ARSEUS
Driving superior care

annual report 2011

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

Table of contents

CHAIRMAN'S MESSAGE	4
CEO'S MESSAGE	5
ARSEUS AT A GLANCE	8
STRATEGY	13
FAGRON	17
ARSEUS DENTAL	25
ARSEUS MEDICAL	33
CORILUS	41
INFORMATION ABOUT THE ARSEUS SHARE	49
CORPORATE GOVERNANCE STATEMENT	55
FINANCIAL ANNUAL REPORT 2011	83

Chairman's message

This is the fifth annual report since our initial public offering on 5 October 2007. At the time, we extensively considered the company's profile and the ambition of growing based on an active buy-and-build strategy.

In the beginning, we saw all divisions participating in this strategy, whereas we have seen Fagron taking the lion's share of the resources available during the past few years. The reason is manifest: Fagron has a highly successful and unique business model based on revitalising pharmaceutical compounding in the broadest sense of the word. Developing new products and concepts at a fast pace and marketing these in a creative manner enables Fagron to grow within this niche market, both in Europe and - since recently - in the Americas. Acquisition and subsequent integration and realising synergy benefits have become a true core competence. In this respect it is important to conclude that this does not compromise the existing activities, which show a continuous improvement in primary processes and healthy organic growth. In brief, Fagron is on course in becoming a wonderful pharmaceutical multinational.

Let's not forget the other three divisions after this ode to Fagron's success story. That would not be justified in the light of their strong performance during the past year.

Arseus Dental may show a rather stable turnover and a decreased margin, but in two of the three activities, i.e. in Arseus Dental Technologies and Arseus Dental Lab, good progress was made. Only the distribution activities were confronted with a difficult year. However, in our opinion, the measures we implemented give cause for optimism regarding the developments in 2012.

In Arseus Medical, we have seen that the strategic re-orientation towards more innovative solutions and concepts and decreasing non-strategic distributions has resulted in more or less stable turnover. However, a clear increase in margins was achieved. We also entertain positive thoughts about Medical for 2012.

Last but not least: our software division Corilus has achieved a 10% increase in turnover, with a healthy margin that remained at the same percentage.

This all resulted in being able to realise a 16% turnover growth during the past year, with all financial ratios increasing stronger than the turnover. On balance, this achieved a net profit of 28.1 million euros, which is equivalent to a 25.2% increase.

From the above achievements, we may conclude that the management is successful not only in realising turnover growth, but also in further improving the operational processes. This is clear from the relative improvement in various ratios. However, the most impressive are the strong decrease in working capital by 18.3% and the increase in operational cash flow by 71.3%.

Please allow me to use this message to thank all Arseus employees cordially for their efforts during the past year, and to extend a heart felt compliment on the results achieved.

The Board of Directors has convened ten times during the past year. During these meetings, we consulted with the executive members regarding the company's development in an open and constructive manner. We specifically focused on the strategy of the four divisions, the possible acquisitions and the developments in the individual companies. Furthermore, the financial affairs were of great importance, in particular the financeability of growth. This has all been processed in excellent harmony during the past year, and I would like to thank my fellow Board members for their efforts.

Concerning the current year, I would like to refer to the outlook as published in the press release of 7 February 2012, stating that we expect healthy organic growth and a profitability that once again is growing faster than turnover.

Robert Peek
Chairman of the Board of Directors

CEO's message

This annual report focuses especially on children. Children are the future, just as innovation is the future of increasing improvement and efficiency in healthcare. The healthcare sector is currently under pressure to keep healthcare affordable and accessible. That is possible only by redesigning healthcare. This is why Arseus continually invests in innovative technological solutions in order to improve efficiency and effectiveness.

2011 was an excellent year for Arseus. Thanks to consistently adhering to strategy and continuous professionalisation of the organisation, REBITDA, EBITDA, EBIT and the net profit increased faster than turnover once again during 2011. Focusing on our own brands and on innovative concepts with substantial added value provided Arseus with a high degree of immunity against continually fluctuating economic conditions. With Arseus' strong results and excellent control and deployment of the working capital, we were able to achieve a significant increase in operational cash flow. The current net financial debt/REBITDA ratio in combination with the strong improvement in operational cash flow provides sufficient space to finance our well-filled acquisition pipeline whilst distributing a nice dividend to our shareholders.

Fagron's continuous strong results confirm the success of Fagron's strategy focused on worldwide revitalisation of pharmaceutical compounding. As part of the strategy, Fagron continually introduces new products and concepts on the market in order to fulfill a growing need for tailor-made medication. During 2011, more vital steps were taken in terms of strategy to further develop Fagron's worldwide market leadership within the fast-growing niche market of pharmaceutical compounding. After the acquisition of Pharma Nostra in Brazil, the acquisition of a specialist compounding pharmacy in the Netherlands, starting up a greenfield in Argentina, entering into a partnership in Serbia and taking over the Polish Pharma Cosmetic, Fagron is now active in 24 countries in Europe and North America and South America.

In spite of weaker sales of equipment to dentists, Arseus Dental managed to keep its 2011 turnover at the same level as its 2010 turnover. The REBITDA margin decreased during 2011. Arseus Dental Technologies achieved nice organic turnover growth during 2011. The increase in Julie Owandy was driven by the introduction of the I-Max Touch 3D and further reinforcement of market leadership in France of Julie, software for dentists. During 2011, Hader successfully developed and marketed orthopaedic and dental concepts.
The activities of Arseus Dental Lab showed healthy growth within 2011. By early 2011, the product range of Ceka-Preciline attachments was further extended. The quality brand Selexion and a discerning CAD/CAM concept was introduced under the name Novux. Arseus Dental Solutions (the distribution activities focusing on dental practices) was confronted with a difficult year. During the course of 2011, better operational structures were implemented, the product range was optimised and a number of management changes were implemented. Furthermore, a number of procedures were started in the context of further improvement of service, quality and customer focus.

In 2011, Arseus Medical continued to focus on simplifying the market approach, the strategic repositioning of the product range, building up a solid pipeline of innovative products and solutions with high added value and successful introduction of new medical solutions and concepts. With this focus, the REBITDA margin of Arseus Medical increased by no less than 7.6 percentage points, to 11.7% - in spite of the challenging market conditions. This is a clear confirmation that Arseus Medical's strategy is working.

During 2011, Corilus managed to further reinforce its market leadership in Belgium. Organic turnover growth was depressed slightly due to a temporary shortage of technical staff, which resulted in carrying out fewer installations than scheduled for 2011. The Belgian company CMS, supplying software to residential care homes in Belgium, was acquired and successfully integrated.

For the year 2012 as a whole, we expect to achieve healthy organic growth and a profitability that will once again grow faster than turnover growth. I therefore have every reason to look forward to the future with confidence!

Ger van Jeveren
Chief Executive Officer

Xavier and Chloé

Family situation

Name of parent:	Xavier Roch
Position, division:	Quality manager at Julie Owandy
Place, country:	Croissy Beaubourg, France
Name of child:	Chloé
Age:	15
Place, country:	Chessy, France

Do you like your dad's job, and can you explain why?
I like my dad's work because his company is involved in people's health. Providing medical instruments to dentists is very important. As a quality manager, my dad checks to see if the products comply with the regulations.

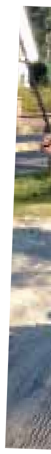
Why is your dad good at his work?
My father is very serious and organised. He is precise and has a lot of experience in his specialist field. He has been involved in product quality processes for 25 years.

Have you been to your father's work place?
Yes, I got a work orientation week in February.

Can you explain what it looks like, and what it was like for you?
The work orientation was a great experience. During this week, I had the opportunity to see various departments, such as Marketing, R&D, IT, Sales, After-sales... Each department had specially made time for my introduction meeting, and they explained their work in general. I also discovered a number of jobs that I did not know actually existed. I was mainly interested in the marketing activities. I learned how a company promotes itself and its products by means of advertising and communications. I was also mesmerised with the IT department.

What do you like best about your dad that nobody knows about him in the office?
Nobody knows that my dad is a really good cook!

What would you like to be later on?
I want to become a solicitor.



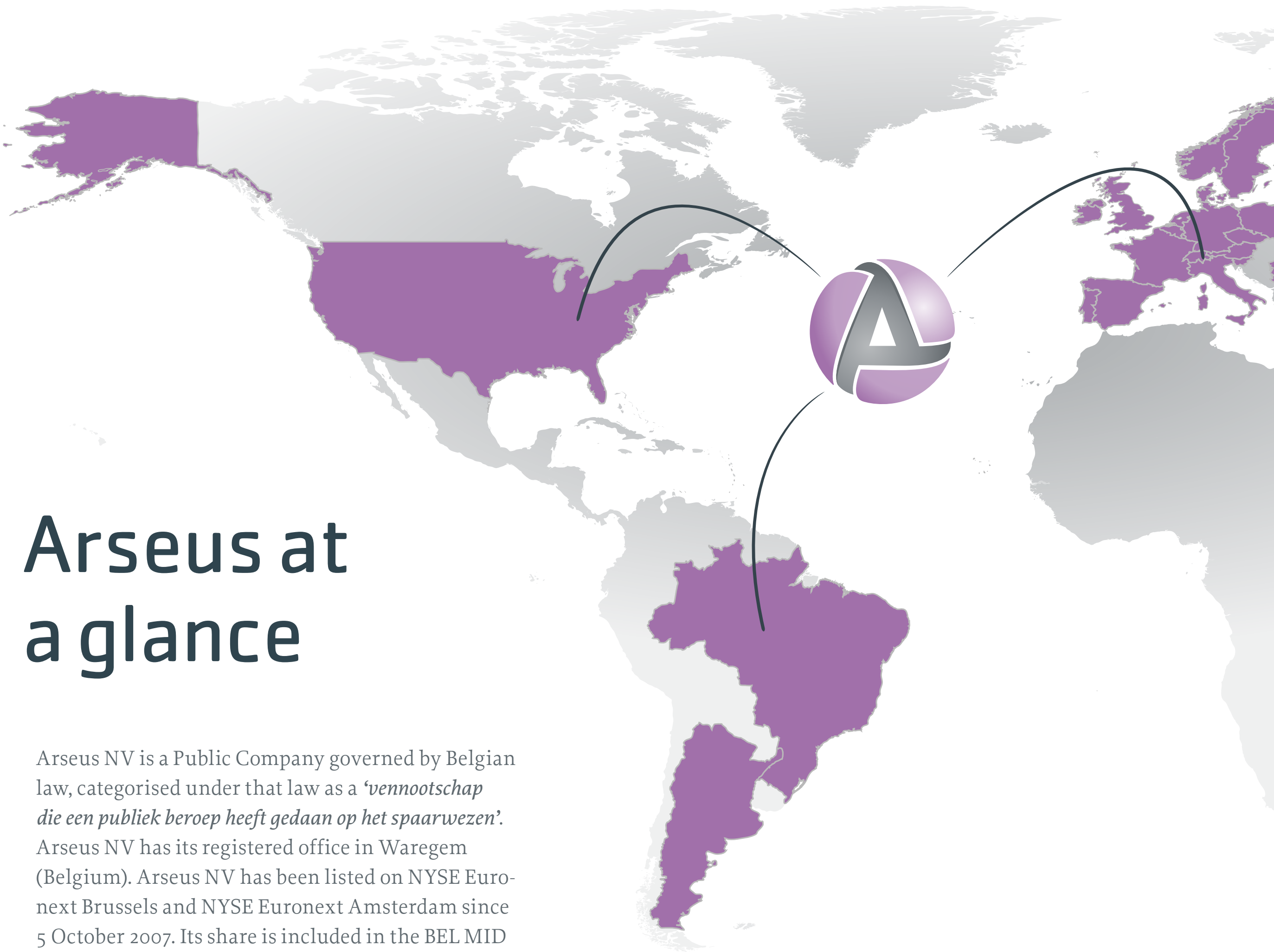
Dirk, Annelien and Seppe

Family situation

Name of parent:	Dirk van der Heyden
Position, division:	Sales Manager with Arseus Medical
Place, country:	Bornem, Belgium
Names of children:	Annelien and Seppe
Age:	7 and 5
Country:	Belgium

Can you explain what sort of job your father has?
Annelien: Daddy sells wheelchairs.
A few years ago, Annelien gave a different answer: 'something for sick people'.
Seppe: Daddy makes wheelchairs.

Some time ago, Dirk went to pick up his children from the kiddy club.
Seppe: Daddy, why are you so late?
Dirk: Because I had to work to late.
Seppe: Ah, you must have made a lot of money today.



Arseus at a glance

Arseus NV is a Public Company governed by Belgian law, categorised under that law as a *'vennootschap die een publiek beroep heeft gedaan op het spaarwezen'*. Arseus NV has its registered office in Waregem (Belgium). Arseus NV has been listed on NYSE Euronext Brussels and NYSE Euronext Amsterdam since 5 October 2007. Its share is included in the BEL MID index and the Amsterdam Small Cap Index (AScX). The operational activities of the Arseus group are driven by the Dutch company Arseus BV. Arseus BV's head office is located in Rotterdam (the Netherlands). Arseus BV is a 100% subsidiary of Arseus NV.

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

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

With its 2,229 employees in 24 countries in Europe, North America and South America, Arseus achieved turnover of 492.3 million euros in 2011 (+16.1% compared to 2010), and a REBITDA of 72.9 million euros (+20.7%). Net profit increased by 25.2% to 28.1 million euros in 2011.

Arseus' markets

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

North America
United States

South America
Argentina
Brazil

Market trends

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

Key figures

Results

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

Balance sheet

(x 1,000 euros)	2011	2010	2009	2008	2007	2006
Balance sheet total	680,232	573,592	472,160	417,733	347,467	285,458
Equity	220,452	208,122	196,352	185,530	178,225	100,812
Operational working capital[3]	58,405	71,517	63,336	64,159	56,707	49,296
Net operational capex[4]	17,330	19,159	16,332	19,157	14,349	5,137
Net financial debt[5]	188,557	166,089	113,923	104,391	50,560	103,174
Net financial debt/ annualised REBITDA	2.48	2.49	2.19	2.25	1.33	
Average number of shares	30,082,477	29,995,199	30,214,757	30,680,209	26,548,780	25,000,00

Cash flow statement

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

1 EBITDA before corporate costs and non-recurring result.

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

3 Operational working capital is the sum of stock and trade receivables, less trade payables.

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

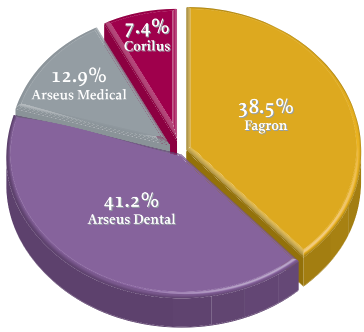
5 Net financial debt is the sum of long term and short term financial borrowings, less cash (excluding financial instruments) and cash equivalents.

