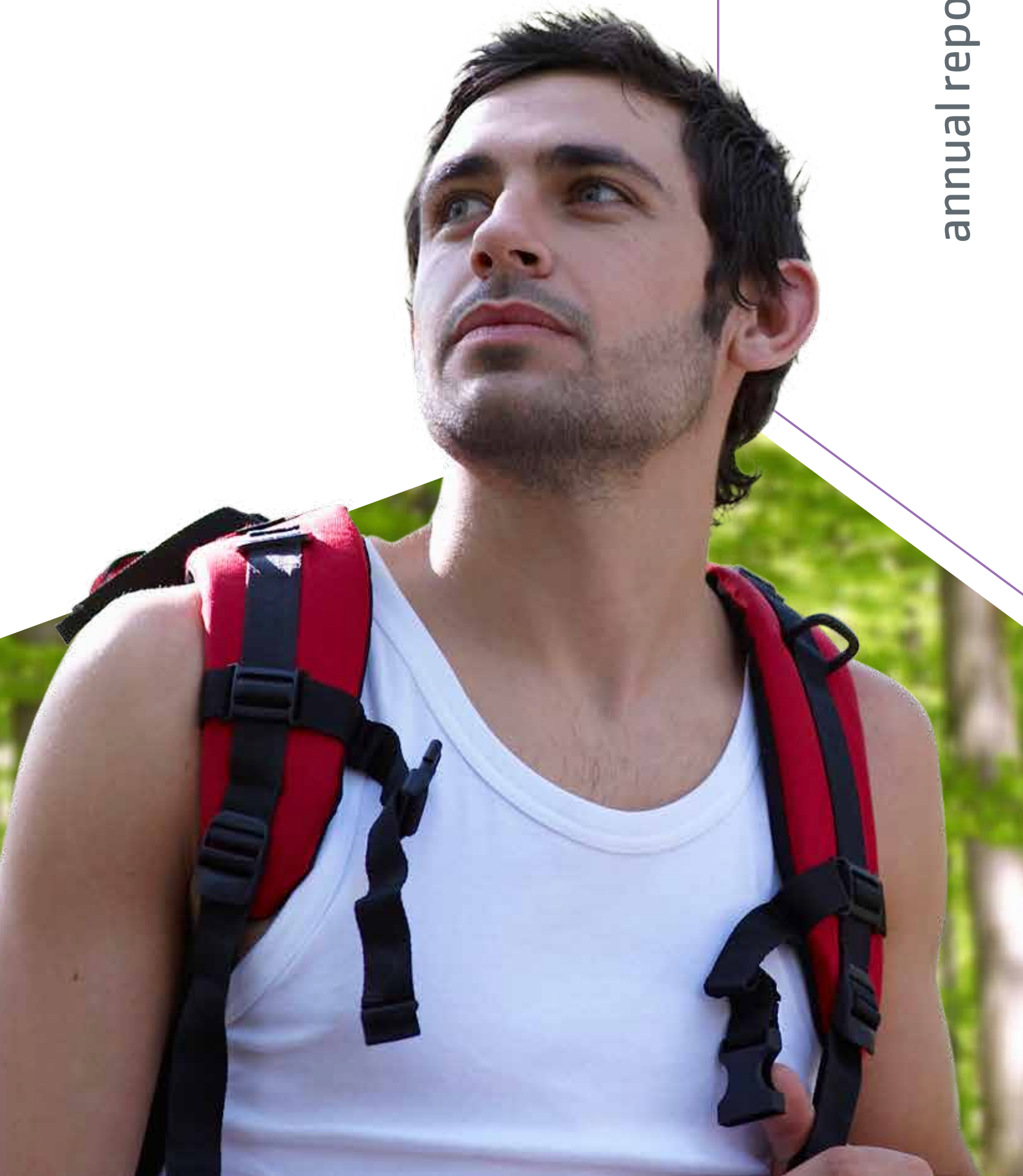
ARSEUS

Driving superior care

annual report 2013



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

As you know, on 5 October 2007 Arseus became a listed company, consisting of four divisions and active in the markets for pharmaceutical compounding for pharmacies, dental products, medical and surgical products and medical ICT solutions. Over the past years the company as a whole has shown healthy development in terms of turnover and profit. Underlying this we see that both Fagron and Corilus have performed above average and that the results of the other two divisions have been increasingly under pressure.

Fagron has expanded its activities worldwide on the basis of an active buy-and-build strategy. In addition to acquisitions in Europe, it has also built positions in North and South America, Australia and China and the business is now worldwide market leader. There is major potential for synergies as far as the primary processes are concerned, such as procurement and marketing strategies, despite the differences in local market circumstances.

Corilus has also undergone successful further development over the past years as a provider of ICT solutions for medical professionals in Belgium, the Netherlands and France.

With the publication of the 2013 half-year figures the Board of Directors announced an analysis of the strategic options for the Healthcare Solutions and Healthcare Specialties divisions. This marked the beginning of an eventful second half of the year. The challenge was to investigate these strategic options, make decisions and then proceed to implement the decisions, while at the same time not disturbing but rather further accelerating the dynamics of the other two divisions. The key outcomes of this were communicated to the market in the press release of 6 January 2014, which announced the sale of many of the dental activities to Henry Schein, and the press release of 7 February 2014, which announced, among other things, that the remaining dental and medical activities would be sold in 2014.

As a result of this, Arseus will in future consist only of the divisions Fagron, a purely scientific R&D business which provides innovative solutions and concepts to compounding pharmacies worldwide, and Corilus, which provides total ICT solutions to medical professionals in Belgium, the Netherlands and France.

The above means that Arseus is reporting its results for 2013 on the basis of the continuing operations. We see an extraordinarily positive development here, specifically an increase in turnover of 14.4% (18.6% at constant exchange rates), 8.6% (12.6% at constant exchange rates) of which was organic. We also see an increase in EBIT of 37.4% and, perhaps most importantly, an outlook from the management for turnover of at least € 480 million in 2014, with a REBITDA margin of 26%. The overall conclusion from the past year is therefore that the strategic reorientation has been a success and that the company can look to the future with confidence. This is also reflected in the dividend proposal of 0.72 euros per share, an increase of 20% compared to the dividend of 2012.

The non-executive members of the Board of Directors consider it a privilege to have been able to contribute to these developments and express their appreciation for the devotion and professionalism with which the CEO and CFO - and by extension, all employees - committed themselves to their complex task. We also wish the employees who will be continuing their careers outside the company as a result of the divestments a successful future.

Last but not least we are pleased with the development in the share price over the past year: after an increase of 40.5% in 2012, the share price increased by 78% in 2013. We see this as a sign of appreciation for the performance delivered and as an incentive for the future.

Robert Peek
Chairman of the Board of Directors

CEO's message

The theme of this annual report is innovation. The healthcare sector is currently under pressure to keep healthcare affordable and accessible. This is only possible by organising the care differently. This is why Arseus continually invests in innovative technological solutions in order to improve efficiency and effectiveness.

At Fagron the development of innovative concepts, vehicles and formulas for pharmaceutical compounding is largely realised through the intensive day-to-day cooperation between the Fagron R&D department and universities, doctors and pharmacists. At Corilus the constant focus on innovation, in combination with close monitoring of legislation and market trends, ensures that new versions of existing software suites must regularly be put on the market and that new software suites and applications are developed.

2013 was an excellent year for Arseus. The turnover from continuing operations grew by 14.4% (18.6% at constant exchange rates) to 386.1 million euros, while the EBITDA increased by 30.5% to 88.0 million euros.

Fagron's continuous strong results confirm the success of its strategy focused on the worldwide innovation and optimisation of pharmaceutical compounding. As part of the strategy, Fagron continually introduces innovative formulas, vehicles and concepts on the market in order to fulfil a growing need for tailor-made medication.

During 2013, vital steps were taken to further develop Fagron's worldwide market leadership in the fast-growing niche market of pharmaceutical compounding with acquisitions in North and South America. In addition, supply chain agreements were concluded in France with two leading compounding pharmacies. The strategy for Corilus is aimed at further expanding its leading market position in Belgium, the Netherlands and France through organic growth and acquisitions. In 2013 Corilus reinforced its Belgian market leadership with the acquisitions of HealthConnect and Soft33.

In January 2014 Fagron reinforced its position as global market leader by acquiring two compounding facilities in the United States and Europe. Fagron also signed an agreement in principle for the acquisition of three large compounding facilities in the United States. This transaction is expected to be completed in the second quarter of 2014. Because of the quality of the organisation and its operational excellence, Fagron is able to quickly and smoothly integrate acquisitions.

The Board of Directors decided at the beginning of 2014 that all remaining dental and medical activities would be sold during the course of this year. This will transform Arseus into a purely scientific R&D business which provides innovative solutions and concepts to compounding pharmacies worldwide and total ICT solutions to medical professionals in Belgium, the Netherlands and France.

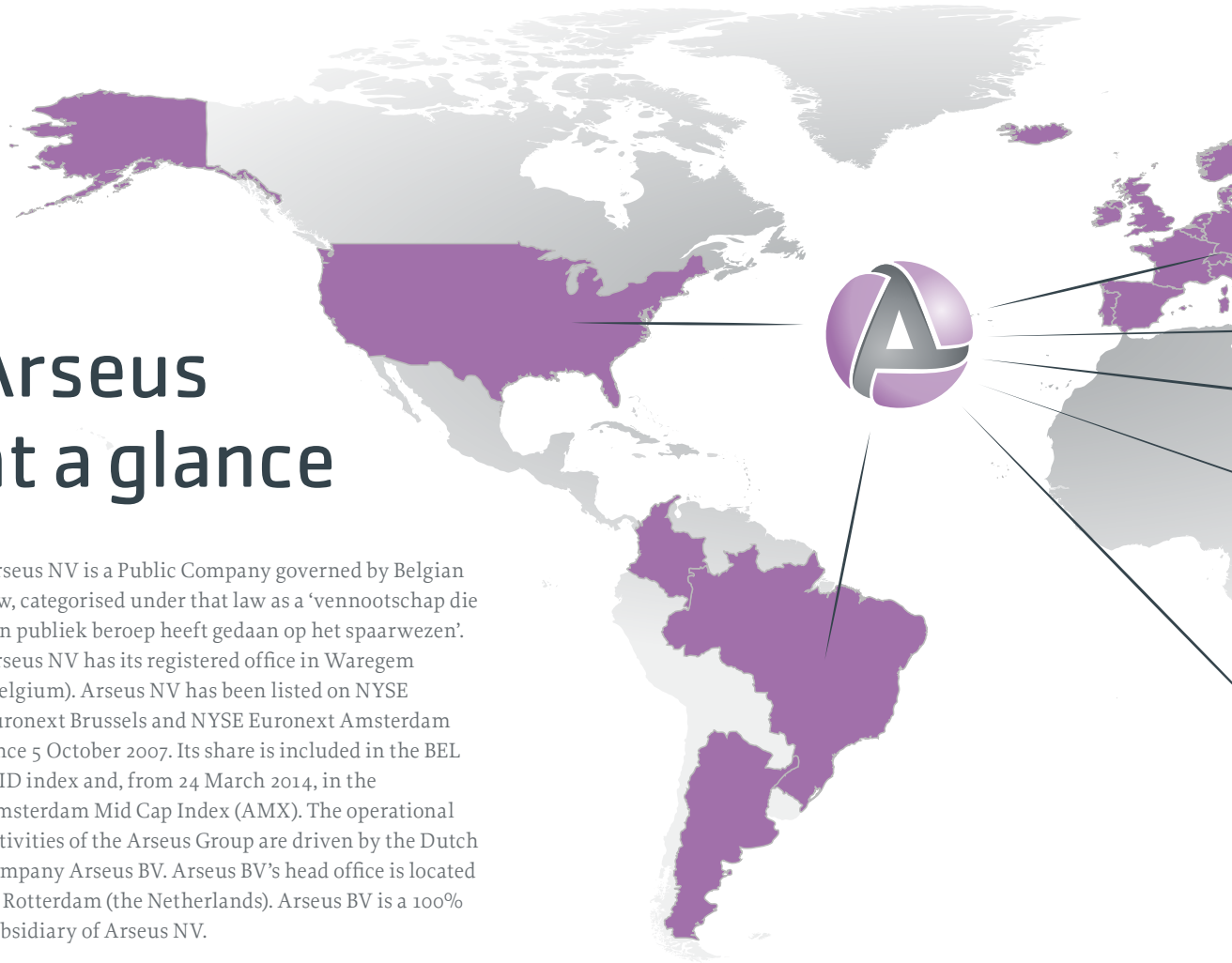
Based on the current portfolio, including the acquisitions mentioned above, Arseus expects[1] turnover from the continuing operations of at least 480 million euros in 2014, with a REBITDA[2] margin from continuing operations of 26%.

Ger van Jeveren
Chief Executive Officer

[1] Based on constant exchange rates (EUR/USD 1.324 and EUR/BRL 3.112).

[2] EBITDA after corporate costs and before non-recurring result.

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, from 24 March 2014, in the Amsterdam Mid Cap Index (AMX). 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.

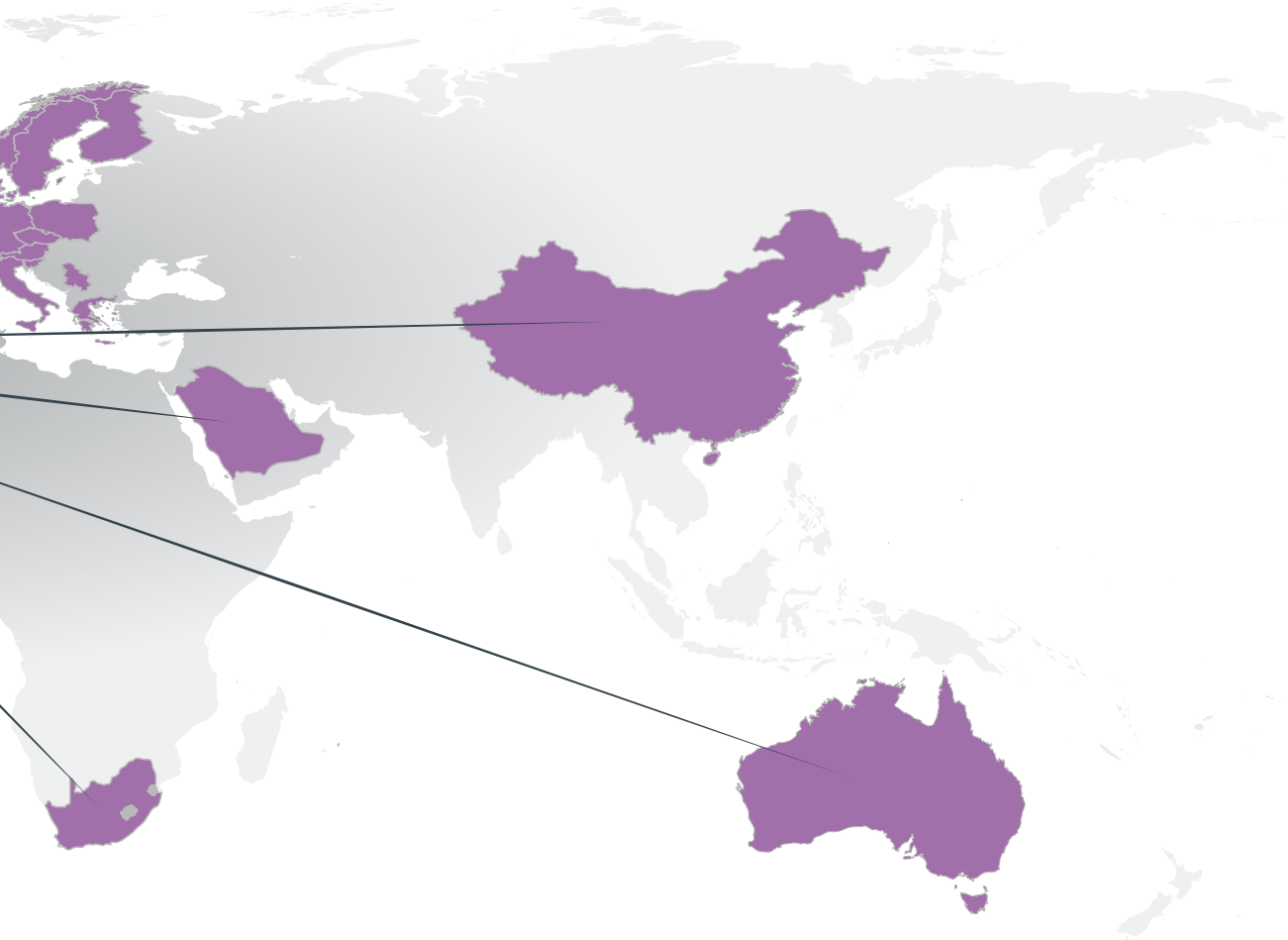
In 2013 the Board of Directors of Arseus started an analysis of strategic options both within and outside Arseus for the Healthcare Solutions and Healthcare Specialties divisions. Based on this analysis Arseus sold a number of activities in 2013, such as the dental software, lab and dental distribution activities.

In February 2014 the Board of Directors of Arseus decided to sell all remaining dental and medical activities. As a result of this, Arseus will transform into a purely scientific R&D business which provides innovative solutions and concepts to compounding pharmacies worldwide and total ICT solutions to medical professionals in Belgium, the Netherlands and France. This means that from 2014, Arseus has three divisions: Fagron, Corilus and HL Technology. Fagron is the global market leader in pharmaceutical compounding and is active in 30 countries worldwide spread over five continents. Corilus develops and supplies medical specialists with unique integrated ICT solutions with substantial added value. Corilus is market leader in Belgium and in selected segments in France and the Netherlands. HL Technology develops and produces innovative precision components for the dental and orthopaedic industry.

Arseus' customers can be categorised as 'healthcare professionals', e.g. pharmacists, dentists, surgeons, dermatologists, 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 via robust organic growth and an active buy-and-build strategy. Arseus strives to occupy the number 1 position on every market and in each market segment in which it is active.

With its 1,902 employees in 30 countries, Arseus achieved turnover of 386.1 million euros in 2013[1] (+14.4% compared to 2012) and an EBITDA[1] of 88.0 million euros (+30.5%). EBIT[1] increased by 37.4% to 73.9 million euros in 2013.

[1] On the basis of continuing operations.



Market trends

The healthcare sector is a defensive sector that is relatively immune to cyclic movements. Appreciation of health and life expectancy is on the rise. At the same time, healthcare expenditure will also continue to increase, both because of more volume and because of higher prices in healthcare.
A number of trends play a role in this: the ageing of the population, the substantial rise in the number of chronically sick people, a growing awareness of medical treatments (both curative and preventative) and an increasing focus on aesthetics. These trends contribute to greater healthcare consumption per person and a constant increase in expenditure for healthcare. Conversely, pressure is increasing to ensure that healthcare remains affordable and accessible. Guaranteeing the quality, accessibility and affordability of healthcare demands innovation. That is why a growing number of 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)	2013[1]	2012 revised[2]	2012	2011	2010	2009	2008	2007	2006
Net sales	386,119	337,500	547,020	492,330	424,056	391,315	354,506	304,368	276,971
REBITDA[3]	97,950	75,837	87,405	72,928	60,412	52,668	47,589	41,404	35,881
EBITDA	88,043	67,454	75,305	60,788	48,689	42,525	39,303	35,665	26,805
EBIT	73,909	53,788	58,064	46,257	36,017	30,542	30,033	26,440	20,120
Net profit	43,783	50,886	43,821	28,140	22,479	19,639	14,900	16,260	12,123
Recurrent net profit[4]	45,818	54,123	49,356	31,496	29,311	24,516	20,935	18,264	17,245
Gross margin	59.7%	56.0%	49.6%	49.2%	47.6%	47.5%	46.7%	47.0%	47.2%
REBITDA margin	25.4%	22.5%	16.0%	14.8%	14.2%	13.5%	13.4%	13.6%	13.0%
EBITDA margin	22.8%	20.0%	13.8%	12.3%	11.5%	10.9%	11.1%	11.7%	9.7%

Balance sheet

(x 1,000 euros)	2013	2012 revised[5]	2012	2011	2010	2009	2008	2007	2006
Balance sheet total	804,693	748,894	748,894	680,232	573,592	472,160	417,733	347,467	285,458
Equity	155,168	245,186	245,384	220,452	208,122	196,352	185,530	178,225	100,812
Operational working capital[6]	32,977	51,315	51,315	58,405	71,517	63,336	64,159	56,707	49,296
Net operational capex[7]	15,800	19,480	19,480	17,330	19,159	16,332	19,157	14,349	5,137
Net financial debt[8]	289,181	233,117	233,117	188,557	166,089	113,923	104,391	50,560	103,174
Net financial debt / annualised REBITDA	2.61	2.64	2.64	2.48	2.49	2.19	2.25	1.33	
Average number of shares	30,646,532	30,519,821	30,519,821	30,082,477	29,995,199	30,214,757	30,680,209	26,548,780	25,000,000

[1] 2013 results are on the basis of continuing operations.

[2] 2012 results are on the basis of continuing operations. The 2012 income statement has been revised for application of IFRS 5 and IAS 19 Revised.

