31 December 2012 the Board of Directors is still authorised to increase the capital by a maximum amount of 320,023,050.35 euros.

If the capital is increased within the limits of the authorised capital then the Board of Directors will be competent to request payment of a share premium. If the Board of Directors so decides, this share premium shall be deposited into a blocked account, called 'share premium', which will constitute the guarantee of third parties to the same extent as the authorised capital, and which can only be disposed of, notwithstanding the possibility of converting this premium into capital, in accordance with the conditions for reducing authorised capital stipulated by the Belgian Companies Code.

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' Statutory Auditor is CVBA Pricewaterhouse-Coopers 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. CVBA PricewaterhouseCoopers Bedrijfsrevisoren was appointed in 2010 as Arseus' Statutory Auditor for a term of three financial years, ending on the date of the Annual General Meeting to be held in 2013.
The appointment of the new statutory auditor will be included as an item on the agenda for the General Meeting on 13 May 2013.
PricewaterhouseCoopers Bedrijfsrevisoren receives a total annual remuneration of 529,000 euros for all audits within the group, including the audit of the consolidated financial statement.

Details about the remuneration of the Statutory Auditor in 2012 can be found in Note 28 to the financial statement on page 138 of this Annual Report.

Remuneration Report

Remuneration for non-executive directors

The non-executive directors do not receive any performance-based remuneration, or any benefits in kind or benefits connected with pension schemes. The chairman of the Board of Directors receives an annual fee of 50,000 euros, irrespective of the number of committees of which the chairman is a member, and (ii) the other non-executive directors of the Company receive an annual fee of 25,000 euros, plus 6,000 euros per committee of which they are a member.

In concrete terms, this means the following remunerations were paid in 2012:

Robert Peek	€ 50,000
Luc Vandewalle	€ 31,000
Johannes Stols	€ 37,000
Mylecke management Art & Invest NV	€ 25,000
WPEF Holding Cooperatief W.A.	€ 31,000
Supplyco B.V.	€ 31,000
EnHold NV	€ 25,000

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

The remuneration of executive directors follows entirely from their executive positions. The members of the Executive Committee do not receive a separate remuneration for their membership of the Board of Directors. The following principles were applied in 2012 for the policy for executive directors and members of the Executive Committee:
On the one hand there is a fixed remuneration. In 2012 this remuneration increased by 11.3%. 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.
The executive directors and the members of the Executive Committee do not receive any long-term result-related share-based incentive programmes. Currently there is no intention to implement any amendments to the remuneration policies for the executive directors and the members of the Executive Committee in the coming two years.

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 amounting to 1,000,000 stock options on 7 December 2009. This stock option plan aims to provide an additional incentive to the directors and 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.
No stock options were granted to members of the Board of Directors or members of the Executive Committee in 2012 under the Stock Option Plan 2009. In 2012 a total of 125,000 stock options were exercised under the Stock Option Plan 2009 by the executive members of the Board of Directors and members of the Executive Committee.

On 14 May 2012, the Annual General Meeting approved the Stock Option Plan 2011 for consultants and employees of Arseus NV and/or its subsidiaries. This stock option plan aims to provide an additional incentive to the directors and management of the Company. The Stock Option Plan 2011 can be viewed at the corporate website (www.arseus.com) in the section 'investor relations'.
In 2012, 105,000 stock options were granted to the executive members of the Board of Directors under the Stock Option Plan 2011.

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 2012 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 that are fixed and evaluated annually.

The management agreements do not explicitly provide a reclaim right for the Company regarding any variable allowances that are awarded based on incorrect financial data.

Article 520ter of the Belgian Companies Code states that as of the 2011 financial year, excepting where the Articles of Association explicitly state otherwise or upon explicit approval by the General Meeting, the variable remunerations must be spread out over time as follows:

- 50% of the variable remunerations may be related to performance in the particular year (in this case, 2012) 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 three years, therefore 25% in 2013 and 25% in 2014. 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 to link it to long-term objectives over two and three years for the sake of the following reasons and has therefore advised that Arseus' current bonus system based on annual targets be retained:

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

The Extraordinary General Meeting of 14 May 2012 gave its approval for the amendment of Article 26 of the Articles of Association to allow the Board of Directors to forego application of the spread variable remuneration as provided for in Article 520ter of the Belgian Companies Code.

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

The table below contains information on the 2012 remuneration package.

Information on remuneration (x 1,000 euros)	CEO	Total excluding CEO	Note
Base salary / remuneration	509	1,279	This concerns gross salaries of two members and management remunerations of the other members of the Executive Committee.
Variable remuneration	450	563	This concerns the variable remuneration on 2012 effectively paid out in 2013.
Pensions	24	21	This concerns a Defined Contribution pension premium for two members of the Board of Directors. The employee pays 1/3 of the premium and the employer pays 2/3. A maximum pensionable salary of 160,000 euros applies.
Other remuneration components	1	4	Compensation for collective health insurance.
Share options/warrants	950,000	735,000	

The table below contains information on the warrants allocated under Warrant Plan 2 and the stock options allocated. Page 126 of this annual report contains further details of Warrant Plan 2 and the Stock Option Plan.

Information on warrants	Balance at 31/12/2011	Granted in 2012	Exercised in 2012	Forfeited* in 2012	Balance at 31/12/2012
CEO–Ger van Jeveren	500,000	0	0	500,000	0
Jan Peeters	250,000	0	0	250,000	0
Frank Verbakel	50,000	0	0	50,000	0
Mario Huyghe	10,000	0	10,000	0	0
Dirk Van Lerberghe	0	0	0	0	0
Information on stock options	**Balance at 31/12/2011**	**Granted in 2012**	**Exercised in 2012**	**Warrants converted into stock options**	**Balance at 31/12/2012**
CEO–Ger van Jeveren	500,000	75,000	125,000	500,000	950,000
Jan Peeters	250,000	30,000	0	250,000	530,000
Frank Verbakel	50,000	15,000	0	50,000	115,000
Mario Huyghe	40,000	0	0	0	40,000
Dirk Van Lerberghe	50,000	0	0	0	50,000

*These are warrants that were converted into stock options in 2012 pursuant to a decision by the General Meeting of 14 May 2012.

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 in the context of Warrant Plan 2 (plan for directors/managers/consultants) by five years, in other words until 17 December 2017, on the understanding that beneficiaries exercising their rights following the expiry of the initial period (in other words, exercising rights after 17 December 2012) will solely be entitled to acquire existing, instead of new, shares in the Company.

Information on severance pay

New management contracts were concluded with Mr Van Jeveren and Mr Verbakel and with Mr 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 three 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 of 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 Mr Huyghe and Mr Van Lerberghe provide for an 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 over 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) 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.

On 12 June 2012 Arseus NV issued a prospectus with a view to the Public Offering and admission to the trading of the Bonds on the regulated market of NYSE Euronext Brussels.

Information to the shareholders

See the prospectus of 11 September 2007.

Periodic press releases and information

7 February 2012	Consolidated results 2011 REBITDA, EBITDA, EBIT and net profit increase double digit and faster than turnover
10 April 2012	Trading update, first quarter 2012 Arseus realises turnover growth of 17.7%
6 August 2012	Interim financial information 2012 Arseus announces record results
12 October 2012	Trading update, third quarter 2012 Arseus realises organic growth of 5.4%

Periodic press releases and information in the period from 1 January 2013 to 11 April 2013

6 February 2013	Consolidated results 2012 EBIT increased by 25.5% to 58.1 million euros
9 April 2013	Trading update, first quarter 2013

Occasional press releases and information

16 March 2012	Disclosure of received notification
13 April 2012	Convocation of annual general meeting
15 May 2012	Annual General Meeting of Arseus approves all motions
18 May 2012	Convocation to the extraordinary general meeting of Arseus
12 June 2012	Arseus announces the issue of five-year bonds
15 June 2012	Exercise of warrants increases capital of Arseus
15 June 2012	Arseus bond issue an extraordinary success
3 July 2012	Arseus successfully completes refinancing
14 August 2012	Convocation to the special general meeting of Arseus
13 November 2012	Fagron strengthens market leadership with acquisitions
20 December 2012	Fagron strengthens its position in the United States

Occasional press releases published in the period from 1 January 2013 to 11 April 2013

2 January 2013	Disclosure of acquisition of treasury shares
7 March 2013	Disclosure of acquisition of treasury shares
18 March 2013	Disclosure of acquisition of treasury shares
27 March 2013	Disclosure of acquisition of treasury shares
4 April 2013	Disclosure of received notification
5 April 2013	Disclosure of acquisition of treasury shares

Notifications of shareholding received

16 March 2012	Arseus NV

Notifications of shareholding received in the period from 1 January 2013 to 11 April 2013

4 April 2013	Arseus NV

Ton and Rieja

parents of Marloes Seesing

Employee's name:
Marloes Seesing

Age:
34

Position/department:
Global Quality Manager/
Fagron Group

City/country:
Amsterdam/the Netherlands

Parents' names:
Ton and Rieja Seesing

Age:
Ton 69, Rieja 66

City/country:
Molenhoek/the Netherlands

How long have you been retired?
Ton: over 10 years
Rieja: over 12 years

What was your profession?
Ton: Partner at one of the big four auditing firms
Rieja: Nurse.

How do you spend your days?
Ton: Playing golf, walking, reading, travelling and providing consultancy at former clients on average one day a week.
Rieja: Playing golf, walking, travelling, reading, bridge, sculpting and volunteer work in the healthcare sector.

Name something you appreciate in your granddaughter which no one in the office would know about?
That she loved travelling from a very early age and was also very independent in travelling. When she was 15 she went to Japan as part of an exchange programme, even though she couldn't read or speak Japanese.

What have you learned from your daughter?
The ease with which she can speak in public, which was particularly evident in the brilliant speech she gave when her eldest sister got married. A speech in which she mixed serious topics, emotions and jokes.

What life lessons would you like to pass on to your daughter?
To look at everything positively. When negative things happen, to turn them around into positive experiences. We would also like to pass on to her that she must try to keep the balance between work and personal life that she has now, also in her new position at Arseus.

What is your first memory or experience with dental or medical care?
When I had to be brought to hospital by ambulance when I was 8, after hitting my head on a rock while swimming in a stream with polluted water. The doctors were afraid I might get tetanus.

What does healthcare mean to you?
Older people realise more than other groups in society how extremely important good health is and that good healthcare and your own healthy lifestyle are crucial to that.