Data per share

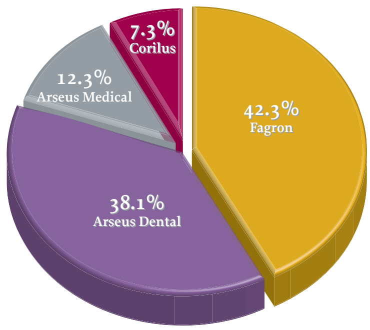
(in euro)	2011	2010	2009	2008	2007	2006
Net profit	0.94	0.75	0.65	0.48	0.61	0.48
Recurring net profit	1.05	0.98	0.81	0.68	0.69	0.69
Dividend	0.50	0.44	0.36	0.30	0.06	
Closing price (ultimo)	11.03	11.38	8.05	6.25	9.25	
Market capitalisation Arseus	344,322,274	355,000,477	251,120,724	194,969,506	288,554,869	

Personnel

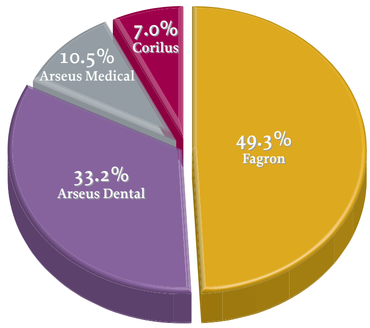
	2011	2010	2009	2008	2007	2006
FTE as at 31 December	2,229	1,887	1,655	1,607	1,348	1,230



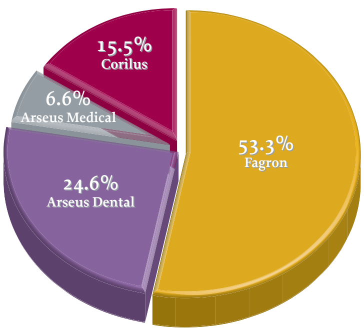
Turnover 2009



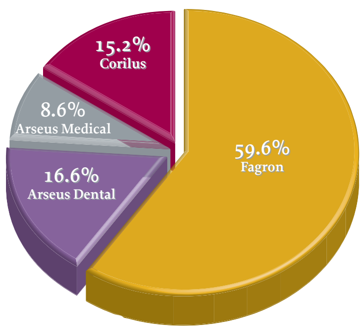
Turnover 2010



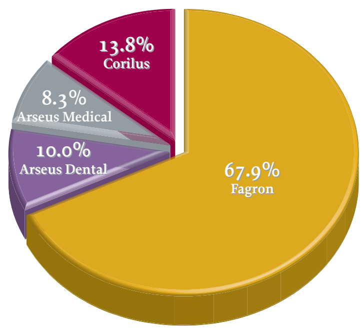
Turnover 2011



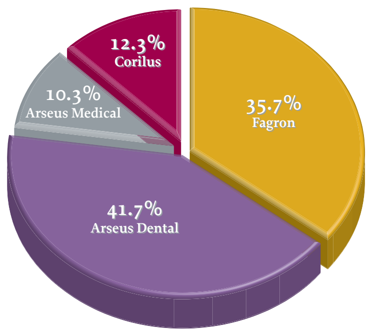
REBITDA 2009



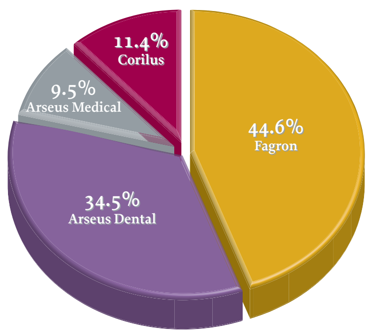
REBITDA 2010



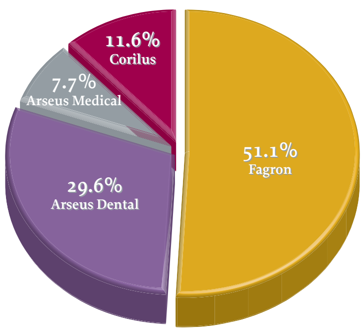
REBITDA 2011



FTE 2009



FTE 2010

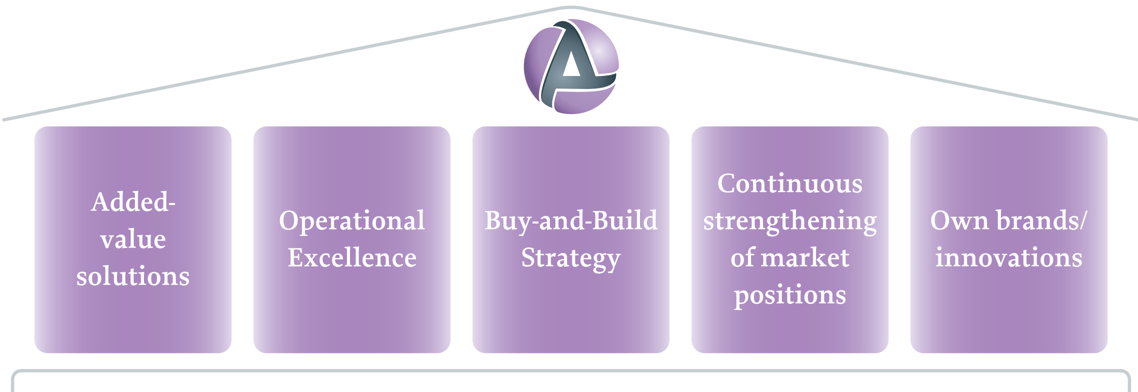


FTE 2011

Strategy

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

Arseus' strategy is based on five pillars:



Total solutions with substantial added value

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

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

Operational excellence

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

By combining operations in multiple market segments and by sharing best practices, market data and customer information, reinforced by specific cross-selling opportunities, Arseus is able to provide its customers with excellent service while also stimulating growth. The opinion of Arseus is that operational excellence in all business processes will constitute the basis for reinforcing its competitive position and improving profitability.

Buy-and-build strategy

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

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

During 2011, vital steps were taken to further develop Fagron's worldwide market leadership within the fast-growing niche market of pharmaceutical compounding. As part of the buy-and-build strategy, the company acquired the Brazilian company Pharma Nostra, the Polish Pharma Cosmetic and a specialist compounding pharmacy in the Netherlands. Additionally, a greenfield was started up in Argentina and the company entered into a partnership in Serbia. Corilus reinforced its market position during 2011 in terms of residential care centres by acquiring the Belgian company CMS.

During 2012, Fagron will further reinforce its worldwide market leadership based on its active buy-and-build strategy, starting up greenfields and robust organic growth, focusing on acquisitions in Europe, North and South America. Add-on acquisitions in existing markets will be considered as soon as suitable opportunities arise for Arseus Dental, Arseus Medical and Corilus.

Continuous strengthening of market positions

It is Arseus' goal to consolidate its existing operations and expand them. Arseus strives to occupy the number 1 position on every market and in each segment in which it operates. An active buy-and-build strategy will have to result in a further reinforcement of the existing market positions of Arseus Dental, Arseus Medical and Corilus and the further geographic expansion of Fagron. In 2012 Corilus will continue the strategy it adopted to introduce the software applications successful in Belgium in other European countries.

The positioning of own brands

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

Own brands offer many advantages compared to distributions. These brands help create brand value, result in higher profit margins, allow more freedom in determining product packaging, increase customer loyalty and reinforce Arseus' position. In 2011, Arseus achieved approximately 70% of its turnover from own brands and from solutions and concepts developed in-house.

Financing the growth

Arseus has credit facilities available to a total amount of 300 million euros with a term until 31 August 2012. The key financial covenant of the credit facilities is based on a maximum net financial debt/REBITDA ratio of 3.25. The bank syndicate for the credit facilities consists of ING (as the coordinator and agent), KBC, BNP Paribas Fortis, Commerzbank and Dexia.

At the end of 2011, the net financial debt/REBITDA ratio was 2.48 and therefore more than satisfied the condition of a debt ratio of maximum 3.25 as agreed in the credit agreement. Besides a solid balance sheet, Arseus therefore also has sufficient financial strength to pursue its ambitious buy-and-build strategy, particularly within Fagron.

Further growth in 2012

For the year 2012 as a whole, based on the current view and Arseus' existing portfolio, Arseus' management expects to achieve healthy organic growth and a profitability that will once again grow faster than turnover growth.

Jeroen, Tias, Loor, Imme and Mado

Family situation

Name of parent:	Jeroen Donkers
Position, division:	Marketing Manager with Arseus Medical
Place, country:	Bornem, Belgium
Names of children:	Tias, Loor, Imme and Mado
Age:	3, 4, 6 and 7
Place, country:	Edegem, Belgium

Do you like your dad's job, and can you explain why?
Tias: Yes, because daddy likes it.
Loor: Yes, because he's happy!
Imme: Yeah, because uhm, uhm...
Mado: Sometimes not because he is home late sometimes.

Why is your dad good at his work?
Tias: Because he is daddy!
Loor: Because he can work really good.
Imme: Because he is so good at it.
Mado: Because he can do the things that his boss says really well.

Have you been to your father's work place?
Tias: No
Loor: Yes
Imme: Yes
Mado: Yes

Can you explain what it looks like, and what it was like for you?
Loor: My two sisters and I were allowed to play hide and seek.
Imme: There were grey tables and grey walls, and we had a party and jumped in the bouncy castle!
Mado: There was a desk with tables and chairs and pens and computers.

What do you like best about your dad that nobody knows about him in the office?
Tias: Play on the floor with daddy.
Loor: Daddy is a good driver.
Imme: That he jumps on the trampoline with us!
Mado: I like everything about my daddy.

What would you like to be later on?
Tias: A real worker.
Loor: Mega Mindy
Imme: Horse rider
Mado: Jockey

One-stop-shop for pharmaceutical compounding

Key points

- Turnover increased by 35.5% to 242.9 million euros
- Organic turnover growth of 6.3%
- REBITDA increased by 37.5% to 49.5 million euros
- Gaining market leadership in Brazil by taking over Pharma Nostra
- Gaining market leadership in Poland by taking over Pharma Cosmetic
- Acquisition of Pharma Assist, a Dutch compounding pharmacy
- Introduction of Fagron's unique business model in Argentina and Serbia

(x 1,000 euros)	2011	2010	Evolution
Turnover	242,938	179,339	+35.5%
REBITDA	49,503	36,012	+37.5%
REBITDA margin	20.4%	20.1%	
FTE	1,115.2	823.7	

Further reinforcement of Fagron's market leadership

Fagron had an excellent year in every respect in 2011, with turnover growing 35.5% (37.4% at stable exchange rates) to 242.9 million euros and REBITDA increasing 37.5% to 49.5 million euros. Organic turnover growth amounted to 6.3% (7.8% at stable exchange rates). The continually strong results confirm the success of Fagron's strategy, focusing on the worldwide revitalisation of pharmaceutical compounding. As part of the strategy, Fagron continually introduces new products and concepts on the market in order to fulfill a growing worldwide need for tailor-made medication.

Fagron founded Fagron Academy in 2011. Fagron Academy's objective is to inform prescribers and pharmacists regarding the use and importance of pharmaceutical compounding for their patients. It also offers training courses to pharmacists to further enhance their skills in pharmaceutical compounding of tailor-made medication. Fagron Academy will be introduced worldwide during 2012.

As during 2010, the company completed key steps in further extension of Fagron's worldwide leadership in the fast-growing niche market of pharmaceutical compounding. After the acquisition of Pharma Nostra in Brazil, the acquisition of a specialist compounding pharmacy in the Netherlands, starting up a greenfield in Argentina, entering into a partnership in Serbia and the aquisition of the Polish Pharma Cosmetic, Fagron now is active in 24 countries in Europe and in North and South America. 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.

During 2012, Fagron intends to further reinforce its worldwide market leadership based on an active buy-and-build strategy, starting up greenfields and robust organic growth, the focus lies on acquisitions in continents where Fagron is already active.

Clean room at Fagron

So what is pharmaceutical compounding?

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

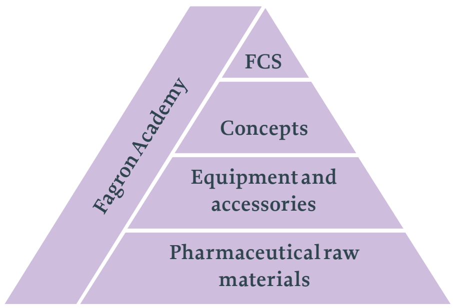
It regularly happens, for example, that commercial compounding does not contain the correct dosage or does not have the required composition, or that the available method of administration is unsuitable. Furthermore, medicines are frequently discontinued because manufacturers do not find small-scale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

Not every pharmacy does its own compounding anymore. Due to cost considerations and increasing legislation, some pharmacies bundle their compounding activities. In recent years, compounding pharmacies have been set up in Europe, occupied with compounding for the benefit of several pharmacies.

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

Fagron was established in 1990 by Ger van Jeveren, the current CEO of Fagron and Arseus, in Rotterdam (the Netherlands). 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 global market leader and active in 24 countries in Europe and North and South America. Market leadership provides major competitive advantages, such as central procurement of raw materials, optimal utilisation of production facilities, and the option of international roll out of successful products.

A unique business model



In a period of just 20 years, Fagron developed from a local player into the only multinational one-stop-shop for pharmaceutical compounding with a unique business model. The diagram above shows a simplified 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 (hospital) pharmacies and to the pharmaceutical, nutraceutical, veterinary and cosmetic industries.

Fagron CapsiCards System

Fagron Derma Concept

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

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

Equipment, instruments and accessories

Fagron's product range offers all equipment, instruments and accessories used by pharmacists for pharmaceutical compounding in the pharmacy. This includes scales, pestle and mortars, ointment mills, packaging equipment and packaging materials (bottles, vials, strips, boxes, etc.). Fagron's strategy is designed to increasingly market these products under the Fagron brand name. In 2011, the Fagron Imprinta and Fagron CapsiCards System were introduced in this context.

Fagron Imprinta gives pharmacists the opportunity to develop, personalise and order packaging materials, labels and information leaflets for pharmaceutical compounding via a user-friendly web shop. This concept, developed in Belgium, will be introduced in other European countries during 2012.

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. The Fagron CapsiCards System was developed in Germany and was introduced in Europe and the United States in early 2012.

Concepts

The 100 Fagron pharmacists develop formulas for pharmaceutical compounding, generally in collaboration with universities, prescribers and pharmacists. Fagron also supplies semifinished products for use in pharmaceutical compounding, such as aqua purificata, basic solutions, powder mixtures, cream and ointment bases and vehicles. Furthermore, Fagron develops innovative concepts and solutions that respond to specific and individual wishes of independent and hospital pharmacies for pharmaceutical compounding.

Fagron offers a unique range of approximately 70 different basic creams and basic ointments. Each product in the range has specific properties and added value. At the request of dermatologists and pharmacists, Fagron Netherlands developed a comprehensive solution in tailored skin advice, the Fagron Derma Concept. The Fagron Derma Concept was first introduced in the Netherlands. In 2010, the Fagron Derma Concept was successfully introduced in Belgium, France and Germany. The intention is to introduce the Fagron Derma Concept in other European countries, and possibly outside of Europe as well, during 2012.

Fagron Compounding Services

Due to cost considerations and increasingly strict regulations, it is no longer viable for every pharmacy to do its own compounding. In the Netherlands, Fagron has supplied an extensive range of pharmaceutically compounded products to (hospital) pharmacies for the past few years. In 2011, Fagron Compounding Services was introduced in a number of other European countries. In 2012, Fagron will continue its strategy of introducing Fagron Compounding Services in other countries.

Opening new head office and distribution centre of Fagron Netherlands

During 2009, Fagron decided to build a new head office and distribution centre for Fagron Netherlands. After an intensive preliminary process, construction of the new building was officially started on 30 March 2011. The building was delivered as scheduled in October 2011. The last quarter of 2011 was reserved for finishing the interior and placing a robot in the distribution centre. By early 2012, the Fagron employees - about 70 in number - moved into the modern and environmentally friendly building along the A20 motorway near Rotterdam.

Reinforcing market leadership in the Netherlands by taking over Pharma Assist

In June 2011, Fagron signed the contract for the acquisition of Pharma Assist, a Dutch compounding pharmacy. Pharma Assist is specialised in preparing tailor-made aseptic and high-risk medicinal products for individual patients.