[3] EBITDA before corporate costs and non-recurring result from continuing operations.

[4] Recurring net profit is defined as profit before non-recurring items and the revaluation of financial derivatives, after taxes based on the group's effective tax rate.

[5] The opening balance sheet and closing balance sheet for 2012 have been revised for the application of IAS 19 Revised.

[6] Operational working capital is the sum of stock and trade receivables, less trade payables.

[7] Net operational capex is defined as intangible assets and property, plant and equipment that have been acquired or produced (excluding acquisitions), less assets sold.

[8] Net financial debt is the sum of long-term and short-term financial borrowings, less cash (excluding financial instruments) and cash equivalents.

Cash flow statement

(x 1,000 euros)	2013	2012	2011	2010	2009	2008	2007	2006
Total cash flow from operating activities	63,078	67,744	72,147	42,126	39,496	27,741	27,100	17,570
Total cash flow from investing activities	-63,533	-84,868	-62,353	-72,645	-32,184	-58,538	-21,722	-13,776
Total cash flow from financing activities	66,525	23,827	10,467	47,116	8,447	21,477	19,899	-5,946
Total net cash flow for the period	66,069	6,702	20,260	16,596	15,758	-9,320	25,277	-2,152

Data per share

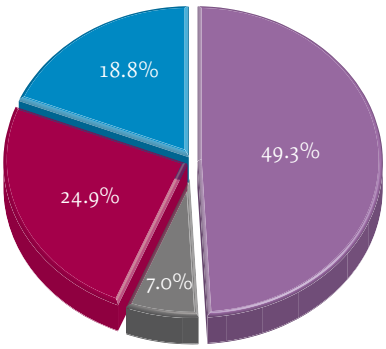
(in euros)	2013	2012	2011	2010	2009	2008	2007	2006
Net profit[2]	1.43	1.67	0.94	0.75	0.65	0.48	0.61	0.48
Recurring net profit[2]	1.50	1.77	1.05	0.98	0.81	0.68	0.69	0.69
Dividend	0.72	0.60	0.50	0.44	0.36	0.30	0.06	
Closing price (ultimo)	27.64	15.50	11.03	11.38	8.05	6.25	9.25	
Market capitalisation Arseus[1]	866,745,015	484,816,967	344,322,274	355,000,477	251,120,724	194,969,506	288,554,869	

Personnel

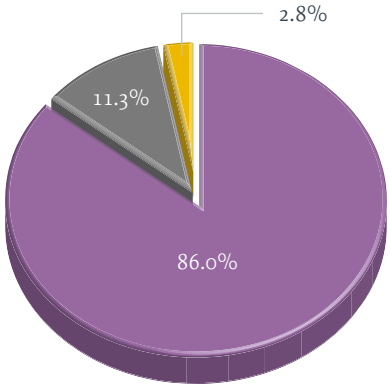
	2013	2012	2011	2010	2009	2008	2007	2006
FTEs as at 31 December[2]	1,902	1,698	2,229	1,887	1,655	1,607	1,348	1,230

[1] Marketcapitalization is calculated by multiplying the number of shares outstanding at year-end by the closing price of the share on 31 December 2013.

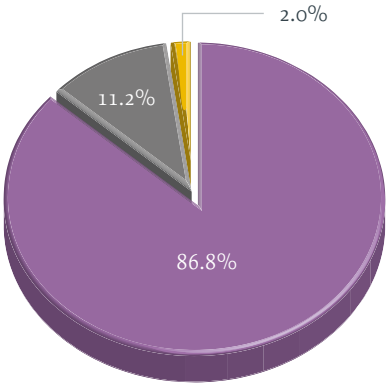
[2] 2012 and 2013 based on continued operations.



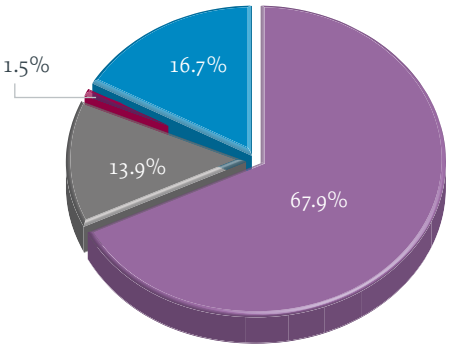
Turnover 2011



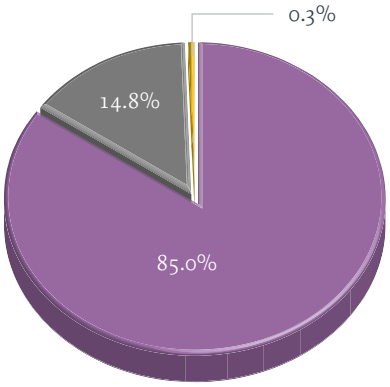
Turnover 2012



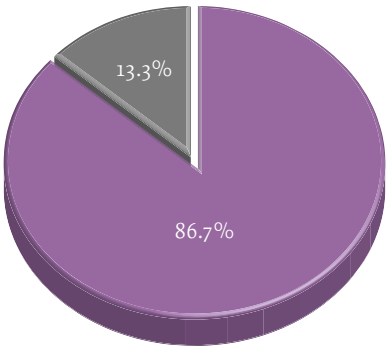
Turnover 2013



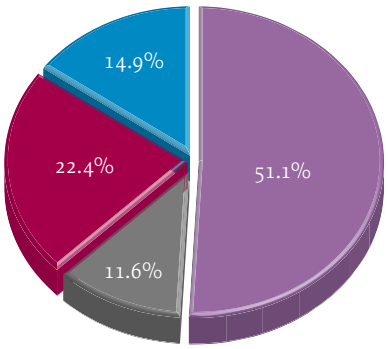
REBITDA 2011



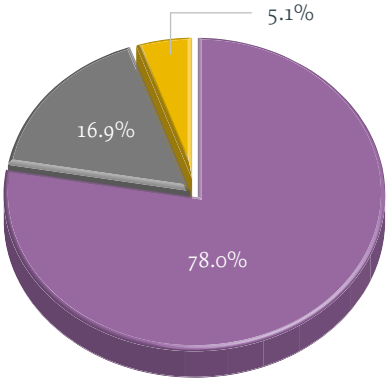
REBITDA 2012



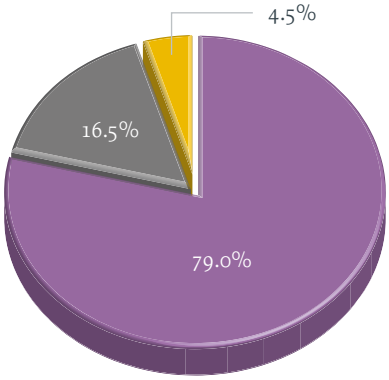
REBITDA 2013



FTE 2011



FTE 2012



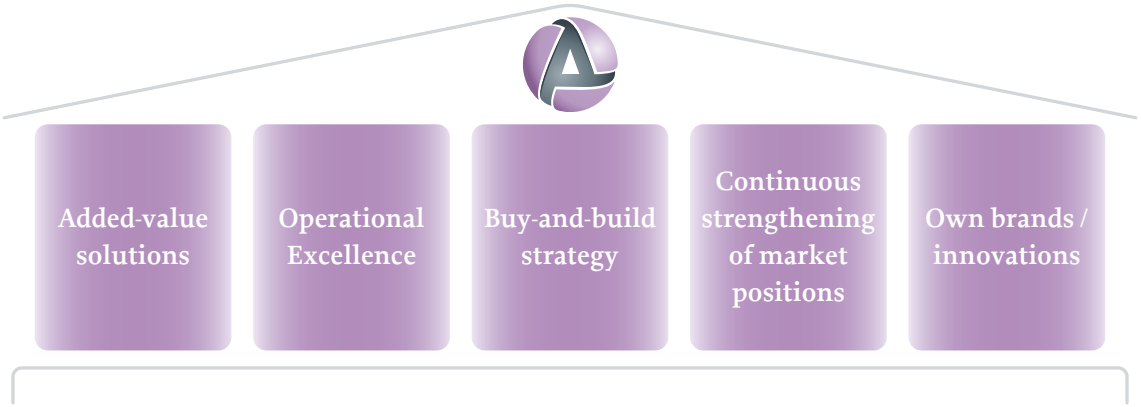
FTE 2013

Fagron | Corilus | Healthcare Solutions | Healthcare Specialties | HL Technology

Strategy

The aim of Arseus is to realise sustainable growth by consolidating its leading position in selected segments of the professional healthcare sector and expanding that position through robust organic growth and 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 in a sustainable manner. To Arseus, operational excellence means continually optimising all its business processes.
Innovation, a rapid and smooth integration of acquisitions, process quality, customer-friendliness, information management, efficiency and continual focus on the customers all play an important part here.

By combining operations in multiple market segments and by sharing best practices, market data and customer information, 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

Through robust organic growth and an active buy-and-build strategy, Arseus aims to play a leading role in the consolidation in selected segments of the professional healthcare sector. This strategy has made Arseus worldwide market leader in its selected segments and markets. Arseus aims to further reinforce the leading market positions of Fagron and Corilus.

Following extensive operational and financial due diligence, Arseus has managed to acquire 20 businesses since 2008. 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 synergy benefits can be quickly realised.

In 2013 Arseus took important steps towards further strengthening Fagron's position as global market leader in the growing niche market for pharmaceutical compounding with acquisitions in North and South America. Fagron acquired US-based Freedom Pharmaceuticals in April 2013. Freedom Pharmaceuticals is a leading supplier of pharmaceutical raw materials, excipients, bases and capsules to independent compounding pharmacies in the United States. In November 2013 Fagron announced the acquisition of Brazil-based Alternate Technologies, a leading developer and supplier of innovative software and technology tools for pharmaceutical compounding. In France supply chain agreements were signed with two compounding pharmacies. Corilus acquired two businesses in 2013: HealthConnect and Soft33.

In January 2014 Fagron further reinforced her position as global market leader by acquiring two compounding facilities in the US and Europe. Fagron also signed an agreement in principle for the acquisition of three large compounding facilities in North America. In 2014, 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 America. Corilus' strategy for 2014 is aimed at further strenghtening the leading market position in Belgium, the Netherlands and France through organic growth and acquisitions.

Continuous strengthening of market positions

It is Arseus' goal to consolidate its existing operations and to expand them. Arseus always strives to occupy the number 1 position on every market and in each segment in which it operates. The continuous strengthening of market positions is based mainly on expanding the company's own brands.

Innovations and positioning of own brands

Arseus constantly monitors developments in healthcare. Guaranteeing the quality, accessibility and affordability of healthcare demands innovation. That is why more and more parties in the healthcare sector, including Arseus, are continually investing in innovative solutions to improve efficiency and effectiveness.

Innovations are the driving force behind Arseus' growth. By focusing on innovations, Arseus can create added value for its customers, achieve higher margins, increase customer loyalty and further strengthen its position as market leader in its selected countries and segments.

In 2013 Arseus achieved approximately 90% of its turnover from own brands and from innovative solutions and concepts developed in-house. 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.

Financing growth

Arseus has credit facilities available to a total amount of 150 million euros with a term until 3 July 2017. The key financial covenant of the credit facility is based on a maximum net financial debt/REBITDA ratio of 3.25. In addition Arseus concluded two bridge loans, one of 50 million euros and one of 70 million US dollars. Both bridge loans have a maturity date of April 30, 2014. Early 2014, Arseus expects to attract new funding, before the bridge loans expire.

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 at 100% of the nominal value on 2 July 2017.

At the end of 2013, the net financial debt/REBITDA ratio was 2.61 and therefore more than satisfied the condition of a debt ratio of maximum 3.25 as agreed in the credit agreement.

Further growth in 2014

The Board of Directors has decided to sell all remaining dental and medical activities in 2014. As a result of this, Arseus will transform into a purely scientific R&D business which provides innovative solutions and concepts to compounding pharmacies worldwide and total ICT solutions to medical professionals in Belgium, the Netherlands and France. Based on the current portfolio, including the acquisitions described in this annual report, Arseus expects[1] turnover from the continuing operations of at least 480 million euros in 2014, with a REBITDA[2] margin from continuing operations of 26%.

[1] Based on constant exchange rates (EUR/USD 1.324 and EUR/BRL 3.112).

[2] EBITDA after corporate costs and before non-recurring result.

Fagron Innovation

Josh has problems swallowing

Josh (51) is recovering from a Laryngeal cancer treatment. He's doing well but he's having problems swallowing solid food and medication. His wife is currently suffering a bad flue. Since Josh's immune system is considered to be vulnerable after his cancer treatment his oncologist wants to prescribe Josh an Oseltamivir treatment to prevent him from developing influenza as well.

The challenge

Because Jos is having problems swallowing he needs a fluid form of administration, which is not available as a licensed product in the right dosage.

The solution

With the focus on patient, prescriber and pharmacist, Fagron offers unique solutions that add significant value in the individualized treatment of patients with specific needs. Also for Josh. With SyrSpend® SF PH4 it is possible for a pharmacist to easily compound a 15 mg/ml Oseltamivir suspension for Josh, based on Oseltamivir capsules.

The cure

A simple process of mixing the Oseltamivir capsules SyrSpend® SF PH4 powder enables the pharmacist to prepare a stable suspension in just minutes for Josh.

FAGRON

Optimising and innovating compounding for tailor-made pharmaceutical care

Key points

- Turnover increased by 15.5% (20.3% at constant exchange rates) to 335.0 million euros
- Organic turnover growth of 9.1% (13.7% at constant exchange rates)
- REBITDA increased by 31.9% to 85.0 million euros
- Successful worldwide introduction of Fagron Advanced Derma
- Global market leadership strengthened with acquisition of Freedom Pharmaceuticals in the United States and Alternate Technologies in Brazil

(x 1,000 euros)	2013	2012	Change
Turnover	334,985	290,083	15.5%
REBITDA	84,966	64,415	31.9%
REBITDA margin	25.4%	22.2%	
FTEs	1,440.9	1,269.0	

General

Turnover increased by 15.5% (20.3% at constant exchange rates) to 335.0 million euros in 2013. Organic turnover growth amounted to 9.1% (13.7% at constant exchange rates). REBITDA increased by 31.9% to 85.0 million euros. Fagron's impressive organic growth is the result of successfully optimising and innovating pharmaceutical compounding. Fagron develops and supplies innovative concepts that enable pharmacists to fulfil the specific needs and personal wishes of patients worldwide. Fagron's strategy is fully focused on optimising and innovating pharmaceutical compounding with the aim of making individualised patient care available. This improves the patient's quality of life and highlights (hospital) pharmacists' unique skill: preparing medications.

Fagron further strengthened her position as global market leader in pharmaceutical compounding in 2013 with acquisitions in North and South America. Fagron acquired US-based Freedom Pharmaceuticals in April 2013. Freedom Pharmaceuticals is a leading supplier of pharmaceutical raw materials, excipients, bases and capsules to independent compounding pharmacies in the United States. In November 2013 Fagron announced the acquisition of Brazil-based Alternate Technologies, a leading developer and supplier of innovative software and technology tools for pharmaceutical compounding. In France supply chain agreements were concluded with two compounding pharmacies.

In January 2014 Fagron further reinforced her position as global market leader by acquiring two compounding facilities in the United States and Europe. Fagron also signed an agreement in principle for the acquisition of three large compounding facilities in North America. Including this acquisition Fagron's total number of compounding facilities worldwide amounts to 18. The five compounding facilities in the US and Europe are expected to generate EBITDA of € 30 million for 2014 as a whole, € 21 million of which is attributable to Fagron in 2014. 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.

With 1,441 employees Fagron now operates in 30 countries and on five continents. In 2014 Fagron will further strengthen its position as global market leader through an active buy-and-build strategy and robust organic growth, with a focus on acquisitions in Europe and North America.

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

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.

What is pharmaceutical compounding?

Pharmaceutical compounding is the process of preparing medicines in the pharmacy to a doctor's prescription. These are medicines for which no registered medication is available but for which there is indeed a demand in pharmaceutical care. Compounding by a pharmacist is essential to be able to provide the patient with tailor-made medication.

Commercial compounding often results in a product that does not contain the correct dosage or does not have the required composition. The available method of administration may also prove unsuitable. Furthermore, medicines are frequently discontinued because manufacturers do not find small-scale production sufficiently profitable. In these types of situations, pharmaceutical compounding, which produces a medication tailored to the patient, presents a solution.

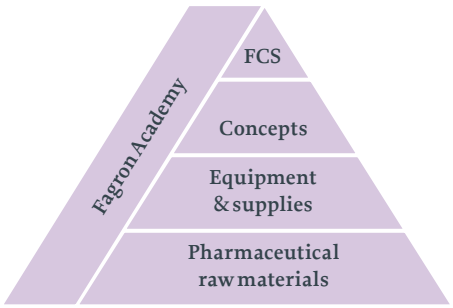
Pharmaceutical compounding market

Fagron is worldwide market leader in the growing niche market for pharmaceutical compounding.

In the pharmaceutical compounding market the pharmacist works actively with the prescribers to compound for the patient tailor-made medication so that the patient's specific needs can be met. This unique position enables the pharmacist to fulfil the growing demand for tailor-made medication worldwide.

Not every pharmacy does its own compounding any more. Because of increasing regulation, some pharmacies combine their compounding activities. In recent years, large compounding pharmacies have increasingly been set up in Europe and the United States to perform compounding for the benefit of several pharmacies. This enables pharmacies that no longer want to do their own compounding to outsource.

A unique business model



In a period of 23 years, Fagron has developed from a local player into the only multinational business for pharmaceutical compounding with a unique business model. The diagram above shows a graphic representation of Fagron's business model.

Pharmaceutical raw materials

In all countries in which Fagron is active, high-quality pharmaceutical raw materials are offered to hospitals, pharmacies and to the pharmaceutical industry.

Fagron's product range includes over 2,500 pharmaceutical raw materials bought in bulk from selected and qualified manufacturers who comply with strict quality standards. Examples of pharmaceutical raw materials offered by Fagron include amino acids, antibiotics, corticosteroids, excipients, hormones, opiates, vitamins and alcohol.

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 pharmacies and hospitals under the Fagron brand name.

The unique quality of Fagron

Quality is an absolute requirement for good care. Just over 200,000 customers use the more than 2,500 raw materials offered by Fagron for pharmaceutical compounding. Fagron complies with the highest quality standards in the world, such as GMP, GDP, FDA and ANVISA. Fagron has the strongest quality network in the pharmaceutical compounding market worldwide. This unique position makes Fagron an attractive supplier of pharmaceutical raw materials to pharmacies and hospitals.

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 India and simplifies the audits of suppliers of pharmaceutical raw materials. Approximately 60% of the pharmaceutical raw materials are imported from China and India.

Equipment, instruments and supplies

Fagron's product range offers all equipment, instruments and accessories used by pharmacists for pharmaceutical compounding in the pharmacy. This includes scales, pestles and mortars, ointment mills, packaging equipment and packaging materials (bottles, vials, strips, boxes, etc.). Fagron's strategy is designed to increasingly market these products under the Fagron brand name.

Fast, Accurate, Sterile and on Time – FAST

Concepts

The more than 200 Fagron pharmacists develop innovative concepts, vehicles and formulas for pharmaceutical compounding, generally in collaboration with universities, prescribers and pharmacists. Fagron also supplies semi-finished 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 for pharmaceutical compounding that respond to specific and individual wishes of hospitals and pharmacies.

In December 2013 Fagron introduced Fagron Advanced Derma, an innovative, complete concept for dermatologists and pharmacies. This total concept offers both prescribers and pharmacists a total solution for treating patients with dermatological conditions. Fagron Advanced Derma is structured

such that the pharmaceutical compounding for the patient is entirely tailored to the particular patient's unique needs and skin condition. In addition to the vehicles developed by Fagron's R&D department, the dermatologist and pharmacist are also provided with comprehensive formulations. Compatibility data, stability data, compounding protocols, therapeutic recommendations and references in scientific literature are part of this ever-growing set of formulations.

The Fagron SyrSpend® SF Concept was introduced in January 2014. This concept provides support and ready-made solutions from the moment of prescription through to the ultimate preparation and delivery and administration of oral medication produced through compounding. Fagron SyrSpend® SF is suitable for the most vulnerable patients (children, the elderly and hospital patients) because the ingredients are tailored to patient-specific requirements. It also optimises the pharmaceutical stability and durability of every compounding. The Fagron SyrSpend® SF product range is pleasant and easy to administer, reduces medication errors in prescription, compounding and administering and offers personal flavouring and an efficient manner for pharmaceutical compounding. Good Manufacturing Practice (GMP) and the use of pharmaceutically-tested ingredients ensure that high quality standards are satisfied.

The Fagron CapsiCards® System was introduced in January 2014. This system provides pharmacies a total solution for easily, efficiently and hygienically filling capsules. The Fagron CapsiCards® System offers independent and hospital pharmacies the option of filling capsules in an easy, quick and hygienic manner. The Fagron CapsiCards® System consists of an encapsulation device and capsicards. The capsicards contain 50 or 60 empty capsules. The encapsulation device allows for quickly and easily filling 100 or 120 capsules.