ARSEUS
Driving superior care

Financial

Annual Report 2012

Statement

We declare that, to the best of our knowledge, the consolidated financial statement for the year ended 31 December 2012, 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
29 March 2013

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Consolidated financial statement

Consolidated income statement

(x 1,000 euros)	Note	2012	2011
Operating income		**547,603**	**493,582**
Turnover	6	547,020	492,330
Other operating income	7	582	1,252
Operating expenses		**(489,539)**	**(447,325)**
Trade goods		(275,457)	(250,269)
Services and other goods		(83,292)	(75,865)
Employee benefit expenses	8	(111,950)	(101,163)
Depreciation and amortisation	9	(17,241)	(14,531)
Other operating expenses	10	(1,600)	(5,498)
Operating profit		**58,064**	**46,257**
Financial income	11	1,144	1,269
Financial expenses	11	(16,072)	(10,448)
Profit before income tax		**43,136**	**37,078**
Taxes	12	685	(8,938)
Profit after income tax		**43,821**	**28,140**
Attributable to:			
Equity holders of the company (net profit)		**43,906**	**28,147**
Non-controlling interest		(85)	(7)
Profit for the period		**43,821**	**28,140**
Profit for the period per share (in euros)	13	1.44	0.94
Diluted profit per share (in euros)	13	1.41	0.92
Recurring net profit per share (in euros)	13	1.62	1.05
Diluted recurring net profit per share (in euros)	13	1.59	1.03

Consolidated statement of realised and unrealised gains and losses

(x 1,000 euros)	2012	2011
Profit after income tax for the financial year	**43,821**	**28,140**
Unrealised gains and losses		
Exchange rate differences	(9,030)	(4,738)
Total realised and unrealised gains and losses of the period	**34,791**	**23,402**
Attributable to the equity holders of the company	34,820	23,478
Minority interests	(29)	(76)

Consolidated balance sheet

(x 1,000 euros)	Note	2012	2011
Non-current assets		**511,287**	**446,376**
Intangible assets	14	417,866	367,069
Property, plant and equipment	15	59,255	57,150
Financial assets	16	843	819
Deferred tax assets	17	32,296	20,368
Other non-current assets	16	1,027	969
Current assets		**237,607**	**233,856**
Inventories	18	85,963	76,643
Trade receivables	19	62,993	75,956
Other receivables	19	16,299	11,407
Cash and cash equivalents	19	72,352	69,850
Total assets		**748,894**	**680,232**
Equity	20	**245,384**	**220,452**
Shareholders equity (parent)		247,182	225,676
Treasury shares		(5,552)	(9,004)
Non-controlling interest		3,754	3,780
Non-current liabilities		**315,139**	**12,735**
Provisions	21	3,519	1,051
Pension obligations	22	4,801	3,884
Deferred tax liabilities	17	2,466	1,932
Borrowings	23	300,604	4,350
Financial instruments	23	3,749	1,517
Current liabilities		**188,371**	**447,045**
Borrowings	23	4,865	254,057
Financial instruments	23		1,935
Trade payables		97,641	94,194
Taxes, remuneration and social security	17	34,389	37,338
Other current payables	24	51,477	59,521
Total equity and liabilities		**748,894**	**680,232**

Consolidated statement of changes in equity

(x 1,000 euros)	Note	Share capital & share premium	Other reserves	Treasury shares	Retained earnings	Total	Non-control-ling interest	Total equity
Balance at 31 December 2010		**317,302**	**(192,887)**	**(10,816)**	**92,238**	**205,838**	**2,284**	**208,122**
Currency translation adjustments			(4,669)			(4,669)	(69)	(4,738)
Profit for the period					28,147	28,147	(7)	28,140
Total recognised income for the period		**317,302**	**(197,555)**	**(10,816)**	**120,385**	**229,317**	**2,207**	**231,524**
Capital increase		224				224		224
Purchase of treasury shares				1,812		1,812		1,812
Dividends relating to 2010 result					(13,154)	(13,154)		(13,154)
Share-based payments			45			45		45
Purchase non-controlling interests			(1,575)			(1,575)	1,575	
Balance at 31 December 2011		**317,527**	**(199,085)**	**(9,004)**	**107,232**	**216,670**	**3,783**	**220,452**
Currency translation adjustments			(9,086)			(9,086)	56	(9,030)
Profit for the period					43,906	43,906	(85)	43,821
Total recognised income for the period		**317,527**	**(208,171)**	**(9,004)**	**151,138**	**251,490**	**3,753**	**255,243**
Capital increase	20	608				608		608
Purchase of treasury shares	20			3,451		3,451		3,451
Result on treasury shares	20		1,290			1,290		1,290
Dividends relating to 2011 result	20				(15,228)	(15,228)		(15,228)
Share-based payments	20		20			20		20
Balance at 31 December 2012		**318,134**	**(206,861)**	**(5,552)**	**135,910**	**241,630**	**3,753**	**245,384**

Consolidated cash flow statement

(x 1,000 euros)	2012	2011
Operating activities		
Profit before income tax	43,136	37,078
Taxes paid	(10,728)	(8,281)
Adjustments for financial items	14,928	9,179
Total adjustments for non-cash items	16,897	14,985
Total changes in working capital	3,511	19,185
Total cash flow from operating activities	**67,744**	**72,147**
Investment activities		
Capital expenditure	(19,480)	(17,330)
Investments in existing shareholdings (subsequent payments) and in new holdings	(65,388)	(45,023)
Total cash flow from investing activities	**(84,868)**	**(62,353)**
Financing activities		
Capital increase	608	224
Purchase of treasury shares	471	
Dividends paid	(15,300)	(13,176)
New borrowings	302,127	62,241
Reimbursement of borrowings	(254,551)	(28,407)
Interest received (paid)	(9,527)	(10,416)
Total cash flow from financing activities	**23,827**	**10,467**
Total net cash flow for the period	**6,702**	**20,260**
Cash and cash equivalents – start of the period	69,850	51,186
Gains or losses on exchange on liquid assets	(4,200)	(1,596)
Cash and cash equivalents – end of the period	72,352	69,850
Change in cash and cash equivalents	**6,702**	**20,260**

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 the 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.

Notes to the consolidated financial statement

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, North and South America, Australia, Asia, the Middle East, and Africa. Arseus is subdivided into four divisions and operates in the markets for pharmaceutical compounding for pharmacies, dental products, medical and surgical products, and medical IT solutions. The 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 this consolidated financial statement on 29 March 2013.

2. Financial reporting principles

The principal accounting policies applied in preparing this consolidated financial statement 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 statement of Arseus has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statement has 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.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2012, but do not apply to the group's activities:

- Amendments to IFRS 7 'Financial instruments: disclosures' requiring enhanced disclosures of transferred financial assets. These amendments are applicable on financial years starting on or after 1 July 2011.
- Amendments to the IFRS 1 standard 'First-time adoption of International Financial Reporting Standards' concerning severe hyperinflation and withdrawing of the fixed application date for first adopters. These amendments are applicable on financial years starting on or after 1 July 2011.
- Amendments to IAS 12 'Deferred taxes', effective on or after 1 January 2012. The amendments provide a practical method for valuation of deferred tax assets and liabilities for property investments recognised in accordance with the fair-value model.

The following new standards, amendments to standards and interpretations have been issued and have been endorsed by the European Union, but are not mandatory for the first time for the financial year beginning 1 January 2012:

- Amendments to IAS 1 'Presentation of the financial statement', effective on or after 1 July 2012. The amendments pertain to the notes to items presented in the unrealised gains and losses in the statement of realised and unrealised gains and losses.
- IAS 19 Revised 'Employee benefits', effective for annual periods beginning on or after 1 January 2013. The revised standard results in significant amendments to the method of recognising and

valuation of the pension cost of defined-benefit pension rights and severance pay, and to disclosure of all employee benefits.

- IAS 28 Revised 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2013. Due to the publication of IFRS 11, the revised standard requires joint ventures and associates to be processed in accordance with the Changes in Equity method.
- Amendments to IAS 32 'Offsetting financial assets and financial liabilities', effective for annual periods beginning on or after 1 January 2014. The amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.
- Amendments to IFRS 7 'Disclosures – Offsetting financial assets and financial liabilities', effective for annual periods beginning on or after 1 January 2013. The amendment reflects the joint requirements with the FASB to enhance current offsetting disclosures. The new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- IFRS 10 'The Consolidated financial statement', effective for annual periods beginning on or after 1 January 2013. The new standard builds on the existing principles by identifying the concept of control as the key factor in the decision to recognise an entity in the consolidated financial statement.
- IFRS 11 'Joint arrangements', effective for annual periods beginning on or after 1 January 2013. The new standard focuses more on rights and obligations than on legal form. Proportional consolidation is no longer allowed.
- IFRS 12 'Disclosure of interests in other entities', effective for annual periods beginning on or after 1 January 2013. This a new standard on disclosure requirements for all forms of interests in other entities.
- IFRS 13 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013. The new standard explains how the fair value is to be measured for the purpose of financial reporting.

For the impact of the amendments to IAS 19 Revised we refer to Note 22. The other amendments are deemed not to have a significant impact.

The following new standards, amendments to standards and interpretations have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2012 and have not been endorsed by the European Union:

- IFRS 9 'Financial instruments', effective for periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.
- The IASB publishes 'Annual improvements' with minor amendments to five standards for 2013 year ends including IFRS 1, 'First time adoption of IFRS', IAS 1, 'Presentation of the financial statement', IAS 16, 'Property, plant and equipment', IAS 32, 'Financial instruments: Presentation', and IAS 34, 'Interim financial reporting'.

No new standards, amendments to standards and interpretations were early-adopted.

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 recognised 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. Identifiable assets acquired and liabilities and contingencies assumed in a business combination are initially set at their fair value on the acquisition date. For each business combination, the acquiring party values any minority interest in the party acquired at fair value or at the proportional share in the identifiable net assets of the party acquired. The acquiring costs incurred are recognised as expenses. The remainder of the total of the transferred fees and the amount recognised as

any minority interests is taken from the net balance of the acquired identifiable assets, and the acquired liabilities form goodwill to be recognised as an asset. Regarding the acquisition of Dutch company Unit Dose Pack in 2011, the full goodwill method was applied. 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 statement is presented in euros, the functional and presentation currency of Arseus. To consolidate Arseus and each of its subsidiaries, the respective financial statement is 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 recognised as shareholders' equity elements under 'Cumulative conversion 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 recognised 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 is reviewed annually. Assets acquired under finance leasing arrangements are depreciated over their economic life, which may exceed the lease term if it is reasonably certain that ownership will be obtained at the end of the lease term.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of Arseus in the net identifiable assets of the acquired subsidiary on the acquisition date. Goodwill on acquisitions of subsidiaries is recognised under intangible assets. Goodwill is tested at least annually for impairment and consistently when a trigger event occurs. Goodwill is recognised at cost price less accumulated impairment losses. Impairment losses on goodwill are never reversed. Gains and losses on the disposal of an entity include the book value in goodwill relating to the entity sold.

Brands, licences, patents and other

Intangible assets are capitalised at cost, provided this cost is not higher than the economic value and the cost price is not higher than the recoverable value. No intangible assets with an unlimited useful life were identified. The costs of brands with a definite useful life are capitalised and generally amortised on a straight-line basis over a period of 20 years.