Pharma Assist (www.pharma-assist.nl) was established in 2006 by Mr. Schootstra and Mr. Van den Berg, the sellers. The head office and GMP production facilities of Pharma Assist are located in Hoogeveen (the Netherlands). Pharma Assist has 18 employees.

Fagron Netherlands

Preparing the elastomeres pump

Preparation instructions for high-risk compounding

Market leadership in biggest compounding market in the world by acquisition of the Brazilian company Pharma Nostra.

After acquiring Brazilian company DEG in December 2010, Fagron signed an agreement for the acquisition of Brazilian company Pharma Nostra, a leading supplier of pharmaceutical raw materials for compounding to pharmacies in Brazil, in July 2011. Pharma Nostra (www.pharmanostra.com.br) was established in 2000 and is the market leader in Brazil. In 2011 Pharma Nostra realised a turnover of approximately 46 million euros with 300 employees. Approximately 75% of its turnover is generated bij the sale of pharmaceutical raw materials to compounding pharmacies. Industrial sales contribute approximately 25% of the turnover. Pharma Nostra has subsidiaries in Rio de Janeiro, Anápolis and Campinas (near São Paulo).
The GMP production facilities, approved by ANVISA (Agência Nacional de Vigilância Sanitária), are located in Anápolis.

The acquisition of Pharma Nostra enables Fagron to achieve clear benefits in terms of procurement, analysis and production as well as regarding product range, sales and marketing. Due to the organisations' excellent track records and quality, Fagron expects a quick and smooth integration, as was the case with DEG.

About the Brazilian market

Patients in Brazil have a great deal of choice, which means they tend to opt for tailor-made pharmaceutical compounds which virtually always have fewer side effects and are therefore a valuable alternative. Partly because of this, Brazil is by far the largest market in the world for pharmaceutical compounding.

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

Market leadership in Poland by the aquisition of Pharma Cosmetic

In December 2011, Fagron signed an agreement for the acquisition of Polish company Pharma Cosmetic, a leading supplier of raw materials for pharmaceutical compounding to Polish pharmacies. Pharma Cosmetic is the market leader in Poland.

Pharma Cosmetic (www.pharma-cosmetic.com.pl) was established in 1991 by the Adamowicz family, who are also the current sellers. In 2011, Pharma Cosmetic achieved a turnover of approximately 7.5 million euros with 64 employees. Its turnover is realised by selling pharmaceutical raw materials to approximately 13,000 pharmacies and pharmaceutical wholesalers in Poland. The head office, the warehouse and the GMP production facilities of Pharma Cosmetic are located in a central class-A location in Cracow. In the past few years, Pharma Cosmetic won several awards for the high level of quality of its products.

Due to the organisations' excellent track records and quality, Fagron expects a quick and smooth integration of Pharma Cosmetic. Pharma Cosmetic is included in the consolidation as from 1 January 2012.

Pharma Cosmetic

Pharma Nostra

Dina and Thibau

Family situation

Name of parent:	Dina De Haeck
Position, division:	COO of Arseus Medical and Arseus Dental Solutions
Place, country:	Waregem, Belgium
Name of child:	Thibau Pauwels
Age:	2
Place, country:	Puurs, Belgium

Thibau can only say a few words as yet, so we tried to translate as best we could...

Do you like your mummy's job, and can you explain why?
Yeeeeeeeeeeeeeeeeeeah.

Why is your mum good at her work?
Every week my mama buys me appa (apple juice). It never runs out and it is always well-stocked!

Have you been to your mother's work place?
No.
Voooom vooooom (mama has a new car).

What do you like best about your mum that nobody knows about her in the office?
Big Kiss (she is my mum).

What would you like to be later on?
Peeeeeeee Paaaaaaaaaaaa (the fire brigade?)

ARSEUS DENTAL
Driving superior care

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

Key points

- Turnover increased by 1.1% to 163.2 million euros (organic growth: -1.4%)
- REBITDA decreased by 27.3% to 7.3 million euros
- Clear segmentation into customer target groups
- Focus on offering integrated total solutions with substantial added value

(x 1,000 euros)	2011	2010	Evolution
Turnover	163,224	161,457	+1.1%
REBITDA	7,287	10,025	-27.3%
REBITDA margin	4.5%	6.2%	
FTE	646.0	636.6	

General

Arseus Dental aims to supply innovative, integrated solutions, technologies and services to dentists and dental laboratories within Europe. Arseus Dental aims to be the preferred partner by developing innovative solutions in-house, offering these to all professionals within the dental market.

These solutions aim to increase efficiency and improve quality while simultaneously decreasing cost and complexity. Together with Arseus Dental, dentists and dental laboratories can increase their professionalism and dedicate more attention to their patients.

With strong house brands, exclusive distribution agreements and new services, Arseus Dental distinguishes itself from its competitors. During the past few years, Arseus Dental managed to gain a solid position in the Belgian, Dutch, French, German and Swiss dental markets. The range of premium brands, own brands and private labels is simply impressive.

In 2011, Arseus Dental's turnover increased by 1.1% to 163.2 million euros. Its organic turnover growth decreased by 1.4%. In comparison with 2010, the REBITDA margin was down by 1.7 percentage points.

Arseus Dental's activities

In order to increase the impact, improve efficiency and reinforce customer focus, Arseus Dental is subdivided into three focused activities: Arseus Dental Solutions, Arseus Dental Lab and Arseus Dental Technologies.

Arseus Dental Solutions

Arseus Dental Solutions provides integrated total solutions, innovative products and services for workflow and practice management, digital imaging equipment and hygiene management to dental practices.

Last year was a difficult year for Arseus Dental Solutions. In order to bring the business back on a performing growth track, better operational structures were implemented in the course of 2011, the product range was optimised and management was renewed in Belgium, Germany and France. Furthermore, a number of procedures were started in the context of further improvement of service, quality and customer focus. These initiatives resulted in healthy turnover growth during the fourth quarter of 2011. We expect this trend to continue into 2012.

Technological, sociological and economic drivers determined Cone Beam CT's success

The use of radiology within the dental sector has strongly increased during the past 15 years. This growth was mainly caused by increasing digitalisation of imaging equipment. Dentists previously required a separate darkroom and a lot of time to develop pictures. These days, everything can be done in the practice room in the presence of the patient. Immediate imaging, lower radiation doses for the

Owandy's I-Max Touch 3D

patient and far superior image quality ensure that analogous devices are hardly sold in Western Europe at this point. The era of digital imaging has begun!

Cone Beam CT (CBCT) technology is the latest innovation within digital imaging. This technology was developed at the end of the 20th century as a replacement for the classic medical CT scan of the mouth. Technological, sociological and economic drivers all played a key role.

In technological terms, performing a Cone Beam CT scan exposes the patient to up to 100 times less radiation than a classic CT scan does, in line with the ALARA principle (as low as reasonably achievable). The resolution of CBCT is also far superior. Both dentists and specialists are discovering the power of the third dimension, which was to date inaccessible in private practices. In particular, minor surgery, placement of implants, cephalometric analysis by orthodontists and visualisation of the sinus region for otolaryngologists have shown a strong surge. Cone Beam CT provides a wealth of useful information in 3D, allowing specialists to perform a treatment well prepared. Being able to make a highly accurate and correct assessment of the problem allows specialists to take their work to a higher level.

In sociological terms, patients want to be tended to faster and spend less time on diagnostic treatments. Two to three follow-up appointments and a trip to the hospital for a CT scan are experienced as highly bothersome.

In economic terms, we can see that both within the dental and medical sector, in-house diagnoses are increasingly popular. Why refer patients to a hospital if the same image can be generated instantly in the dental practice?

In the near future, mainly dental specialists will be prepared to invest in Cone Beam CT. Stomatologists and periodontists will want to further perfect their implanting skills. Endodontists will see a high resolution image of the various tooth canals as an absolute added value. Orthodontists choose a large image field and find resolution less important. They will want to revolutionise their cephalometric analysis by focusing on the third dimension.

In the long run, 3D technology is set to replace all extraoral and even all intraoral imaging at the dentist. Manufacturers are further reducing radiation doses and improving diagnostic image quality. The decrease in prices means that the technology is increasingly affordable in the dental practice. Arseus Dental Solutions has two world-class players in Cone Beam CT technology: Soredex and its own brand, Julie Owandy.

AHC (Arseus Hygiene Concept): sterilisation, corrosion prevention, stock management, storage (Tray/Tub and Pegasus)

Arseus Dental Solutions introduces solution for hygiene management and traceability within dental practices.

As in many medical sectors, dental practices show an increasing need for solutions in the field of managing the dental practice in accordance with hygiene standards and requirements. Arseus Dental Solutions introduces a total solution to hygiene management. This solution is based on a uniquely developed set-up for hygiene workflow, devices for hygiene and sterilisation with automatic process documentation and a total software and IT solution for traceability of surgical sets and sterile materials. This allows dentists to conduct a simplified and efficient consistent hygiene policy in their practice.

Arseus Dental Lab

Arseus Dental Lab provides innovative solutions to dental laboratories. Arseus Dental Lab positions itself as the leading player in the market of technical dental and dental prostheses labs. Arseus Dental Lab's range of services is very extensive and complete, including artificial teeth, supplies, materials, furniture and CAD/CAM solutions. Arseus Dental Lab can safely be considered the one-stop-shop within this sector.

Arseus Dental Lab showed healthy organic growth in 2011. This growth mainly resulted from the innovative fields within the sector, such as CAD/CAM and milling units. In early 2011, the product range of Ceka-Preciline® attachments was extended worldwide and the in-house quality brand Selexion® was introduced in Europe. Selexion® includes a wide range of products used on a daily basis by dental laboratories. Under the name Novux®, Arseus Dental Lab introduced a unique CAD/CAM concept for dental laboratories in 2011. Ceka-Preciline®, Selexion® and Novux® are Arseus Dental Lab's own brands.

Novux® CAD/CAM Center in Waregem, Belgium

Selexion®, Arseus Dental's own label for dental laboratories

In early 2011, Arseus Dental Lab successfully introduced its own label, Selexion®, in Belgium, the Netherlands and France and through distributors in some other European countries. Selexion® includes a complete range of consumables used on a daily basis by dental laboratories. All products within the full Selexion® product portfolio are selected on the grounds of ten basic criteria, including added value to dental laboratories, manufacturer individuality, quality, etc. During the International Dental Schau (IDS) in March 2011 in Cologne, Germany, Arseus Dental Lab also introduced the Selexion® product range to its export customers.

CAD/CAM technology

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

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

To some dental laboratories, manufacturing implant superstructures has become a routine job. To others, it continues to be a considerable task and a quest for the right design, materials and equipment. However, in all cases, producing a well-fitting structure that meets the requirements of both the dentist and the patient is not a piece of cake.

In 2011, Arseus Dental Lab introduced the unique total concept Novux® in Europe. Novux® is a total CAD/CAM solution, lending maximum flexibility to dental laboratories. Both to dental laboratories that do their own scanning and modelling and to dental technicians who outsource the entire process or parts of it to scanning centres, Novux® is the ideal custom solution. The Novux® concept allows dental laboratories to quickly and easily produce implant superstructures and dental crown and bridge work of an excellent quality, whatever the circumstances.

Training centre for Arseus Dental Lab and Ceka-Preciline® in Waregem, Belgium

Arseus Dental Lab installs CAD/CAM software and provides training in all dental colleges in the Belgian Flanders region

In 2011, Arseus Dental Lab installed the CAD/CAM software Ceramill on all Flemish dental colleges, in close collaboration with Amann Girrbach. Furthermore, the teachers of the dental colleges Vesalius Ostend, Syntra Flanders and Stella Maris Antwerp, all in Belgium, were given a two-day course in the training centre of Arseus Dental Lab in Waregem (Belgium). Each dental college was provided with the user-friendly Ceramill software on their pc's. Arseus Dental Lab will continue to support the teachers of the dental colleges in Flanders in the future, offering further training in the event of new developments.

Introduction of the Sensable solution in Europe

In December 2011, Arseus Dental Lab concluded a distribution agreement for the introduction and marketing of Sensable Technologies' solution, consisting of a software and a hardware component, in the Netherlands, Belgium, France and the United Kingdom.

The Sensable software offers a user-friendly environment enabling the dental designer to quickly create various products. The Sensable solution was mainly developed as a simple manner to create removable partial dentures. In addition to the innovative software, an excellent hardware component is available: the Haptic Device. This device is a robot arm that works like a human shoulder and arm, being able to move in any direction. A user holding the device when designing can actually feel what happens on the screen. This allows for manipulating the digital wax by forming, cutting, adding and removing - similar to the traditional craftsmanship of the technician.

Arseus Dental Technologies

Arseus Dental Technologies is well-known for its solutions in digital dental imaging and developing software for imaging and dental practice management. Julie Owandy, a subsidiary established in France, develops, produces and assembles a full in-house range of extraoral imaging equipment for dentists, including panoramic 2D and 3D units and intraoral digital sensors and cameras and all associated image visualisation software. Furthermore, Julie Owandy's customer base includes approximately 35% of all dentists in France for its Julie software for dental practice management.

Hader, a subsidiary established in Switzerland, is active in the segment of orthopaedic instruments, hearing aids, MedTech dentistry and other precision components for the dental and medical orthopaedic industry.

Arseus Dental Technologies achieved nice organic growth during 2011. Julie Owandy's growth was driven by the introduction of the I-Max Touch 3D (digital 3-dimensional dental imaging equipment) and by further reinforcement of market leadership in France of its Julie software for dentists. In 2011, Hader successfully developed and marketed orthopaedic and dental concepts.

I-Max 3D touch screen console

Technological innovations of Julie Owandy conquer South America

South America is also a growth area for Arseus Dental Technologies. Since early 2000, Julie Owandy sells its imaging equipment and accessories, developed in-house, in Brazil, Argentina, Chile and Columbia. In December 2011, Julie Owandy organised a wide array of presentations, conferences and demonstrations in Paraguay. Hundreds of dentists devoured the presentation of technical innovations by Julie Owandy with great interest, as these are not a regular sight in dental practices in Paraguay. The opening of two dental Centres of Excellence in Paraguay was an occasion to provide the Julie Owandy products with academic references. The 3D radiology department at the Universidad Nacional de Asuncion and the Radiodent Centre allowed Julie Owandy to give a prestigious presentation of the I-Max Touch Ceph and the I-Max Touch 3D.

Julie Owandy presents its new I-Max Easy panoramic unit during IDS 2011

During the International Dental Schau in March 2011, Julie Owandy introduced the I-Max Easy, an affordable and user-friendly panoramic design unit. The I-Max Easy is an accurate diagnostic instrument allowing for performing any radiological examinations that are required by dentists. As the I-Max Easy is the only panoramic unit that is fully integrated with Julie, dentists can directly include the images made into the electronic medical file of the relevant patient.

Julie Owandy & Materialise Dental: partners in total solutions for imaging, diagnostics, planning and (implant) treatment

Julie Owandy and Materialise Dental have entered into a strategic partnership in 2011, enabling the users of their products to have the best solution for digital 3D imaging on the dental market: the combination of a very powerful panoramic Cone Beam unit, the I-Max Touch 3D and the leading 3D treatment planning software, SimPlant®.

In the future SimPlant® Pro software is delivered by default with the panoramic I-Max Touch 3D unit of Julie Owandy. In addition to the panoramic I-Max Touch 3D unit, the new suite includes the SimPlant® Pro-license, software installation and custom training by Materialise Dental engineers and 1 year of software maintenance.