CapsiCards® System

Fagron Compounding Services

Due to increasing regulation and workload, 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 (non-sterile, aseptic and sterile) to hospitals and pharmacies for the past few years.

In total Fagron has 18 compounding facilities worldwide which supply pharmaceutically compounded medication to hospitals and pharmacies around the globe. The pharmaceutically compounded medication can be divided in non-sterile, aseptic and sterile categories.

Examples of aseptic compounding are syringes, uro-tainers, elastomeric pumps and CADD/Deltec cassettes, which can process medication for rheumatoid arthritis, pain control, leukaemia, diabetes and heart failure. Examples of sterile compounding are medication for infuses, ampuls and vials which are used for total parenteral nutrition and eye medication. Non-sterile compounded products are products such as creams, ointments and capsules.

Fagron Compounding Services in Belgium

The awareness of the importance of quality with regards to compounded medication has increased during recent years. In their search for better quality the pharmacists increasingly decide to outsource pharmaceutical compounding. Furthermore due to a recent European resolution on quality standards for pharmaceutical compounding the hospital pharmacies will need to invest in their facilities in order to comply with the higher standards. Because of increasing outsourcing of pharmaceutical compounding by both pharmacies and hospitals, it was decided in 2012 to build a new compounding facility in Belgium. The Fagron Compounding Centre will be operational in the course of 2014. The compounding facility will be equipped with 8 clean-room units in which sterile and non-sterile compounding takes place under GMP conditions.

Fagron Academy

The aim of Fagron Academy is to inform prescribers and pharmacists about the use and importance of pharmaceutical compounding for their patients. The Fagron Academy is being set up in more and more countries in order to educate prescribers and pharmacists about pharmaceutical compounding and

Fagron Compounding Services Bornem


Cleanroom for sterile and aseptic compounding

its unique added value 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 aims at putting personnel and financial resources to work to achieve social change 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.

Expansion of national coverage in the United States

Fagron finalised the acquisition of Freedom Pharmaceuticals in April 2013. Freedom Pharmaceuticals is a leading supplier of pharmaceutical raw materials, excipients, bases and capsules to independent compounding pharmacies in the United States. The acquisition of Freedom Pharmaceuticals, a private company located in Tulsa, Oklahoma, strengthens Fagron's position as global market leader and ensures national coverage in the United States, thus enabling Fagron to deliver added value to her customers immediately. Via locations in St. Paul (Minnesota), Aurora (Colorado), Scottsdale (Arizona), Tucson (Arizona) and Tulsa (Oklahoma), Fagron is very well-positioned to provide compounding pharmacies in the United States with both innovative products and concepts and services and training with added value.

By combining the activities of Freedom Pharmaceuticals with its existing US-based operations, Fagron will be able to immediately achieve clear benefits in relation to operations, marketing and sales.

Innovative software solutions for pharmaceutical compounding in Brazil

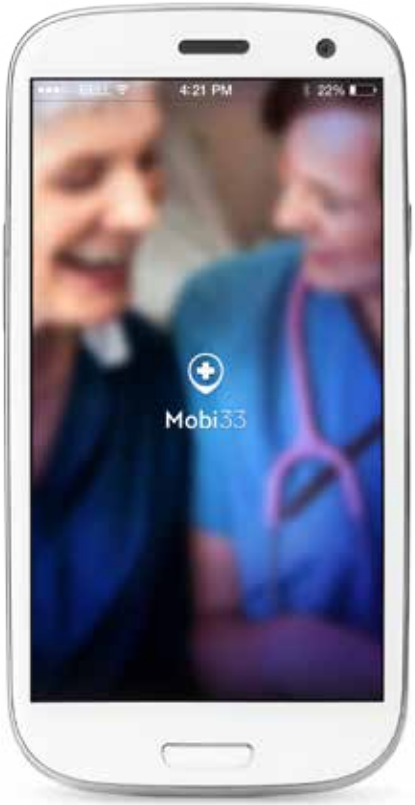
In November 2013 Fagron finalised the acquisition of Brazil-based Alternate Technologies, a leading Brazilian developer and supplier of innovative software and technology tools for pharmaceutical compounding. More than 3,500 Brazilian pharmacies and prescribers make use every day of Alternate Technologies' advanced software for pharmaceutical compounding and prescribing software for tailor-made medication. Fagron's rapidly-growing worldwide network offers many opportunities for launching Alternate's successful and unique technology and software solutions internationally. This acquisition plays a crucial role in the strategy to reinforce Fagron's position as global market leader in pharmaceutical compounding and to further optimise the total solution for pharmaceutical compounding for Fagron's 200,000 customers worldwide with the added-value software and technology tools from Alternate Technologies.

Corilus Innovation

Corilus develops innovative ICT-solutions, such as Greenock, CareConnect and Mobi33, for medical professionals .

Mobi33: an innovative app for medical professionals which provides direct access to all necessary information like patient files.

"With one click I have an overview of all patients and the necessary information to treat them. Very simple and user friendly. All information is real-time, I can enter my observations, to monitor the patient , at any moment I like."



CORILUS

Total ICT-solutions for medical professionals

Key points

- Turnover increased by 14.1% to 43.4 million euros
- REBITDA increased by 15.0% to 12.9 million euros
- Belgian market leadership reinforced with acquisitions of HealthConnect and Soft33
- Successful introduction of two innovative mobile applications: Mobi33 and MyCerussa
- Corilus won 'Innovation 2 Care' award for MyCerussa

(x 1,000 euros)	2013	2012	Change
Turnover	43,408	38,036	14.1%
REBITDA	12,949	11,264	15.0%
REBITDA margin	29.8%	29.6%	
FTEs	301.6	274.1	

General

Corilus develops and supplies innovative 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 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 more than 32,000 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 France.
Corilus' turnover increased in 2013 by 14.1% to 43.4 million euros, while the REBITDA increased by 15.0% to 12.9 million euros. This double-digit growth is the result of strong organic turnover growth of 10.7% in combination with the acquisitions of HealthConnect and Soft33.

The strategy for 2014 is aimed at further strengthening Corilus' leading market position as supplier of innovative total ICT-solutions to medical professionals in Belgium, the Netherlands and France through organic growth and acquisitions.

Innovative software solutions

The software solutions provided by Corilus are fully developed in-house. For that reason, Corilus also owns the intellectual property rights to the software. With a workforce of 302 employees in Belgium, the Netherlands and France, Corilus provides its software solutions to more than 32,000 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 and that new software suites and applications are developed. With as result: constant innovation and strengthening of Corilus' portfolio.

Corilus uses the power of modern information technology to allow work processes to run more efficiently, to reduce costs and by extension to improve the quality of the healthcare sector. For that reason Corilus is increasingly crossing the boundaries of various disciplines to enable optimal communication between professionals in different fields. This is an important strategic advantage that offers a range of opportunities.

eHealth: electronic applications for medical professionals

eHealth is a Belgian government initiative that can contribute significantly to the quality of healthcare and patients' quality of life. Corilus is anticipating the possibilities offered by eHealth. eHealth is still at the start of its development phase and therefore offers interesting growth potential. Because of the availability of the secure eHealth platform, an increasing number of services (e-projects) are available to provide the pharmacy with real-time information. These e-projects make it possible to exchange data with pharmacists and other healthcare providers. Corilus participates in all these projects and, where possible, has already built them into the software that Corilus offers. An example of an e-project initiated by the Flemish government is Vitalink. Vitalink is the new digital platform which enables medication schedules to be shared between the pharmacist, doctor, nurse and patient.

Developments in 2013

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 her customers several opportunities each year for training. In 2013 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. Dentists can follow online training for Baltes, for instance, a software program specifically for the dental practice.

Hector

Hector, the in-house developed communication software between hospitals, doctors, laboratories, radiologists and dentists, is used in more than 60% of hospitals in Flanders. Many hospitals and laboratories now already reach more than 70% of healthcare providers via this channel. Hector is the first solution to make full use of the eHealthBox system provided by the eHealth platform of the Belgian federal government. Hector is integrated in all the software suites that are available as EMD (Electronic Medical Dossier) in Belgium. In 2013 Corilus won a public tender from the Belgian army which means that medical specialists who treat military personnel can have their reports and invoices created via Hector.

Belgian market leadership reinforced with acquisition of HealthConnect

The acquisition of HealthConnect was finalised in February 2013. In three years' time HealthConnect managed to become market leader in Belgium in the field of innovative ICT projects and integration software for the healthcare sector, Vitalink and other pioneering eHealth projects. This acquisition is consistent with Corilus' strategy to invest maximally in added value for healthcare providers and enable

efficient information exchange between all types of healthcare providers. By expanding the customer base to include hospitals, laboratories and other organisations, Corilus is very well-positioned to simplify the cooperation with these parties.

CareConnect

Over the past few years HealthConnect has invested in a new EMD which will be launched under the name CareConnect in the spring of 2014. It is the first software for general practitioners provided 'in the cloud', which means that the software can be accessed from anywhere using a PC, tablet or smartphone, either online or offline. The 'cloud' technology reduces the costs of the IT infrastructure. This platform guarantees the safety and back-up of patient dossiers. Updates are made automatically and offline working is also possible. Using CareConnect allows GPs to use lighter computers and provides automatic back-up and security.

CARECONNECT
Medical Software

Acquisition of Soft33

Corilus acquired Belgian company Soft33 in the second quarter of 2013. Soft33 is an important supplier of software for homecare nurses and has more than 2,000 homecare nurses as customers. Soft33's software complements Infiplus from Corilus. Infiplus is the most widely used software in Belgium for both independent nurses and united nurse organisations.

Mobi33

The new mobile application Mobi33 was launched in December 2013. Mobi33 is a new app jointly developed by Soft33 and Corilus; it currently runs on iPhone and iPad and will soon be available for Android devices as well. This app allows a nurse to view dossiers, add data and consult the agenda wherever he/she is working. The team leader can also view and make changes to the nurses' rounds in real time.

The R&D department of Soft33 is working closely with Corilus' R&D department to link Mobi33 to Infiplus, the Corilus software for nurses, which would give an increasing number of nurses access to this app.

MyCerussa

MyCerussa is an app developed by Corilus for employees of residential care centres. The MyCerussa app allows all residential care centre employees to request and register information on residents using the touch screen of a smartphone, tablet or PC. Based on the employee's task, MyCerussa determines which information is relevant and how it can best be displayed. The employees in a residential care centre have different functions. The cooperation between these different functions goes smoothly if everyone has the right information at the right time. This ensures that residents can count on optimal care. The application uses intuitive screens for each function, which allows the work process to take place smoother and faster.

During the 2013 Expo 60+, the Belgian trade fair for the healthcare sector, Corilus won the 'Innovation 2 Care' award from the public for MyCerussa.

Fagron Innovation

John is experiencing problems applying the product

John required a repeat prescription for minoxidil base 5%. He complained to his pharmacist about the dripping and greasiness of the previous preparation when applying the product on his scalp to treat his alopecia.

The challenge

The scalp is, like other hairy skin parts, a difficult-to-treat area.

The solution

By compounding with the unique Fagron trademark vehicles from Fagron Advanced Derma, pharmacists are able to deliver exclusive solutions that add significant value and offer tailor-made treatment to patients. Patient satisfaction, therapy compliance and patients' quality of life are thus improved.

The cure

The pharmacist compounded minoxidil base 5% in Espumil™. To enhance treatment, she proposed to John's prescriber that tretinoin 0.01% be added. John was very happy with the skin feel and user friendliness afforded by Espumil™.

Technology

Driving superior care

Developing innovative precision components and orthepaedic tools for dental and medical professionals

Key points

- Turnover decreased by 17.6% to 7.7 million euros
- REBITDA decreased by 77.7%
- Focus on innovative solutions with substantial added value

(x 1,000 euros)	2013	2012	Change
Turnover	7,726	9,381	-17.6%
REBITDA	35	159	-77.7%
REBITDA margin	0.5%	1.7%	
FTE's	82.1	82.0	

HL Technology develops and produces innovative precision components for the dental and orthopaedic industry. In 2013 turnover decreased by 17.6% (15.9% at constant exchange rates) to 7.7 million euros, while REBITDA decreased by 1.2 percentage points to 0.5% of turnover.
HL Technology is based in La Chaux-de-Fonds, Switzerland, and develops, produces and introduces precision components for the dental, medical and industrial market. Hader is encountering difficulty as a result of the strong Swiss franc and the cautious investment climate.

Developments in 2013

Hader Lucky

This 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 Click® Torque Limiter

Torque limiters are regularly used in orthopaedic surgery, such as spine, knee, hip, shoulder and small-joint surgery, to secure implants screws. Their function is to prevent over-tightening of screws. The Hader Click® gives an audible click when the pre-set torque value is reached.

Hader Lucky – innovative design

Fagron Innovation

Eric has a type III acne in the facial area

Eric (16), with a type III acne manifesting especially in the facial area, visited a dermatologist. The inflammatory condition sometimes produced painful areas, particularly when the skin was dehydrated.

The challenge

Having tried all kinds of OTC treatments, bought by his compassionate mum, Eric's skin condition only worsened. That's when they consulted a dermatologist. Eric turned out to have a very sensitive oily skin.

The solution

With the focus on patient, prescriber and pharmacist, Fagron Advanced Derma offers unique solutions that add significant value to the tailor-made treatment of patients with specific need. Also for Eric.

The cure

The dermatologist prescribed clindamycin HCl 1%, nicotinamide (vit. B3) 3% and tocopherol (vit. E) 5% in Fitalite™. The teenager's skin condition improved dramatically within a month and is now controlled with a prescription of nicotinamide (vit. B3) 3% in Fitalite™.

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 in the Amsterdam Small Cap Index (AScX). Since 24 March 2014 Arseus is included in the Amsterdam Mid Cap Index (AMX). Options for ordinary Arseus shares were introduced on 16 December 2013. The options are traded on Euronext. liffe, the derivatives market of NYSE Euronext. These American-style options expire on the third Friday of the contract month and have an initial option life of 1, 2, 3, 6, 9 and 12 months. Each option represents 100 Arseus shares and is cleared by LCH.Clearnet SA.

At 31 December 2013, the market value of Arseus amounted to 866.7 million euros, a 78.8% increase compared to the end of 2012. At 31 December 2013, 31,358,358 shares and 225,000 bonds with a nominal value of 1,000 euros per bond were in circulation.

Development in number of shares

On 13 June 2013, Arseus issued 79,844 new shares as a result of the exercise of warrants under Warrant Plan 1. The shares newly issued in 2013 are eligible for dividend from the 2013 financial year onward.

The number of voting securities of Arseus amounted to 31,358,358. The total number of voting rights (denominator) was 31,358,358. The authorised capital amounted to 321,384,975 euros.

Shares

ISIN code: BE0003874915
NYSE Euronext: RCUS

Bonds

ISIN code: BE0002180462
NYSE Euronext: ARS17

Options

ISIN code: BE0003874915
NYSE Liffe: RCU

Stock price

The closing price of the Arseus share in 2013 was 27.64 euros per share. This was 78.8% higher than the closing price in 2012 (15.50 euros per share). As such the share performed better than the BEL MID index and the AScX index. Over the same period, the BEL MID index increased 9.57%, while the AScX index increased 25.87% in 2013. Since the company's initial public offering on 5 October 2007, Arseus shares have increased 177.8%. By comparison, the BEL MID index

Stock market quotation

	2013	2012	2011	2010	2009
Highest share price	27.90	15.50	12.90	11.53	8.66
Lowest share price	15.50	10.39	8.91	7.92	5.40
Closing price at the end of the year	27.64	15.50	11.03	11.38	8.05
Highest day volume	494,244	210,164	282,010	170,153	176,222
Lowest day volume	5,575	2,007	2,919	3,547	6,255
Average day volume	66,121	29,428	38,633	31,182	35,195
Dividend	0.72	0.60	0.50	0.44	0.36
Dividend yield at closing price	2.6%	3.9%	4.5%	3.9%	4.5%
Market capitalisation at the end of the year	866,745,015	484,816,967	344,322,274	355,000,477	251,120,724

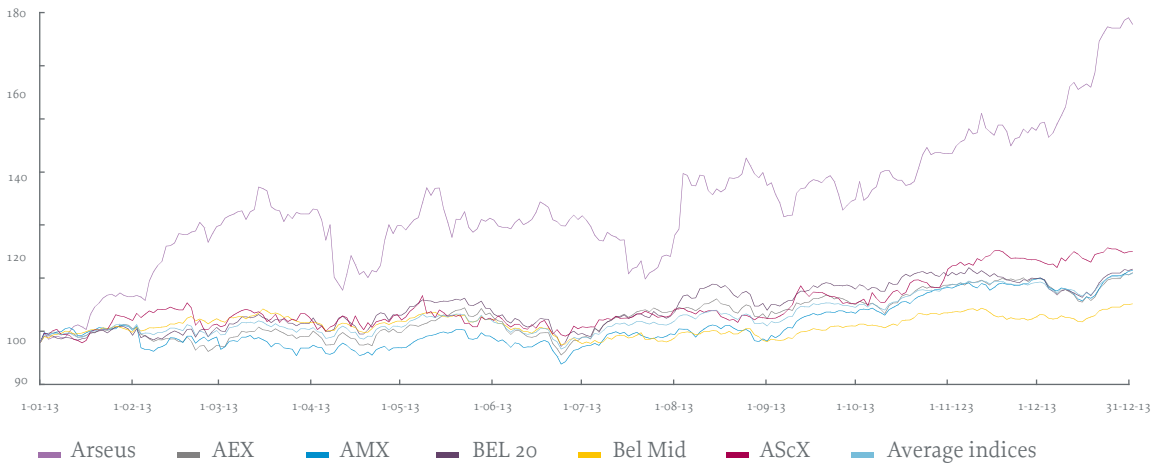
[1] Proposed dividend over 2013.

and the AScX index have decreased 10.4% and 32.9% respectively over the same period. Dow Jones named Arseus the best performing share on the Dutch stock market in 2013.

Trading

The liquidity of the Arseus share increased during 2013. During the financial year, the number of shares traded increased by 118.4% compared to 2012. On average, 66.121 Arseus shares were traded per trading day in 2013, an increase of 124.7%. The value of the shares traded increased by 248.2% to 350 million euros in 2013 (2012: 101 million euros).

The performance of Arseus and the indices in 2013



Shareholder structure

Arseus received the following notifications of shareholding (status as at 8 April 2014[1]) 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	26.04%
Alychlo NV / Coucke	653,376	2.08%
BNP Paribas Investment Partners SA	1,609,182	5.13%
JP Morgan Asset Management UK Ltd.	945,138	3.01%
Arseus NV (treasury shares)	881,378	2.81%
Public	19,102,376	60.93%
Total	**31,358,358**	**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.

[1] On 9 April 2014 EnHold NV announced via a press release it had sold all of the shares it held in Arseus NV.

Dividend

A proposal will be submitted to the Annual General Meeting of Shareholders to be held on 12 May 2014 to issue a gross dividend of 0.72 euros per share, an increase of 20% compared to the dividend of 0.60 euros per share in 2012. The net dividend will amount to 0.54 euros per share. This is the gross dividend less 25% Belgian dividend withholding tax.

Investor Relations Policy

Arseus attaches substantial value to good, open and timely communication with its investors, analysts and others with (financial) interests in the company with the aim of informing them as effectively and as 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 share. 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:

Marieke Palstra
Director Investor Relations
+31 88 33 11 213
marieke.palstra@arseus.com

Financial calendar

12 May, 3.00 pm	General Meeting of Shareholders in Waregem
5 August*	Half-year figures 2014
8 October*	Trading update, third quarter 2014

*Results and trading updates are published at 7.30 CET.

Fagron Innovation

Robert is suffering neuropathic pain

Robert (60) is suffering neuropathic pain. The pain is profoundly and negatively affecting Robert's quality of life. Robert is unable to work, his chronic pain has become debilitating and his social life has been adversely affected.

The challenge

Oral treatment with NSAIDs, anticonvulsants and antidepressants that Robert was treated with, are partly effective but produced intolerable side effects as intractable sedation, drowsiness and nausea. Also, Robert finds it unpleasant to take different pills several times a day. It is challenging not to forget one.

The solution

With the focus on patient, prescriber and pharmacist, Fagron offers unique solutions that add significant value in the individualized treatment of patients with specific needs. Also for Robert.

The cure

Robert's GP prescribes a transdermal cream with three drugs: Amitriptyline 2%, Gabapentin 4% and Ketoprofen 10% in Pentravan®. The pharmacist easily compounds a vanishing transdermal cream that leaves no sticky residue. The transdermal administration of these drugs result in effective local treatment of the pain with lower dosage, while minimizing side effects. With the compounded Pentravan® cream, Robert's pain is successfully controlled.

ARSEUS
Driving superior care

Report of the Board of Directors

Report of the Board of Directors on the consolidated financial statements

Consolidated income statement[2]

After the decision by the Board of Directors of Arseus to sell the remaining dental and medical activities, the profit and loss from these activities have been included as discontinued operations and the assets and liabilities from these operations are included in the item assets and liabilities held for sale. Consequently all the subsequent notes relating to turnover and profit in 2013 and 2012 refer to the continuing operations (Fagron, Corilus and HL Technology).