Research and development

Research costs related to the prospect of gaining new scientific or technological knowledge and understanding are recognised 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 capitalised 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 amortised using the straightline method over the period of their expected benefit, currently not exceeding five years. Amortisation starts as of the moment that these assets are ready for use.

In-house development

Unique products developed in-house, including software controlled by Arseus, that are expected to generate future economic benefits are capitalised at the cost directly related to their production. The products are depreciated over their useful life, which is currently estimated at 2.5 to 7 years.

Software

Acquired software is capitalised at cost price and then valued at cost price less accumulated depreciations and exceptional losses of value. The software is depreciated over its useful life, which is currently estimated at 2.5 to 7 years.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and in-use value. For the 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 recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities, unless Arseus has an unconditional right to defer settlement of the liability for at least twelve months after the 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. The Group does not have any financial assets in the category held until maturity nor any financial assets designated as fair value for which any changes in value have to be included in the income statement.

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 twelve months after the balance sheet date. Loans and receivables are carried at amortised cost using the effective interest method.

Financial assets available for sale

Financial assets available for sale are assets regarding which the management does not have any intention of disposal within twelve months of the balance sheet date or does not have the intention or possibility to hold these until maturity. Financial assets available for sale are initially valued at fair value except where such 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 recognised in unrealised results. If the relevant assets are sold or impaired, the accrued fair value adjustments are recognised in the income statement.

Any events or changes in circumstances indicating a decrease in the recoverable amount are monitored closely. Impairment losses are recognised 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 – Finance leases

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

Finance leases are capitalised 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 recognised at non-current (payable after one year) and current (payable within the year)

borrowings. The interest component of the financing charges is recognised in the income statement over the lease period, so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Inventories

Raw materials, auxiliary materials, and trade goods are valued at the acquisition value using the FIFO method or using the net realisable value (NRV) at the 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 recognising an impairment loss for the trade receivable in question.

If trade receivables are transferred to a third party (through factoring), the trade receivables are taken off the balance sheet provided that (1) there is no longer a right to receive cash flows and (2) Arseus has substantially transferred all rights and risks.

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 subsequently recognised 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 recognised 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 recognised 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 recognised for future operating losses.

Provisions are recognised 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 utilises 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 recognised 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 recognised 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 recognised as costs in the income statement at the moment they are made.

Share-based payments

Arseus operates an equity-settled, warrant-based compensation plan.

The total amount to be recognised as costs over the vesting period is determined by reference to the fair value of the warrants or options 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 or options expected to become exercisable. At each balance sheet date, Arseus revises its estimates of the number of warrants or options expected to become exercisable. Arseus recognises any impact of the revision of original estimates in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the warrants are exercised. The modalities of the existing plans were not changed this year.

Income taxes

Income taxes as recognised 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 recognised 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 realised 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 recognised in so far as the tax losses carried forward are likely to be utilised 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 realised.

Revenue recognition

Turnover of goods are recognised 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 collectable. Turnover of services are recognised in the accounting period in which the services have been provided. The turnover of software suites from stock are recognised as revenue at the time of delivery. The revenues relating to software service contracts are recognised 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 Arseus' Executive Committee.

Dividend distribution

Dividend distribution to the shareholders of Arseus is recognised as a liability in the financial statement 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.

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 has the support of external fiscal advisers in this regard.
In addition to 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 had a term until 30 August 2012 and has therefore been renewed.
Arseus NV concluded a new credit facility in July 2012. The new credit agreement has a term of five years and a revolving credit facility of 300 million euros, divided into two tranches each of 150 million euros. The main covenant of this credit facility is a net financial debt/recurring EBITDA ratio of a maximum of 3.25.
At the end of 2012, the net financial debt/annualised recurring EBITDA ratio was 2.64 and therefore more than satisfied the condition of a debt ratio of maximum 3.25 as of 31 December 2012 as agreed in the credit agreement.

On 2 July 2012, Arseus NV issued 225 million euros in bonds consisting of 225,000 bonds with a nominal value of 1,000 euros per bond.
The bonds were listed on Euronext Brussels under ISIN code BE0002180462 on 2 July 2012. The issue price of the bonds was 101.875%. The bonds have a maturity of five years and offer a fixed annual gross interest of 4.75%. The bonds are redeemable at 100% of the nominal value on 2 July 2017.

The proceeds of the bond issue are used by Arseus NV for the repayment of 150 million euros of the 300 million euros credit facility. The new credit facility of 150 million euros at ING Belgium (Coordinator), KBC Bank, BNP Paribas Fortis and Commerzbank and the bond issue of 225 million euros replace the credit facility of 300 million euros that was agreed on 30 August 2007 and amended on 10 December 2010.

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 obligations 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 maintained mix of financial debts with fixed and variable interest rates. At this time, financing is partly based on a syndicated loan in euros with a variable interest rate of one to six months. A higher Euribor rate by 10 base points would have adversely affected the variable interest charges in the amount of some 75 (thousand) euros after taxes.A financing risk of 70 million euros due to the variable interest rate is hedged with financial derivatives. This hedging was taken into account in calculating the impact of an increase in the Euribor rate by 10 base points.

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 euros and is, because of the international distribution of its activities, subject to the potential impact of currencies on its profits. Exchange rate risk is the result on the one hand of several entities of Arseus operating in a functional currency other than euros and on the other hand of the circumstance that purchasing and retail prices of Arseus have foreign currencies as reference. The risk involved in entities of Arseus operating in a functional currency other than the euro concerns entities operating in Czech crowns, Swiss francs, British pounds, Danish crowns, Polish zloty, US dollars, Brazilian reals, Colombian pesos, Chinese yuan and Argentinian pesos.
In 2012, these entities collectively represent just over 23% of the consolidated turnover and over 34% of the operating result of Arseus. Currency risk due to translation of assets and liabilities of foreign subsidiaries into euros is not hedged.

Some of the Group's revenue is realised in currencies other than the euro, such as in Brazil, the United States and Poland. The hypothetical supplementary effect of the euro strengthening (weakening) by 10% against the Brazilian real would affect the profit before tax by 1.263 million euros (1.544 million euros), whereas the impact on equity would amount to 9.106 million euros (11.129 million euros).

In the event of the euro strengthening (weakening) by 10% against the US dollar, the impact on the profit before tax would amount to 0.132 million euros (0.162 million euros). The impact on equity would amount to 0.536 million euros (0.656 million euros).

In the event of the euro strengthening (weakening) by 10% against the Polish zloty, the impact on the profit before tax would amount to 0.456 million euros (0.557 million euros). The impact on equity would amount to 3.120 million euros (3.814 million euros).

The company also incurs indirect currency risk as a large part of its purchases in Brazil are actually transactions in US dollars. This means that the Group's products will become relatively more expensive to the consumer in Brazil each time the US dollar rises against the Brazilian real. The risk is difficult to quantify, as such price increases are directly charged to the consumer in full or in part.

Fair value risk

Arseus utilises financial derivatives to hedge its interest risks. Arseus hedged a financing risk of 70 million euros due to the variable interest rate. In accordance with IFRS, all financial derivatives are recognised either as assets or as liabilities. In accordance with IAS 39, financial derivatives are recognised at fair value. Changes in fair value are recognised 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 2012, the cumulative revaluation of financial derivatives amounted to -3.749 million euros whereby this is treated as a non-cash item.

4. Critical accounting estimates and judgments

Estimates and judgments 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 judgments

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 on page 100. 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 2012 was 382.481 million euros (2011: 333.432 million euros).

Estimated impairment loss on deferred taxes

Deferred tax assets are stated for tax losses that can be carried forward. The degree to which these deferred assets can be recuperated is assessed regularly. See note 17.

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 2012 was 4.801 million euros (2011: 3.884 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 judgment in terms of the ultimate outcome of administrative law rulings or court judgments. Estimates are always based on all available information at the moment the financial statement is prepared. However, the need for significant adjustments cannot be absolutely precluded if ruling or judgment 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

Arseus decided to implement a new divisional structure. This divisional structure is tailored to the various activities of Arseus and also supports effective decision-making and individual responsibility.
The four segments are Fagron, Corilus, Healthcare Solutions and Healthcare Specialties. This is in accordance with IFRS 8, which states that the operational segments must be 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 organised on the basis of four main operational segments:

1 **Fagron** provides products and services for pharmaceutical compounding. Fagron develops and markets its own pharmaceutical formulas, 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 **Corilus** provides total ICT solutions for a wide range of medical and paramedical professions, such as pharmacists, dentists, GPs, ophthalmologists, and veterinarians.
3 **Healthcare Solutions** encompasses two operational segments, specifically Arseus' dental and medical distribution activities. The dental distribution activities provide integrated total solutions, innovative products and services for workflow and practice management, digital imaging equipment and hygiene management to dental practices. The medical distribution activity provides innovative products, services and solutions for ophthalmologists, bandagistery, hospitals and homecare nurses. The focus lies on personal care, mobility, organisation, hygiene & sterilisation and diagnostics.
4 **Healthcare Specialties** focuses on developing and launching innovative dental and medical solutions and products. This segment contains three operational segments which have different economic features. However because of their size, these segments are not reported individually. This segment includes the activities focused on dental laboratories and the supply of services and new technologies to doctors and hospitals in the Benelux. This segment also covers the development, assembly and production of a complete own range of imaging equipment for dentists and the production of precision components for the dental and orthopaedic industry.