SimPlant® is a reliable and user-friendly system that allows for fast, accurate and efficient planning of implant treatments. Among other things, it has a library of over 8,000 implants of 90 different brands, and precision tools to display the mandibular nerve. With SimPlant®, dentists have the most effective three-dimensional tools for diagnostics and (implant) treatment that exist.

Annette, Mees and Philippe

Family situation

Name of parent: Annette Sagel
Position, division: Marketing Manager at TIMM Health Care
Place, country: IJsselstein, Netherlands
Names of children: Mees and Philippe
Age: 7 and almost 5
Place, country: Loenen aan de Vecht, the Netherlands

Do you like your mummy's job, and can you explain why?
Mees: It is fun because she has cupboards full of interesting things.
Philippe: We can look at pictures or read books when we are there.
Mees: And she always has a picture of us on her desk.

Why is your mum good at her work?
Mees: She makes lots of money and she sells lots of things and the things that she is selling work quite well.
Philippe: Iberogast is made from plants. That is what mama sells. I don't remember what the plant is called.
Mees: You use it when you have pain in your tummy or when you are nauseous. Or for stomach acids.
Philippe: Yes, when you have too many lemons in your stomach.

Have you been to your mother's work place?
Mees: Yes, it is a room with lots of cupboards and the cupboards have lots of bottles and boxes. She has a funny swivel chair.
Philippe: There are many pills and drinks. It is quite original and quite lovely. So I would like to go there again.
Mees: Jeroen Slooter and Anne also work there.
Philippe: Sinterklaas comes there too.
Mees: It is fun to talk to the apprentices. And the warehouse has lots of boxes and that great plastic 'preserver'.

What do you like best about your mum that nobody knows about her in the office?
Mees: She does great pancakes and she is great at telling stories.
Philippe: She is scared of balloons that go bang and dragon flies.

What would you like to be later on?
Mees: Inventor
Philippe: Lazybones
Mees: You can't because then you become a homeless person.
Philippe: Then I want to be a trumpet teacher.

ARSEUS MEDICAL
Driving superior care

Unique healthcare partner

Key points

- Turnover decreased by 0.7% to 51.9 million euros (organic growth: -4.9%)
- REBITDA increased by 16.1% to 6.1 million euros
- Focus on innovative total solutions with substantial added value
- Major player in surgery after the integration of the Belgian company Devroe Instruments

(x 1,000 euros)	2011	2010	Evolution
Turnover	51,850	52,203	-0.7%
REBITDA	6,065	5,225	+16.1%
REBITDA margin	11.7%	10.0%	
FTE	166.6	175.7	

General

Arseus Medical offers solutions for the medical sector (doctors and hospitals) and the healthcare sector (home nurse and elderly homes). The 167 employees assist customers with expanding, improving and increasing the efficiency of their practices, with a focus on innovative products, services and concepts with substantial added value. In its medical activities, Arseus Medical focuses on surgery (both minimally invasive and open surgery) and sterilisation, diagnostics, monitoring, therapy and acute care, equipment for doctors/specialists and infrastructure for hospitals. Within the healthcare sector, Arseus Medical is active in medical and care supplies for personal care, hygiene, diagnostics/monitoring/therapy and infrastructure, and in provisions in mobility and stoma/incontinence care. Arseus Medical is the market leader in selected segments in Belgium and has a leading position in the Netherlands. Approximately 80% of turnover is achieved in Belgium and around 20% in the Netherlands.

As in 2010, Arseus Medical focused on simplifying its market approach, the strategic repositioning of the product range, building up a solid pipeline of innovative products and solutions with high added value, and successful introduction of new medical solutions and concepts. Examples include the Surgery to Sterilisation concept, the AED online concept and the introduction of an innovative access port for single-incision laparoscopic surgery (SILS), for simplified and more flexible minimally invasive surgery.

In 2011, the focus on improvement of added value resulted in an increase in REBITDA of Arseus Medical by 16.1% to 6.1 million euros. In spite of the challenging market conditions, Arseus Medical's REBITDA margin has increased by no less than 7.6 percentage points to 11.7% during the period 2006 to 2011. This is a clear confirmation that Arseus Medical's strategy is working. Its organic turnover growth of -4.9% during 2011 was due mainly to a further reduction in a number of non-strategic portfolios in the second half of 2011.

Reinforcement of growth strategy in surgery and sterilisation

In 2011, Arseus Medical integrated the company Devroe Instruments, a leading player on the Belgian market of surgical instruments, endoscopic services and solutions for sterilisation handling, which was acquired in December 2010. The successful integration combined the knowledge, experience, products and services of Devroe Instruments and Arseus Medical in the field of surgery and sterilisation.

Arseus Devroe focuses fully on the Surgery to Sterilisation concept ('S2S'), a solution for the surgery and sterilisation departments in hospitals concentrating on improving efficiency, traceability and quality of instrument and implant management. The combined exclusive distributions of quality instruments (Medicon, Geister, Ackermann, Hipp), the OMF (Oro-Maxillo-Facial) system and the implants of Medartis (for surgical fixation, correction and reconstruction of hereditary conditions and face), provide Arseus

Devroe with all options of permanently combining customer-specific solutions. Furthermore, the rejuvenated portfolio now includes new fixation concepts and customer-specific services for inventory reports, repairs and traceability of surgical instruments.

Texa Reskin silicone dressing

Wound care has gained importance in the past few years. The quick development in knowledge in the field of wound healing and treatment methods plays a key role in this respect. During 2011, Arseus Medical introduced the innovative Texa Reskin silicone dressing in nursing homes, care homes, hospitals and pharmacies in both Belgium and the Netherlands.

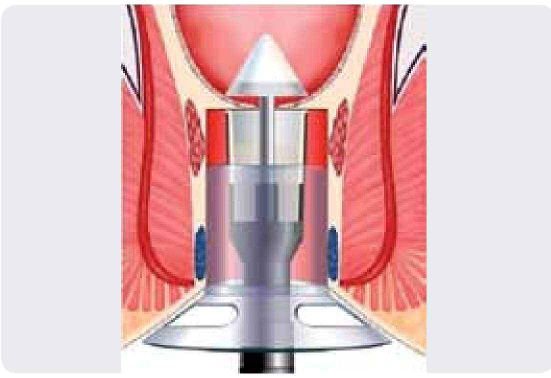
Arseus Medical's Texa silicone dressing makes use of the revolutionary ReSkin Silicon Skin Technology, with a super-soft silicone adhesive layer and a bi-elastic top layer as its unique properties. Texa silicone dressing can be deployed for a number of very practical applications.

Arseus Medical and Arseus Dental organise the first Arseus Days in Brussels

On 6, 7 and 8 May, the first Arseus Days took place in the Arseus Training Centre in Neder-over-Heembeek (Brussels, Belgium). The Arseus Days are a combination of practical lectures and workshops (with accreditation and certificates for 'permanent education premiums') geared towards healthcare professionals, product demonstrations and cutting promotions. Based on the pre-defined target groups, the visitors were offered a tailored programme, specifically for nurses working in home care on Friday, and for GPs and dentists on Saturday and Sunday.

The content of the interesting programme was prepared in close consultation with both internal and external partners. VBZB, the biggest Belgian professional association for independent home care nurses, held a lecture on developments in the healthcare file. Curalia informed the nurses present on the RIZIV social statute. Cardiologist Dr. Creeten gave an accredited lecture to GP's regarding heart failure.

Texa Reskin silicone dressing



Chex: Transparent high-volume stapler for surgical treatment of haemorrhoids

Octoport: Minimally invasive access port for colorectal and bariatric surgery

Mr. Devos, the Director of Living Tomorrow, opened the programme with a lecture on the 'Future of Healthcare'. The practical workshops were mainly provided by employees of the four Arseus divisions. In addition to the academic programme, visitors were also given the opportunity to explore and view all products and services of Arseus Dental and Medical.

In March and April 2012, the second edition of the Arseus Days will be organised by Arseus Dental and Arseus Medical.

The Brussels fire brigade selects the integrated AED solution of Arseus Medical

Arseus Medical concluded an agreement for the delivery of 40 semi-automatic defibrillators for Schiller Fred Easy (AED) to the Brussels fire department. The 4-year agreement includes a maintenance contract.

An AED, Automatic External Defibrillator, is a portable device used for reanimation of a person with circulation failure due to ventricular fibrillation. The AED administers an electrical shock based on automation. This serves to stop a deviating heart rhythm. This gives the sinus node the chance to regain control of the cardiac rhythm, which will make the heart revert to beating in a normal rhythm.

In addition to an efficient and reliable defibrillation device, the Brussels fire department was looking for a total solution for a quick and easy way to share the intervention data (ECG log and treatment history) with the hospital. The Schiller Fred Easy allows the emergency response officer to send the intervention data to the hospital from a laptop easily and quickly in order to enable the treatment staff in the hospital to have a full ECG log at their disposal at the moment the patient comes in.

Belgian FA chooses Arseus Medical AEDs

On Friday 30 September 2011, Arseus Medical was present when the Fair Play Cup was awarded in Belgian football. During this event, sponsored by Lotto (the Belgian National Lottery) and the KBVB (the Royal Belgian Football Association), CEO Mario Huyghe of Arseus Medical handed AEDs (automatic external defibrillators) to the thirty best junior football teams in Belgium.

An AED was chosen as the main prize for a good reason, as the number of victims dying on sports pitches has increased during the past few years. The presence of an AED at a sports club can increase survival rates in the event of acute heart failure. A victim's chance of survival is ten times higher if the victim is administered the first defibrillation shock within five minutes.

Fire brigade AED

Fred Easy

Unique Solutions of Arseus Medical at Expo60+ trade fair

In early October 2011, the Expo60+ trade fair took place in Mechelen, Belgium. This is the Belgian platform for decision makers in the sector of nursing homes and care homes. Within three days, over 7,000 visitors came to Arseus Medical's stand displaying the company's innovative products, services and concepts with substantial added value.

Arseus Medical's stand showed concrete solutions for both residents/patients and healthcare providers, such as the private labels Dermavital and Texa, AMMS, bath and transfer solutions and the AED-online concept.

AMMS, the ultimate integrated total solution for medication management

In 2011, Arseus Medical was highly successful with the sale of the Arseus Medication Management Solution (AMMS). Introduced in 2010, AMMS is the total solution for optimising medication delivery and administration to residents of residential care homes via the pharmacy. AMMS comprises various products and services that are supplied as a total solution to residential care homes or pharmacies by various divisions of Arseus, especially Corilus, Aca Pharma (part of Fagron) and Arseus Medical. With its software solution for both residential care homes and pharmacies, Corilus provides the platform for communicating the medication treatment plans of the retirement homes to the pharmacy, where the information is converted into individual preparation of medication tailored to the resident/patient concerned. Aca Pharma offers the necessary infrastructure to the pharmacy, ranging from Venalink blister packs and Wiegand medication trays to storage infrastructure and transport solutions. Arseus Medical supplies residential care homes with tailored Wiegand medication trolleys, trays and infrastructure ensuring that medication arrives at the right time to the right resident, allowing for the administration of the medication to be entered in the Corilus healthcare plans.

Through Arseus Academy, Arseus Medical prioritises transfer of knowledge

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

Successful workshop 'Feeding tube placement in the small intestine by nursing staff'

On 22 September 2011, Arseus Medical's endoscopy department in the Netherlands received 18 nutritional and endoscopic nurses for a workshop on how nurses can place a feeding tube in the small intestine.

Inserting a feeding tube up to the small intestine is an intervention that is generally performed by gastrointestinal and liver specialists. The operation involves using an endoscope, which is an extremely unpleasant experience to the patient. Since a few years, Arseus Medical is the distributor of the Cortrak system, allowing for tube placement without using an endoscope. A doctor is not required for this intervention. Instead, a specialised nurse is able to insert the tube within a relatively short time and check the position.

After a presentation by Mariël Klos, nutritional nurse in the Gelre hospital in Apeldoorn, the Netherlands, and Ann Duflou, a senior nurse at AMC hospital Amsterdam, the Netherlands, and the first user of the system in the Netherlands, the participants were able to personally witness both the user and patient-friendliness of this system.

Arseus Medical on the move to Bornem

In early 2012, Arseus Medical moved out of its rather obsolete office in Wilrijk near Antwerp, Belgium and into a new, sophisticated and geographically central office in Bornem, Belgium. Van Hopplynus Ophtalm, Arseus Medical's ophthalmology division, moved into the new Bornem office from its building in Brussels.

Bringing together the commercial and technical services in this new Customer Service Center was a logical step in Arseus Medical's further development and professionalisation. Customer satisfaction and clear, quick customer communication are key business objectives that will be further specified from Bornem.

Arseus Medical's new office in Bornem, Belgium

Elvis, Priscilla and Tiffany

Family situation

Name of parent:	Elvis Iwan Weerwind
Position, division:	Warehouse Manager at Fagron Netherlands
Place, country:	Capelle aan den IJssel, the Netherlands
Names of children:	Priscilla Charmaine and Tiffany Naomi
Age:	15 and 13
Country:	The Netherlands

Do you like your dad's job, and can you explain why?
Tiffany: Yes, because my father has a responsible job and he likes going to work.
Priscilla: I am 15 now and that's how long he works with Fagron. From the pharmacy to Fagron in Rotterdam, I think, and then Nieuwerkerk aan den IJssel and now in the red Fagron building in Capelle aan den IJssel.

Why is your dad good at his work?
Because he has been dealing with compounding medicines since his education and now he sends medicines to pharmacies. He also makes really good sauces when he cooks and he always calls them emulsion sauces.

Have you been to your father's work place?
Yes I have, the new building is a giant thing compared to the old one. Tiffany once picked orders with daddy when she was small.

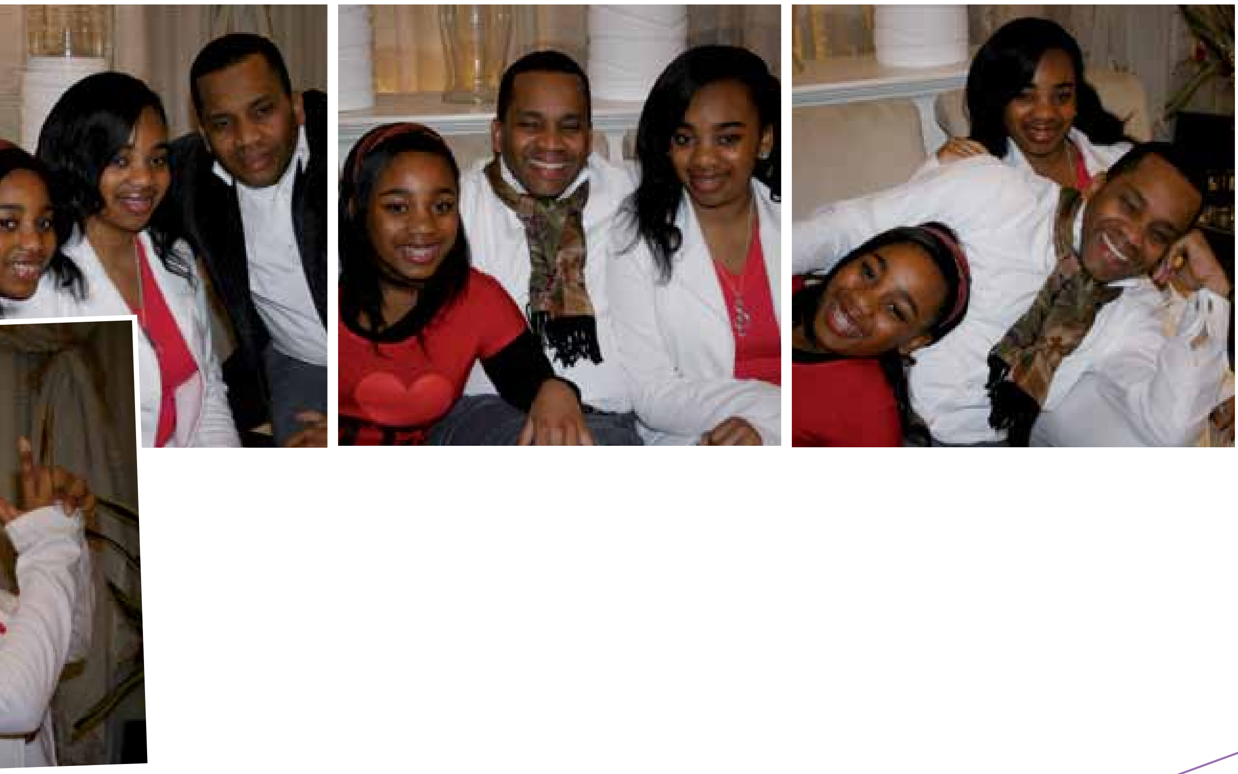
Can you explain what it looks like, and what it was like for you?
It is large and clean, everything is in its own place and the robot with the E.T. devices that take the containers. The make sounds to, veeeeep, veeeeep.