In 2013 the Board of Directors of Arseus started an analysis of strategic options both within and outside Arseus for the Healthcare Solutions and Healthcare Specialties divisions. Based on this analysis Arseus sold the French dental distribution activities. Another important step in the context of the strategic analysis was the sale of the dental software, lab and distribution activities in the Netherlands.
In February 2014 the Board of Directors of Arseus decided to sell all remaining dental and medical activities in 2014. As a result of this, Arseus will transform into a purely scientific R&D business which provides innovative solutions and concepts to compounding pharmacies worldwide and total ICT solutions to medical professionals in Belgium, the Netherlands and France. This means that from 2014, Arseus will consist of three divisions: Fagron, Corilus and HL Technology. Fagron is the global market leader in pharmaceutical compounding. Corilus develops and supplies medical specialists with unique integrated ICT solutions with substantial added value. Corilus is the market leader in Belgium and in selected segments in France and the Netherlands. HL Technology develops and produces innovative precision components for the dental and orthopaedic industry.

The operating income increased by 14.6% from 337.787 million euros in 2012 to 387.178 million euros in 2013. The net turnover represented 99.7% of the operating income and increased by 14.4%, from 337.500 million euros in 2012 to 386.119 million euros in 2013. Organic growth amounted to 8.6% (12.6% at constant exchange rates) in 2013.

In 2013, Fagron realised turnover growth of 15.5% (20.3% at constant exchange rates), 9.1% of which was organic (13.7% at constant exchange rates). REBITDA increased by 31.9% to 84.966 million euros. The continued strong results confirm the success of Fagron's strategy, which is focused on successfully optimising and innovating pharmaceutical compounding worldwide. Fagron develops and supplies innovative concepts that enable pharmacists to fulfil the specific needs and personal wishes of patients worldwide. In 2013 Fagron further strengthened its position as global market leader in pharmaceutical compounding with acquisitions in North and South America. Fagron acquired US-based Freedom Pharmaceuticals in April 2013. Freedom Pharmaceuticals is a leading supplier of pharmaceutical raw materials, excipients, bases and capsules to independent compounding pharmacies in the United States. In November 2013 Fagron announced the acquisition of Brazil-based Alternate Technologies, a leading developer and supplier of innovative software and technology tools for pharmaceutical compounding. In France supply chain agreements were signed with two compounding pharmacies. In December 2013 Fagron introduced its first global concept, Fagron Advanced Derma. This is an innovative total concept which offers both prescribers and pharmacists a total solution for treating patients with dermatological conditions. In January 2014 Fagron introduced its second global

[2] On the basis of continuing operations (Fagron, Corilus, HL Technology).

concept, SyrSpend® SF Concept. This concept provides support and ready-made solutions from the moment of prescription through to the ultimate preparation, delivery and administration of oral medication produced through compounding.

Corilus' turnover increased organically in 2013 by 14.1% to 43.408 million euros, while the REBITDA increased by 15.0% to 12.949 million euros. In 2013 Corilus further strengthened its leading market position as leading supplier of innovative ICT total solutions for medical specialists in Belgium, France and the Netherlands. This strong growth is the result of strong organic turnover growth in combination with the acquisitions of HealthConnect and Soft33. HealthConnect is market leader in Belgium in innovative ICT projects and integration software for the healthcare sector. Corilus acquired Belgian company Soft33 in the second quarter of 2013. Soft33 is an important supplier of software for homecare nurses. The strategy for 2014 is aimed at further strengthening Corilus' leading market position in Belgium, the Netherlands and France through organic growth and acquisitions.

HL Technology, the division focused on developing innovative precision components for healthcare, achieved turnover of 7.726 million euros in 2013, a decrease of 17.6% compared to 2012. The REBITDA margin decreased to 0.5%. Last year was a difficult year for Swiss HL Technology. The cautious investment climate caused the turnover at HL Technology to be lower than budgeted. In 2013 HL Technology still suffered from the strong Swiss franc, which adversely affected its international competitive position. In line with the strategy of innovation, HL Technology developed and launched new dental and medical orthopaedic products with added value, such as the Hader Lucky, in 2013. This is the latest surgical torque wrench and is a high-precision dental instrument used by dental surgeons for tightening dental implants. The use of the Hader Lucky also minimises the risk of contagion and infection for the patient thanks to a simple cleaning and sterilisation procedure.

The gross margin (the difference between turnover on the one hand and trade goods, raw and auxiliary materials on the other) amounted to 230.602 million euros in 2013. This represented 59.7% of the turnover. The gross margin in 2012 was 56.0%.

The total operating expenses, defined as services and various goods, employee benefit expenses and other operating expenses minus other operating income, amounted to 142.558 million euros, an increase of 20.907 million euros compared to 2012. The cost coverage, defined as operating expenses versus gross margin, was 61.8% in 2013.

Depreciation and amortisation increased by 3.4% from 13.666 million euros in 2012 to 14.134 million euros in 2013.

The operating result was 73.909 million euros, representing 19.1% of the turnover. This was an increase of 20.121 million euros compared to 2012. In 2012, the operating result was 53.788 million euros, representing 15.9% of the turnover.

The financial result amounted to -21.331 million euros compared to -10.393 million euros in 2012. This increase is due to an increase in the net financial debt, higher exchange rate differences and an average increase in interest rates.
The financial derivatives were subject to a positive revaluation of 1.285 million euros in 2013. This positive revaluation was the result of a rising trend in the interest rate. This interest rate hedge does not qualify for hedge accounting according to IAS 39. Excluding the revaluation of the financial derivatives, the financial result amounted to -22.616 million euros.

This brought profit before taxes to 52.578 million euros, an increase of 9.182 million euros compared to 2012.

The effective tax rate as a percentage of the profit before taxes was 16.7%.

The net profit in 2013 totalled -32.030 million euros, a decrease of 173.1% in comparison to 2012. This decrease was caused by the net result of the discontinued operations.

Consolidated balance sheet[3]

The consolidated balance sheet total increased by 7.5% from 748.894 million euros in 2012 to 804.693 million euros in 2013.

Assets

Because of the decision to dispose of the remaining dental and medical activities, the assets for these activities have been transfered to 'assets held for sale' and 'liabilities related to assets held for sale'.

Total non-current assets amounted to 492.100 million euros, an decrease of 19.187 million euros compared to 2012. Intangible assets decreased by 17.279 million euros to a total of 400.587 million euros. The increase in intangible assets was due to the inclusion of goodwill from the acquisitions of Freedom Pharmaceuticals, Alternate Technologies and several smaller parties. The decrease in the intangible assets was due to the sale of the dental activities in 2013 and the transfer of the assets held for sale after the decision from the Board of Directors to dispose of the remaining dental and medical activities in 2014.

Property, plant and equipment decreased by 11.801 million euros to a total of 47.454 million euros. This decrease was due to the sale of the dental activities in 2013 and the transfer of the assets to 'assets held for sale'.

The net operational capital expenditures amounted to 15.822 million euros, representing 4.1% of the 2013 turnover. The net operational capital expenditures included investments in R&D, automation and the investment in the new compounding pharmacy in Bornem, Belgium.

Financial assets amounted to 0.867 million euros.

Deferred tax assets represented a value of 28.292 million euros.

The other non-current assets amounted to 14.900 million euros.

Total current assets amounted to 236.536 million euros in 2013 compared to 237.607 million euros in 2012, a decrease of 1.071 million euros. The key changes were the decrease in stock by 27.046 million euros (31.5%), the decrease in trade receivables by 33.382 million euros (53.0%), and the increase in cash and cash equivalents by 56.519 million euros (78.1%).

Equity and liabilities

Because of the decision to dispose of the remaining dental and medical activities, the liabilities relating to these activities have been transfered to 'liabilities related to assets held for sale'.

Total equity amounted to 155.168 million euros. This represented a decrease of 90.018 million euros in comparison to 2012. The decrease was caused by a net loss of -32.030 million euros, currency exchange rate differences mainly explained by the Brazilian Real of -22.896 euros, dividend payment of 18.842 million euros and 17.579 million euros relating to the purchase of own shares in 2013.

Total liabilities increased from 503.708 million euros in 2012 to 649.525 million euros in 2013. This represented an increase of 145.817 million euros.

Provisions increased by 5.678 million euros to 9.197 million euros. The increase is mainly related to the discontinued operations.

Pension obligations in 2013 amounted to 4.286 million euros, a decrease of 14.3% in comparison to 2012.

Deferred tax liabilities related to, among other things, temporary differences between reporting and fiscal accounting at the local entities. These amounted to 4.451 million euros in 2013 against 2.466 million euros in 2012.

[3] The opening balance sheet and closing balance sheet for 2012 have been revised for the application of IAS 19 Revised.

Non-current interest-bearing financial liabilities (long-term borrowings) amounted to 368.698 million euros in 2013, an increase of 68.094 million euros against 2012. Current interest-bearing financial liabilities (short-term borrowings) amounted to 55.004 million euros in 2013, an increase of 50.193 million euros against 2012.
As at 31 December 2013, net financial debt (total current and non-current interest-bearing financial liabilities plus other long-term liabilities less cash and cash equivalents) amounted to 289.181 million euros, versus 233.117 million euros at year-end 2012. At year-end 2013 the net financial debt/annualised REBITDA ratio was 2.61, fully in compliance with the covenant under the credit facility, which sets a maximum ratio of 3.25.

Short-term trade payables were 42.090 million euros less than in 2012 (i.e. 43.1% lower), amounting to 55.551 million euros.

Taxes, remuneration and social security amounted to 28.842 million euros, a decrease of 5.547 million euros in comparison to 2012.

Other current payables amounted to 90.968 million euros in 2013, versus 51.477 million euros in 2012.

Consolidated cash flow statement

The consolidated cash flow statement takes as its starting point the profit before taxes of -21.618 million euros.

From this amount are deducted the outgoing cash flows before taxes, being 10.299 million euros. This amount includes all taxes effectively paid during 2013. Then the elements from operating activities not having a cash flow effect or not directly related to operating activities are reintroduced. This represented a total of 104.769 million euros. A significant portion related to paid interest (19.403 million euros) recognised as cash flows from financing activities (see below) less the positive revaluation of financial derivatives (1.285 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 (negative effect of 9.774 million euros). The total cash flow from operating activities amounted to 63.078 million euros, a decrease of 6.9% in comparison to 67.744 million euros in 2012.

Total cash flows from investing activities produced an outflow of 63.533 million euros relating to capital expenditures in the amount of 15.822 million euros and payments for existing shareholdings (subsequent payments) and new holdings in the amount of 101.317 million euros. The proceeds of the sale of operations produced an inflow of 53.606 million euros.

The total of cash flows from financing activities represented an inflow of 66.525 million euros. The new borrowings producing an inflow of 129.161 million euros. The outflow of cash flows consist of: payment of interest on loans and other financial elements such as financial discounts produced an outflow of 19.403 million euros, dividend payment of 18.766 million euros, share buyback of a total amount of 18.252 million euros and the repayment of borrowings in the amount of 7.009 million euros.

Total cash and cash equivalents increased by 63.060 million euros: from 72.352 million euros at the start of the reporting period to 135.412 million euros at the end of the reporting period. The difference of 63.060 million euros was due to new borrowings, receipts for assets held for sale and payments for existing shareholdings (subsequent payments) and new holdings. The difference of 3.009 million euros between the changes of cash and cash equivalents of 66.069 million euros and the increase in cash of 63.060 million euros, is explained by currency exchange differences.

Significant events after balance sheet date

See note 32 to the financial annual report for significant events after balance sheet date.

Description of risk management

For this, see note 3, as included in the Notes to the consolidated financial statements.

Fagron Innovation

Sophie is suffering from a severe skin itch

A mother approached a dermatologist with her daughter, Sophie, who was experiencing a relapsing atopic dermatitis. Sophie suffered from an itch, which caused scratching, rash and inflammation that affected sleep.

The challenge

Sophie had been treated with corticosteroids before, but her mother was afraid of using them. To nourish her daughter's dehydrated skin, she had bought a generic cosmetic product for the maintenance phase. However, Sophie disliked the application procedure.

The solution

By compounding with the unique Fagron trademark vehicles from Fagron Advanced Derma, pharmacists are able to deliver exclusive solutions that add significant value and offer tailor-made treatment to patients. Patient satisfaction, therapy compliance and patients' quality of life are thus improved.

The cure

The dermatologist prescribed hydrocortisone acetate 1% and dexpanthenol 5% in Versatile™ Rich to treat the rash and itch during the exacerbation phase. He also explained the safety aspects of hydrocortisone. For the maintenance phase, the doctor prescribed Versatile™ Rich, which turned out to be a very good choice. The skin condition improved dramatically, and subsequently both daughter and parents were able to get a good night's rest.

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 2013 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 2013.

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 Mr Peek, Mr Stols and Mr Vandewalle end after the General Meeting of the year 2014. The Board of Directors proposes that they be reappointed for a term of four years which will expire after the General Meeting of 2018.
The renewal of their term will therefore be included as an item on the agenda for the Annual General Meeting of 12 May 2014.
The current terms of Mr Van Jeveren, Mr Peeters and Mylecke Management, Art & Invest NV represented by Mr Coucke end after the General Meeting of the year 2015. The current terms of Supplyco B.V., WPEF IV Holding Coöperatief W.A. and EnHold NV end after the General Meeting of the year 2017.

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	End of term on 31 August 2013
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 term of Mr Verbakel ended in mutual consent on 31 August 2013.

The terms of Ariom BVBA and Essensys NV ended on 28 February 2014. The Board of Directors proposes to reappoint them for a new four year term ending after the General Meeting of 2018.

The terms of Mr Van Jeveren and Mr Peeters 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 – end of term on 31 August 2013

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.

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 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 2013.

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 2013

Board of Directors

In 2013, 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 six times in 2013 (5 February, 21 March, 13 May, 1 August, 30 October (conference call) and 5 December).
All directors attended these meetings, unless stated otherwise below:

- 21March: absent: Mr Johannes Stols
- 13 May, 30 October and 5 December: absent: Mr Luc Vandewalle

The Board of Directors adopted the following decisions by means of written resolutions:

- 11 June 2013: determination of 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;
- 11 July 2013: determination in mutual consent of the end of the term of Mr Verbakel as member of the Executive Committee as from 31 August 2013.

The non-executive directors met separately on two occasions in 2013 (on 5 February and 13 May); 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 Vandewalle who was absent on the meeting of 13 May 2013.

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 2013 (5 February, 1 August and 5 December). All members of the Audit Committee attended these meetings.
Mr Van Jeveren, Mr Peeters and Mr Peek attended the meetings 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 five occasions in 2013 (21 March, 25 March, 29 March, 18 April and 29 April). All members of the Nomination and Remuneration Committee attended these meetings.

Mr Van Jeveren was present at the meeting of the Nomination and Remuneration Committee of 29 March and 29 April.

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 2014 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 2013.

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 §2 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.

On 13 June 2013, 79,844 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 31,358,358. The total number of voting rights (denominator) is 31,358,358. The authorised capital amounts to 321,384,974.57 euros.

At the time of preparation of this annual report, therefore, the capital amounts to three hundred twenty one million three hundred eighty-four thousand nine hundred seventy-four euros and fifty-seven cents (321,384,974.57 euros) represented by thirty-one million three hundred fifty-eight thousand three hundred fifty-eight (31,358,358) shares, without indication of nominal value but with an accounting par value of one thirty-one million three hundred fifty-eight thousand three hundred fifty-eighth (1/31,358,358th) part of the capital.

Shareholder structure and notifications of shareholding

Based on the notifications of shareholding received by the Company as of 8 April 2014[1], 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	26.04%
Alychlo NV/Coucke	653,376	2.08%
BNP Paribas Investment Partners	1,609,182	5.13%
JP Morgan Asset Management UK Ltd.	946,804	3.02%
Arseus NV (treasury shares)	881,378	2.81%
Public	19,100,710	60.92%
Total	**31,358,358**	**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%.

[1] On 9 April 2014 EnHold NV announced via a press release it had sold all of the shares it held in Arseus NV.

Conflicts of interest

The procedure from Article 523 of the Belgian Companies Code was applied twice in 2013, during the meetings of the Board of Directors on 5 February 2013 (Approval of the amendment of the exercise period for the warrants in Warrant Plan 2) and on 13 May 2013 (Grant discharge to the board members). The passage from the minutes regarding the particular decision is presented verbatim below, stating the reasons for the conflict of interest as well as an explanation and the property-law consequences for the Company.

Extract from the minutes of the Board of Directors of 5 February 2013:

Approval of the amendment of the exercise period for the warrants in Warrant Plan 2.
Since the warrants were converted into stock options after the expiration of the initial period of the Warrant Plan, Ger and Jan recommend to the Board of Directors that the exercise period of these warrants converted into stock options is amended so that it is the same as the other options from the existing stock option plans.

DECISION: The Board of Directors decided unanimously, in accordance with Article 8.1 of Warrant Plan 2, to amend the exercise period for the warrants from the month of May into the month of April, as set out in Article 6.1 of Warrant Plan 2. The Board of Directors will inform the beneficiaries under Warrant Plan 2 of this in writing.
In this respect, the Board of Directors notes that given the decision by the Board of Directors of 13 July 2009 to extend the exercise period for the warrants under Warrant Plan 2, the warrants only give entitlement to existing shares of the Company during the extension period and that the beneficiaries are therefore option holders.

CONFLICT OF INTEREST: The following directors declare that they have a proprietary interest, directly or indirectly, which conflicts with a decision or action by the Board or that is referred to in Article 523 of the Belgian Companies Code.

Statement of the directors
Ger van Jeveren, Jan Peeters, Robert Peek, Hans Stols, Luc Vandewalle and Couckinvest NV, represented by Marc Coucke declare that they have a potentially direct or indirect conflict of interest in the sense of Article 523 of the Belgian Companies Code with respect to the amendment of the exercise period of stock options issued under the warrant plan that focuses on the allocation of warrants to directors and consultants (Warrant Plan 2). The directors mentioned above have, after all, a number of stock options and would receive, as a result of the amendment, stock with coupon rate for the previous financial year. The directors confirm that they will inform the Statutory Auditor of the Company of this conflict of interest. In accordance with Article 523 of the Belgian Companies Code, the directors listed above will not participate in the deliberations or vote on this agenda item.

(b) Grounds for justification and accountability of decisions
Within the framework of Warrant Plan 2, the Company intends to create an incentive for individuals who can make an important contribution to the success, growth and value creation of the Company. The amendment of the exercise period of the stock options offers the beneficiaries the perspective of receiving an additional distribution on coupon rate attached to the share (and therefore a dividend) based on the results of the previous financial year, when this is not the case in the current situation since the next coupon attached to the shares relates only to the results of the current financial year, i.e. the year in which the stock is transferred. In this way, the objective of Warrant Plan 2 to create an incentive is strengthened.

(c) Financial consequences for the Company
The financial consequences for the Company consist of when the Company wishes to pay out a certain amount of dividend per share, the total amount in dividend will increase given the fact that there will be more shares that give the right to dividend. However, if the Company should decide to distribute a certain percentage of the available profit, only the dividend per share will decrease. Since the future earnings and dividend distributions are difficult to estimate, it is impossible to determine the specific financial consequences for the Company at this time.

(d) Company's interest
Based on the reasoning in paragraph (b) described above, the Board of Directors believes that the decision is in the interest of the Company."

Extract from the minutes of the Board of Directors of 13 May 2013:

Discharge to the members of the Executive Committee – for approval
Prior to the discussions on this point, Mr Van Jeveren and Mr Peeters point out that they have a potential conflict of interests in the sense of article 523 of the Belgian Companies Code in granting discharge to themselves as members of the Executive Committee for the 2012 financial year.

This conflict of interest lies for both of them in the fact that they are directors of the Company and members of the Executive Committee during the 2012 financial year.
Mr Van Jeveren and Mr Peeters will inform the Statutary Auditor of the Company of their conflict of interest. Both of them will not further participate in the discussions and decisions or votes regarding the discharge to the members of the Executive Committee and leave the board meeting when the Board of Directors decides on the discharge to Mr Van Jeveren and Mr Peeters.

Justification and explanation of the decision to be taken
The proposed decision concerns the discharge of the members of the Executive Committee individually for the fulfillment of their mandate during the financial year 2012. During the 2012 financial year, the Board of Directors received a complete insight in all minutes and decisions of the Executive Committee which enabled the Board of Directors to assess that the individual members of the Executive Committee have fulfilled their mandate during the 2012 financial year correctly.

Property-law consequences for the Company of the discharge
Approving discharge has as a consequence that each member of the Executive Committee can not be held liable anymore personally by the Board of Directors on a financial level for faults and infringements during the fulfillment of their mandate.

RESOLUTION: the Board of Directors decides unanimously, by separate vote, to approve the discharge to each of the members of the Executive Committee (Ger van Jeveren, Jan Peeters, Frank Verbakel, Ariom BVBA represented by Mario Huyghe and Essensys NV represented by Dirk Van Lerberghe as manager of Loemax BVBA) individually for the way in which they fulfilled their mandate during the 2012 financial year.

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 1,468,522 treasury shares during the past financial year. On 31 December 2013, Arseus owned 881,378 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 2011, 20,749 warrants were exercised under Warrant Plans 1 and 2. On 16 June 2011, 20,749 new shares were issued as a result of exercising warrants under Warrant Plans 1 and 2.