The segment results for the reporting period ending 31 December 2012 are as follows:

2012 (x 1,000 euros)	Fagron	Corilus	Healthcare Solutions	Healthcare Specialties	Unallocated	Total
Total turnover	290,123	38,091	128,125	92,098		548,437
Intersegment turnover	(41)	(55)	(438)	(882)		(1,416)
Turnover	290,083	38,036	127,687	91,215		547,020
Operating result per segment	56,813	6,403	(1,130)	4,117	(8,139)	58,064
Financial result						(14,928)
Profit before taxes						43,136
Income tax expenses						685
Profit for the period						**43,821**

The segment results for the reporting period ending 31 December 2011 are as follows:

2011 (x 1,000 euros)	Fagron	Corilus	Healthcare Solutions	Healthcare Specialties	Unallocated	Total
Total turnover	242,981	34,443	122,931	93,961		494,316
Intersegment turnover	(43)	(124)	(543)	(1,276)		(1,986)
Turnover	242,938	34,318	122,388	92,685		492,330
Operating result per segment	46,353	5,989	(4,368)	8,339	(10,056)	46,257
Financial result						(9,179)
Profit before taxes						37,078
Income tax expenses						(8,938)
Profit for the period						**28,140**

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

2012 (x 1,000 euros)	Fagron	Corilus	Healthcare Solutions	Healthcare Specialties	Unallocated	Total
Depreciation and amortisation	3,751	4,572	1,816	3,254	3,648	17,041
Write-down on inventories	121		128	420		669
Write-down on receivables	158	(10)	(157)	(185)	(277)	(470)

2011 (x 1,000 euros)	Fagron	Corilus	Healthcare Solutions	Healthcare Specialties	Unallocated	Total
Depreciation and amortisation	2,458	4,086	1,670	2,993	3,344	14,550
Write-down on inventories	(862)		363	61		(439)
Write-down on receivables	(125)	(80)	619	5		419

As at 31 December 2012 the assets and liabilities, and the capital expenditure (investments) for the reporting period ending on this date, are as follows:

2012 (x 1,000 euros)	Fagron	Corilus	Healthcare Solutions	Healthcare Specialties	Unallocated	Total
Assets	381,917	60,033	115,550	121,624	69,772	748,894
Liabilities	111,747	13,608	38,572	27,838	311,745	503,511
Capital expenditure	18,523	6,180	2,099	2,248	(9,571)	19,479

As at 31 December 2011 the assets and liabilities, and the capital expenditure (investments) for the reporting period ending on this date, were as follows:

2011 (x 1,000 euros)	Fagron	Corilus	Healthcare Solutions	Healthcare Specialties	Unallocated	Total
Assets	301,798	56,707	126,346	124,799	70,583	680,232
Liabilities	115,196	11,974	40,517	32,777	259,316	459,780
Capital expenditure	4,359	5,152	808	2,295	4,717	17,330

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

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

Turnover of Arseus in 2012 and 2011 by geographical segments is as follows:

(x 1,000 euros)	2012	2011
Belgium	134,997	128,818
The Netherlands	132,290	132,076
Brazil	83,860	57,351
France	81,144	72,750
Germany	47,375	46,408
Italy	13,459	14,523
United States	11,372	9,661
Poland	10,730	27
Switzerland	9,381	10,545
Spain	9,104	9,476
Czech Republic	6,868	6,230
Denmark	3,334	2,092
United Kingdom	2,900	2,374
Colombia	206	
Total	**547,020**	**492,330**

Arseus has a broad customer base in which no one customer accounts for more than 10% of turnover.

Concerning the geographical segments Belgium and the Netherlands, Arseus applies the following allocation for assets in 2012 and 2011:

(x 1,000 euros)	2012	2011
Belgium	126,080	129,026
The Netherlands	96,155	95,619
Other	289,028	221,731
Totaal	**511,263**	**446,376**

6. Turnover

(x 1,000 euros)	2012	2011
Sale of goods	518,415	467,290
Rendering services	28,606	25,040
Turnover	**547,020**	**492,330**

7. Other operating income

(x 1,000 euros)	2012	2011
Gain on disposal of fixed assets	178	81
Other operating income	405	1,171
Total other operating income	**582**	**1,252**

8. Employee benefit expenses

(x 1,000 euros)	2012	2011
Wages and salaries	73,719	69,435
Social security costs	21,441	18,724
Pension costs – defined benefit plans	657	502
Pension costs – defined contribution plans	1,439	1,360
Other post-employment benefit contributions	1,611	1,327
Other employment costs	13,081	9,815
Total employee benefit expenses	**111,950**	**101,163**

Full-time equivalents (rounded at one unit)	2012	2011
Belgium	541	553
Brazil	445	429
The Netherlands	430	417
France	276	275
Germany	184	193
Poland	102	2
Czech Republic	93	91
Switzerland	82	101
United States	65	50
Italy	55	55
Spain	40	41
Denmark	17	9
United Kingdom	14	11
Slovakia	13	
Colombia	10	
Argentina	2	1
China	1	
Total	**2,370**	**2,229**

At 31 December 2012, Arseus' workforce (fully consolidated companies) comprised 2,506 persons or 2,370.0 full-time equivalents. Of these full-time equivalents, 1,269.0 are attributable to Fagron, 274.10 to Corilus, 450.4 to Healthcare Solutions, 303.8 to Healthcare Specialties and 72.8 to Arseus Corporate.

9. Depreciation and amortisation

(x 1,000 euros)	2012	2011
Depreciation and amortisation	17,041	14,550
Write-down on inventories	669	(439)
Write-down on receivables	(470)	419
Depreciation and amortisation	**17,241**	**14,531**

10. Other operating expenses

(x 1,000 euros)	2012	2011
Increase (decrease) in provisions for current liabilities	(275)	(68)
Increase (decrease) in provisions for pension liabilities	26	495
Taxes and levies (excl. income tax)	1,491	1,586
Other operating expenses	358	3,484
Total other operating expenses	**1,600**	**5,498**

In 2011, the item 'Other operating expenses' mainly pertains to acquiring costs and decreased value on the realisation of trade receivables.

Non-recurring costs are not recognised as 'Other operating expenses' but are presented in their originating cost category. The total non-recurring costs included in the EBIT amount to 5.069 million euros. These costs mainly include acquiring costs, integration costs and reorganisation costs. In addition, the revaluation of the financial derivatives constitutes a non-recurring result of 0.295 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 5.450 million euros.

11. Financial result

(x 1,000 euros)	2012	2011
Financial income	1,144	1,269
Revaluation of financial derivatives	(295)	1,478
Financial expenses	(3,587)	(2,958)
Interest expenses	(12,301)	(8,010)
Currency exchange differences	111	(958)
Financial result	**(14,928)**	**(9,179)**

The positive revaluation of financial derivatives 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. The interest hedging instruments are valued on the basis of discounted cash flows. 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 -14.633 million euros, an increase of 37.3% compared to 2011. This increase is due to an increase in the net financial debt and the higher average interest rates resulting from the refinancing and issue of a bond loan in July 2012.

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

12. Income tax expenses

(x 1,000 euros)	2012	2011
Current tax expenses	8,966	7,922
Deferred tax	(9,651)	1,016
Income tax expenses	**(685)**	**8,938**
Weighted average current tax rate	-1.59%	24.10%
Profit before income tax	43,136	37,078
Tax calculated at weighted average statutory tax rate	12,816	11,358
Income not subject to taxes	(2,913)	(3,572)
Expenses not deductible for tax purposes	732	841
Tax on profit previous years	(666)	(72)
Other	(10,654)	382
Income tax expenses	**(685)**	**8,938**

In 2012, the line 'Other' includes 20 million euros relating to a one-off credit of a deferred tax asset on deductible merger goodwill in Brazil and 11 million euros relating to a write-down of deferred tax assets at a number of companies because of a change in local tax legislation, changes to activities within an company, delayed tax planning, restructuring within the group, and lagging profitability.

13. Earnings per share

(x 1,000 euros)	2012	2011
Basic earnings per share		
Profit attributable to equity holders of the Company	43,906	28,147
Weighted average number of ordinary shares (x 1,000)	30,520	30,082
Basic earnings per share (in euros)	1.44	0.94
Diluted earnings per share		
Profit attributable to equity holders of the Company	43,906	28,147
Weighted average number of ordinary shares (x 1,000)	30,520	30,082
Effect of warrants	550	363
Weighted average number of ordinary shares (diluted; x 1,000)	31,070	30,446
Diluted earnings per share (in euros)	1.41	0.92
Earnings per share before non-recurring items		
Profit attributable to equity holders of the Company	43,906	28,147
Non-recurring items (after tax)*	5,450	3,349
Profit before non-recurring items attributable to equity holders of the Company	49,356	31,496
Weighted average number of ordinary shares (x 1,000)	30,520	30,082
Basic earnings per share before non-recurring items (in euros)	1.62	1.05
Effect of warrants	550	363
Weighted average number of ordinary shares (diluted; x 1,000)	31,070	30,446
Diluted earnings per share (in euros)	1.59	1.03

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

14. Intangible assets

(x 1,000 euros)	Goodwill	Development	Concessions & patents	Brands	Software	Other	Total
Net book value as at 1 January 2011	**251,944**	**18,056**	**1,197**	**4,032**	**9,199**	**70**	**284,498**
Investments		8,126	92	6	1,224		9,447
Acquisitions	85,563	77	9	1	82		85,732
Disposals					(17)		(17)
Amortisation		(5,388)	(185)	(405)	(2,634)		(8,612)
Other movements		2,591	16	75	(2,575)	(70)	37
Exchange differences	(4,075)	43			16		(4,016)
Net book value as at 31 December 2011	**333,432**	**23,505**	**1,128**	**3,708**	**5,296**		**367,069**
Gross carrying amount	333,432	48,117	5,216	5,178	17,789	22	409,754
Accumulated amortisation		(24,612)	(4,088)	(1,469)	(12,493)	(22)	(42,685)
Net book value	**333,432**	**23,505**	**1,128**	**3,708**	**5,296**		**367,069**
Net book value as at 1 January 2012	**333,432**	**23,505**	**1,128**	**3,708**	**5,296**		**367,069**
Investments		7,895	73	8	1,558		9,533
Acquisitions	55,789			551	11		56,351
Disposals				(96)			(96)
Amortisation		(6,302)	(265)	(476)	(2,429)		(9,472)
Other movements		24	1,139	1	52		1,215
Exchange differences	(6,741)	12			(6)		(6,735)
Net book value as at 31 December 2012	**382,481**	**25,135**	**2,074**	**3,695**	**4,481**		**417,866**
Gross carrying amount	382,481	56,041	6,509	5,447	18,872	22	469,372
Accumulated amortisation		(30,906)	(4,435)	(1,752)	(14,391)	(22)	(51,506)
Net book value	**382,481**	**25,135**	**2,074**	**3,695**	**4,481**		**417,866**

The intangible assets are not encumbered with securities. The category 'Development' consists mainly of unique software developed in-house in full control of Arseus.

Goodwill

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

Goodwill impairment tests

Arseus decided to implement a new divisional structure. This divisional structure is tailored to the various activities of Arseus and also supports effective decision-making and individual responsibility. The four segments are Fagron, Corilus, Healthcare Solutions and Healthcare Specialties. Healthcare Solutions encompasses two operational segments, specifically Arseus' dental and medical distribution activities. Healthcare Specialties focuses on developing and launching innovative dental and medical solutions and products. This segment contains three operational segments which have different economic features. However because of their size, these segments are not reported individually. Goodwill is allocated to the cash flow-generating units of Arseus, i.e. the four segments of Arseus.

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

	2012	2011
Fagron	227.00	179.21
Corilus	33.70	33.02
Healthcare Solutions	52.98	52.74
Healthcare Specialties	68.80	68.46
Total	**382.48**	**333.43**

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 to 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 the gross margin and growth rates based on past performance and its market development expectations.