What do you like best about your dad that nobody knows about him in the office?
That he is really kind and caring to us and he always makes jokes with us when he comes home from work. He usually imitates scary movies by making creepy noises.

What would you like to be later on?
I don't know yet, study on a bit first.

CORILUS

Total ICT-solutions for medical professionals



Key points

- Turnover increased by 10.5% to 34.3 million euros (organic growth 1.3%)
- REBITDA increased by 10.1% to 10.1 million euros
- Further reinforcement of position on the Belgian software market for residential care homes by acquiring the Belgian company CMS
- Reinforcement of the position on the Belgian software market for GPs and homecare nurses with 1,000 new users

(x 1,000 euros)	2011	2010	Evolution
Turnover	34,318	31,057	+10.5%
REBITDA	10,074	9,150	+10.1%
REBITDA margin	29.4%	29.5%	
FTE	253.9	210.6	

General

Corilus provides total ICT solutions for a wide range of medical and paramedical professions, such as pharmacists, dentists, GPs, ophthalmologists, eye specialists, nurses, care homes, physiotherapists, opticians and veterinarians. Based on sophisticated and innovative software, Corilus offers excellent service and a great hardware range, combining into substanial added value and high level of customer satisfaction. With its installed base of 17,000 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 French hospitals. Corilus also serves 8,000 dentists worldwide, who are using Mediadent, the software for digital image processing.

Corilus' turnover increased by 10.5% to 34.3 million euros in 2011. Organic growth amounted to 1.3%. The REBITDA margin remained high with 29.4%. Organic turnover growth was depressed slightly due to a temporary shortage of technical staff, which resulted in carrying out fewer installations than scheduled for 2011. The Belgian company CMS, supplying software to residential care centres in Belgium, was acquired in early 2011 and was successfully integrated.

The focus of the 2012 strategy is on further consolidating Corilus' leading market positions in Belgium through organic growth and acquisitions, and on introducing its innovative ICT solutions for medical specialists in other European countries.

Scale of operations and focus on added value

The software solutions provided by Corilus are mostly developed in-house. For that reason, Corilus also owns the intellectual property rights to the software. With a workforce of 254 employees from 6 locations in Belgium, the Netherlands and France, Corilus sells its software solutions to around 25,000 healthcare providers.

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 way, Corilus ensures that its applications are aligned with market needs and anticipate market trends.

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

Developments in 2011

In 2011, 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. They concern interactive sessions with direct communication between the teacher and the customer. This way, Corilus further extends its service provision, gradually evolving into a knowledge supplier.

Pharmaceutical care is key in pharmacies and pharmacists can offer substantial added value as reliable advisors to patients. In order to support the pharmacists in this respect, Corilus developed and introduced NoticeNet in 2008. NoticeNet is a platform bringing together the most up-to-date online resources for pharmaceutical care and scientific information for each medicinal product. NoticeNet is integrated in all software suites that Corilus offers to pharmacies. By early 2011, Corilus' NoticeNet was consulted for the 3 millionth time!

In 2011, four Belgian pharmacy chains, including Lloydspharma, signed agreements to install the innovative pharmacy software Greenock Pharmacy in their Belgian pharmacies. This is a clear confirmation of Greenock's quality. Lloydspharma is part of the international Celesio AG Group with 110 pharmacies throughout Belgium. Lloydspharma will install Greenock Pharmacy in all 110 of its pharmacies in Belgium, which will be centrally operated by Greenock Central. The key benefits that made Lloydspharma choose Greenock are the user-friendliness of the software, the attention to pharmaceutical care, the sophisticated technology, the option to operate all 110 pharmacies from a single server point, the professional follow-up with a multi-disciplinary team and Corilus' alert responsiveness.

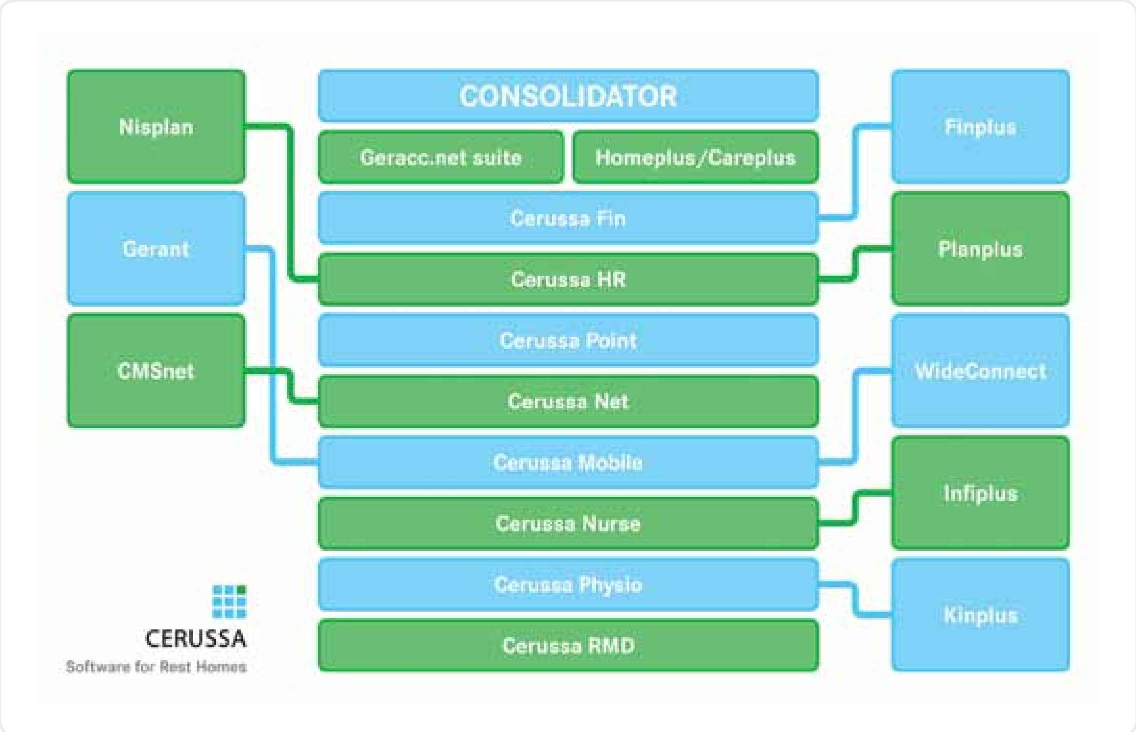
Corilus trains the Greenock Pharmacy users via an e-learning platform, which allows for individual customised internet-based training. Pharmacists can attend the training course at the time and location most convenient for them. Greenock's e-learning structure is extremely simple and intuitive: based on a video or simulation, the pharmacist receives an explanation of a certain action and is then supervised while attempting to carry out the action. Greenock e-learning goes beyond this: The customer can practice interactively, with the correct action or button highlighted when a mistake is made. Finally, the customer can check if all employees are ready to start working with Greenock based on a 'final exam'.

The RobotLink module was successfully tested in 2011. This module enables connecting Greenock to a ROWA robot, an order picking system increasingly popular with Belgian pharmacies. Productivity, availability, speed and efficiency are key benefits of combining Greenock with a ROWA robot.

During the first quarter of 2011, Corilus reinforced its position on the Belgian market of software for

Signing the agreement with Lloydspharma

ROWA robot



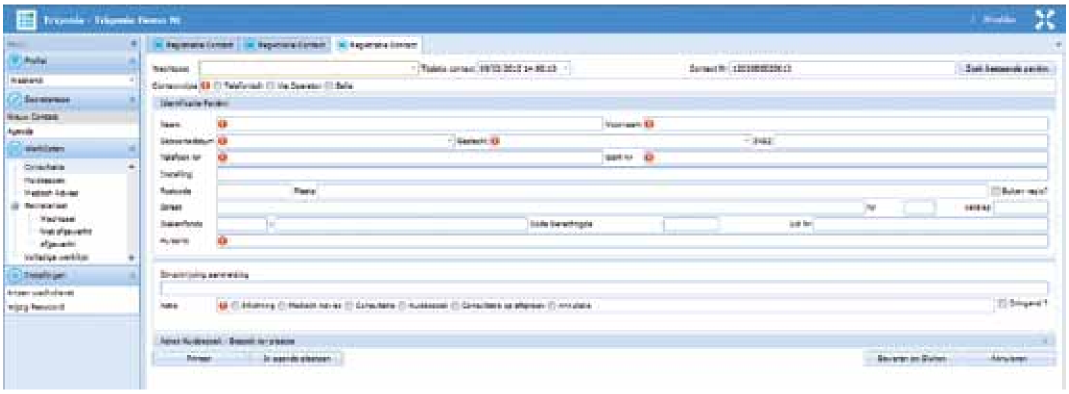
Cerussa diagram

residential care centres by acquiring Belgian company CMS. As a result of this acquisition, Corilus can quickly respond to and benefit from the consolidation trend among residential care centres. As an additional advantage, Corilus can directly integrate its Infiplus software for home care nurses with CMS's GERACC software for residential care centres. This enables Corilus to respond to the important development that residential care centres are increasingly cooperating with home care nurses. In the future, both Corilus and CMS are set to extend the existing product portfolio with new shared applications, which will add significant value to residential care centres. The GERACC software and Homeplus/Careplus are part of Cerussa, the software platform of the future. Furthermore, new modules are being developed, including the Consolidator, a user-friendly dashboard allowing for easy consolidation of information from Homeplus / Careplus, GERACC / Gernis and all extension modules for one or more residential care centres.

In June, Corilus and fifthplay concluded a partnership agreement for the integration of fifthplay's telemonitoring solution into Corilus' medical file. This partnership allows GPs' remote monitoring of vital patient parameters. A pilot phase is currently running with ten Belgian GPs. This solution clearly offers GPs unique added value in their services to patients. Periodic registering of parameters with automatic alerts on exceeding certain values will clearly lead to better and proactive care provision.

In the first semester of 2011, Corilus concluded an agreement with the Central Military Hospital in Utrecht, the Netherlands, for extending Softalmo, the software suite for ophtalmologists. The core task of the Central Military Hospital is medical intake, diagnostics and treatment of Dutch military staff. CHU Nantes in France also chose Corilus software for ophtalmologists.

In Belgium, GP out-of-hours surgeries are increasingly being set up by groups of GPs in a particular region in order to provide high-quality care during weekends and public holidays. Due to market and customer requirements, Corilus developed a new software suite



Trigonia screenshot

for these out-of-office surgeries. The software suite, Trigonia, was developed in close consultation with the GP out-of-office surgeries and is fully matched to their work and procedures. In early July, the Antwerp North GP out-of-office surgery, with 78 GPs, was the first to use Trigonia. Various other GP out-of-office surgeries followed suit and Corilus became the market leader in this segment within one year.

In the Netherlands, Viva, Corilus' software suite for veterinary practice management, was given a serious make-over. Viva 2.0 is a web application with a fresh new look based on state-of-the-art technology. Viva 2.0 is fully modular. The new modules can be used in conjunction with the current Viva version. The user can choose starting up in the new or existing Viva, and gradually get used to Viva 2.0. The first module (visit letter module) has been operational within a number of pilot practices since October 2011, and will become available to all Viva users by early 2012. The first reactions are positive. The Ambulatory Clinic for Farm Animals in Utrecht, the Netherlands, recently chose Viva.

As from October, Corilus is distributing the Florida Probe system in Belgium. The Florida Probe system is an electronic pocket probe designed to measure and register periodontal conditions. The system is used worldwide and aims to provide an insight into the periodontium to both the dentist and the patient. The Florida Probe system is linked to the patient file in Baltes (the Corilus software for managing dental practices), copying the oral chart and registering the measurements directly in the right place. The system is easy to use and saves an enormous amount of time, as no assistance is required for performing and registering measurements.

Viva 2.0 screenshot

Tablet with Infiplus Mobile

Florida Probe

Ghent University Hospital chose Corilus' Baltes software in late 2011. This is a key development for Corilus, as this implies that all dentist students at this university will be trained based on Baltes.

In November, Corilus launched Infiplus Mobile for the Walloon Region, the predominantly French-speaking part of Belgium, in Charleroi. Infiplus Mobile is software developed by Corilus for nurses and is specifically designed for use on a tablet pc. Infiplus Mobile allows nurses to consult information in the patient's home, including patient details, the healthcare insurer and regulations. Thanks to its link to MyCareNet, the information is always up-to-date. Infiplus Mobile will be introduced in Flanders in the spring of 2012.

Danny, Eugenie, Yana and Timon

Family situation

Names of parents:	Danny de Geus and Eugenie van der Storm
Positions, divisions:	Financial Manager and Purchasing Manager at Fagron Nederland
Place, country:	Capelle aan den IJssel, the Netherlands
Names of children:	Timon and Yana
Age:	7 and 9
Place, country:	Capelle aan den IJssel, the Netherlands

Do you like your parents' job, and can you explain why?
Timon: I like it because sometimes I have to stay at school during lunch break and then I can play with my friends.
Yana: Yes, because we always have a good time.

Why are your parents good at their jobs?
Timon: Because they have been working there for a long time.
Yana: Daddy because he is good at doing sums and mummy because she is good at spending money.

Have you been to your parents' work place?
Timon en Yana: Yes, many times!

Can you explain what it looks like, and what it was like for you?
Timon: I like it because there are lots of pretty colours. And there is great forklift truck in the warehouse. It goes really high.
Yana: Daddy's office has a television, a huge desk with chairs around it and a computer and a radio. Mama's desk has a computer too and she sits opposite Mieke. There is an enormous warehouse with a robot with a huge big lifting thing. I sat in it once and we went all the way up together with Elvis. That was great fun.

What do you like best about your mum and dad that nobody knows about them in the office?
Timon: They are a bit strict to me but very sweet.
Yana: Daddy reads magazines of houses and mama loves reading books.

What would you like to be later on?
Timon: Police officer, with the lights and all.
Yana: Teacher at school and Ellen's secretary. (Timon wonders what a sickretary is, but then figures out that it means Yana will have to replace Ellen when she's sick).

ARSEUS
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Information about the Arseus share

Information about the Arseus share

Stock market quotation

Arseus is listed on the NYSE Euronext stock exchange in Brussels and Amsterdam. The share is included in the BEL MID-index and the Amsterdam Small Cap Index (AScX).