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.

During 2013, 79,844 warrants were exercised under Warrant Plans 1 and 2. On 13 June 2013, 79,844 new shares were issued as a result of exercising warrants under Warrant Plans 1 and 2. In addition, 875,000 warrants under Warrantplan 2 were exercised for which existing shares in the Company were delivered in conformity with the decision of the General Meeting of 10 May 2010.

For further details regarding the modalities of Warrant Plans 1 and 2 and the movements of the number of warrants during the 2013 financial year, please refer to note 22 to the consolidated financial statement.

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.
In 2013, 328,250 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 2013 financial year are provided in note 22 to the consolidated financial statement.

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 2013 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 PricewaterhouseCoopers Bedrijfsrevisoren, a company governed by Belgian law with registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, and administrative headquarters at Wilsonplein 5G, 9000 Ghent, represented by the professional partnership Peter Van den Eynde BVBA, with registered office at Gentstraat 65C, 9170 Sint-Gillis-Waas, which is in turn represented by its permanent representative Mr Peter Van den Eynde. CVBA PricewaterhouseCoopers Bedrijfsrevisoren was appointed in 2013 as Arseus' Statutory Auditor for a term of three financial years, ending on the date of the Annual General Meeting to be held in 2016. PricewaterhouseCoopers Bedrijfsrevisoren receives a total annual remuneration of 491,000 euros. Details about the remuneration of the Statutory Auditor in 2013 can be found in note 31 to the financial statement.

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 2013:

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 2013 for the policy for executive directors and members of the Executive Committee:
On the one hand there is a fixed remuneration. 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. In 2013 a total of 295,000 stockoptions under the Stock Option Plan 2009 were exercised by the executive members of the Board of Directors or the 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.
In 2013, no stock options were exercised under the Stock Option Plan 2011 by the executive members of the Board of Directors or the members of the Executive Committee.

More details on the warrants/stock options can be found in this Remuneration Report in note 22.

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 2013 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, 2013) 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 2014 and 25% in 2015. 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 2013 remuneration package

Information on remuneration (x 1,000 euros)	CEO	Total excluding CEO	Note
Base salary / remuneration	500	1,174	This concerns gross salaries of two members and management remunerations of the other members of the Executive Committee.
Variable remuneration	600	410	This concerns the variable remuneration on 2013 effectively paid out in 2014.
Pensions and other remuneration	32	30	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.
Share options/warrants	325,000	265,000	

The table below contains information on the warrants allocated under Warrant Plan 2 and the stock options allocated. Note 22 in this annual report contains further details of Warrant Plan 2 and the Stock Option Plan.

Information on stock options	Balance at 31/12/2012	Granted in 2013	Exercised in 2013	Balance at 31/12/2013
CEO–Ger van Jeveren	950,000	0	625,000	325,000
Jan Peeters	530,000	0	375,000	155,000
Frank Verbakel	115,000	0	50,000	65,000
Mario Huyghe	40,000	0	20,000	20,000
Dirk Van Lerberghe	50,000	0	25,000	25,000

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 maximum 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.

As a consequence of the termination in mutual consent of the term of Mr Verbakel on 31 August 2013, the severance package of Mr Verbakel was set at 18 months remuneration.

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 2013

6 February 2013	Consolidated results 2012 EBIT increased 25.5% to € 58.1 million
9 April 2013	Trading update, first quarter 2013 Arseus turnover increases to € 133.3 million
2 August 2013	Interim financial information 2013 Innovation strategy results in strong increase of gross margin and profitability
8 October 2013	Trading update, third quarter 2013 Arseus achieves organic growth of 10.0%

Periodic press releases and information in the period from 1 January 2014 to 8 April 2014

7 February 2014	Consolidated results 2013 Arseus achieves turnover growth of 18.6% and organic growth of 12.6%
8 April 2014	Trading update, first quarter 2014 Turnover Arseus increased by 26.6%

Occasional press releases and information 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 20133	Disclosure of acquisition of treasury shares
12 April 2013	Convocation to the annual general meeting of Arseus
15 April 2013	Change to method of calculating turnover growth at constant exchange rates
25 April 2013	Acquisition of United States based Freedom Pharmaceuticals
30 April 2013	Disclosure of received notification
30 Arpil 2013	Publication of Guarantor List and Compliance Certificate
8 May 2013	Disclosure of acquisition of treasury shares
14 May 2013	Annual General Meeting of Arseus approves all motions
17 May 2013	Disclosure of acquisition of treasury shares
21 May 2013	Disclosure of received notification
4 June 2013	Disclosure of acquisition of treasury shares
13 June 2013	Disclosure of acquisition of treasury shares
13 June 2013	Exercise of warrants increases capital of Arseus
24 June 2013	Disclosure of acquisition of treasury shares
3 July 2013	Disclosure of acquisition of treasury shares
4 July 2013	Arseus divests Belgium based Dorge Medic
12 August 2013	Disclosure of acquisition of treasury shares
13 August 2013	Disclosure of received notifications
22 August 2013	Disclosure of acquisition of treasury shares
2 September 2013	Disclosure of acquisition of treasury shares
11 September 2013	Disclosure of acquisition of treasury shares

24 September 2013	Disclosure of received notification
30 September 2013	Publication of Guarantor list and Compliance Certificate
7 November 2013	Acquisition of Alternate Technologies in Brazil
7 November 2013	Arseus to divest French dental distribution activities
16 December 2013	Euronext introduces stock options on Arseus

Occasional press releases published in the period from 1 January 2014 to 8 April 2014

6 January 2014	Arseus divests dental activities to Henry Schein
28 February 2014	Disclosure of received notification
3 March 2014	Disclosure of received notification
21 March 2014	Arseus in the Amsterdam Midcap Index
21 March 2014	Arseus: Disclosure of received notification
31 March 2014	Disclosure of received notification
8 April 2014	Waterland announces private placement of Arseus shares

Notifications of shareholding received

27 March 2013	Arseus NV
23 April 2013	Arseus NV
21 May 2013	Ger van Jeveren
8 August 2013	BNP Paribas Investment Partners SA
8 August 2013	Ger van Jeveren
19 September 2013	Alychlo NV, Marc Coucke

Notifications of shareholding received in the period from 1 January 2014 to 8 April 2014

26 February 2014	Alychlo NV/Marc Coucke
28 February 2014	Alychlo NV/Marc Coucke
18 March 2014	JP Morgan Asset Management UK Ltd.
27 March 2014	JP Morgan Asset Management UK Ltd.
28 March 2014	JP Morgan Asset Management UK Ltd.

Fagron Innovation

Eva is spitting up and crying after feeding

Eva (2) is frequently spitting up and crying after feeding. Her parents notice weight loss. After consultation with her pediatrician Eva is diagnosed with gastroesophageal reflux disease (GERD). To effectively help Eva, her pediatrician wants to treat Eva with Omeprazole.

The challenge

Because of her age, Eva is not able to take the Omeprazole as a tablet or capsule, nor from a spoon.

The solution

With the focus on patient, prescriber and pharmacist, Fagron offers unique solutions that add significant value in the individualized treatment of patients with specific needs. Also for Eva.

The cure

Fagron Omeprazole & SyrSpend® SF Alka kit has a pleasant taste which translates to greater patient satisfaction and improved compliance. It offers all the tools that are needed to prepare an Omeprazole suspension in three simple steps.

ARSEUS
Driving superior care

Financial

Annual Report 2013

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FINANCIAL ANNUAL REPORT 2013

Consolidated financial statements

The Report of the Board of Directors and Corporate Governance Statement, as reported before, are an integral part of the consolidated financial statements.

Statement

We declare that, to the best of our knowledge, the consolidated financial statement for the year ended 31 December 2013, 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
28 March 2014

Consolidated income statement

(x 1,000 euros)	Note	2013	2012 Restated[1]
Operating income		**387,178**	**337,787**
Turnover	6	386,119	337,500
Other operating income	7	1,059	287
Operating expenses		**313,269**	**283,998**
Trade goods		155,518	148,395
Services and other goods		59,512	52,626
Employee benefit expenses	8	83,429	69,225
Depreciation and amortisation	9	14,134	13,666
Other operating expenses	10	676	87
Operating profit		**73,909**	**53,788**
Financial income	11	2,451	1,309
Financial expenses	11	(23,782)	(11,702)
Profit before income tax		**52,578**	**43,396**
Taxes	12	8,795	(7,490)
Profit for the year from continuing operations		**43,783**	**50,886**
Profit (loss) for the year from discontinued operations (attributable to equity owners of the company)	13	(75,813)	(7,065)
Profit (loss) for the year		**(32,030)**	**43,821**
Profit (loss) attributable to:			
Equity holders of the company (net result)		(32,102)	43,906
Non-controlling interest		72	(85)
Profit (loss) for the year		**(32,030)**	**43,821**
Earnings (loss) per share from continuing and discontinued operations attributable to owners of the parent during the year			
Profit (loss) for the year per share (in euros)	**14**	**(1.05)**	**1.44**
From continuing operations	14	1.43	1.67
From discontinued operations	14	(2.47)	(0.23)
Diluted profit (loss) for the year per share (in euros)	**14**	**(1.03)**	**1.42**
From continuing operations	14	1.41	1.64
From discontinued operations	14	(2.44)	(0.23)
Recurring net profit per share (in euros)	14	1.30	1.62
Diluted recurring net profit per share (in euros)	14	1.28	1.59

[1] The income statement of 2012 is restated for the application of IFRS 5 and IAS 19 Revised and the presentation of financial income and financial expenses.

Consolidated statement of comprehensive income

(x 1,000 euros)	Note	2013	2012 Restated[2]
Profit for the year		**(32,030)**	**43,821**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	24	137	(1,536)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		(22,896)	(9,030)
Other comprehensive income from the year, net of tax		**(22,759)**	**(10,566)**
Total comprehensive income for the year		**(54,789)**	**33,255**
Attributable to:			
Equity holders of the company		(54,651)	33,284
Non-controlling interest		(138)	(29)
Total comprehensive income for the year		**(54,789)**	**33,255**
Total comprehensive income for the year attributable to equity holders of the company:			
From continuing operations		21,162	40,349
From discontinued operations	13	(75,813)	(7,065)
		(54,651)	**33,284**

[2] The statement of comprehensive income of 2012 is restated for the application of IFRS 5 and IAS 19 Revised.

Consolidated statement of financial position

(x 1,000 euros)	Note	31 December 2013	31 December 2012 Restated	1 January 2012 Restated[3]
Non-current assets		**492,100**	**511,287**	**446,376**
Intangible assets	15	400,587	417,866	367,069
Property, plant and equipment	16	47,454	59,255	57,150
Financial assets	17	867	843	819
Deferred tax assets	18	28,292	32,296	20,368
Other non-current assets	17	14,900	1,027	969
Current assets		**236,536**	**237,607**	**233,856**
Inventories	19	58,917	85,963	76,643
Trade receivables	20	29,611	62,993	75,956
Other receivables	20	19,137	16,299	11,407
Cash and cash equivalents	20	128,871	72,352	69,850
Assets held for sale	**21**	**76,057**		
Total assets		**804,693**	**748,894**	**680,232**
Equity	**22**	**155,168**	**245,186**	**221,790**
Shareholders equity (parent)		170,050	246,984	227,014
Treasury shares		(18,495)	(5,552)	(9,004)
Non-controlling interest		3,613	3,754	3,780
Non-current liabilities		**389,097**	**315,337**	**11,397**
Provisions	23	9,197	3,519	1,051
Pension obligations	24	4,286	4,999	2,546
Deferred tax liabilities	18	4,451	2,466	1,932
Borrowings	25	368,698	300,604	4,350
Financial instruments	25	2,463	3,749	1,517
Current liabilities		**230,364**	**188,371**	**447,045**
Borrowings	25	55,004	4,865	254,057
Financial instruments	25			1,935
Trade payables		55,551	97,641	94,194
Taxes, remuneration and social security	18	28,842	34,389	37,338
Other current payables	26	90,968	51,477	59,521
Liabilities directly associated with assets classified as held for sale	**21**	**30,064**		
Total liabilities		**649,525**	**503,708**	**458,442**
Total equity and liabilities		**804,693**	**748,894**	**680,232**

[3] The opening and closing financial position of 2012 is restated for the application of IAS 19 Revised.

Consolidated statement of changes in equity

(x 1,000 euros)	Note	Share capital & share premium	Other reserves	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2012 (as previously reported)		**317,527**	**(199,085)**	**(9,004)**	**107,232**	**216,670**	**3,783**	**220,452**
Effect of changes in accounting policies			1,338			1,338		1,338
Balance at 1 January 2012 (restated)[4]		**317,527**	**(197,747)**	**(9,004)**	**107,232**	**218,008**	**3,783**	**221,790**
Profit for the year					43,906	43,906	(85)	43,821
Other comprehensive income for the year, net of income tax			(10,622)			(10,622)	56	(10,566)
Total comprehensive income for the year		**317,527**	**(208,369)**	**(9,004)**	**151,138**	**251,292**	**3,753**	**255,045**
Capital increase		608				608		608
Purchase of treasury shares				3,451		3,451		3,451
Result on treasury shares[5]				1,290		1,290		1,290
Dividends					(15,228)	(15,228)		(15,228)
Share-based payments[4, 5]			20			20		20
Balance at 31 December 2012 (restated)		**318,134**	**(208,349)**	**(4,263)**	**135,910**	**241,432**	**3,753**	**245,186**
Profit for the year					(32,102)	(32,102)	72	(32,030)
Other comprehensive income for the year, net of income tax			(22,550)			(22,550)	(209)	(22,759)
Total comprehensive income for the year		**318,134**	**(230,899)**	**(4,263)**	**103,808**	**186,781**	**3,615**	**190,396**
Capital increase	22	793				793		793
Purchase of treasury shares	22			(12,942)		(12,942)		(12,942)
Result on treasury shares	22			(4,637)		(4,637)		(4,637)
Dividends	22				(18,842)	(18,842)		(18,842)
Share-based payments	22		400			400		400
Balance at 31 December 2013		**318,927**	**(230,499)**	**(21,842)**	**84,966**	**151,553**	**3,615**	**155,168**

[4] The opening and closing balance of 2012 and the other comprehensive income for the year net of income tax of 2012 is restated for the application of IAS 19 Revised.

[5] 2012 presentation of result on treasury shares has been changed from 'other reserves' to 'treasury shares'.

Consolidated statement of cash flows

(x 1,000 euros)	2013	2012
Operating activities		
Profit before income tax	(21,618)	43,136
Paid taxes	(10,299)	(10,728)
Adjustments for financial items	25,018	14,928
Total adjustments for non-cash items	79,751	16,897
Total changes in working capital	(9,774)	3,511
Total cash flow from operating activities	**63,078**	**67,744**
Investment activities		
Capital expenditure	(15,822)	(19,480)
Investments in existing shareholdings (subsequent payments) and in new holdings	(101,317)	(65,388)
Proceeds from disposal of available-for-sale financial assets	53,606	
Total cash flow from investing activities	**(63,533)**	**(84,868)**
Financing activities		
Capital increase	794	608
Purchase of treasury shares	(18,252)	471
Dividends paid	(18,766)	(15,300)
New borrowings	129,161	302,127
Reimbursement of borrowings	(7,009)	(254,551)
Interest received	1,166	919
Interest paid	(20,569)	(10,446)
Total cash flow from financing activities	**66,525**	**23,827**
Total net cash flow for the period	**66,069**	**6,702**
Cash and cash equivalents – start of the period	72,352	69,850
Gains or losses on exchange on liquid assets	(3,009)	(4,200)
Cash and cash equivalents – end of the period	135,412	72,352
Change in cash and cash equivalents	**66,069**	**6,702**
Cash flows from discontinued operations		
Cash flow from operating activities	(3,026)	7,980
Cash flow from investing activities	(5,399)	(8,766)
Cash flow from financing activities	3,688	(4,576)
Total net cash flow from discontinued operations	**(4,737)**	**(5,362)**

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 statements

1. General information

Arseus NV (the 'Company') and its subsidiaries (together, the 'Group') constitute a multinational group of companies that supplies products, services and concepts to professionals and institutions in the healthcare sector in Europe, North and South America, Australia, Asia, the Middle East and Africa. Arseus is subdivided into three 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 28 March 2014.

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 have been endorsed by the European Union and are mandatory for the first time for the financial year beginning 1 January 2013:

- Amendments to IAS 1 'Presentation of financial statements', effective for annual periods beginning on or after 1 July 2012. The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income.
- IAS 19 Revised 'Employee benefits', effective for annual periods beginning on or after 1 January 2013. Through these amendments significant changes are made to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.
- 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 13 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013. The new standard explains how to measure fair value for financial reporting.
- 'Annual improvements' with minor amendments to five standards for 2013 year ends including IFRS 1,

'First time adoption of IFRS', IAS 1, 'Presentation of financial statements', IAS 16, 'Property, plant and equipment', IAS 32, 'Financial instruments: Presentation' and IAS 34, 'Interim financial reporting'.

IAS 19 Revised changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets, all actuarial gains and losses are recognised immediately through other comprehensive income. These changes have had an impact on the amounts recognised in other comprehensive income, the financial position and statement of changes in equity in prior years. Further details are provided in note 24. The other amendments mainly had an impact on the presentations and the disclosures of the notes to the financial statements.

The following new standards, amendments to standards and interpretations have been endorsed by the European Union and are mandatory for the first time for the financial year beginning 1 January 2013, but do not apply to the group's activities:

- Amendments to IFRS 1 'First-time adoption of IFRSs' related to severe hyperinflation and the removal of fixed dates for first-time adopters. These amendments are effective on or after 1 January 2013.
- Amendments to IFRS 1 'First-time adoption of IFRSs' related to government loans, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. These amendments are effective for annual periods beginning on or after 1 January 2013.
- Amendments to IAS 12 'Deferred taxes', effective on or after 1 January 2013. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.
- IFRIC 20 'Stripping costs in the production phase of a surface mine', effective for annual periods beginning on or after 1 January 2013. IFRIC 20 sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.

The following new standards and amendments to standards 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 2013:

- IAS 27 Revised 'Separate financial statements', effective for annual periods beginning on or after 1 January 2014. The revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 Revised 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2014. The revised standard now includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- IFRS 10 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2014. The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements.
- IFRS 11 'Joint arrangements', effective for annual periods beginning on or after 1 January 2014. The new standard focuses on the rights and obligations rather than the 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 2014. This is a new standard on disclosure requirements for all forms of interests in other entities.
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements' and IFRS 12 'Disclosure of interests in other entities'. The amendments clarify the transition guidance in IFRS 10, and provide additional transition relief (for example by limiting the requirement to provide adjusted comparative information to only the preceding comparative period or, for disclosures related to unconsolidated structured entities,

removing the requirement to present comparative information for periods before IFRS 12 is first applied). These amendments will be effective for annual periods beginning on or after 1 January 2014 which is aligned with the effective date of IFRS 10, 11 and 12.

- 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 IAS 36 'Impairment of assets', effective for periods beginning on or after 1 January 2014. The IASB made consequential amendments to the disclosure requirements of IAS 36 when it issued IFRS 13. One of the amendments was drafted more widely than intended. This limited scope amendment corrects this and introduces additional disclosures about fair value measurements when there has been impairment or a reversal of impairment.
- Amendments to IAS 39 'Financial instruments: Recognition and measurement', effective for annual periods beginning on or after 1 January 2014. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. Similar relief will be included in IFRS 9 'Financial instruments'.
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 27 'Separate financial statements' for investment entities. Effective for annual periods beginning on or after 1 January 2014. The amendments give an exemption to entities that meet an 'investment entity' definition and which display certain characteristics to account for its subsidiaries at fair value.

Management do not anticipate that these new standards, amendments to standards and interpretations will have a significant impact on the group's consolidated financial statements.
No new standards, amendments to standards and interpretations were early-adopted.

The following new standard, amendments to standards and interpretation have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2013 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.
- IFRIC 21 'Levies', effective for periods beginning on or after 1 January 2014. IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.
- 'Annual improvements' with minor amendments to eight standards and is effective for periods beginning on or after 1 July 2014. The amendments relate to IFRS 2 'Definition of vesting condition, IFRS 3 'Accounting for contingent consideration in a business combination', IFRS 8 'Aggregation of operating segments', 'IFRS 8 'Reconciliation of the total of the reportable segments' assets to the entity's assets', IFRS 13 'Short-term receivables and payables', IAS 7 'Interest paid that is capitalised', IAS 16/IAS 38 'Revaluation method—proportionate restatement of accumulated depreciation', IAS 24 'Key management personnel'.
- 'Annual improvements' in response to four issues addressed during the 2011-2013 cycle and is effective for periods beginning on or after 1 July 2014. The amendments include IFRS 1 'Meaning of effective IFRSs', IFRS 3 'Scope exceptions for joint ventures', IFRS 13 'Scope of paragraph 52 (portfolio exception)' and IAS 40 'Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property'.
- Amendment to IAS 19 'Defined benefit plans', effective for periods beginning on or after 1 July 2014. The amendment seeks clarification for the accounting of employee contributions set out in the formal terms of a defined benefit plan.
- Amendment to IFRS 9 'financial instruments' on general hedge accounting, effective date to be determined. The amendment incorporates the new general hedge accounting model which will allow reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting.