	Organic growth Five-year growth (%)		Perpetual growth (%)		Gross Margin (%)		Discount Rate (%)	
	2012	2011	2012	2011	2012	2011	2012	2011
Fagron	5	5	2.5	2.5	52.6	51.4	7.29	9.42
Corilus	3	3	1.5	1.5	81.5	79.3	7.07	8.39
Healthcare Solutions	4	4	2.0	2.0	38.3	38.8	6.91	7.88
Healthcare Specialties	5	4	2.0	2.0	45.2	46.5	6.99	7.60

The above assumptions were subjected to a sensitivity analysis which confirmed that for 2012 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. For Healthcare Solutions, an increase in the discount rate by 0.9 percentage points, a decrease in the gross margin by 0.4 percentage points or a decrease in the perpetual growth to 1% would use up the remaining buffer. For Healthcare Specialties, an increase in the discount rate by 0.8 percentage points, a decrease in the gross margin by 0.7 percentage points or a decrease in the perpetual growth to 1% would use up the remaining buffer.

15. Property, plant and equipment

(x 1,000 euros)	Land and buildings	Machinery and installations	Furniture and vehicles	Capitalised financial leases	Other tangible fixed assets	Assets under construction	Total
Net book value as at 1 January 2011	**24,599**	**7,965**	**3,019**	**2,738**	**10,387**	**155**	**48,862**
Investments	3,278	2,089	1,684	430	2,117	230	9,829
Acquisitions	4,059	497	1,968	61	22		6,606
Disposals	(92)		(73)	(8)	(992)		(1,165)
Amortisation	(675)	(1,849)	(1,391)	(512)	(1,510)		(5,938)
Other movements	26	(49)	131	(20)	(421)	(151)	(483)
Exchange differences	(414)	(104)	(110)	74		(7)	(560)
Net book value as at 31 December 2011	**30,781**	**8,549**	**5,228**	**2,762**	**9,603**	**228**	**57,150**
Gross carrying amount	34,468	23,487	18,751	5,190	16,613	228	98,736
Accumulated depreciation	(3,686)	(14,938)	(13,523)	(2,428)	(7,010)		(41,586)
Net book value	**30,781**	**8,549**	**5,228**	**2,762**	**9,603**	**228**	**57,150**
Net book value as at 1 January 2012	**30,781**	**8,549**	**5,228**	**2,762**	**9,603**	**228**	**57,150**
Investments	1,170	3,280	2,218	553	2,447	1,711	11,379
Acquisitions	480	332	(473)	15		39	393
Disposals	(160)	(50)	(106)		(1,035)		(1,352)
Amortisation	(1,365)	(2,182)	(1,645)	(659)	(1,719)		(7,569)
Other movements	844	(167)	(453)	(47)	63	(219)	22
Exchange differences	(538)	(102)	(65)	20	(5)	(78)	(768)
Net book value as at 31 December 2012	**31,213**	**9,661**	**4,704**	**2,643**	**9,354**	**1,681**	**59,255**
Gross carrying amount	36,464	26,426	18,359		17,740	1,681	100,669
Accumulated depreciation	(5,251)	(16,765)	(13,655)		(8,386)		(44,057)
Net book value	**31,213**	**9,661**	**4,704**		**9,354**	**1,681**	**56,612**

The Group's liability regarding financial leasing is guaranteed as the lessor holds the legal property title of the leased assets. The other tangible fixed assets have no restrictions on the property title. Nor have these assets been pledged as security for obligations.

16. Financial assets and other non-current assets

(x 1,000 euros)	Financial assets available for sale	Other non-current assets	Total
Balance at 1 January 2011	**818**	**846**	**1,665**
Investments		200	200
Transfers and disposals		42	42
Reimbursements		(119)	(119)
Other movements	1		1
Balance at 31 December 2011	**819**	**969**	**1,788**
Balance at 1 January 2012	**819**	**969**	**1,788**
Investments		183	183
Transfers and disposals		(18)	(18)
Reimbursements		(107)	(107)
Other movements	24		24
Net book value as at 31 December 2012	**843**	**1,027**	**1,870**

The assets available for sale mainly consist of a minority interest participation of 0.790 million euros. This asset is stated at cost due to not having any reliable information on its fair value.

An analysis of the assets mentioned above showed that none of these need to undergo an impairment in 2012.

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

17. Taxes, remuneration and social security

a) Taxes, remuneration and social security

(x 1,000 euros)	2012	2011
Current income tax liabilities	5,116	4,197
Other current tax and VAT payables	15,883	19,196
Remuneration and social security payables	13,390	13,945
Taxes, remuneration and social security	**34,389**	**37,338**

b) Deferred tax receivables

(x 1,000 euros)	Differences in depreciation rates	Employee benefits	Provisions	Tax losses	Other	Total
Balance at 31 December 2010	**210**	**803**	**426**	**17,565**	**1,782**	**20,785**
Result	(16)	156	(48)	2,052	(3,552)	(1,408)
Change in the scope of consolidation			1,114		(124)	990
Balance at 31 December 2011	**194**	**958**	**1,493**	**19,617**	**(1,895)**	**20,368**
Result	21,453	7	(487)	(9,616)	516	11,873
Change in the scope of consolidation				56		56
Balance at 31 December 2012	**21,647**	**965**	**1,006**	**10,057**	**(1,379)**	**32,296**

The category 'Other' mainly concerns netting with deferred tax liabilities. In 2012 a deferred tax asset of 20.1 million euros is recognised for tax-deductible merger goodwill in Brazil.

An impairment test is performed on tax losses twice per year. If it becomes clear that the Company will not be able to use these losses within a reasonable time, these are derecognised. This calculation is based on result projections with a seven-year forecast horizon, based on detailed financial budgets approved by the management for the first year and an extrapolation of these figures for the second to seventh year. In 2012, 11.5 million euros in offsettable losses was written off because of, among other things, a change in local tax legislation (0.3 million euros), changes to activities within a company (0.1 million euros), delayed tax planning (0.9 million euros), restructuring in the group (5.5 million euros), and lagging profitability (4.7 million euros).

The amount of non-recognised tax losses is not significant. A major part of the deferred tax assets relating to the category 'Tax losses' is recognised in companies that incurred a loss during the current or previous financial year.

c) Deferred tax liabilities

(x 1,000 euros)	Differences in depreciation rate	Other	Total
Balance at 31 December 2010	**3,138**	**1,225**	**4,363**
Result	241	(2,672)	(2,431)
Balance at 31 December 2011	**3,379**	**(1,447)**	**1,932**
Result	59	475	534
Balance at 31 December 2012	**3,439**	**(973)**	**2,466**

The category 'Other' mainly concerns netting with deferred tax assets.

No deferred tax assets on translation differences are recognised in the 'Unrealised gains and losses'.

As there is no practical plan for upstreaming dividends, no deferred tax liabilities are recognised in this respect.

18. Inventories

(x 1,000 euros)	2012	2011
Raw materials	14,012	12,088
Auxiliary materials		2
Work in progress	3,106	3,540
Finished goods	8,375	7,588
Trade goods	60,469	53,424
Inventories	**85,963**	**76,643**

The inventories are not encumbered with securities.

19. Trade receivables, other receivables, and cash and cash equivalents

a) Trade receivables and other receivables

(x 1,000 euros)	2012	2011
Trade receivables	66,495	79,230
Provision for impairment of receivables	(3,502)	(3,274)
Total trade receivables	**62,993**	**75,956**
Other receivables	**16,299**	**11,407**

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 receivables' mainly concerns taxes to be refunded over the reporting period and value added tax.

Arseus applies a strict credit policy towards its customers, ensuring that the Company controls and minimises credit risk. The Group has a stable customer base. The majority of its customers are not part of a listed company. No individual customers make up a substantial part of either turnover or outstanding receivables.

(x 1,000 euros)						Of which due at year-end
	Carrying amount	Of which not due at year-end	less than 30 days	between 31 and 90 days	between 91 and 150 days	more than 150 days
Trade receivables on 31 December 2012	62,993	36,803	12,686	6,768	1,823	4,912
Trade receivables on 31 December 2011	75,956	51,902	12,561	6,143	1,565	3,785

b) Cash and cash equivalents

(x 1,000 euros)	2012	2011
Investments with a maturity of less than three months	6,351	3,059
Cash and cash equivalents	66,002	66,790
Cash and cash equivalents	**72,352**	**69,850**

The majority of cash and cash equivalents consist of money in bank accounts and cash. The cash and cash equivalents are centralised as much as possible in a cash pool, deposited in accounts with banks that mostly have an A rating. All new bank accounts we open are with banks awarded at least an A or A- rating.
Trade receivables and other receivables and cash and cash equivalents are generally within a close range of maturities. Therefore, the carrying amount approximates the fair value.

20. Equity

Authorised 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 euros by means and on terms to be decided by the Board of Directors, such within a period of five years as of the publication date of said resolution in the Annexes of the Belgian Bulletin of Acts, Orders and Decrees.

As at 31 December 2012, the Board of Directors is authorised to increase the capital by a maximum amount of 320,023,050.35 euros.

If the capital is increased within the limits of the authorised 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 may 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 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.

The Extraordinary General Meeting decided on 14 May 2012 to renew the Board of Director's authorisation to increase the authorised share capital, such within the limits of the existing authorisation as set out in Article 5bis of the Articles of Association, in one or more rounds by a maximum amount of 320,023,050.35 euros, such within a period of five years from the date of announcing such a decision in the Annexes of the Belgian Bulletin of Acts, Orders and Decrees. This proxy to increase the capital may be exercised only subject to the approval of at least three fourths (3/4) of the directors present or lawfully represented.

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

The movements in this balance sheet item are presented in the statement of changes in equity. During 2012, 40,528 treasury shares were purchased. The decrease of treasury shares is due to (subsequent) payments on participations and the exercise of stock options. As at 31 December 2012, Arseus NV owned a total of 651,775 treasury shares. In accordance with IFRS, these shares are deducted from equity and do not affect the income statement. In the context of Warrant Plans 1 and 2, 61,262 new shares were issued during 2012 at an amount of 578,844 euros. The total number of shares outstanding as at 31 December 2012 amounted to 31,278,514.

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 eight 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 civil-law 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 five 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 five years as of the date on which they are granted.

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 resolutive 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 by 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 warrants' fair value on grant date and is spread over the vesting period of the warrants.
The cost is recognised at the item 'Other employee benefit expenses' at an amount of 20 (thousand) euros for the 2012 financial year 2012.

On 14 June 2012, 61,626 new shares were issued as a result of exercising warrants under the Warrant Plans 1 and 2, both approved by the Board of Directors on 6 September 2007.

The number of voting securities of Arseus currently amounts to 31,278,514. The total number of voting rights (denominator) currently amounts to 31,278,514. The authorised capital amounts to 320,601,893.93 euros.