At 31 December 2011, the market value of Arseus amounted to 344.3 million euros, a 3.1% decrease compared to the end of 2010. At 31 December 2011, 31,216,888 shares and 6,000,000 VVPR-strips were listed on NYSE Euronext.

On 16 February 2011, Arseus issued 1,018 new shares as a result of the exercise of warrants under the Warrant Plan of the Offer. Non-exercised warrants under the Warrant Plan of the Offer expired. On 17 June 2011, 20,749 new shares were issued as a result of the exercise of warrants under Warrant Plans 1 and 2. These newly issued shares are eligible for dividend from the 2011 financial year onward.

The number of Arseus shares with voting rights 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.

Shares

- ISIN code: BE0003874915
- Euronext: RCUS

VVPR-strips

- ISIN code: BE0005617882
- Euronext: RCUSS

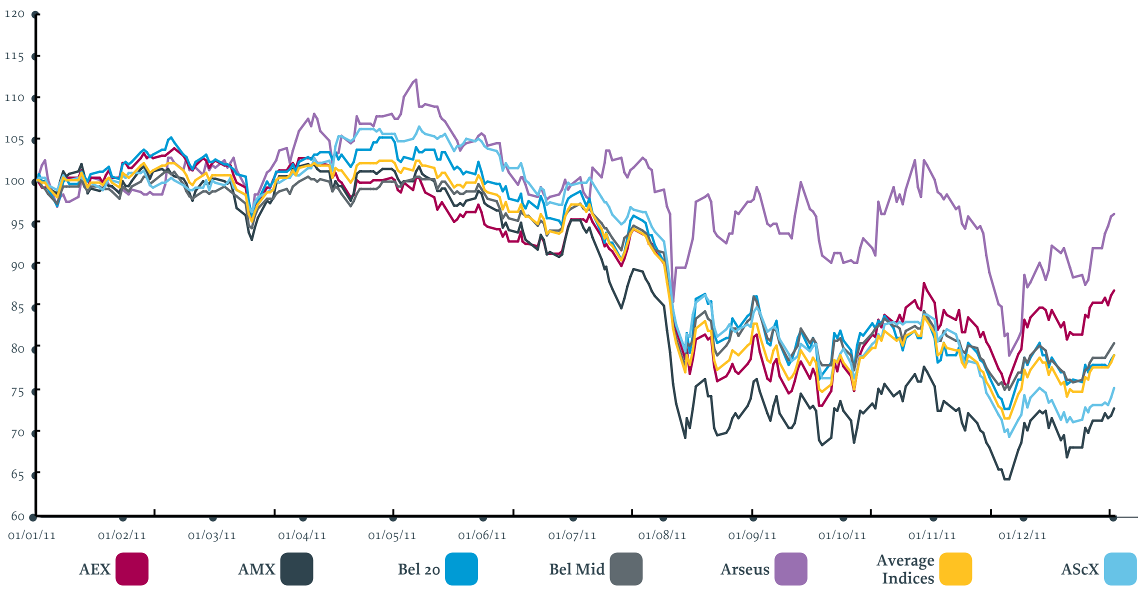
Stock price

The price of Arseus stock decreased in 2011 by 3.1% to 11.03 euros per share. Over the same period, the BEL MID index decreased 18.6%, while the AScX index decreased 24.3%. Since the company's initial public offering on 5 October 2007, Arseus shares have increased 10.3%. By comparison, the BEL MID index and the AScX have decreased 31.8% and 50.1% respectively over the same period.

Stock market quotation

	2011	2010	2009	2008
Highest share price	€12.90	€11.53	€8.66	€9.59
Lowest share price	€8.91	€7.92	€5.40	€5.58
Closing price at the end of the year	€11.03	€11.38	€8.05	€6.25
Highest daily turnover	282,010	170,153	176,222	282,867
Lowest daily turnover	2,919	3,547	6,255	1,608
Average daily turnover	38,633	31,182	35,195	29,983
Dividend	€0.50	€0.44	€0.36	€0.30
Dividend yield at closing price	4.5%	3.9%	4.5%	4.8%
Market capitalisation at the end of the year	€344,322,274	€355,000,477	€251,120,724	€194,969,506

The performance of Arseus and the indices in 2011



Shareholder structure

Arseus received the following notifications of shareholding (status as at 31 March 2012) 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	26.16%
Alychlo NV/Coucke	3,528,080	11.30%
BNP Paribas Investment Partners SA	1,546,052	4.95%
Arseus NV (treasury shares)	760,345	2.44%
Public	17,215,503	55.15%
Total (denominator)	31,216,888	100.00%

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

Dividend

A proposal will be submitted to the Annual General Meeting of Shareholders to be held on 14 May 2012 to issue a gross dividend of 0.50 euros per share. This amounts to a net dividend of 0.375 euros per share. This is equal to the gross dividend minus dividend withholding tax, which in Belgium amounts to 25%. For shares presented with a VVPR strip, the withholding tax is 21%, so that the net dividend is 0.395 euros per share.

Investor Relations Policy

Arseus attaches substantial value to good, open and timely communication with its investors, analysts and others with (financial) interests in the company with the aim of informing them as effectively and as timely as possible about prevailing policies and developments in the company. Arseus actively seeks to engage in dialogue with existing and potential investors, as well as with analysts that follow the company's stock. This annual report is one of those forms of communication. All other relevant information, such as the annual and half-yearly figures, trading updates, press releases and background information, is available at www.arseus.com.

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

Financial calendar

14 May 2012	General Meeting of Shareholders (3.00 pm, Waregem)
16 May 2012	Ex-dividend listing
18 May 2012	Record date
21 May 2012	Dividend Payment date
6 August 2012*	2012 semi-annual figures
12 October 2012*	Third quarter 2012 trading update

* The figures and trading updates will be published at 7.30 am

Jeroen and Floor

Family situation

Name of parent:	Jeroen Gordijn
Position, division:	Sales Manager Industry at Fagron Netherlands
Place, country:	Capelle aan den IJssel, the Netherlands
Name of child:	Floor
Age:	13
Place, country:	Rhenen, the Netherlands

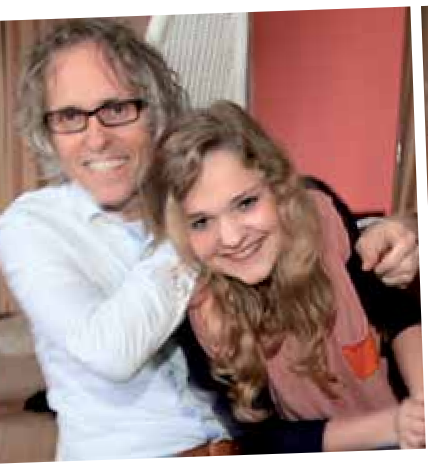
Can you explain what sort of job your father has?
He has a busy job and he has to go abroad sometimes. He sells raw materials to all sorts of companies.

Why is your dad good at his work?
He is always busy with his work.

Have you been to your father's work place?
No, but I went to the hockey tournament with him last year. I met his colleagues. We had a good time. I am curious to see the new office!

What do you like best about your dad that nobody knows about him in the office?
He loves chocolate sprinkles, we never leave on holiday without it! On holiday we often go to the mountains to go hiking and climbing.

What would you like to be later on?
Interior designer.



ARSEUS
Driving superior care

Corporate Governance Statement

Table of contents

CORPORATE GOVERNANCE STATEMENT

Application of the Belgian Corporate Governance Code 58
Composition of the Board of Directors 58
Composition of the Executive Committee 59
Summarised curricula vitae 60
Board of Directors 64
Appointment of the members of the Board of Directors 64
Function and role of the Board of Directors 64
Specialised Committees within the Board of Directors 64
Audit Committee 65
Nomination and Remuneration Committee 66
Executive Committee 67
Appointment of the members of the Executive Committee 67
Role of the Executive Committee 67
Activity report of the Board of Directors and the Committees in 2011 67
Board of Directors 67
Audit Committee 68
Nomination and Remuneration Committee 68
Process for the evaluation of the Board of Directors and its Committees 68
Policy on transactions and other contractual relationships 68
Rules for the prevention of insider trading and market abuse 69
Description of the main features of the internal control and risk management systems 69
Development of strategy 70
Budgets 70
Reporting, analysis and review 70
General Directives 70
Compliance reviews and external audits 70
Corporate Governance information 71
Corporate Governance Charter 71
General Meeting 71
Consultation of the Company's documents 73
Number of shares and authorised capital 73
Shareholders' structure and notifications of shareholding 74
Conflicts of interest 74
Buy-back of treasury shares 74
Warrants 74
Stock options 75
Authorised Capital 75
Statutory Auditor 76
Remuneration Report 76
Remuneration for non-executive directors 76
Remuneration policy for executive directors and the members of the Executive Committee 76
Evaluation criteria for bonuses paid to members of the Executive Committee on the basis of the performance of the Company or its business units 77
Remuneration of the CEO and the other members of the Executive Committee 79
Information on severance pay 80
Annual information 80

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 2011 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 2011.

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	4 years			
Jan Peeters	4 years			
Couckinvest NV (permanent representative: Marc Coucke)	4 years			
Robert Peek (Chairman)	4 years	x	●	
Johannes Stols	4 years	x	●	●
Luc Vandewalle	4 years	x		●
Supplyco B.V. (permanent representative: Cedric Van Cauwenberghe)	4 years			■
WPEF IV Holding Coöperatief W.A. (permanent representative: Frank Vlayen)	4 years		■	
EnHold NV (permanent representative: De Wilde J Management BVBA, represented by Julien De Wilde)	4 years			

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

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

The current terms of Mr. Van Jeveren and Mr. Peeters and of Couckinvest NV end after the General Meeting of the year 2015.

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	4 years
Jan Peeters CFO	4 years
Frank Verbakel Group Financial Controller	4 years
Ariom BVBA (permanent representative: Mario Huyghe) CEO Arseus Medical and Arseus Dental	4 years
Essensys NV (permanent representative: Dirk Van Lerberghe) – CEO Corilus	4 years

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

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

Summarised curricula vitae

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

Gerardus van Jeveren (1960): Chief Executive Officer

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

Jan Peeters (1966): Chief Financial Officer

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

Frank Verbakel (1960): Group Financial Controller

Frank Verbakel is the Group Financial Controller of Arseus. Between 1983 and 1996 he held various financial positions within the pharmaceutical division of Akzo Nobel. In 1997, he was appointed controller within the Chefaro division of Akzo Nobel, which was acquired by Omega Pharma in 2000. In 2004, Mr Verbakel was appointed business unit controller of Fagron, becoming Group Financial Controller and a member of the Executive Committee of Arseus in 2007. Mr Verbakel studied Business Economics at the Fontys College Eindhoven.

Robert Peek (1945)

Robert Peek is a graduate of the Hogere Textielschool in Enschede, the Nederlandse Economische Hogeschool in Rotterdam and the Hochschule für Wirtschaft und Sozialwissenschaften in Sankt Gallen, Switzerland. In 1973, he joined Organon International, part of the pharmaceutical division of Akzo Nobel. After holding various positions, including director of Organon Greece, Organon Venezuela and regional manager South America, he became manager Marketing Services, responsible for the global marketing policy.
In 1988, he moved to OPG Groep NV (now Mediq NV), where he joined the board of directors on 1 July 1989. From January 2001, he became responsible on the board of directors for all operational activities of the group companies (COO), followed by his appointment as chairman of the board of directors (CEO) on 1 March 2003, the position he held until his retirement at the end of 2005.

Johannes Stols (1959)

Johannes Stols held various positions in the Government Audit Department (Rijksaccountantsdienst), ABN-AMRO Bank NV and Stada Arzneimittel AG. Until 2006, he was Chief Operational Officer and a member of the board of directors of Stada Arzneimittel AG, and was founding member of the board of many Stada subsidiaries. In addition, he has 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 is 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 Befimmo SA/NV, Sea-Invest, Besix NV, Galloo, Transics NV, NV Sioen, Matexi and a number of other companies.

Couckinvest NV - Marc Coucke (1965)

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

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

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

Supplyco B.V. - Cedric Van Cauwenberghe (1975)

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

EnHold NV – Julien De Wilde (1944)

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

Ariom BVBA – Mario Huyghe (1963) – CEO Arseus Medical and CEO Arseus Dental

Since 1 January 2009, Mario Huyghe has been responsible for the Arseus Medical division. He is also responsible for the Arseus Dental 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 statements and other substantive financial and non-financial information, determining the corporate governance structure and supervising compliance with the provisions of the Corporate Governance Code, installing specialised Committees, establishing their internal terms of reference and assessing their effectiveness, promoting an effective dialogue with the shareholders and potential shareholders, approving contracts for the appointment of the CEO and other members of the Executive Committee, selecting the Statutory Auditor on the nomination of the Audit Committee and supervising his performance, and supervising the internal audit function if an independent internal audit function is established.

The Corporate Governance Charter and the internal terms of reference of the Board of Directors can be found on the corporate website (www.arseus.com) 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.

Arseus Board of Directors

Audit Committee

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

All members of the Audit Committee have sufficient 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 statements and the consolidated financial statements, including follow-up to questions and recommendations formulated by the Statutory Auditor;
6. assessing and monitoring the independence of the Statutory Auditor, taking particular note of additional services provided to the Company.

Following internal talks, the Audit Committee found that there was no need to set up an independent internal audit function for 2011.

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;

Arseus Executive Committee

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 2011

In 2011, in addition to discussing financial reporting, the Board of Directors devoted special attention to determining the corporate strategy, corporate funding and the company's organic and non-organic growth.

Board of Directors

The executive and non-executive members of the Board of Directors convened 10 times in 2011 (26 January, 15 February, 30 March, 9 May, 6 June, 29 June, 8 July via conference call, 4 August, 27 October and 7 December). All directors attended these meetings, unless stated otherwise below:

- 15 February: absent: Mr. Luc Vandewalle
- 9 May: absent: Mr. Luc Vandewalle
- 6 June: absent: Mr. Johannes Stols and EnHold NV, represented by De Wilde J. Management BVBA, represented by Mr. Julien De Wilde
- 29 June: absent: Couckinvest NV, represented by Mr. Marc Coucke
- Conference call of 8 July: absent: EnHold NV, represented by De Wilde J. Management BVBA, represented by Mr. Julien De Wilde, Supplyco B.V. represented by Mr. Cedric Van Cauwenberghe and WPEF IV Holding Cooperatief represented by Mr. Frank Vlayen
- 4 August: absent: Couckinvest NV, represented by Mr. Marc Coucke, Supplyco B.V. represented by Mr. Cedric Van Cauwenberghe and WPEF IV Holding Cooperatief represented by Mr. Frank Vlayen
- 27 October: absent: Mr. Luc Vandewalle

The non-executive directors met separately on one occasion in 2011 (on 30 March). During this meeting, all non-executive members of the Board of Directors were present.

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 2011 (15 February, 4 August and 21 December via conference call). All members of the Audit Committee attended these meetings, unless stated otherwise below:
- 4 August: absent: Supplyco B.V. represented by Mr. Cedric Van Cauwenberghe

Mr. Peeters was present at all Audit Committee meetings, whereas Mr. Van Jeveren and Mr. Peek attended the meetings of 15 February and 4 August.

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 three occasions in 2011 (16 February, 25 February and 30 March). During these meetings, all members of the Nomination and Remuneration Committee were present, unless indicated otherwise below.
- 25 February: absent: Mr. Johannes Stols

Mr Ger van Jeveren was present at the meeting of the Nomination and Remuneration Committee of 25 February, discussing the remuneration of the members of the Executive Committee.