Management do not anticipate that these new standards, amendments to standards and interpretations will have a significant impact on the group's consolidated financial statements.
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

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:

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 straight-line 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 or 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 not held for trading and 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.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction than through continuing use. Non-current assets and disposal groups only classify as held for sale when the following criteria are met:

- the asset (or disposal group) is available for immediate sale;
- sale is highly probable;
- management must be committed to the sale;
- sale is expected to be completed within one year from the date of classification.

When Arseus is committed to a sale plan in involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether Arseus will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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. 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 are recognised immediately through other comprehensive income.

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.

Taxation

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. Arseus NV concluded a credit facility of 150 million euros, in July 2012. The credit agreement has a term of five years. 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 2013, the net financial debt/annualised recurring EBITDA ratio was 2.61 (2012: 2.64) and therefore more than satisfied the condition of a debt ratio of maximum 3.25 as agreed in the credit agreement. In addition Arseus concluded two bridge loans, one of 50 million euros and one of 70 million US dollars. Both bridge loans have a maturity date of April 30, 2014. Early 2014, Arseus expects to attract new funding, before the bridge loans expire.

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 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 by approximately 69 thousand euros after taxes (2012: 75 thousand euros). 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 2013, these entities collectively represent just over 44% of the consolidated turnover and over 60% 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 0.771 million euros (0.942 million euros), whereas the impact on equity would amount to 9.627 million euros (11.766 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 1.924 million euros (2.351 million euros). The impact on equity would amount to 2.667 million euros (3.259 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 0.485 million euros (0.592 million euros). The impact on equity would amount to 4.069 million euros (4.973 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 2013, the cumulative revaluation of financial derivatives amounted to -2.463 million euros (2012: -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. 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 2013 was 371.630 million euros (2012: 382.481 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 18.

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 2013 was 4.286 million euros (2012 Restated: 4.999 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 three segments are Fagron, Corilus and HL Technology. 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 into three 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 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 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. **HL Technology** develops and produces innovative healthcare devices. The Swiss based HL Technology operates in the segment of orthopaedic instruments, MedTech- dentistry and other precision components for the dental and medical orthopaedic industry.

The segment results for continued operations for the reporting period ending 31 December 2013 are as follows:

2013 (x 1,000 euros)	Fagron	Corilus	HL Technology	Unallocated	Total
Total turnover	335,033	43,458	8,693		387,184
Intersegment turnover	(47)	(50)	(967)		(1,065)
Turnover	334,986	43,408	7,726		386,119
Operating result per segment	77,992	7,591	(1,303)	(10,371)	73,909
Financial result					(21,331)
Profit before taxes					52,578
Income tax expenses					(8,795)
Profit for the period					**43,783**

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

2012 (x 1,000 euros)	Fagron	Corilus	HL Technology	Unallocated	Total
Total turnover	290,123	38,091	10,354		338,568
Intersegment turnover	(41)	(55)	(973)		(1,069)
Turnover	290,083	38,036	9,381		337,500
Operating result per segment	56,813	6,403	(1,324)	(8,104)	53,788
Financial result					(10,392)
Profit before taxes					43,396
Income tax expenses					7,490
Profit for the period					**50,886**

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

2013 (x 1,000 euros)	Fagron	Corilus	HL Technology	Unallocated	Total
Depreciation and amortisation	4,331	5,259	1,380	3,276	14,246
Write-down on inventories	(375)				(375)
Write-down on receivables	350	(39)	(42)	(7)	263

2012 (x 1,000 euros)	Fagron	Corilus	HL Technology	Unallocated	Total
Depreciation and amortisation	3,751	4,572	1,536	3,728	13,587
Write-down on inventories	121		174		296
Write-down on receivables	158	(10)	(88)	(278)	(217)

The assets and liabilities, and the capital expenditure (investments) for continued operations, are as follows:

2013 (x 1,000 euros)	Fagron	Corilus	HL Technology	Unallocated	Total
Assets	518,970	80,546	22,602	182,576	804,693
Obligations	154,877	23,518	3,304	467,826	649,525
Capital expenditure	4,791	7,976	85	330	13,183

2012 (x 1,000 euros)	Fagron	Corilus	HL Technology	Unallocated	Total
Assets	381,917	60,033	25,136	281,809	748,894
Obligations	111,747	13,608	4,484	373,869	503,708
Capital expenditure	18,523	6,180	645	(5,869)	15,777

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 for continued operations by geographical segments is as follows:

(x 1,000 euros)	2013	2012
Belgium	74,728	72,613
The Netherlands	98,649	94,513
Brazil	82,792	83,860
France	4,120	3,083
Germany	16,150	16,075
Italy	12,296	13,459
United States	49,474	11,372
Poland	13,078	10,730
Switzerland	7,726	9,381
Spain	9,241	9,104
Czech Republic	7,360	6,868
Denmark	6,949	3,334
United Kingdom	2,800	2,900
Colombia	745	206
Argentina	12	1
Total	**386,119**	**337,500**

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

Concerning the geographical segments, Arseus applies the following allocation for assets, for continued operations:

(x 1,000 euros)	2013	2012
United States	113,404	20,973
Brazil	90,176	94,605
Belgium	81,550	67,000
The Netherlands	79,269	80,473
Other	99,409	84,644
Total	**463,808**	**347,695**

For comparison reasons, 2012 is revised for continued operations.

6. Turnover

(x 1,000 euros)	2013	2012
Sale of goods	351,477	308,894
Rendering services	34,642	28,606
Turnover	**386,119**	**337,500**

7. Other operating income

(x 1,000 euros)	2013	2012
Gain on disposal of fixed assets	645	157
Other operating income	414	130
Total other operating income	**1,059**	**287**

8. Employee benefit expenses

(x 1,000 euros)	2013	2012
Wages and salaries	56,031	46,574
Social security costs	12,994	11,798
Pension costs - defined benefit plans	714	657
Pension costs - defined contribution plans	1,033	815
Other post-employment benefit contributions	3,017	418
Other employment costs	9,640	8,962
Total employee benefit expenses	**83,429**	**69,225**

Full-time equivalents continued operations

(rounded at one FTE)	2013	2012
Belgium	368	350
Brazil	528	445
Netherlands	341	321
France	34	27
Germany	68	71
Poland	103	102
Czech Republic	98	93
Switzerland	82	82
United States	145	65
Italy	37	49
Spain	41	36
Denmark	15	17
United Kingdom	14	14
Slovakia		13
Colombia	27	10
Argentina		2
China	2	1
Total	**1,902**	**1,698**

At 31 December 2013, Arseus' workforce (fully consolidated companies), for continued operations, comprised 2,010 employees or 1,901.6 full-time equivalents (2012: 1,819 employees or 1,697.8 full-time equivalents). Of these full-time equivalents, 1,440.9 are attributable to Fagron (2012: 1,269.0), 301.6 to Corilus (2012: 274.1), 82.1 to HL Technology (2012: 82.0) and 77.0 to Arseus Corporate (2012: 72.8).

9. Depreciation and amortisation

(x 1,000 euros)	2013	2012
Depreciation and amortisation	14,246	13,587
Write-down on inventories	(375)	296
Write-down on receivables	263	(217)
Depreciation and amortisation	**14,134**	**13,666**

10. Other operating expenses

(x 1,000 euros)	2013	2012
Increase (decrease) in provisions for current liabilities	(95)	(192)
Increase (decrease) in provisions for pension liabilities	298	(155)
Taxes and levies (excluding income tax)	473	586
Other operating expenses		(152)
Total other operating expenses	**676**	**87**

Non-recurring costs, from continued operations, are not recognised as 'Other operating expenses' but are presented in their originating cost category. The total non-recurring costs, from continued operations, included in the EBIT amount to 4.0 million euros (2012: 2.8 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 1.3 million euros profit in 2013 and 0.3 million euros cost in the financial result of 2012. The total non-recurring costs, from continued operations, 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 2.1 million euros (2012: 3.2 million euros).

11. Financial result

(x 1,000 euros)	2013	2012
Financial income	1,166	919
Revaluation of financial derivatives	1,285	(296)
Interest expenses	(15,364)	(8,656)
Financial expenses	(2,790)	(2,749)
Currency exchange differences	(5,628)	390
Financial result	**(21,331)**	**(10,392)**

The financial results are presented on the face of the consolidated income statement as follows:

(x 1,000 euros)	2013	2012[6]
Financial income	1,166	919
Revaluation of financial derivatives	1,285	
Currency exchange differences		390
Total financial income	**2,451**	**1,309**
Financial expenses	(2,790)	(2,749)
Interest expenses	(15,364)	(8,656)
Currency exchange differences	(5,628)	
Revaluation of financial derivatives		(296)
Total financial expenses	**(23,782)**	**(11,702)**
Total financial result	**(21,331)**	**(10,392)**

The positive revaluation of financial derivatives of 1.285 million euros relates to the change in the market value of the interest rate hedges that are not a cash flow hedge 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 item interest hedging concerns 70 million euros of the total financing

The financial result, excluding the revaluation of the financial derivatives, amounts to -22.6 million euros, an increase of 123.8% compared to 2012. 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 and whose interest counts for a whole year in 2013 compared to a half year in 2012. Furthermore, increased cost are the result of increased currency exchange rate differences, in particular the Brazilian real.

[6] 2012 is revised, the positive currency exchange differences are reported as financial income, previously positive currency exchange differences were deducted from the financial expenses.

12. Income tax expenses

Income tax expenses (income) from continuing operations:

(x 1,000 euros)	2013	2012
Current tax expenses	13,671	9,415
Deferred tax	(4,877)	(16,906)
Income tax expenses (income)	**8,795**	**(7,490)**
Weighted average current tax rate	16.73%	-17.26%
Profit before income tax from continuing operations	52,578	43,396
Tax calculated at weighted average statutory tax rate	17,160	12,525
Income not subject to taxes	(779)	(2,789)
Expenses not deductible for tax purposes	(95)	572
Tax on profit previous years	89	(535)
Other	(7,579)	(17,264)
Income tax expenses (income)	**8,795**	**(7,490)**

In 2013 the line 'Other' mainly includes 4.5 million euros relating to a one-off credit of a deferred tax asset on deductible tax losses in Poland and 3.3 million euros relating to a credit of a deferred tax asset on deductible merger goodwill in Brazil.

In 2012, the line 'Other' includes 20 million euros relating to a credit of a deferred tax asset on deductible merger goodwill in Brazil and 3 million euros relating to a write-down of deferred tax assets at a number of companies because of changes to activities within an company, restructuring within the group, and lagging profitability.

13. Discontinued operations

Late December 2013, Arseus completed the sale of its Dentals software Julie, Arseus Dental Lab, Arseus Dental Solutions Benelux and Arseus Dental Solutions France Ouest to Henry Schein. Together the divested activities represent annual sales of approximately 70 million euros. The proceeds of sale were lower than the carrying amount of the related net assets, therefore management recognised an impairment loss of 11.017 million euros. Further details on the disposed assets and liabilities and the calculation of the gain on the disposal are explained in note 30.

Early November 2013, Arseus completed the sale of the dental distribution activities in the regions Paris, Lille and Lyon to MS Distribution. Together the divested activities represent annual sales of approximately 30 million euros. The proceeds of sale were lower than the carrying amount of the related net assets, therefore management recognised an impairment loss of 14.183 million euros. Further details on the disposed assets and liabilities and the calculation of the gain on the disposal are explained in note 30.

Early July 2013, Arseus completed the sale of Dorge Medic to Bastide Le Confort Médical. Together the divested activities represent annual sales of approximately 3 million euros. The proceeds of sale exceeded the carrying amount of the related net assets, accordingly, no impairment loss was recognised by management. Further details on the disposed assets and liabilities and the calculation of the gain on the disposal are explained in note 30.

Arseus intends to sell the remaining dental and medical activities and expects that the sale will be completed in 2014. Arseus is currently in discussions with potential buyers. The management expects, based on current negotiations, the fair value less costs to sell of the discontinued operations will be lower than the carrying amount of the related assets and liabilities. Therefore management recognised an impairment loss of 33.707 million euros when the assets and liabilities of the discontinued operations were reclassified as held for sale. The determination of the fair value falls in level 2 of the fair value hierarchy as defined under IFRS13. The fair value is determined using observable market data such as prices obtained for recent sales of similar activities. Further details on the assets and liabilities reclassed as held for sale are explained in note 21.

The combined results of the discontinued operations included in the profit for the year and cash flows are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in 2013.

Result for the year from discontinued operations

(x 1,000 euros)	2013	2012
Operating income	**191,930**	**209,808**
Turnover	191,634	209,521
Other operating income	296	287
Expenses	**198,091**	**210,068**
Profit before tax	**(6,161)**	**(260)**
Attributable income tax expenses	(1,618)	(6,805)
Loss on remeasurement to fair value less costs to sell	(68,036)	
Loss for the year from discontinued operations (attributable to Equity holders of the company)	**(75,813)**	**(7,065)**

Cash flows from discontinued operations

(x 1,000 euros)	2013	2012
Cash flow from operating activities	(3,026)	7,980
Cash flow from investing activities	(5,399)	(8,766)
Cash flow from financing activities	3,688	(4,576)
Total net cash flow from discontinued operations	**(4,737)**	**(5,362)**

14. Earnings per share

(in euros)	2013	2012
Basic earnings (loss) per share	**(1.05)**	**1.44**
- from continued operations	1.43	1.67
- from discontinued operations	(2.47)	(0.23)
Diluted earnings (loss) per share	**(1.03)**	**1.41**
- from continued operations	1.41	1.64
- from discontinued operations	(2.44)	(0.23)
Basic earnings (loss) per share before non-recurring items	**1.30**	**1.62**
- from continued operations	1.50	1.77
- from discontinued operations	(0.19)	(0.16)
Diluted earnings (loss) per share before non-recurring items	**1.28**	**1.59**
- from continued operations	1.47	1.74
- from discontinued operations	(0.19)	(0.15)

The earnings used in the calculations are as follows:

(x 1,000 euros)	2013	2012
Profit (loss) attributable to equity holders of the company	**(32,102)**	**43,906**
- from continued operations	43,712	50,971
- from discontinued operations	(75,813)	(7,065)
Non-recurring items, after tax	**72,041**	**5,450**
- from continued operations[7]	2,106	3,152
- from discontinued operations[8]	69,935	2,298
Profit (loss) before non-recurring items attributable to equity holders of the company	**39,939**	**49,356**
- from continued operations	45,818	54,123
- from discontinued operations	(5,879)	(4,767)

The diluted earnings are equal to the "basic" earnings.

[7] See note 10 for definition and calculation of the non-recurring items (after tax), from continued operations.

[8] See note 10 from continued operations together with non-recurring items (after tax) related to discontinued operations including impairments and costs to sell.

The weighted average numbers of ordinary shares used in the calculations are as follows:

(number of shares x 1,000)	2013	2012
Weighted average number of ordinary shares	**30,647**	**30,520**
Effect of warrants and stock options	486	550
Weighted average number of ordinary shares (diluted)	**31,133**	**31,070**

For further information as required under IAS33.70c and d, refer to the notes in the Corporate Governance section.

15. Intangible fixed assets

(x 1,000 euros)	Goodwill	Development	Concessions & patents	Brands	Software	Other	Total
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**
Net book value as at 1 January 2013	**382,481**	**25,135**	**2,074**	**3,695**	**4,481**		**417,866**
Investments	29	9,752	41		2,045		11,866
Acquisitions	127,156			615	22		127,793
Amortisation		(6,907)	(170)	(482)	(2,141)		(9,700)
Impairment	(58,908)						(58,908)
Discontinued operations	(29,324)	(2,471)	(411)	(2,486)	(668)		(35,361)
Classified as assets held for sale	(28,315)	(368)	(175)		(91)		(28,949)
Other movements	130	(2,013)	51	(6)	(498)		(2,335)
Exchange differences	(21,618)	(20)		(1)	(47)		(21,686)
Net book value as at 31 December 2013	**371,630**	**23,108**	**1,411**	**1,335**	**3,103**		**400,587**
Gross carrying amount[9]	371,630	58,988	5,561	2,036	17,901	22	456,139
Accumulated amortisation[9]		(35,880)	(4,150)	(702)	(14,798)	(22)	(55,552)
Net book value	**371,630**	**23,108**	**1,411**	**1,335**	**3,103**		**400,587**

[9] Excluding gross carrying amounts discontinued operations and assets reclassified as held for sale.

The intangible assets have not been pledged as security for obligations.

The category 'Development' consists mainly of unique software developed in-house in full control of Arseus. Part of the development are expensed and not capitalized, in accordance with IAS38, these are mainly related to employee costs.

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 continued operations

Goodwill is allocated to the cash flow-generating units of Arseus, i.e. the three segments of Arseus being Fagron, Corilus and HL Technology.

The goodwill allocation per division is as follows:

(in millions of euros)	2013	2012
Fagron	316.5	227.0
Corilus	46.9	33.7
HL Technology	8.2	8.3
Total	**371.6**	**269.0**

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 year's 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 (%)	
	2013	2012	2013	2012	2013	2012	2013	2012
Fagron	5	5	2.5%	2.5%	56.3	52.6	8.37	7.29
Corilus	3	3	2.5%	1.5%	82.9	81.5	7.85	7.07
HL Technology[10]	5		2.0%		70.9		6.90	

The above assumptions were subjected to a sensitivity analysis which confirmed that for 2013, as previous year, no impairment of goodwill was required.

[10] In 2012 part of Healthcare Specialties.

For Fagron, a reasonable possible change in one of the parameters (estimates) used will not lead to a potential impairment. For Corilus, an increase in the discount rate by 4.18 percentage points, a decrease in the gross margin by 6.08 percentage points or a decrease in the perpetual growth to minus 4.8% would use up the remaining buffer. For HL Technology, an increase in the discount rate by 1.2 percentage points, a decrease in the gross margin by 7.9 percentage points or a decrease in the perpetual growth to minus 1.1% would use up the remaining buffer.

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.

Goodwill impairment tests discontinued operations

In 2013, operations were discontinued and reclassified as held for sale, see note 13.

Management recognised an impairment loss on goodwill of 25.200 million euros, since the sales proceeds, of discontinued operations in 2013, are less than the carrying amount of the related net assets. The remaining goodwill sold equals 29.324 million euros. Further details on the disposed assets and liabilities and the calculation of the gain on the disposal are explained in note 30.

Management expects the fair value less costs to sell is lower than the carrying amount of the assets and liabilities when reclassified as held for sale. Therefore management recognised an impairment loss of 33.707 million euros when the assets and liabilities of the discontinued operations were reclassified as held for sale. The remaining goodwill classified as held for as totalled 28.315 million euros. Further details on the assets and liabilities reclassed as held for sale are explained in note 21.

16. Property, plant and equipment

(x 1,000 euros)	Land and buildings	Machinery and installations	Furniture and vehicles	Capitalised financial leases	Other tangible fixed	Assets under construction	Total
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)
Depreciation	(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	5,749	17,706	1,681	106,385
Accumulated depreciation	(5,251)	(16,765)	(13,655)	(3,106)	(8,352)		(47,129)
Net book value	**31,213**	**9,661**	**4,704**	**2,643**	**9,354**	**1,681**	**59,255**
Net book value as at 1 January 2013	**31,213**	**9,661**	**4,704**	**2,643**	**9,354**	**1,681**	**59,255**
Investments	(588)	3,426	2,033	103	1,915	1,511	8,400
Acquisitions	1,662	321	690		(870)		1,803
Disposals	(187)	(5)	(41)		(640)		(874)
Depreciation	(1,122)	(2,859)	(1,719)	(689)	(1,643)		(8,032)
Discontinued operations	(307)	(549)	(406)		(1,910)		(3,171)
Classified as assets held for sale	(287)	(509)	(900)		(2,902)		(4,598)
Other movements	87	(1,387)	132		(1,241)	(938)	(3,347)
Exchange differences	(1,151)	(340)	(209)	(46)	15	(252)	(1,983)
Net book value as at 31 December 2013	**29,321**	**7,758**	**4,285**	**2,011**	**2,077**	**2,002**	**47,454**
Gross carrying amount	34,288	23,815	15,157	5,732	7,582	1,966	88,539
Accumulated depreciation	(4,967)	(16,057)	(10,872)	(3,720)	(5,469)		(41,085)
Net book value	**29,321**	**7,758**	**4,285**	**2,011**	**2,113**	**1,966**	**47,454**

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.

17. 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 2012	**819**	**969**	**1,788**
Investments		183	183
Transfers and disposals		(18)	(18)
Reimbursements		(107)	(107)
Other movements	24		24
Balance at 31 December 2012	**843**	**1,027**	**1,870**
Balance at 1 January 2013	**843**	**1,027**	**1,870**
Investments		14,707	14,707
Discontinued operations	(2)	(298)	(300)
Classified as assets held for sale		(508)	(508)
Reimbursements		(26)	(26)
Other movements	26		26
Balance at 31 December 2013	**867**	**14,901**	**15,768**

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 above showed that none of these assets need to be impaired in 2013 and 2012.