The movements in the number of outstanding warrants under Warrant Plans 1 and 2 and their related weighted average exercise prices are as follows:

2012	Average exercise price in euros	Warrants
As at 1 January	10.14	1,160,626
Forfeited	10.25	2,150-
Exercised	8.14	6,250-
Forfeited	8.14	8,875
Forfeited	7.77	750-
Converted into stock options	10.25	930,000-
Exercised	6.29	10,000-
Exercised	10.25	45,376-
As at 31 December	**9.75**	**174,975**

During 2012, 61,626 warrants were exercised under Warrant Plans 1 and 2.

In 2012 the warrants from Warrant Plan 2 (warrant plan for directors and consultants) were converted into stock options as the result of the extension of the period for exercising these warrants by five years. The exercise period for Warrant Plan 1 (warrant plan for employees) was extended in accordance with Article 21 of the Amendment Act (Economic Amendment Act) of 27 March 2009.

Article 21 of the Amendment Act can also be applied for the warrants granted to the directors. It was agreed in the extension documents that for the period which exceeds the legal term of the warrants, the beneficiaries only have a right to existing shares.

The related weighted average exercise price per share at year-end amounted to 9.75 euros in 2012.

As of 11 April 2013, the total number of warrants not yet exercised, which could prompt the issue of the same number of shares of the Company, amounted to 174,975. Their average exercise price amounts to 9.75 euros.

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

Expiry date	Exercise price	Warrants
2013 – May	10.25	93,369
2013 – May	8.14	7,938
2013 – May	8.14	10,000
2013 – May	7.77	2,938
2013 – May	8.11	125
2013 – May	8.68	
2014 – May	10.25	42,231
2014 – May	8.14	4,594
2014 – May	7.77	2,938
2014 – May	8.11	125
2014 – May	8.68	
2015 – May	8.14	4,594
2015 – May	7.77	2,938
2015 – May	8.11	125
2015 – May	8.68	
2016 – May	7.77	2,938
2016 – May	8.11	125
2016 – May	8.68	
Total	**9.75**	**174,975**

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. The main data used in the model were the share price at grant date, the above-mentioned exercise price, the standard deviation of expected share price returns, the option life specified above, 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 Extraordinary General Meeting of 27 January 2010.

The options granted under the Stock Option Plan were granted free of charge and, in line with the plan, have a term of six 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, paragraph 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

2012	Gemiddelde uitoefenprijs in euro	Stockopties
As at 1 January	8.52	987,500
Granted	13.73	250,000
Granted	10.25	14,500
Granted	13.50	10,000
Forfeited	8.52	3,500-
Exercised	8.52	127,250-
Warrants converted into stock options	10.25	930,000
As at 31 December	**9.96**	**2,061,250**

On 27 October 2011, the Company's Board of Directors approved the 2011 Stock Option Plan for consultants and employees of Arseus NV and/or its subsidiaries, such under the suspensive condition of approval by the General Meeting. The Stock Option Plan 2011 was approved by the Annual General Meeting of 14 May 2012. In 2012, the procedure of Article 523 of the Belgian Companies Code was applied. In June 2012, 250,000 stock options were granted at an exercise price of 13.73.

Dividend

A dividend of 15,228 (thousand) euros was paid in 2012. This equates to a gross dividend of 0.50 euros per share. At the Annual General Meeting of 13 May 2013, a gross dividend for 2012 will be proposed amounting to 0.60 euros per share, which equates to a total dividend of 18,619 (thousand) euros. This dividend due is not recognised in this financial statement.

21. Provisions

(x 1,000 euros)	Taxes	Disputes	Guarantee obligations	Other	Total
Balance at 1 January 2011	**48**	**123**	**448**	**357**	**975**
Additions					
Through business combinations			144		144
Other		(13)	51	10	47
Amounts used		(9)	(37)	(69)	(115)
Other					
Transfers					
Balance at 1 January 2012	**48**	**100**	**606**	**297**	**1,051**
Additions					
Through business combinations				3,046	3,046
Other		3	27	10	39
Amounts used		(80)	(4)	(231)	(315)
Other		11		(498)	(487)
Transfers		162	31	(9)	184
Balance at 31 December 2012	**48**	**196**	**660**	**2,615**	**3,519**

The provisions recognised through business combinations in 2012 relate to social and fiscal risks. Valuation takes place at fair value, taking the estimate of the risk into account.

22. Pension obligations

On 16 June 2011, the IASB issued a revised standard (IAS 19R) in relation to employee benefits. The effective date is 1 January 2013. Early application is permitted. Arseus did not opt to apply this new standard early. If IAS 19R had been applied this year, the pension cost recognised in the income statement would have been in line with the pension cost under IAS 19. On the other hand, the unrealised gains and losses relating to the defined benefit plans would have been 1.5 million euros higher.

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

(x 1,000 euros)	2012	2011	2010	2009	2008
Present value of funded obligations	17,263	12,474	13,064	12,390	10,386
Fair value of plan assets	(12,264)	(9,838)	(9,441)	(8,735)	(7,755)
Present value of unfunded obligations	4,999	2,636	3,623	3,655	2,631
Unrecognised actuarial losses (gains)	(198)	1,248	(347)	(290)	413
Liability in the balance sheet	4,801	3,884	3,276	3,365	3,044

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.

In the Netherlands, Arseus has two defined benefit plans at Fagron Services BV and Spruyt-Hillen BV.
The principal actuarial assumptions applied were as follows:

- the weighted average discount rate was 4.00% for 2012 and 5.10% for 2011;
- the weighted expected return on plan assets amounted to 4.00% during 2012 and 4.06% during 2011;
- the weighted expected general salary increase amounted to 2.00% during 2012 and 2.50% during 2011.

The assets comprise qualifying insurance policies and are not part of the in-house financial instruments of Arseus.

The amounts recognised in the income statement are as follows:

(x 1,000 euros)	2012	2011
Current service cost	506	728
Interest cost on obligation	586	637
Return on plan assets	(409)	(368)
Net actuarial gains (losses) recognised during the year	683	997
of which included in the other operating expenses	26	495
of which included in the employee benefit expenses	657	502

Movements in net liability:

(x 1,000 euros)	2012	2011
Net liability in the balance sheet at 1 January	**3,884**	**3,276**
Expense	683	997
Pensions paid directly from pension reserve		
Contributions (benefits – effective pension obligation payments)	234	(390)
Net liability in the balance sheet at 31 December	**4,801**	**3,884**

23. Financial debts and financial instruments

(x 1,000 euros)	2012	2011
Non-current		
Financial lease liabilities	929	767
Bank borrowings	299,629	3,583
Other borrowings	47	
	300,604	**4,350**
Current		
Financial lease liabilities	455	534
Bank borrowings	4,409	253,516
Other borrowings	1	7
	4,865	**254,057**
Total	**305,469**	**258,407**

(x 1,000 euros)	2012	2012	2011	2011
Non-current borrowings by term	**Financial leases**	**Bank borrowings**	**Financial leases**	**Bank borrowings**
More than one year but less than five years	929	299,067	767	2,128
More than five years		608		1,454
Total non-current borrowings	**929**	**299,675**	**767**	**3,583**

a) Bank borrowings

The book value of the bank borrowings is expressed in euros. The effective interest rate at balance sheet date on 31 December 2012 was 2.57%.

On 2 July 2012 Arseus NV issued bonds for an amount of 225 million euros, the nominal value of the bonds is 1,000 euros. The bonds have a maturity of five years and offer a fixed annual gross interest of 4.75%.
The bonds are redeemable at 100% of the nominal value on 2 July 2017.
Arseus NV has also concluded a credit facility of 300 million euros with ING Belgium (Coordinator), KBC Bank, BNP Paribas Fortis and Commerzbank.
The new credit agreement has a term of five years and a revolving credit facility of 300 million euros, divided into two tranches each of 150 million euros. The main covenant of this credit facility is a net financial debt/ recurring EBITDA ratio of a maximum of 3.25. As at the closing date of 2012, an amount of 71 million euros had been withdrawn. The interest payable in respect of this loan is a variable interest rate of one to six months.
The interest risk relating to 70 million euros of this loan has been hedged with financial derivatives.
The valuation of this instrument is in accordance with a Level 2 method. This implies that the valuation is based on inputs other than the listed prices in active markets such as included in Level 1. The fair values of all derivatives held for hedging purposes are based on valuation methods. These methods maximise the use of detectable market data where available and minimise the impact of the Company's estimates and projections. The interest hedging instruments are valued on the basis of discounted cash flows. The parameters used for these models are those applicable as at year-end and are therefore classified as Level 2.

The proceeds of the bond issue are used by Arseus NV for the repayment of 150 million euros of the 300 million euros credit facility. The new credit facility of 300 million euros, divided into two tranches of 150 million euros each, at ING Belgium (Coordinator), KBC Bank, BNP Paribas Fortis and Commerzbank and the bond issue of 225 million euros replace the credit facility of 300 million euros that was agreed on 30 August 2007 and amended on 10 December 2010.

The fair value of these financial derivatives at year-end 2012 was 3.749 million euros. The full movement in fair value in 2012 was charged to the result. Arseus has no other financial derivatives.

All financial instruments except the financial derivatives are valued at amortised cost.

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

Company name
Fagron BV
SM Empreendimentos Farmacêuticos Ltda
Spruyt-Hillen BV
ACA Pharma NV
Duo-Med NV
Dutch BioFarmaceutics BV
Arseus België NV
Fagron NV
Fagron GmbH & CO KG

b) Financial leases

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

(x 1,000 euros)	2012	2011
Cost – capitalised financial leasels	5,749	5,190
Accumulated depreciation	(3,106)	(2,428)
Net amount of assets in leasing	**2,643**	**2,762**

The Group's liability regarding financial leasing is guaranteed as the lessor holds the legal property title of the leased assets.

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

(x 1,000 euros)	2012	2011
Machinery and installations	2,602	2,733
Furniture and vehicles	41	29
Net amount of assets in leasing	**2,643**	**2,762**

Financial lease liabilities – minimum lease payments:

(x 1,000 euros)	2012	2011
Within one year	480	568
More than one year but less than five years	1,065	896
Total	**1,545**	**1,464**
Future financing charges on financial leases	161	163
Present value of financial lease liabilities	**1,384**	**1,301**

c) Operating leases

Operating lease liabilities – minimum lease payments:

(x 1,000 euros)	2012	2011
Within one year	7,034	6,752
More than one year but less than five years	13,605	12,642
More than five years	3,648	4,200
Total	**24,287**	**23,594**

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)	2012	2011
Prepayments	836	1,069
Other payables	42,919	55,253
Accrued expenses	7,723	3,198
Other current payables	**51,477**	**59,521**

An amount of 37.858 million euros of the 'Other payables' pertains to amounts to be paid concerning existing participations (subsequent payments) and 5.764 million euros pertains to interest still to be paid in relation to the bond.

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

25. Contingencies

At the date of this annual financial report, Arseus was not involved in any material disputes. The term 'material' in this context is defined as a financial risk exceeding 0.750 million euros.