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

Under the leadership of the Chairman, the Board of Directors conducts an evaluation every two years of its own size, composition and functioning and that of its Committees, as well as of its interaction with the Executive Committee.
The Chairman of the Board of Directors and the performance of his role within the Board of Directors are also evaluated.
This evaluation has four objectives:
1. to assess the functioning of the Board of Directors and the Committees;
2. to determine whether key issues are thoroughly prepared and discussed;
3. to assess the actual contribution of every director to the work of the Board of Directors, his or her attendance of Board and Committee meetings and his or her constructive involvement in the talks and the decision-making process;
4. to assess the existing composition of the Board of Directors and the Committees in the light of the required composition of the Board of Directors or of the Committees.

In 2011, the Board of Directors was evaluated in the context of reappointment of the directors.

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 recording the variable remuneration of the members of the Executive Committee.

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

The Board of Directors has drawn up a number of guidelines with respect to transactions and other contractual relationships between the Company and its Board members or members of the Executive Committee not covered by the conflict of interest arrangement. All members of the Board of Directors and the Executive Committee are expected to avoid actions, positions or interests that are contrary to, or appear to be contrary to the interests of the Company or of one of the companies of the Arseus Group. Furthermore, all transactions between the Company and members of the Board of Directors or the Executive Committee (or their permanent representatives) require the approval of the Board of Directors. If the members of the Board of Directors or the Executive Committee (or their permanent representatives) identify a possible conflict of interest with respect to a decision or activity of the Company, they must also notify the Chairman of the Board of Directors at the earliest opportunity.

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

Rules for the prevention of insider trading and market abuse

The Board of Directors has drawn up rules to prevent privileged information being unlawfully used by directors, shareholders, managers, employees and certain third parties (jointly referred to as 'Insiders'). These rules are an integral part of the Corporate Governance Charter and are available at the corporate website (www.arseus.com) 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 6-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 secure the reliability of the financial reporting and (3) to act in compliance with the laws and regulations applying to Arseus.

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

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

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

Development of strategy

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

Budgets

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

Reporting, analysis and review

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

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

General Directives

Responsibilities, powers, guidelines and procedures at Arseus are clearly and accessibly recorded in the Arseus General Directives. Every important process is covered. The management and business controllers of the business units are responsible for the correct application of the processes and systems. 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 statements. The outcomes of the Statutory Auditor's audits are reported orally and in writing to Corporate Controlling, the CFO and the Board of Directors.
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 2011.

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, and the Nomination and 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 Belgium's 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. Finally, the definition of 'Closed Period' was amended and the Corporate Governance Charter was aligned with the new mandatory provisions of the Belgian Companies Code. The current version of the Corporate Governance Charter was approved by the Board of Directors on 6 February 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/Auditors (or, as the case may be, the liquidator(s)).

The Annual General Meeting is held on the second Monday of May at 3 pm. If that day is an official public holiday, the meeting is held at the same time on the next working day. The venue is 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 how many dematerialised shares that were registered in its accounts in the shareholder's name as at the registration date the shareholder indicated to represent when attending 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 conditions applicable to shareholders.

Any shareholder with a right to vote may be represented by a natural person or legal entity at the General Meeting in accordance with the applicable provisions in the Belgian Companies Code. In the convocation, the Board of Directors defines the procedure for voting by proxy and the proxy form to be used when granting the proxy, such within the limits as set out in the Belgian Companies Code. The Company must receive the proxies at the latest by the sixth day before the date of the General Meeting in accordance with the procedure determined by the Board of Directors. The calculation of the rules regarding quorum and majority shall be based solely on the proxies of the shareholders that comply with the admission formalities such as set out in the Articles of Association.

One or more shareholders that jointly hold at least 3% of the authorised share capital shall have the right of having items placed on the agenda of the General Meeting and submitting motions to vote concerning to the agenda items or items to be placed on the agenda. This Article does not apply to a General Meeting convened based on subsection 2 of Article 533 §3 of the Belgian Companies Code.
On the date that shareholders submit an agenda item or motion to vote, the relevant shareholders prove that they reach the 3% threshold, either based on a certificate of registration of the relevant shares in the Company's shares register, or based on a certificate issued by a certified account holder or intermediary proving that the relevant number of dematerialised shares was registered to their name and account.

The subjects to be placed on the agenda and the motions to vote that were placed on the agenda are discussed only if the abovementioned 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 email 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.
During the meeting, the directors shall answer the questions asked verbally by the shareholders during the meeting or in writing regarding their report, or regarding the agenda items, such insofar sharing information or facts is not potentially detrimental to the Company's business interests or to the confidentiality that the Company, its directors or statutory auditor(s) have committed to. 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 answers 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 will be amended during the Extraordinary General Meeting on 14 May 2012 respectively 5 June 2012 (such if the quorum was not met during the first meeting) to reflect the mandatory provisions of the Act of 20 December 2010 (Act regarding exercising certain rights of shareholders of listed companies). After amending the Articles of Association, the coordinated Articles of Associations 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 statements, Articles of Association, annual reports and other information that is made public for the benefit of the shareholders is available from the registered office of the Company free of charge. The Articles of Association can be found on the corporate website (www.arseus.com) 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 are void. These newly issued shares are eligible for dividend from the 2011 financial year onward. Consequently, these 1,018 newly issued shares were listed on a separate line on NYSE Euronext until 10 May 2011. 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.

Shareholders' structure and notifications of shareholding

Based on the notifications of shareholding that the Company received up to 31 March 2012, and taking the denominator into account, the shareholders' structure of the Company is as follows.

	Number of shares	% of effective voting rights
EnHold NV	8,166,908	26.16%
Alychlo NV/Coucke	3,528,080	11.30%
BNP Paribas Investment Partners	1,546,052	4.95%
Arseus NV (treasury shares)	760,345	2.44%
Public	17,215,503	55.15%
Total	**31,216,888**	**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 Sections 1-4 of the Act of 2 March 1989 on the publication of significant participations in listed companies and regulation of public acquisition bids, are determined at 3%, 5% and multiples of 5%.

Conflicts of interest

The procedure of Article 523 of the Belgian Companies Code was not applied in 2011, also not for the Board of Directors' approval of the 2011 Stock Option Plan on 27 October 2011, such due to the fact that the beneficiaries were not yet known at the moment the plan was approved.

Buy-back of treasury shares

The Extraordinary General Meeting of 16 June 2009 granted the Company's Board of Directors the additional authorisation to buy back treasury shares for a period of five years from 16 June 2009, for a price of no less than 1.00 euro and no more than the average of the closing prices in the 10 working days prior to the date of the acquisition or exchange, plus 10%, in such a manner that the Company at no time owns shares in its own capital with an accounting par value in excess of 20% of the Company's issued capital. In view of the market conditions and in the interests of the Company, the Board of Directors resolved to continue the buy-back programme. At 31 March 2012, Arseus owned 760,345 treasury shares.

Warrants

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

The warrants of the Offer expired in January 2011. On 16 February 2011, 1,018 new shares were issued as a result of exercising warrants under the Warrant Plan of the Offer.

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

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

No new warrants were granted during 2011 and a total of 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.

For further details regarding the modalities of Warrant Plans 1 and 2 and the movements of the number of warrants during the 2011 financial year, please refer to Note 20 to the consolidated financial statements, which is included on page 120 of this Annual Report.

Stock options

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

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

The Stock Option Plan 2009 can be viewed at the corporate website (www.arseus.com) in the section 'investor relations'.

In 2010, 987,500 stock options were awarded under the Stock Option Plan 2009.
Further details of the modalities of the Stock Option Plan 2009 and the movements in the number of stock options in the 2011 financial year are provided in Note 20 to the consolidated financial statements, on page 120 of this Annual Report.

On 27 October 2011, the Company's Board of Directors approved the Stock Option Plan 2011 for consultants and employees of Arseus NV and/or its subsidiaries, such under the suspensive condition of approval by the General Meeting. The Stock Option Plan 2011 will be presented to the Annual General Meeting of 14 May 2012 for approval, and will be published on the corporate website (www.arseus.com) in the section 'investor relations', together with the agenda of the Annual General Meeting.

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.

Authorised Capital

By the decision of the Extraordinary General Meeting of 7 September 2007, the Board of Directors was granted the power to increase the capital in one or more instalments by a maximum amount of 319,810,475 euros in a way and under the conditions to be established by the Board of Directors, within the term of five years of the publication date of the decision in the Annexes to the Belgian Official Gazette (22 October 2007).

As at 31 December 2011 the Board of Directors is still authorised to increase the capital by a maximum amount of 319,810,475 euros.

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

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

The Extraordinary General Meeting on 14 May 2012 respectively 5 June 2012 (such if the quorum was not met during the first meeting) will make a decision on renewal of the Board of Directors' proxy to increase the authorised share capital, such within the limits of the existing proxy 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. This proxy to increase the capital may be exercised only subject to the approval of at least three fourths (3/4) of the attending or lawfully represented directors.

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 Opsomer BVBA, with registered office at Rattepoelstraat 7, 9680 Maarkedal, which is in turn represented by its permanent representative Mr Peter Opsomer. CVBA PricewaterhouseCoopers Bedrijfsrevisoren was appointed in 2010 as Arseus' Statutory Auditor for a term of three financial years, ending on the date of the Annual General Meeting to be held in 2013.
PricewaterhouseCoopers Bedrijfsrevisoren receives a total annual remuneration of 419,000 euros for all audits within the group, including the audit of the consolidated financial statements.
Details about the remuneration of the Statutory Auditor in 2011 can be found in Note 28 to the financial statements on page 132 of this Annual Report.

Remuneration report

Remuneration for non-executive directors

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

In concrete terms, this means the following remunerations were paid in 2011:

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

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

The remuneration of executive directors follows entirely from their executive positions.The 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 2011 for the policy for executive directors and members of the Executive Committee:
On the one hand there is a fixed remuneration. In 2011 this remuneration increased by 3.1%. 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 performance-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.

No shares or warrants were granted to members of the Board of Directors or members of the Executive Committee in 2011.

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

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 will be presented to the Annual General Meeting of 14 May 2012 for approval, and will be published on the corporate website (www.arseus.com) in the section 'investor relations', together with the agenda of the Annual General Meeting. This stock option plan aims to provide an additional incentive to the directors and management of the Company.
In 2011, no stock options were granted under the Stock Option Plan 2011.

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

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

The criteria in 2011 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 from the financial year 2011, excepting where the Articles of Associations 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, 2011) and is paid out after one year therefore;
- the remainder must be spread out over at least the two following years, whereby at least 25% must be based on performance over a period of at least 3 years, therefore 25% in 2012 and 25% in 2013. This mandatory spread does not apply if the variable remuneration amounts to 25% or less of the annual remuneration.

The Nomination and Remuneration Committee is of the opinion, however, that there are justified reasons why it would not be opportune for Arseus to change its current bonus system, based on annual targets, and link it to long-term objectives over 2 and 3 years.
- First of all, Arseus' 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 Nomination and Remuneration Committee therefore advises to retain the current Arseus bonus system based on annual targets, and to ask approval at the next Extraordinary General Meeting on 14 May 2012 respectively 5 June 2012 (such if the quorum was not met during the first meeting) for amendment of Article 26 of the Articles of Association to the effect of providing an option for the Board of Directors to waive application of spread variable remuneration as set out 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 2011 remuneration package.

Information on remuneration (x 1,000 euros)	CEO	Total excluding CEO	Explanation
Base salary	437	1,170	This concerns gross salaries of two members and management remunerations of the other members of the Executive Committee.
Variable remuneration	300	357	This concerns the variable remuneration on 2011 effectively paid out in 2012.
Pensions	23	21	This concerns a Defined Contribution pension premium for two members of the Board of Directors. The employee pays 1/3 of the premium and the employer pays 2/3. A maximum pensionable salary of 160,000 euros applies.
Other remuneration components	1	2	Compensation for collective health insurance.
Shares/share options/warrants	1,000,000	700,000	

The table below contains information on the warrants allocated under Warrant Plan 2 and the stock options allocated. Page 120 of this annual report contains further details of Warrant Plan 2 and the Stock Option Plan.

Information on warrants	Balance at 31/12/2010	Granted in 2011	Exercised in 2011	Expired in 2011	Balance at 31/12/2011
CEO – Ger van Jeveren	500,000	0	0	0	500,000
Jan Peeters	250,000	0	0	0	250,000
Frank Verbakel	50,000	0	0	0	50,000
Mario Huyghe	10,000	0	0	0	10,000
Dirk Van Lerberghe	0	0	0	0	0

Information on stock options	Balance at 31/12/2010	Granted in 2011	Exercised in 2011	Expired in 2011	Balance at 31/12/2011
CEO – Ger van Jeveren	500,000	0	0	0	500,000
Jan Peeters	250,000	0	0	0	250,000
Frank Verbakel	50,000	0	0	0	50,000
Mario Huyghe	40,000	0	0	0	40,000
Dirk Van Lerberghe	50,000	0	0	0	50,000

Information on severance pay

New management contracts were concluded with Messrs Van Jeveren and Verbakel and 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 3 calendar years prior to the calendar year in which the contract is terminated.

Although the Corporate Governance Act of 6 April 2010 prescribes that severance packages for executive directors and members of the Executive Committee may not exceed 12 months fixed and variable remuneration, the Nomination and Remuneration Committee has advised in this case that a notice period of 18 months or severance pay of 18 months be used, because of the many years served by Messrs Van Jeveren, Peeters and Verbakel within the Group.

If, however, the service provider has not achieved 50% of the financial targets set annually, in implementation of principle 7.18 of the Belgian Corporate Governance Code 2009, the notice period shall be 12 months in the event of termination with observance of a notice period. In the event of termination with payment of a fixed severance package, this severance pay will only be equal to the amount of the monthly fixed remuneration owed for 12 months.

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

Annual information

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

All this information can be found on the corporate website (www.arseus.com) in the section 'investor relations'. Some of this information may be out of date.

Prospectus

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

Information to the shareholders

See the prospectus of 11 September 2007.

Periodic press releases and information

10 January 2011	Trading update, fourth quarter and full-year 2010 Arseus achieves turnover growth of 9.3%
16 February 2011	Consolidated results 2010 REBITDA, EBIT and recurrent net profit increase double digit and faster than turnover
8 April 2011	Trading update, first quarter 2011 Arseus realises turnover growth of 15%
8 July 2011	Trading update, second quarter 2011 Arseus achieves turnover growth of 12.5%
5 August 2011	Interim financial statements REBITDA, EBITDA, EBIT and net profit increase double digit and faster than turnover
10 October 2011	Trading update, third quarter 2011 Arseus achieves turnover growth of 23.0%

Periodic press releases and information in the period from 1 January 2012 to 13 April 2012

7 February 2012	Consolidated results over 2011 REBITDA, EBITDA, EBIT and net profit increase double digit and faster than turnover
10 April 2012	Trading update, first quarter 2012 Arseus realises turnover growth of 17.7%

Occasional press releases and information

18 February 2011	Exercise of warrants increases capital of Arseus
9 May 2011	Annual General Meeting of Arseus approves all motions
6 June 2011	Lloydspharma selects Greenock by Corilus
17 June 2011	Exercise of warrants increases capital of Arseus
1 July 2011	Disclosure of received notification
11 July 2011	Fagron acquires the Brazilian company Pharma Nostra
29 July 2011	Disclosure of received notification
27 December 2011	Fagron gains market leadership in Poland through the aquisition of Pharma Cosmetic

Occasional press releases published in the period from 1 January 2012 to 13 April 2012

16 March 2012	Disclosure of received notification

Notifications of shareholding received in 2011

23 June 2011	BNP Paribas Investment Partners SA
26 July 2011	Alychlo NV, Couckinvest NV and Marc Coucke

Notifications of shareholding received in the period from 1 January 2012 to 13 April 2012

16 March 2012	Arseus NV

Youri and Aron

Family situation

Name of parent:	Youri Van Miegroet
Position, division:	Product Specialist Cad/Cam & Vita at Arseus Dental Lab
Place, country:	Waregem, Belgium
Name of child:	Aron
Age:	10
Place, country:	Ieper, Belgium

Do you like your dad's job, and can you explain why?
Yes, because when he comes back from a business trip he always brings a present for me and my sister Yade. My father also helps people when they have problems with their machines or software.