Other non-current assets concern receivables with different due dates. The fair value approximates the book value.

18. Taxes, remuneration and social security

a) Taxes, remuneration and social security

(x 1,000 euros)	2013	2012
Current income tax liabilities	7,617	5,116
Other current tax and VAT payables	8,998	15,883
Remuneration and social security payables	12,227	13,390
Taxes, remuneration and social security	**28,842**	**34,389**

b) Deferred tax receivables

(x 1,000 euros)	Differences in depreciation rates	Employee benefits	Provisions	Tax losses	Other	Total
Balance at 1 January 2012	**194**	**958**	**1,493**	**19,617**	**(1,895)**	**20,368**
Result	21,453	7	(487)	(9,616)	516	(11,873)
Change in scope of consolidation				56		56
Balance at 31 December 2012	**21,647**	**965**	**1,006**	**10,057**	**(1,379)**	**32,296**
Result	(2,105)	113	396	3,974	49	2,427
Impairment				(541)		(541)
Discontinued operations				(5,891)		(5,891)
Balance at 31 December 2013	**19,542**	**1,078**	**1,402**	**7,599**	**(1,330)**	**28,292**

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

In 2013, a deferred tax asset of 4.5 million euros is recognised for a tax loss in Poland and 3.3 million euros is recognised for tax-deductible goodwill merger in Brazil. In 2012 a deferred tax asset of 20.1 million euros is recognised for tax-deductible merger goodwill in Brazil. 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).

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. The tax loss carry-forwards which will expire in 2018, see schedule below, are mainly related to deductible losses in Poland. These tax loss carry-forwards are expected to be used within 3 years.
The tax loss carry-forwards expire according following schedule:

(x 1,000 euros)							
Totaal	2014	2015	2016	2017	2018	Later	Unrestricted
7,599	70	73	18	11	3,830	239	3,358

At the end of 2013, deferred tax assets have been recognised for loss-making entities 2013 and 2012. Fagron Italy SRL recognised a deferred tax asset of 0.4 million euros, the loss in 2013 was caused by one-off reorganization costs. Fagron Compounding Services NV recognised a deferred tax asset of 0.3 million euros, the loss in 2013 relates to start-up losses. It is probable that these tax assets will be realised through future taxable profits.

c) Deferred tax liabilities

(x 1,000 euros)	Differences in depreciation rates	Other	Total
Balance at 1 January 2012	**3,379**	**(1,447)**	**1,932**
Result	59	475	(2,431)
Change in scope of consolidation			
Balance at 31 December 2012	**3,439**	**(973)**	**2,466**
Result	1,215	676	1,891
Discontinued operations		94	94
Balance at 31 December 2013	**4,654**	**(203)**	**4,451**

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

No deferred tax assets on translation differences are recognised in the 'Other comprehensive income'.

As there is no practical plan for up streaming dividends, no deferred tax liabilities are recognised in this respect. The amount of tax due if dividend would have been distributed, as defined in IAS 12.81, amounts to 0.9 million euros.

19. Inventories

(x 1,000 euros)	2013	2012
Raw materials	12,505	14,012
Work in progress	3,261	3,106
Finished goods	6,536	8,375
Trade goods	36,616	60,469
Inventories	**58,917**	**85,963**

The decrease in inventories is mainly due to the discontinuing operations of the dental and medical activities, see notes 21 and 30.
The inventories are not encumbered with collateral.

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

a) Trade receivables and other receivables

(x 1,000 euros)	2013	2012
Trade receivables	31,562	66,495
Provision for impairment of receivables	(1,951)	(3,502)
Total trade receivables	**29,611**	**62,993**
Other receivables	**19,136**	**16,299**

The decrease in trade receivables is mainly due to the discontinuing operations of the dental and medical activities, see notes 21 and 30.

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 at 31 December 2013	29,611	20,347	5,253	2,504	686	821
Trade receivables at 31 December 2012	62,993	36,803	12,686	6,768	1,823	4,912

b) Cash and cash equivalents

(x 1,000 euros)	2013	2012
Investments with a maturity of less than three months	2,472	6,351
Cash and cash equivalents	126,399	66,002
Cash and cash equivalents	**128,871**	**72,352**

The increase in cash and cash equivalents is mainly due to the received considerations for discontinued operations, see note 30.

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- rating.

Trade receivables and other receivables and cash and cash equivalents are generally within a close range of their maturities. Therefore, the carrying amount approximates their fair value.

21. Assets held for sale and related liabilities

(x 1,000 euros)	2013	2012
Assets held for sale	76,057	
Liabilities directly associated with assets classified as held for sale	30,064	

The 'Assets held for sale' relate to Arseus' remaining dental and medical activities which are expected to be sold in 2014, see further note 13. An overview of the assets and liabilities of the remaining dental and medical activities to be sold:

(x 1,000 euros)	2013
Goodwill	28,315
Other intangible assets	633
Property, plant and equipment	4,598
Deferred tax assets	2,358
Other non-current assets	508
Inventories	14,566
Trade receivables	16,720
Other receivables	3,993
Cash and cash equivalents	4,365
Assets held for sale	**76,057**
Provisions	666
Pension obligations	578
Deferred tax liabilities	(1,018)
Borrowings	891
Trade payables	18,075
Taxes, remuneration and social security	8,389
Other current payables	2,484
Liabilities directly associated with assets classified as held for sale	**30,064**

22. 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.

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.

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 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.

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 2013, 1,468,522 treasury shares were purchased (2012: 40,528). The decrease of treasury shares with 1,238,919 is due to the exercise of stock options and (subsequent) payments on participations (2012: 486,338). As at 31 December 2013, Arseus NV owned a total of 881,378 treasury shares (2012: 651,775). In accordance with IFRS, these shares are deducted from equity and do not affect the income statement. In the context of Warrant Plan 1, 79,844 new shares were issued during 2013 at an amount of 783,081 euros. In 2012, 61,262 new shares were issued at an amount of 578,844 euros. At 31 December 2013, the total number of shares issued are 31,358,358 (2012: 31,278,514). The total number of shares outstanding as at 31 December 2013 is 30,476,980 (2012: 30,626,739).

Number of ordinary shares	2013	2012
Issued shares at 1 January	**31,278,514**	**31,217,252**
Issue of shares under Warrant Plan	79,844	61,262
Issued shares at 31 December	**31,358,358**	**31,278,514**
Treasury shares as per 31 December	881,378	651,775
Shares outstanding as per 31 December 2013	**30,476,980**	**30,626,739**

All ordinary shares are fully paid. The ordinary shares have no face value, the par value is 1/31.358.358th of capital as of 31 December 2013 (2012: 1/31.278.514th). Each ordinary share carries one vote and a right to dividends.

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' for the amount of 400 thousand euros for the financial year 2013. The warrants are settled via equity.

On 13 June 2013, 79,844 new shares were issued as a result of exercising warrants under the Warrant Plan 1 (14 June 2012: 61,626). The number of voting securities of Arseus currently amounts to 31,358,358 (2012: 31,278,514). The total number of voting rights (denominator) currently amounts to 31,358,358 (2012: 31,278,514). The authorised capital amounts to 321,384,975 euros (2012: 320,601,894 euros).

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

	Average exercise price in euros	Number of warrants
As at 1 January 2013	9.75	175,828
Exercised	10.25	(63,536)
Exercised	8.14	(13,625)
Exercised	7.77	(2,558)
Exercised	8.11	(125)
Forfeited	10.25	(1,164)
Forfeited	7.77	(756)
As at 31 December 2013	**9.70**	**94,064**

The related weighted average exercise price per share at year-end amounted to 9.70 euros in 2013 (2012: 9.75 euro)

As of 31 March 2014, the total number of warrants not yet exercised, which could prompt the issue of the same number of shares of the Company, amounted to 94,064. Their average exercise price amounts to 9.70 euros. Outstanding warrants at year-end have the following expiry dates and exercise prices:

Expiry date	Average exercise price in euros	Number of warrants
2014 - May	10.25	70,900
2014 - May	8.14	7,638
2014 - May	7.77	2,934
2014 - May	8.11	125
2015 - May	8.14	6,712
2015 - May	7.77	2,751
2015 - May	8.11	125
2016 - May	7.77	2,751
2016 - May	8.11	125
	9.70	**94,064**

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 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

	Average exercise price in euros	Number of stock options
As at 1 January 2013	**9.95**	**2,053,250**
Exercised	10.25	(882,250)
Exercised	8.52	(328,250)
Forfeited	8.52	(2,000)
As at 31 December 2013	**10.20**	**840,750**

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

Expiry date	Average exercise price in euros	Number of stock options
2014 - April	10.25	58,625
2014 - April	8.52	282,500
2014 - April	13.73	31,250
2015 - April	10.25	3,625
2015 - April	8.52	246,000
2015 - April	13.73	31,250
2016 - April	13.73	125,000
2017 - April	13.73	62,500
	10.20	**840,750**

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. The options are settled via equity. In 2013 no new stock options were granted.

Fair value

The fair value of the warrants and stock options was determined using the 'Black & Scholes' valuation model at grant date. The main data used in the model were the share price at grant date, the above-mentioned exercise price, the standard deviation of Arseus share price returns during option live and expected dividend, the option life specified above, and the annual risk-free interest rate.

In 2013 there were no new warrants or stock options granted. In 2012 there were stock options granted, but no new warrants. The main data used to determine the fair value of the granted stock options during 2012 were, the above-mentioned exercise price, the standard deviation of expected share price returns 25.6% with an expected share price return of 4.3%, the option life specified of 3.5 years, and the annual risk-free interest rate of 1.0%.

Dividend

A dividend of 18.842 million euros was paid in 2013 (2012: 15.228 million euros). This equates to a gross dividend of 0.60 euros per share (2012: 0.50 euros per share). At the Annual General Meeting of 12 May 2014, a gross dividend for 2013 will be proposed amounting to 0.72 euros per share, which equates to a total dividend of 22.209 million euros. This dividend due is not recognised in this financial statement.

A further explanation of the equity is included in the Corporate Governance Statement.

Other reserves

(x 1,000 euros)	Consolidated reserves	Foreign currency translation reserve	Transactions with non-controlling interests	Equity-settled employee benefits reserve	Share based payments	Total
Balance at 1 January 2012	**(195,967)**	**(2,150)**	**(1,575)**		**606**	**(199,085)**
Effect of changes in accounting policies				1,338		1,338
Balance at 1 January 2012 (restated)	**(195,967)**	**(2,150)**	**(1,575)**	**1,338**	**606**	**(197,747)**
Other comprehensive income		(9,086)		(1,536)		(10,622)
Share based payments					20	20
Balance at 31 December 2012 (restated)	**(195,967)**	**(11,236)**	**(1,575)**	**(198)**	**626**	**(208,349)**
Other comprehensive income		(22,687)		137		(22,550)
Share based payments					400	400
Balance at 31 December 2013	**(195,967)**	**(33,923)**	**(1,575)**	**(61)**	**1,026**	**(230,499)**

23. Provisions

(x 1,000 euros)	Taxes	Disputes	Guarantee obligations	Other	Total
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 1 January 2013	**48**	**196**	**660**	**2,615**	**3,519**
Additions:					
Through business combinations				71	71
Other		408	(29)	20	400
Amounts used		(83)	(159)	(86)	(328)
Discontinued operations		(149)	(318)		(467)
Transferred to disposal group classified as held for sale		(461)	(154)	(51)	(666)
Unused housing				3,015	3,015
Related to discontinued subsidiaries		1,000		2,213	3,213
Other		(285)		287	2
Transfers				438	438
Balance at 31 December 2013	**48**	**628**	**0**	**8,521**	**9,197**

The provision 'Unused housing' relates to a provision taken for leases and furniture of the buildings which are no longer (fully) in use, due to the discontinuing of operations. These lease contracts have a duration until 2017. The provision is made only for the portion not in use.

The provision 'Related to discontinued subsidiaries' relates to settlements regarding deferred taxes, employee benefits and social charges due to the sale of a subsidiary. Expectations are, these settlements will take place between 2014 and 2017.

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

24. Pension obligations

a) Revised IAS 19

On 16 June 2011, the IASB issued a revised standard (IAS 19R) in relation to employee benefits. The effective date is 1 January 2013. The most significant changes of IAS 19R relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. These changes have had an impact on the amounts recognised in other comprehensive income, the financial position and statement of changes in equity in prior years.

In addition, IAS 19R, introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures in particular a summary of movements in the fair value of defined benefit obligations and the fair value of plan assets.
Specific transitional provisions are applicable to first-time application of IAS 19R. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis. The impacts of the changes in accounting policy on the financial statements are as follows:

(x 1,000 euros)	Impact on pension obligations	Impact on equity
Balance at 1 January 2012 (as previously reported)	3,884	220,452
Effect of changes in accounting policies	(1,338)	1,338
Balance at 1 January 2012 (restated)	**2,546**	**221,790**

(x 1,000 euros)	Impact on pension obligations	Impact on equity
Balance at 31 December 2012 (as previously reported)	4,801	245,384
Effect of changes in accounting policies	198	(198)
Balance at 31 December 2012 (restated)	**4,999**	**245,186**

(x 1,000 euros)	31 December 2013	31 December 2012
Increase (decrease) in remeasurement of defined benefit obligations	137	(1,536)
Increase (decrease) in other comprehensive income	**137**	**(1,536)**

b) Pension obligations and costs

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

(x 1,000 euros)	31 December 2013	31 December 2012 (restated)	1 January 2012 (restated)
Defined benefit obligations	3,387	3,313	1,803
Other defined benefit obligations	899	1,686	743
Pension obligations	**4,286**	**4,999**	**2,546**

The category 'Defined benefit obligations' include Arseus' Dutch defined benefit plans held by Fagron Services BV and Spruyt hillen BV. The 'Other defined benefit obligations' include multiple insignificant defined benefit plans, which are not further disclosed.
All defined benefit plans are final salary pension plans. The amounts pertaining to post-employment medical plans are included in the liability but are not significant. There are no informal constructive obligations

The amounts recognised regarding the Dutch defined benefit plans held by Fagron Services BV and Spruyt hillen BV are determined as follows:

(x 1,000 euros)	31 December 2013	31 December 2012 (restated)	1 January 2012 (restated)
Present value of defined benefit obligations	16,458	15,577	11,641
Fair value of plan assets	(13,071)	(12,264)	(9,838)
Funded status	**3,387**	**3,313**	**1,803**
Net liability arising from defined benefit obligation	**3,387**	**3,313**	**1,803**

Movements in the present value of the defined benefit obligations and the fair value of the plan assets were as follows:

(x 1,000 euros)	Present value defined benefit obligations	Fair value plan assets	Total
Balance at 1 January 2012 (as previously reported)	**12,979**	**(9,838)**	**3,141**
Effect of changes in accounting policies	1,338		1,338
Balance at 1 January 2012 (restated)	**11,641**	**(9,838)**	**1,803**
Service costs	567		567
Interest expense (income)	586	(515)	71
Remeasurements:			
Return on plan assets (excluding interest income)		(1,503)	(1,503)
(Gains)/losses arising from changes in demographic assumptions	(142)		(142)
(Gains)/losses arising from changes in financial assumptions	3,273		3,273
(Gains)/losses arising from experience adjustments	(92)		(92)
Employer contributions		(734)	(734)
Benefit payments from plan	(256)	256	
Administrative expenses paid from plan assets		70	70
Balance at 1 January 2013 (restated)	**15,577**	**(12,264)**	**3,313**
Service costs	765		765
Interest expense (income)	618	(496)	122
Remeasurements:			
Return on plan assets (excluding interest income)		95	95
(Gains)/losses arising from changes in demographic assumptions	(16)		(16)
(Gains)/losses arising from changes in financial assumptions	(216)		(216)
(Gains)/losses arising from experience adjustments			
Employer contributions		(757)	(757)
Benefit payments from plan	(270)	270	
Administrative expenses paid from plan assets		81	81
Saldo per 31 december 2013	**16,458**	**(13,071)**	**3,387**

The principal actuarial assumptions used for the actuarial valuations are:

	31 December 2013	31 December 2012
Discount rate	3.90%	4.00%
Expected rate of salary increase	2.00%	2.00%
Expected rate of price inflation	2.00%	2.00%
Future rate of pension increases actives	2.00%	2.50%
Future rate of pension increases inactives	0.00%	0.00%
Expected return on plan assets	3.90%	4.00%

The assets comprise qualifying insurance policies and are not part of the in-house financial instruments of Arseus. The pension insurer invested the assets fully in Aegon Strategic Allocation Fund 80/20. This fund has a market quotation.

The amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

(x 1,000 euros)	31 December 2013	31 December 2012 (restated)
Service costs	765	567
Net interest cost	122	71
Administrative expenses and taxes	81	70
Defined benefit costs recognised in profit or loss	**968**	**708**
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding interest income)	95	(1,503)
(Gains)/losses arising from changes in demographic assumptions	(16)	(142)
(Gains)/losses arising from changes in financial assumptions	(216)	3,273
(Gains)/losses arising from experience adjustments		(92)
Defined benefit costs recognised in other comprehensive income	**(137)**	**1,536**
Total defined benefit costs	**831**	**2,244**

The 2014 expected defined benefit costs are 0.977 million euros.

c) Belgium pension plans

Arseus has in Belgium 36 pension plans in place which are legally structured as Defined Contributions plans. Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called "Law Vandenbroucke"), all Belgian Defined Contribution plans have to be considered under IFRS as Defined Benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. Because of this minimum guaranteed return for Defined Contributions plans in Belgium, the employer is exposed to a financial risk (there is a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods). These plans should therefore be classified and accounted for as a Defined Benefit plans under IAS 19.

In the past the Company did not apply the Defined Benefit accounting for these plans because higher discount rates were applicable and the return on plan assets provided by insurance companies was sufficient to cover the minimum guaranteed return. As a result of continuous low interest rates offered by the European financial markets, the employers in Belgium effectively assumed a higher financial risk related to the pension plans with a minimum fixed guaranteed return than in the past, requiring them to measure the potential impact of Defined Benefit accounting for these plans.
Management made an estimate of the potential additional liabilities as at 31 December 2013 and these are assessed as not significant. The employer's contributions 2013, for these Belgium pension plans, amounts to 384 thousand euros. The employees' contributions 2013 amounts to 77 thousand euros. The total amount of the plan assets at 31 December 2013 amounts to 2.8 million euros.

25. Financial debts and financial instruments

(x 1,000 euros)	2013	2012
Non-current		
Financial lease liabilities	677	929
Bank borrowings	367,958	299,629
Other borrowings	63	47
	368,698	**300,604**
Current		
Financial lease liabilities	349	455
Bank borrowings	54,652	4,409
Other borrowings	3	1
	55,004	**4,865**
Total financial debts	**423,702**	**305,469**

(x 1,000 euros)	2013	2013	2012	2012
Non-current borrowings by term	**Financial leases**	**Bank borrowings**	**Financial leases**	**Bank borrowings**
More than one year but less than five years	677	366,569	929	299,067
More than five years		1,452		608
Total non-current borrowings	**677**	**368,021**	**929**	**299,675**

a. Bank borrowings and financial instruments

The book value of the bank borrowings is expressed in euros. The effective interest rate at balance sheet date on 31 December 2012 was 3.00% (2012: 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. Main covenant of this bond is that the total EBITDA, calculated as result before interest, taxes, depreciation and amortization, of the guarantors is at least 70 per cent of the consolidated Group EBITDA.

Arseus NV has also concluded a credit facility of 150 million euros with ING Belgium (Coordinator), KBC Bank, BNP Paribas Fortis and Commerzbank. The credit agreement has a term of five years. The main covenant of this credit facility is a net financial debt/ recurring EBITDA ratio of a maximum of 3.25. In addition Arseus concluded two bridge loans, one of 50 million euros and one of 70 million US dollars. Both bridge loans have a maturity date of April 30, 2014. Early 2014, Arseus expects to attract new funding, before the bridge loans expire. As at the closing date of 2013, an amount of 191 million euros had been withdrawn (2012: 71 million euros). The interest payable in respect of this credit agreement 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 valuation is calculated using the discounted cash flows of the nominal value and interest flows.

The fair value of these financial derivatives at year-end 2013 was -2.463 million euros (2012: -3.749 million euros). The full movement in fair value, 1.285 million euros gain, was charged to the result of 2013 (2012: 0.296 million euros loss). 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 of guarantors
Fagron BV
SM Empreendimentos Farmaceuticos Ltda
Spruyt hillen BV
Pharma Cosmetic K.M. Adamowicz Sp. Z.O.O.
ACA Pharma NV
Fagron GmbH & Co KG
Duo-Med NV
Dutch BioFarmaceutics BV
Arseus België NV
Fagron NV
Steunpunt Apotheek Mierlo-Hout BV
Arseus Capital NV
B&B Pharmaceuticals Inc.
Fagron Inc.
Freedom Pharmaceuticals Inc.

b. Financial leases

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

(x 1,000 euros)	2013	2012
Cost - capitalised financial leases	5,732	5,749
Accumulated depreciation	(3,720)	(3,106)
Net amount of leased assets	**2,011**	**2,643**

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)	2013	2012
Machinery and installations	1,908	2,602
Furniture and vehicles	103	41
Net amount of leased assets	**2,011**	**2,643**

Financial lease liabilities – minimum lease payments:

(x 1,000 euros)	2013	2012
Within one year	368	480
More than one year but less than five years	776	1,065
Total	**1,144**	**1,545**
Future financing charges on financial leases	119	161
Present value of financial lease liabilities	**1,026**	**1,384**

c. Operating leases

Operating lease liabilities – minimum lease payments:

(x 1,000 euros)	2013	2012
Within one year	7,231	7,034
More than one year but less than five years	13,666	13,605
More than five years	4,604	3,648
Total	**25,501**	**24,287**

There are no leases that individually represent an important part of the total.
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.