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, on aggregate, have a materially adverse impact on Arseus' financial position.

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 2012 and 2011 financial years was as follows.

The variable remuneration component for the 2012 fiscal year is the bonus effectively paid out in 2013.

The Remuneration Committee prepares proposals annually for the remuneration policy and/or other benefits for members of the Executive Committee and the CEO.

In 2007, members of the Board of Directors who do not serve on the Executive Committee obtained 110,000 warrants. As a result of the resignation of two members, this was reduced by 20,000, bringing the number to 90,000. In 2007, Mr Van Jeveren obtained 500,000 warrants, while the other members of the Executive Committee obtained 310,000 warrants. In 2010, Mr Van Jeveren obtained 500,000 stock options, while the other members of the current Executive Committee hold 390,000 stock options. In the context of Article 21 of the Amendment Act of 27 March 2009, the warrants eligible for this were converted into stock options in 2012. In 2012, Mr Van Jeveren obtained 75,000 stock options, while the other members of the Executive Committee obtained 45,000. Mr Van Jeveren also exercised 125,000 stock options, while another member of the Executive Committee exercised 10,000 warrants. The members of the Executive Committee, in the composition in effect on 31 December 2012, together hold 1,685,000 stock options.

(x 1,000 euros)	Fixed remuneration component [1]	Variable remuneration component	Other remuneration component [2]
2011 financial year			
Ger van Jeveren, CEO	437	300	24
Executive Committee, including the CEO	1,607	657	48
Non-executive members of the Board of Directors	185		
2012 financial year			
Ger van Jeveren, CEO	509	450	25
Executive Committee, including the CEO	1,788	1,013	50
Non-executive members of the Board of Directors	230		

[1] Costs incurred by Arseus, i.e. the gross amount including any social security contributions.

[2] Includes costs regarding pensions, insurances and the cash value of the other benefits in kind.

27. Business combinations

Arseus completed a number of acquisitions in the 2012 financial year. Full control was acquired of all group companies. 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.

Regarding Brazilian company Pharma Nostra Comercial Ltda, acquired in 2011, the final fair value of the assets and liabilities acquired was established, representing an increase in goodwill of 5.012 million euros. The main changes relate to provisions for social and fiscal risks identified during the due diligence process. This goodwill was allocated to the operating company segment Fagron. The fair value of the acquired assets and liabilities is further explained in the following box.

Fair value of the acquired assets and liabilities of Pharma Nostra Comercial Ltda

(x 1,000 euros)	
Intangible assets	4
Property, plant and equipment	4,512
Other non-current assets	50
Deferred tax assets	1,755
Inventories	5,824
Trade receivables	5,248
Other receivables	103
Cash	2,104
Total assets	19,600
Financial debts	5,856
Provisions	3,037
Trade payables	4,922
Other current debts	11,264
Net acquired assets	(5,479)
Goodwill	57,186
Total acquisition amount	51,707

In 2012, Polish company Pharma Cosmetic was acquired (integrated in the consolidated financial statement as of January 2012). The acquisition involved a payment of approximately 25.462 million euros, representing an increase in goodwill of 24.142 million euros. This goodwill was fully allocated to the Fagron operating business segment. Regarding the acquired trade receivables of 2.113 million euros, a bad debt provision was created amounting to 0.056 million euros.
The provisional fair value of the acquired assets and liabilities was determined as detailed below.

Fair value of the acquired assets and liabilities of Pharma Cosmetic

(x 1,000 euros)	
Intangible assets	
Property, plant and equipment	212
Deferred tax assets	251
Inventories	441
Trade receivables	2,057
Other receivables	10
Cash	55
Total assets	3,026
Other non-current debts	13
Trade payables	336
Other current debts	1,357
Net acquired assets	1,320
Goodwill	24,142
Total acquisition amount	25,462

US company B&B Pharmaceuticals Inc was acquired in December 2012. The acquisition involved a payment of approximately 11.204 million euros, representing an increase in goodwill of 10.734 million euros.
This goodwill was fully allocated to the Fagron operating segment. Regarding the acquired trade receivables of 0.315 million euros, a bad debt provision was created amounting to 0.015 million euros.
The provisional fair value of the acquired assets and liabilities was determined as detailed below.

Fair value of the acquired assets and liabilities of B&B Pharmaceuticals Inc

(x 1,000 euros)	
Property, plant and equipment	20
Deferred tax assets	36
Inventories	377
Trade receivables	300
Other receivables	1
Cash	102
Total assets	837
Trade payables	223
Other current debts	143
Net acquired assets	470
Goodwill	10,734
Total acquisition amount	11,204

Fagron also made a number of smaller acquisitions on the pharmaceutical compounding market in Colombia, Brazil, Poland and Denmark in 2012. Besides these acquisitions several other very small companies and activities were acquired.
The total purchase price was 19,677 million euros. The total net assets acquired, before allocation of the acquisition price for these smaller businesses and activities, amounted to 3.775 million euros. Regarding the acquired trade receivables of 3.282 million euros, a bad debt provision was created amounting to 0.141 million euros.

The provisional fair value of the acquired assets and liabilities of these smaller companies was determined as detailed below.

Fair value of the acquired assets and liabilities of other companies

(x 1,000 euros)	
Intangible assets	1,606
Property, plant and equipment	770
Other non-current assets	6
Deferred tax assets	434
Inventories	2,451
Trade receivables	3,142
Other receivables	322
Cash	1,170
Total assets	9,901
Provisions	474
Financial debts	6
Trade payables	1,675
Other current debts	3,971
Net acquired assets	3,775
Goodwill	15,902
Total acquisition amount	19,677

The final determination of the fair value of the assets and liabilities from previous minor acquisitions resulted in an adjustment of 0.243 million euros. Furthermore, the total goodwill decreased by 6.741 million due to exchange rate differences, which were mainly due to fluctuations in the Brazilian real.

The fair value of a number of acquired assets and liabilities was determined on a provisional basis. The fair value as stated is provisional because the integration process of the acquired entities and their activities is still ongoing.

At year-end, the Group had an amount of approximately 11.253 million euros in contingencies. These fees payable to former shareholders were determined on the basis of business plans at the time of acquisition.

Any difference between the liabilities as stated and the actual payment is 2.133 million euros for 2012.

The total represents an increase in the goodwill of 49.048 million euros, of which 47.791 million euros was allocated to the Fagron operating segment, 0.681 million euros to Corilus, 0.242 million euros to Healthcare Solutions and 0.334 million euros to

Healthcare Specialties. To a large extent, the goodwill relates to future profit potential due to operational benefits to be gained, including synergy and scale benefits and efficiency improvements, as well as commercial benefits in the form of access to new markets and realising market leadership in both new and existing markets.

Corilus finalised the acquisition of HealthConnect at the beginning of February 2013. HealthConnect is the market leader in Belgium in innovative IT projects and integration software for the healthcare sector.

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)	2012	2011
Audit fee for the Group audit		
Arseus Groep	529	419
Audit fee for PricewaterhouseCoopers Bedrijfsrevisoren	219	200
Audit fee for parties related to PricewaterhouseCoopers Bedrijfsrevisoren	310	235
Additional services rendered by the Statutory Auditor to Arseus		
Other engagements linked to the Statutory Auditor's mandate	58	38
Additional services rendered by parties related to the Statutory Auditor		
Tax advisory services	101	73
Other services	113	180

The item 'Other services', i.e. services other than strictly financial auditing work, relates mainly to due diligence work.

29. Significant events after balance sheet date

In February 2013, Arseus signed an agreement for the acquisition of Belgian company HealthConnect CVBA. This company will be included in Arseus' consolidated financial statement as of January 2013.

30. Additional notes

1. Off-balance sheet rights and liabilities – collateral:
- Hader SA provided a mortgage registration in the amount of 0.986 million euros in the context of its financing.

2. Arseus NV signed a liability statement on behalf of a number of Dutch subsidiaries, specifically:
- Arseus BV
- Arseus Beheer BV
- Arseus CV
- Arseus Dental BV
- Arseus Dental Nederland BV
- Arseus Lab BV
- Arseus Medical BV
- Corilus BV
- Dutch BioFarmaceutics BV
- Fagron Brazil Holding BV
- Fagron BV
- Fagron Group BV
- Fagron Services BV
- Novux Lab BV
- Pharma Assist BV
- Spruyt-Hillen BV
- Steunpunt Apotheek Mierlo-Hout BV
- Timm Health Care BV
- Twipe BV

31. List of the consolidated companies

ABC Dental and Pharmaceutical Consultancy NV	Textielstraat 24, 8790 Waregem, Belgium	100%
ACA Pharma NV	Textielstraat 24, 8790 Waregem, Belgium	100%
Alphadent NV	Textielstraat 24, 8790 Waregem, Belgium	100%
ApodanNordic PharmaPackaging A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen, Denmark	100%
APPEG SA	Rue de la Sambre 6, 6032 Charleroi, Belgium	100%
Arseus Beheer BV	Kralingseweg 207-211, 3062 CE Rotterdam, the Netherlands	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 CV	Kralingseweg 207-211, 3062 CE Rotterdam, the Netherlands	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 Dental Solutions Est SARL	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis, France	100%
Arseus Dental Solutions IDF SAS	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis, France	100%
Arseus Dental Solutions Nord SA	Rue Faubourg de Béthune 90, 59000 Lille, France	100%
Arseus Dental Solutions NV	Textielstraat 24, 8790 Waregem, Belgium	100%
Arseus Dental Solutions Ouest SAS	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis, France	100%
Arseus Dental Solutions Rhône-Alpes SARL	Boulevard Edmond Michelet 13, 69008 Lyon, France	100%
Arseus Dental Solutions SAS	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis, France	100%
Arseus Devroe bvba	Dragonderdreef 5, 8570 Vichte, Belgium	100%
Arseus Hospital NV	Rijksweg 10, 2880 Bornem, Belgium	100%
Arseus Lab BV	Leeuweriklaan 2, 3704 GR Zeist, the Netherlands	100%
Arseus Lab NV	Textielstraat 24, 8790 Waregem, Belgium	100%
Arseus Lab SAS	27 Rue des Frères Lumière, 68000 Colmar, France	100%
Arseus Medical BV	Gelderlandhaven 4, 3433 PG Nieuwegein, the Netherlands	100%
Arseus Medical NV	Textielstraat 24, 8790 Waregem, Belgium	100%
Arseus NV	Textielstraat 24, 8790 Waregem, Belgium	100%
Arseus Tec NV	Textielstraat 24, 8790 Waregem, Belgium	100%
B&B Pharmaceuticals Inc	17200 East Ohio Drive, 80017 Aurora, Colorado, the United States	100%
Bruco Hospital NV	Dragonderdreef 5, 8570 Vichte, Belgium	100%
CMIS BVBA	Mastboomstraat 4, 2630 Aartselaar, Belgium	100%
CMS France Sarl	Boulevard Malesherbes 19, 75008 Paris, France	100%
CMS NV	Mastboomstraat 4, 2630 Aartselaar, 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%
Dorge Medic SA	Chausse de Nivelles 351, 5020 Temploux, Belgium	100%
Duo-Med NV	Berkenlaan 53, 1840 Londerzeel, Belgium	100%
Dutch BioFarmaceutics BV	Steenovenweg 15, 5708 HN Helmond, the Netherlands	100%
Eurotec Dental GmbH	Forumstraße 12, 41468 Neuss, Germany	100%
Eurotec Dental SAS	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis, France	100%
Fagron a.s.	Holicka 1098/31M, 772 00 Olomouc, Czech Republic	73.1%
Fagron Brazil Holding BV	Kralingseweg 207-211, 3062 CE Rotterdam, the Netherlands	100%
Fagron BV	Venkelbaan 101, 2908 KE Capelle aan den IJssel, the Netherlands	100%
Fagron Compounding Services NV	Woestijnstraat 53, 2880 Bornem, Belgium	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, the United States	100%
Fagron Iberica SAU	Carrer de Josep Tapiolas 150, 08226 Terrassa, Spain	100%
Fagron Inc.	2400 Pilot Knobroad, 55120 St. Paul, the United States	100%
Fagron Italia SrL	Via Del Fonditore 4/4, 40138 Bologna, Italy	100%
Fagron Nordic A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen, Denmark	100%
Fagron NV	Textielstraat 20, 8790 Waregem, Belgium	100%
Fagron Poland Sp. z o.o	Albatrosów 1, 30-176 Krakau, 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 Sarl	Intendente Neyer 924, Beccar, Partido de San Isidro. Provincia de Bs.As, Argentina	100%
Fagron UK Ltd 1	Pink Lane First Floor, NE1 DW Newcastle upon Tyne, the United Kingdom	100%
Flores e Ervas Comercio Farmaceutico Ltda	Estrada Vicente Bellini, Nº 175 13.427-225 Piracicaba City, Brazil	100%
GJD NV	Ieperstraat 30, 8930 Menen, Belgium	100%
GSM Dentaire Sarl	77 Quater, Rue de Point du Jour, 92100 Boulougne Bilancourt, France	100%
HL-Technology SA	Rue Jardinière 153, 2300 La Chaux-de-Fonds, Switzerland	100%
Médical Universal SAS	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis, France	100%
Multident GmbH	Pelikanplatz 25, 30177 Hannover, Germany	100%
Nolte GmbH	Von Bronsart Strase 12, 22885 Barsbüttel, Germany	100%
Novux Lab BV	Leeuweriklaan 3, 3705 GR Zeist, the Netherlands	100%
Orbus Farma Ltda	Calle 95 47A-28 Bogata, Colombia	100%
Owandy Benelux Sprl	Chaussée Bara 68, 1420 Braine L'Alleud, Belgium	100%
Owandy Iberia SlU	Centro bbc Barajas c/jerez de los cabalieros 2, 28042 Madrid, Spain	100%
Owandy Inc	192 Lexington Avenue Suite 1101, 10016 NY New York, the United States	100%
Owandy Radiologie Italia Srl	Via del Guado 57, 20033 MI Desio, Italy	100%
Owandy SAS	Le Coruscant 2, Rue des Vieilles Vignes, 77183 Croissy Beaubourg, France	100%
Pharma Assist BV	Dieselstraat 3, 7903 AR Hoogeveen, the Netherlands	100%
Pharma Cosmetic K.M. Adamowicz Sp. z o.o	Ul. Pasternik 26, 31-354 Krakau, Poland	100%
Pharmaflore SA	Rue Botrieux 7, 7864 Lessines (Deux-Acren), Belgium	100%
PPH Galfarm Sp.z o.o	ul.Przemysłowa, 12 30-701 Kraków, Poland	100%
Slovgal s.r.o	Štúrova 19, 058 01 Poprad, Slovakia	100%
SM Empreendimentos Farmacêuticos Ltda	Rua Jurupari, 803 – Jardim Oriental, 04348-070 São Paulo, Brazil	100%
Spruyt-Hillen BV	Tinbergenlaan 1, 3401 MT IJsselstein, the Netherlands	100%
Steunpunt Apotheek Mierlo-Hout BV	Steenovenweg 15, 5708 HN Helmond, the Netherlands	100%
Timm Health Care BV	Lorentzlaan 4, 3401 MX IJsselstein, the Netherlands	100%
Twipe BV	Kralingseweg 207-211, 3062 CE Rotterdam, the Netherlands	100%
Unit Dose Pack BV	Eijkenakker 12, 5571 SL Bergeijk, the Netherlands	51%
Van Beek Medical BV	Zeilmakersstraat 31, 8601 WT Sneek, the Netherlands	100%
Van Hopplynus Ophtalm SA	Rijksweg 10, 2880 Bornem, Belgium	100%
Zenith Pharmaceuticals Cyprus Ltd	Doma Building Arch Makarios III Avenue 227, 3105 Limassol, Cyprus	100%

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REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS CONCERNING THE CONSOLIDATED FINANCIAL STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Pursuant to the legal requirements, we report to you in the context of our appointment as statutory auditor. This report includes our opinion on the consolidated financial statement for the financial year ended 31 December 2012, as defined below, and also includes our report on other requirements stipulated by legislation and regulation.

Report on the consolidated financial statement

We audited the consolidated financial statement of Arseus NV ("the Company") and its subsidiaries (together "the Group"), prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. This consolidated financial statement includes the consolidated income statement, the consolidated statement of realised and unrealised gains and losses, the consolidated balance sheet, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as explanatory notes which contain an overview of the main accounting policies used and other disclosures. The consolidated balance sheet total was EUR (000) 748,894 and the consolidated income statement shows a profit for the financial year, Group share, of EUR (000) 43,906.

Responsibility of the Board of Directors for preparation of the consolidated financial statement

The Board of Directors is responsible for preparing a consolidated financial statement which presents a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for implementing the internal control it deems necessary for preparing a consolidated financial statement which does not contain any material misstatements resulting from fraud or error.

Responsibility of the statutory auditor

It is our responsibility to express an opinion on this consolidated financial statement on the basis of our audit. We performed our audit in accordance with international audit standards. These standards dictate that we comply with ethical requirements and that we plan and perform the audit in order to obtain a reasonable degree of certainty that the consolidated financial statement does not contain any material misstatements.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statement. The selection of these procedures depends on the statutory auditor's judgement, including his assessment of the risks that the consolidated financial statement contains

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material misstatements, whether due to fraud or error. In making this risk assessment, the statutory auditor takes into account the Group's internal control which is relevant for the company's preparation of the consolidated financial statement, which gives a true and fair view, in order to design audit procedures which are appropriate in the given circumstances but which are not aimed at giving an opinion on the internal control of the Group. An audit also includes an evaluation of the suitability of the accounting policies used, the reasonableness of the estimates made by the management body, as well as an evaluation of the presentation of the consolidated financial statement as a whole. We obtained the clarification and information required for our audit from the responsible officers and from the Board of Directors of the company.

We are of the opinion that the audit evidence obtained by us is adequate and appropriate on which to base our unmodified opinion.

Unqualified opinion

In our opinion, the consolidated financial statement gives a true and fair view of the Group's net worth and financial position as of 31 December 2012 and of its consolidated results and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and contents of the annual report1 on the consolidated financial statement.

In the context of our appointment, it is our responsibility to investigate compliance with specific legal and administrative regulations. On the basis of which we include the following disclosure, which does not affect our opinion on the consolidated financial
statement:

The annual report on the consolidated financial statement discusses the information required by law and is in accordance with the consolidated financial statement. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the Group, the state of its affairs, its forecast development, or the significant impact of certain events on its 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, 12 April 2013

The statutory auditor
PwC Bedrijfsrevisoren bcvba
Represented by
Peter Opsomer BVBA
Represented by

Peter Opsomer
Statutory Auditor

Statutory financial statement

Condensed stand-alone income statement Arseus NV

(x 1,000 euro)	2012	2011
Operating income	**4,251**	**2,490**
Turnover		
Other operating income	4,251	2,490
Operating charges		**2,977**
Trade goods, raw materials and consumables		
Services and other goods	4,552	2,781
Remuneration, social security and pensions	356	166
Depreciation and amortisation	29	29
Provisions for risks and expenses	6,769	
Other operating expenses		1
Operating profit	**-7,461**	**-487**
Financial result	**29,289**	**14,926**
Profit from ordinary activities before taxes	**21,828**	**14,439**
Exceptional result		
Profit for the financial year before taxes	**21,828**	**14,439**
Taxes on the result		
Net profit for the financial year	**21,828**	**14,439**

Condensed stand-alone balance sheet Arseus NV

(x 1,000 euro)	2012	2011
Fixed assets		**400,115**
Formation expenses		
Intangible assets		29
Property, plant and equipment		
Financial assets	400,086	400,086
Current assets		**94,909**
Debtors due after one year	69,569	69,569
Inventories and orders in execution		
Debtors due within one year	36,265	3,621
Investments	6,349	9,801
Cash at bank and in hand	225	11,855
Deferred charges and accrued income	11	63
Total assets	**512,505**	**495,024**
Capital and reserves	**336,555**	**333,130**
Capital	320,602	320,023
Share premiums	41	12
Legal reserves	4,247	3,156
Unavailable reserves	5,552	9,207
Available reserves	6,113	732
Profit carried forward		
Provisions and deferred tax	**6,769**	
Provision for other risks	6,769	
Creditors	**169,181**	**161,894**
Creditors due after one year	131,000	
Creditors due within one year	38,166	161,630
Deferred charges and accrued income	15	264
Total liabilities	**512,505**	**495,024**

Appropriation of profits Arseus NV

(x 1,000 euro)	2012	2011
Profit to be appropriated	**21,828**	**14,627**
Profit for the year to be appropriated	21,828	14,439
Profit carried forward from the previous financial year		188
Transfers from capital and reserves	**203**	**1,358**
To the reserves	203	1,358
Transfers to capital and reserves	**3,021**	**925**
To statutory reserves	1,091	722
To other reserves	1,930	203
Result to be carried forward		
Profit to be carried forward		
Profit to be distributed as dividends	**19,010**	**15,060**
Dividend	19,010	15,060

Accounting policies

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

Statutory financial statement of Arseus NV

As required by article 105, Belgian Companies Code, this annual report contains a condensed version of the statutory financial statement 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 statement of Arseus NV over financial year 2012.

Alphabetical terminology list

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

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

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 on which they are based) 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 risk, 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 cannot accept any obligation to publish a formal notice each time changes in said information occur or if other changes or developments occur in relation to forward-looking statements contained in this annual report.