26. Other current payables

(x 1,000 euros)	2013	2012
Prepayments	8	836
Other payables	83,069	42,919
Accrued expenses	7,891	7,723
Other current payables	**90,968**	**51,477**

The 'Other payables' includes an amount of 74.590 million euros (2012: 37.858 million euros) related to amounts to be paid to existing participations (subsequent payments). The 'Accrued expenses' includes an amount of 6.049 million euros (2012: 5.764 million euros) related to interest payments on the bond.

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

27. 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.

28. 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 2013 and 2012 financial years was as follows:

(x 1,000 euros)	Fixed remuneration component [12]	Variable remuneration component	Other remuneration components [13]
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		
2013 financial year			
Ger van Jeveren, CEO	500	600	32
Executive Committee, including the CEO	1,674	1,010	62
Non-executive members of the Board of Directors	230		

The variable remuneration component for the 2013 fiscal year is the bonus effectively paid out in 2014.

In 2013, following the ending of the mandate, one of the members of the Executive Committee has been awarded a severance payment of up to eighteen months.

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

In 2013 no new stock options were granted. In 2012, Mr Van Jeveren obtained 75,000 stock options, while the other members of the Executive Committee obtained 45,000 stock options. In 2013 Mr Van Jeveren also exercised 625,000 stock options, while another member of the Executive Committee exercised 470,000 stock options. The members of the Executive Committee, in the composition in effect on 31 December 2013, together hold 590,000 stock options.

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

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

29. Business combinations

Arseus completed a number of acquisitions in the 2013 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.

In 2013, Arseus acquired Polish company Pharma Cosmetic in order to gain market leadership in Poland. The final fair value of the assets and liabilities acquired was established, representing a decrease in goodwill of 0.675 million euros. This goodwill was allocated to the operating company segment Fagron. The fair value of the acquired assets and liabilities was determined as detailed below.

Fair value of the acquired assets and liabilities of Pharma Cosmetic K.M. Adamowicz Sp. Z.O.O.

(x 1,000 euros)	
Property, plant and equipment	967
Deferred tax assets	170
Inventories	441
Trade receivables	2,057
Other receivables	10
Cash and cash equivalents	55
Total assets	3,701
Other non-current debts	13
Trade payables	336
Other current payables	1,357
Net acquired assets	1,995
Goodwill	23,467
Total acquisition amount	**25,462**

In 2012, the US company B&B Pharmaceuticals Inc was acquired. 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.

The final fair value of the assets and liabilities acquired was established, representing an increase in goodwill of 0.539 million euros, including a subsequent payment of 0.110 million euros. This goodwill was allocated to the operating company segment Fagron. The 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	267
Inventories	377
Trade receivables	300
Other receivables	1
Cash and cash equivalents	102
Total assets	1,068
Trade payables	223
Other current payables	804
Net acquired assets	41
Goodwill	11,273
Total acquisition amount	**11,314**

In April 2013, US Company Freedom Pharmaceuticals Inc. was acquired. The acquisition of Freedom Pharmaceuticals strengthens Fagron's global market leadership, creates a presence throughout the United States and allows Fagron to immediately deliver extra value to its customers. Fagron is perfectly positioned to provide compounding pharmacies in the United States with innovative products and concepts, as well as value added services and training, through its offices. The addition of Freedom Pharmaceuticals to the existing US operations will allow Fagron to achieve benefits in operations, marketing and sales.
The acquisition involved a payment of approximately 76.888 million euros, representing an increase in goodwill of 75.484 million euros. This goodwill was fully allocated to the Fagron operating segment. Expectation is that the goodwill will be fully tax deductible. The provisional fair value of the acquired assets and liabilities was determined as detailed below.

Fair value of the acquired assets and liabilities of Freedom Pharmaceuticals Inc.

(x 1,000 euros)	
Property, plant and equipment	204
Inventories	1,562
Trade receivables	1,556
Cash and cash equivalents	64
Total assets	3,385
Borrowings	911
Trade payables	754
Other current payables	316
Net acquired assets	1,404
Goodwill	75,484
Total acquisition amount	**76,888**

In 2013, Fagron and Corilus also made a number of smaller acquisitions in Belgium, Brazil and the United States. Through these acquisitions Arseus strengthens its global market leadership in the fast growing niche market for pharmaceutical compounding. The total purchase price was 52.157 million euros. The total net assets acquired, before allocation of the acquisition price for these smaller businesses and activities, amounted to 2.904 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	938
Property, plant and equipment	806
Other non-current assets	14
Deferred tax assets	267
Inventories	819
Trade receivables	2,104
Other receivables	183
Cash and cash equivalents	2,716
Total assets	7,845
Provisions	503
Borrowings	513
Trade payables	1,082
Other current payables	2,842
Net acquired assets	2,904
Goodwill	49,253
Total acquisition amount	**52,157**

The fair value of a number of acquired assets and liabilities, acquired in 2013, 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. The provisional fair value of intangible assets, property, plant and equipment, deferred tax and working capital can change when the final fair value of the assets and liabilities acquired is established.

The final determination of the fair value of the assets and liabilities from previous minor acquisitions, acquired in 2012, resulted in an adjustment of 2.555 million euros (increase of goodwill). The changes are the result of the final determination of the tangible fixed assets and working capital.

The total increase in goodwill by acquisitions amounts to 127.156 million euros, of which 111.063 million euros was allocated to the Fagron operating segment, 13.178 million euros to Corilus, 2.915 million euros to discontinued operations. 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.

At year-end, the Group had an amount of approximately 58.064 million euros in contingencies. These fees payable to former shareholders were determined on the basis of business plans at the time of acquisition.
In 2013, the actual payments are 1.810 million euros lower than the initial contingencies (2012: 2.133 million euros lower actual payments).

In January 2014, Fagron further consolidated its global market leadership with the acquisition of two compounding facilities in the US and Europe. Furthermore, Fagron has signed an agreement in principle to acquire three large compounding facilities in the US. See further details in note 32.

30. Discontinued operations

The end of December 2013, Arseus completed the sale of its Dentals software Julie, Arseus Dental Lab, Arseus Dental Solutions Benelux and Arseus Dental Solutions France Ouest to Henry Schein. In November 2013, Arseus completed the sale of the dental distribution activities in the regions Paris, Lille and Lyon to MS Distribution. In July 2013, it has completed the sale of Dorge Medic to Bastide Le Confort Médical. The total consideration received, taking into account subsequent payments, amounts to 52.451 million euros. Together the divested activities represent annual sales of approximately 103 million euros.

Consideration received

(x 1,000 euros)	2013
Consideration received in cash and cash equivalents	54,000
Subsequent payments	(1,549)
Total consideration received	**52,451**

Analysis of assets and liabilities disposed of

(x 1,000 euros)	2013
Current assets	**27,818**
Inventories	13,325
Trade receivables	11,478
Other receivables	839
Cash and cash equivalents	2,176
Non-current assets	**43,245**
Goodwill	29,324
Other intangible assets	6,037
Property, plant and equipment	3,171
Financial assets	2
Deferred tax assets	3,533
Other non-current assets	1,178
Current liabilities	**18,773**
Trade payables	13,613
Taxes, remuneration and social security	4,722
Other current payables	438
Non-current liabilities	**1,900**
Provisions	467
Pension obligations	509
Deferred tax liabilities	924
Net assets disposed of	**50,391**

Gain on disposal

(x 1,000 euros)	2013
Consideration received	52,451
Net assets disposed of	(50,391)
Gain on disposal	**2,060**

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

The Company's Statutory Auditor is PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, represented by its permanent representative, Mr Peter Van den Eynde.

(x 1,000 euros)	2013	2012
Audit fee for the Group audit		
Arseus Group	491	529
Audit fee for PricewaterhouseCoopers Bedrijfsrevisoren	235	219
Audit fee for parties related to PricewaterhouseCoopers bedrijfsrevisoren	256	310
Additional services rendered by the Statutory Auditor to Arseus		
Other engagements linked to the Statutory Auditor's mandate	5	58
Additional services rendered by parties related to the Statutory Auditor		
Tax advisory services	212	101
Other services	9	113

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

32. Significant events after the reporting period

In January 2014, Fagron acquired two compounding facilities in the United States and Europe. Furthermore, Fagron has signed an agreement in principle to acquire three compounding facilities in the United States. The acquisition of the three compounding facilities in the United States is expected to be closed in the second quarter of 2014. The five compounding facilities in the United States and Europe are expected to generate EBITDA of 30 million euros for the total year, of which 21 million euros is attributable to Arseus/Fagron in 2014. The expected total purchase price for these acquisitions is 160 million euros.

Arseus expects to close an US Private Placement (USPP) of 185 million US dollars, in april 2014. The USPP consists of several tranches with maturities of 3, 5 and 7 years in both US dollars and euros. The average annual fixed interest rate is 4.6%.
The funds of the USPP, will be used to partly repay existing loans and to finance acquisitions.

33. Additional notes

1. Off-balance sheet rights and liabilities – collateral:
   - HL Technology SA (previously operating under the name Hader SA) provided a mortgage registration in the amount of 0.937 million euros (1,150 million Swiss francs) related to its financing.

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

34. List of the consolidated companies

Name	Address	Owner-ship
ABC Dental and Pharmaceutical Consultancy NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
ACA Pharma NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
Alternate Sistemas E Informatica Ltda	Anchieta 285, Jundiai 13.201-804 (Brazil)	100.0%
ApodanNordic PharmaPackaging A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen (Denmark)	100.0%
APPEG SA	Rue de la Sambre 6, 6032 Charleroi (Belgium)	100.0%
Arseus Beheer BV	Kralingseweg 207-211, 3062 CE Rotterdam (The Netherlands)	100.0%
Arseus België NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
Arseus BV	Kralingseweg 207-211, 3062 CE Rotterdam (The Netherlands)	100.0%
Arseus Capital NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
Arseus CV	Kralingseweg 207-211, 3062 CE Rotterdam (The Netherlands)	100.0%
Arseus Dental BV	Kralingseweg 207-211, 3062 CE Rotterdam (The Netherlands)	100.0%
Arseus Dental Solutions Est SARL	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis (France)	100.0%
Arseus Dental Solutions SAS	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis (France)	100.0%
Arseus Hospital NV	Rijksweg 10, 2880 Bornem (Belgium)	100.0%
Arseus Medical BV	Gelderlandhaven 4, 3433 PG Nieuwegein (The Netherlands)	100.0%
Arseus Medical NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
Arseus NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
B&B Pharmaceuticals Inc.	17200 East Ohio Drive, 80017 Aurora Colorado (The United States)	100.0%
Bruco Hospital NV	Dragonderdreef 5, 8570 Vichte (Belgium)	100.0%
CMIS BVBA	Mastboomstraat 4, 2630 Aartselaar (Belgium)	100.0%
CMS France Sarl	Boulevard Malesherbes 19, 75008 Paris (France)	100.0%
CMS NV	Mastboomstraat 4, 2630 Aartselaar (Belgium)	100.0%
Corilus BV	Randhoeve 221, 3995 GA Houten (The Netherlands)	100.0%
Corilus Info Santé SA	Rue Gabriel Peri 30, 92700 Colombes (France)	100.0%
Corilus SA	Rue Camille Hubert 23, 5032 Gembloux (Belgium)	100.0%
DPI Inc.	5967 S. Garnett Rd.,74146 Tulsa (The United States)	100.0%
Duo-Med NV	Berkenlaan 53, 1840 Londerzeel (Belgium)	100.0%
Dutch BioFarmaceutics BV	Steenovenweg 15, 5708 HN Helmond (The Netherlands)	100.0%
Eurotec Dental GmbH	Forumstraße 12, 41468 Neuss (Germany)	100.0%
Eurotec Dental SAS	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis (France)	100.0%
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)	100.0%
Fagron BV	Venkelbaan 101, 2908 KE Capelle aan den IJssel (The Netherlands)	100.0%
Fagron China Ltd	268 Xi Zang Middle Road, Shanghai, 200001 (China)	100.0%
Fagron Compounding Services NV	Woestijnstraat 53, 2880 Bornem (Belgium)	100.0%
Fagron Compounding Services SAS	Boulevard Ornano Zac Axe Pleyel 30,3200 St-Denis (France)	100.0%
Fagron GmbH & Co KG	Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)	100.0%
Fagron Group BV	Kralingseweg 207-211, 3062 CE Rotterdam (The Netherlands)	100.0%
Fagron Holding USA LLC	Orange street 1209, New Castle County (The United States)	100.0%
Fagron Iberica SAU	Carrer de Josep Tapiolas 150, 08226 Terrassa (Spain)	100.0%
Fagron Inc.	2400 Pilot Knobroad, 55120 St. Paul (The United States)	100.0%
Fagron Italia SrL	Via Lazzari 4-6, 40057 Quarto Inferiore (Italy)	100.0%
Fagron Nordic A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen (Denmark)	100.0%
Fagron NV	Textielstraat 20, 8790 Waregem (Belgium)	100.0%

Fagron Poland Sp. z o.o	Albatrosów 1, 30-176 Krakau (Poland)	100.0%
Fagron Sarl	Intendente Neyer 924, Beccar , Partido de San Isidro. Provincia de Bs.As (Argentina)	100.0%
Fagron SAS	Rue Gabriel Peri 30, 92700 Colombes (France)	100.0%
Fagron Services BV	Molenwerf 13, 1911 DB Uitgeest (The Netherlands)	100.0%
Fagron Services BVBA	Industrieweg 2, 2850 Boom (Belgium)	100.0%
Fagron UK Ltd	4B Coquet Street, NE1 2QB Newcastle upon Tyne (The United Kingdom)	100.0%
Flores e Ervas Comercio Farmaceutico Ltda	Estrada Vicente Bellini, No 175 13.427-225 Piracicaba City (Brazil)	100.0%
Freedom Pharmaceuticals Inc.	801 W. New Orleans Street, 74011 Broken Arrow, Oklahoma (The United States)	100.0%
GJD NV	Ieperstraat 30, 8930 Menen (Belgium)	100.0%
HealthConnect NV	Luchthavenlaan 25B, 1800 Vilvoorde (Belgium)	100.0%
HL-Technology SA	Rue Jardiniere 153, 2300 La Chaux-de-Fonds (Switzerland)	100.0%
JCB Laboratories LLC	3510 N. Ridge RD. STE.900, KS 67205 Whichita (The United States)	100.0%
Médical Universal SAS	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis (France)	100.0%
Medri BVBA	Begijnhofstraat 1B, 2870 Puurs (Belgium)	100.0%
Microgest Paramedical Software sprl	Rue du Beauregard 79, 7141 Morlanwelz / Carnières (Belgium)	100.0%
Multident GmbH	Pelikanplatz 25, 30177 Hannover (Germany)	100.0%
Nolte GmbH	Von Bronsart Strase 12, 22885 Barsbüttel (Germany)	100.0%
Orbus Farma Ltda	Calle 95 47A-28 Bogota (Colombia)	100.0%
Owandy Benelux Sprl	Chaussée Bara 68, 1420 Braine L'Alleud (Belgium)	100.0%
Owandy Iberia SlU	Centro bbc Barajas c/jerez de los cabalieros 2, 28042 Madrid (Spain)	100.0%
Owandy Inc.	192 Lexington Avenue Suite 1101, 10016 NY New York (The United States)	100.0%
Owandy Radiologie Italia Srl	Via del Guado 57, 20033 MI Desio (Italy)	100.0%
Owandy Radiology SAS	Le Coruscant 2, Rue des Vieilles Vignes, 77183 Croissy Beaubourg (France)	100.0%
Pharma Assist BV	Dieselstraat 3, 7903 AR Hoogeveen (The Netherlands)	100.0%
Pharma Cosmetic K.M. Adamowicz Sp. Z.O.O.	Ul. Pasternik 26, 31-354 Krakau (Poland)	100.0%
Pharmaflore SA	Rue Botrieux 7, 7864 Lessines (Deux-Acren) (Belgium)	100.0%
PPH Galfarm Sp. Z.O.O.	Ul.Przemysłowa, 12 30-701 Krakau (Poland)	100.0%
Slovgal s.r.o	Štúrova 19, 058 01 Poprad (Slovakia)	100.0%
SM Empreendimentos Farmaceuticos Ltda	Rua Jurupari, 803 – Jardim Oriental, 04348-070 Sao Paulo (Brazil)	100.0%
SOFT 33 Sprl	Rue du Travail 11, 1400 Nijvel (Belgium)	100.0%
Spruyt hillen BV	Tinbergenlaan 1, 3401 MT IJsselstein (The Netherlands)	100.0%
Steunpunt Apotheek Mierlo-Hout BV	Steenovenweg 15, 5708 HN Helmond (The Netherlands)	100.0%
Timm Health Care BV	Lorentzlaan 4, 3401 MX IJsselstein (The Netherlands)	100.0%
Twipe BV	Kralingseweg 207-211, 3062 CE Rotterdam (The Netherlands)	100.0%
Unit Dose Pack BV	Eijkenakker 12, 5571 SL Bergeijk (The Netherlands)	51.0%
Van Hopplynus Ophtalm SA	Rijksweg 10, 2880 Bornem (Belgium)	100.0%
Zenith Pharmaceuticals Cyprus Ltd	Doma Building Arch Makarios III Avenue 227, 3105 Limassol (Cyprus)	100.0%

FREE TRANSLATION

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and consolidated statement of cash flows as at 31 December 2013 and the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated financial statements - Unqualified opinion

We have audited the consolidated financial statements of Arseus NV ("the Company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The consolidated statement total assets amount to EUR'000 804.693 and the consolidated income statement shows a loss for the year 2013 attributable to the equity holders of EUR'000 32.102.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

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We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2013 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Antwerp, 10 April 2014

The Statutory Auditor
PwC Bedrijfsrevisoren bcvba
Represented by

Peter Van den Eynde*
Bedrijfsrevisor / Réviseur d'Entreprises

*Peter Van den Eynde BVBA
Board Member, represented by its fixed representative,
Peter Van den Eynde

Statutory financial statement

Condensed stand-alone income statement Arseus NV

(x 1,000 euros)	2013	2012
Operating income	**4,220**	**4,251**
Other operating income	4,220	4,251
Operating expenses	**6,605**	**11,712**
Services and other goods	3,823	4,552
Employee benefit expenses	322	356
Depreciation and amortisation	1	29
Other operating expenses	2,459	6,775
Operating profit	**(2,385)**	**(7,461)**
Financial result	**36,768**	**29,289**
Profit from ordinary activities before taxes	**34,383**	**21,828**
Non-ordinary result	**2,151**	
Profit for the year before taxes	**32,232**	**21,828**
Taxes		
Profit for the year	**32,232**	**21,828**

Condensed stand-alone balance sheet Arseus NV

(x 1,000 euros)	2013	2012
Non-current assets	**393,215**	**400,086**
Property, plant and equipment	1	
Financial assets	393,214	400,086
Current assets	**182,327**	**112,419**
Debtors due after one year	69,569	69,569
Debtors due within one year	43,851	36,265
Investments	18,546	6,349
Cash and cash equivalents	50,215	225
Other receivables	146	11
Total assets	**575,542**	**512,505**
Capital and reserves	**347,370**	**336,555**
Capital	321,385	320,602
Share premiums	50	41
Legal reserves	5,859	4,247
Unavailable reserves	18,495	5,552
Available reserves		6,113
Profit carried forward	1,582	
Provisions and deferred tax	**9,065**	**6,769**
Provision for other risks	9,065	6,769
Liabilities	**219,107**	**169,181**
Creditors due after one year	131,000	131,000
Creditors due within one year	87,972	38,166
Other current payables	135	15
Total liabilities	**575,542**	**512,505**

Appropriation of profits Arseus NV

(x 1,000 euros)	2013	2012
Profit to be appropriated	**32,232**	**21,828**
Profit for the year to be appropriated	32,232	21,828
Profit carried forward from the previous year		
Transfers from capital and reserves		**203**
To reserves		203
Transfers to capital and reserves	**8,441**	**3,021**
To statutory reserves	1,611	1,091
To other reserves	6,830	1,930
Profit to be carried forward	**1,582**	
Profit to be carried forward	1,582	
Profit to be distributed as dividends	**22,209**	**19,010**
Dividend	22,209	19,010

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 statements of Arseus NV

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

The Statutory Auditor expressed his unqualified opinion on the statutory financial statement of Arseus NV over financial year 2013.

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 Amortizations", *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 Amortizations", *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
Gearing:	Net financial debt as a percentage of total equity
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.