Why is your dad good at his work?
Because he can be very persuasive when he is selling his products. He is a very good salesman. People listen to him.

Have you been to your father's work place?
Yes, with the open house days in Waregem.

Can you explain what it looks like, and what it was like for you?
It was a very beautiful building. There were lots of people and also relations of my father. The pond and the trees are very lovely. I had a really good hot dog at the open house day. I like it when we drive past the building on the highway, because then I can say that that's where my dad works.

What do you like best about your dad that nobody knows about him in the office?
My dad is the best dad in the whole world! He is also involved in the Boy Scouts in Ieper.

What would you like to be later on?
I would like to travel a lot and visit many nice places. And then I want to become a pilot.

I want to finish the interview with a wish: 'I want to go to the pond at Arseus and fish there with my father and my uncle one day.'

ARSEUS

Driving superior care

Financial annual report 2011

Declaration

We declare that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2011, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the legal and regulatory requirements applicable in Belgium, reflect a true and fair view of the equity, the financial situation and the results of the Company and the companies that are included in the consolidation scope, and that the annual report provides a true and fair view of the development and the results of the Company and of the position of the Company and the companies included in the consolidation scope, and provides a description of the main risks and uncertainties they are faced with.

In the name and on behalf of the Board of Directors

Ger van Jeveren, CEO
Jan Peeters, CFO
29 March 2012

Table of contents

FINANCIAL ANNUAL REPORT 2011

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement	86
Consolidated statement of realised and unrealised gains and losses	86
Consolidated balance sheet	87
Consolidated statement of changes in equity	88
Consolidated cash flow statement	89
Report of the Board of Directors on the consolidated financial statements	90

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.	General information	94
2.	Financial reporting principles	94
3.	Risk Management	101
4.	Critical accounting estimates and judgments	104
5.	Segment information	104
6.	Turnover	108
7.	Other operating income	108
8.	Employee benefit expenses	108
9.	Depreciation and amortisation	109
10.	Other operating expenses	109
11.	Financial result	110
12.	Income tax expenses	110
13.	Earnings per share	111
14.	Intangible fixed assets	112
15.	Property, plant and equipment	114
16.	Financial assets and other non-current assets	115
17.	Taxes, remuneration and social security	116
18.	Inventories	117
19.	Trade receivables, other receivables and cash and cash equivalents	118
20.	Equity	120
21.	Provisions	124
22.	Pension obligations	124
23.	Financial debts and financial instruments	126
24.	Other current payables	128
25.	Contingencies	129
26.	Related parties	129
27.	Business combinations	130
28.	Information on the Statutory Auditor, his remuneration and related services	132
29.	Significant events after balance-sheet date	132
30.	Additional notes	133
31.	List of the consolidated companies	134

STATUTORY AUDITOR'S REPORT 136

STATUTORY FINANCIAL STATEMENTS 138

Condensed stand-alone income statement Arseus NV	138
Condensed stand-alone balance sheet Arseus NV	139
Appropriation of profits Arseus NV	140

ALPHABETICAL TERMINOLOGY LIST 141

Consolidated financial statements

Consolidated income statement

(x 1,000 euros)	Note	2011	2010
Operating income		**493,582**	**425,262**
Turnover	6	492,330	424,056
Other operating income	7	1,252	1,206
Operating expenses		**(447,325)**	**(389,246)**
Trade goods		(250,269)	(222,210)
Services and other goods		(75,865)	(63,208)
Employee benefit expenses	8	(101,163)	(89,606)
Depreciation and amortisation	9	(14,531)	(12,672)
Other operating expenses	10	(5,498)	(1,549)
Operating profit		**46,257**	**36,017**
Financial income	11	1,269	477
Financial expenses	11	(10,448)	(6,437)
Profit before income tax		**37,078**	**30,056**
Income tax expenses	12	(8,938)	(7,578)
Profit after income tax		**28,140**	**22,479**
Attributable to			
Equity holders of the company (net profit)		**28,147**	**22,357**
Non-controlling interest		(7)	122
Profit for the period		**28,140**	**22,479**
Profit for the period per share (in euros)	13	0.94	0.75
Diluted profit per share (in euros)	13	0.92	0.75
Recurring net profit per share (in euros)	13	1.05	0.98
Diluted recurring net profit per share (in euros)	13	1.03	0.97

Consolidated statement of realised and unrealised gains and losses

(x 1,000 euros)	2011	2010
Profit after income tax for the financial year	**28,140**	**22,479**
Unrealised gains and losses		
Exchange rate differences	(4,738)	2,952
Total realised and unrealised gains and losses of the period	**23,402**	**25,431**
Attributable to the equity holders of the company	23,478	25,193
Minority interests	(76)	238

Consolidated balance sheet

(x 1,000 euros)	Note	2011	2010
Non current assets		**446,376**	**355,810**
Intangible assets	14	367,069	284,498
Property, plant and equipment	15	57,150	48,862
Financial assets	16	819	818
Deferred tax assets	17	20,368	20,785
Other non current assets	16	969	846
Current assets		**233,856**	**217,782**
Inventories	18	76,643	66,059
Trade receivables	19	75,956	86,303
Other current assets	19	11,407	14,234
Cash and cash equivalents	19	69,850	51,186
Total assets		**680,232**	**573,592**
Equity	**20**	**220,452**	**208,122**
Shareholder's equity (parent)		225,676	216,654
Treasury shares		(9,004)	(10,816)
Non-controlling interest		3,780	2,284
Non current liabilities		**12,735**	**225,747**
Provisions	21	1,051	975
Pension obligations	22	3,884	3,276
Deferred tax liabilities	17	1,932	4,363
Borrowings	23	4,350	214,960
Financial instruments	23	1,517	2,172
Current liabilities		**447,045**	**139,723**
Borrowings	23	254,057	2,315
Financial instruments	23	1,935	2,758
Trade payables		94,194	80,845
Taxes, remuneration and social security	17	37,338	27,000
Other current payables	24	59,521	26,806
Total equity and liabilities		**680,232**	**573,592**

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 31 December 2009		**317,302**	**(195,876)**	**(7,881)**	**80,761**	**194,306**	**2,046**	**196,353**
Currency translation adjustments			2,836			2,836	116	2,952
Profit for the period					22,357	22,357	122	22,479
Total recognised income for the period		**317,302**	**(193,040)**	**(7,881)**	**103,118**	**219,499**	**2,284**	**221,783**
Purchase of treasury shares				(2,935)		(2,935)		(2,935)
Dividends relating to 2009 result					(10,880)	(10,880)		(10,880)
Share-based payments			154			154		154
Purchase non-controlling interests								
Balance at 31 December 2010		**317,302**	**(192,887)**	**(10,816)**	**92,238**	**205,838**	**2,284**	**208,122**
Currency translation adjustments			(4,669)			(4,669)	(69)	(4,738)
Profit for the period					28,147	28,147	(7)	28,140
Total recognised income for the period		**317,302**	**(197,555)**	**(10,816)**	**120,385**	**229,317**	**2,207**	**231,524**
Capital increase	20	224				224		224
Purchase of treasury shares	20			1,812		1,812		1,812
Dividends relating to 2010 result	20				(13,154)	(13,154)		(13,154)
Share-based payments	20		45			45		45
Purchase non-controlling interests	20		(1,575)			(1,575)	1,575	
Balance at 31 December 2011		**317,527**	**(199,085)**	**(9,004)**	**107,232**	**216,670**	**3,783**	**220,452**

Consolidated cash flow statement

(x 1,000 euros)	2011	2010
Operating activities		
Profit before income taxes	37,078	30,056
Taxes paid	(8,281)	(7,803)
Adjustments for financial items	9,179	5,960
Total adjustments for non-cash items	14,985	11,642
Total changes in working capital	19,185	2,269
Total cash flow from operating activities	**72,147**	**42,126**
Investment activities		
Capital expenditures	(17,330)	(19,159)
Investments in existing shareholdings (subsequent payments) and in new holdings	(45,023)	(53,486)
Total cash flow from investing activities	**(62,353)**	**(72,645)**
Financing activities		
Capital increase	224	
Purchase of treasury shares		(3,152)
Dividends paid	(13,176)	(10,812)
New borrowings	62,241	69,443
Reimbursement of borrowings	(28,407)	(1,979)
Interest received (paid)	(10,416)	(6,385)
Total cash flow from financing activities	**10,467**	**47,116**
Total net cash flow for the period	**20,260**	**16,596**
Cash and cash equivalents – start of the period	51,186	34,284
Gains or losses on exchange on liquid assets	(1,596)	306
Cash and cash equivalents – end of the period	69,850	51,186
Change in cash and cash equivalents	**20,260**	**16,596**

The item "adjustment for financial items" relates to interest paid and received and to other financial expenses and income not being cash flows such as revaluation of the financial instruments. The "total adjustments for non-cash items" particularly relates to depreciation, amortisation and changes in provisions. The item "total changes in working capital" concerns changes in the inventories, trade debtors and creditors, other receivables and debts, and all other balance sheet elements that form part of the working capital. Aforementioned changes are adjusted as appropriate for non-cash flows as presented above and conversion differences and changes in the consolidation scope.

Report of the Board of Directors on the consolidated financial statements

1.1. Consolidated income statement

The **operating income** increased by 16.1% from 425.262 million euros in 2010 to 493.582 million euros in 2011. The **net turnover** represents 99.7% of the operating income and increased by 16.1%, from 424.056 million euros in 2010 to 492.330 million euros in 2011. Organic growth amounted to 2.0% (2.7% at stable exchange rates) during 2011. The acquisitions in 2010, combined with the acquisitions in 2011 of Brazilian company Pharma Nostra and a Dutch compounding pharmacy within the Fagron division and Belgian company CMS within the Corilus division form the main components of external growth in 2011.

The turnover developed in a different pattern for each division. In 2011, **Fagron** realised a growth in turnover by 35.5% (37.4% at stable exchange rates) and an organic growth rate of 6.3% (7.8% at stable exchange rates). The continued strong results confirm the success of Fagron's strategy, focusing on worldwide revitalisation of pharmaceutical compounding. As part of the strategy, Fagron continually introduces new products and concepts on the market in order to fulfill the growing worldwide demand for tailor-made medication. Fagron founded Fagron Academy in 2011. Fagron Academy's objective is to inform prescribers and pharmacists regarding the use and importance of pharmaceutical compounding for their patients. It also offers training courses to pharmacists to further enhance their skills in pharmaceutical compounding of tailor-made medicaton. Fagron Academy will be introduced worldwide during 2012.

In 2011, more vital steps were taken in terms of strategy to accelerate Fagron's worldwide market leadership within the fast-growing niche market of pharmaceutical compounding. After the acquisition of Pharma Nostra in Brazil, the acquisition of a specialist compounding pharmacy in the Netherlands, starting up a greenfield in Argentina, entering into a partnership in Serbia and taking over Polish company Pharma Cosmetic, Fagron now operates in 24 countries in Europe and in North and South America.

Arseus Dental realised a turnover growth of 1.1% in 2011 and an organic growth of -1.4%. Arseus Dental's technology-driven activities (Swiss company Hader and French company Julie Owandy) achieved good organic growth in 2011. The increase in Julie Owandy was driven by the introduction of the I-Max Touch 3D (digital 3-dimensional dental imaging equipment) and by further reinforcement of market leadership in France of Julie, software for dentists. In 2011, Hader successfully developed and marketed orthopaedic and dental concepts.

The activities of Arseus Dental targeting dental laboratories also showed healthy growth within 2011. In early 2011, Ceka-Preciline®'s product range of attachments was further extended and the in-house quality brand Selexion® was introduced in Europe. Selexion® includes an extensive range of products used on a daily basis by dental laboratories. Under the name Novux®, Arseus Dental introduced a unique CAD/CAM concept for dental laboratories during 2011. Ceka-Preciline®, Selexion® and Novux® are Arseus Dental's own brands.

Arseus Dental's distribution activities focusing on dental practices had a difficult year. During the course of 2011, better operational structures were implemented, the product range was optimised and a number of management changes were implemented. Furthermore, a number of procedures were started in the context of further improvement of service, quality and customer focus. These initiatives resulted in an increase in the gross margin as well as a healthy turnover growth in the fourth quarter. We expect this trend to continue into 2012.

Arseus Medical's turnover decreased by 0.7% in 2011. The organic growth was -4.9%. The negative organic turnover growth was due mainly to the phasing out of a number of non-strategic distributions in the second half of 2011. In line with the strategy, new medical solutions and concepts were successfully introduced during 2011.

Corilus realised a 10.5% turnover growth in 2011. Organic growth amounted to 1.3%. Organic turnover growth was depressed slightly due to a temporary shortage of technical staff, which resulted in carrying out fewer installations than scheduled for 2011. Belgian company CMS, supplying software to residential care centres in Belgium, was acquired in early 2011 and was subsequently successfully integrated.

In 2011, four Belgian pharmacy chains signed agreements to install Greenock Pharmacy, the innovative pharmacy software, in their Belgian pharmacies. This is a clear confirmation of Greenock's quality. During 2011, 140 Belgian pharmacies were migrated to Greenock.

The gross margin (the difference between turnover on the one hand and trade goods, raw and auxiliary materials on the other) in 2011 amounts to 242.061 million euros. This represents 49.2% of the turnover. The gross margin in 2010 was 47.6%.

The total operating expenses, defined as services and various goods, employee benefit expenses and other operating expenses minus other operating income, amounts to 181.274 million euros, increasing by 28.117 million euros compared to 2010. The cost coverage, defined as operating expenses versus gross margin, improved from 75.9% in 2010 to 74.9% in 2011.

Depreciation and amortisation increased by 14.7% from 12.672 million euros in 2010 to 14.531 million euros in 2011.

The operating profit amounts to 46.257 million euros, representing 9.4% of turnover, an improvement of 10.240 million euros compared to 2010. In 2010 the operating result was 36.017 million euros, representing 8.5% of the turnover.

The financial result amounts to -9.179 million euros against -5.960 million euros in 2010. This increase is due to increasing net financial debt, while interest rates have increased on average. The financial derivatives were subject to a positive revaluation of 1.478 million euros in 2011. This positive revaluation relates to the increase in the market value of the interest rate hedges that do not qualify for hedge accounting in accordance with IAS 39. Excluding the revaluation of the financial derivatives, the financial result amounts to -10.657 million euros.

This brings profit before income tax to 37.078 million euros, an increase of 7.022 million euros compared to 2010.

The taxes amount to 8.938 million euros. The effective tax burden, as a percentage of the profit before income taxes, has decreased to 24.1% in 2011 compared with 25.2% in 2010.

Profit for the period amounts to 28.140 million euros, an increase of 25.2% in comparison to 2010. The non-controlling interest amounts to -0.007 million euros and concerns Fagron A/S (formerly Tamda) in the Czech Republic and Unit Dose Pack BV in the Netherlands. As a result, the share of Arseus comes to 28,147 million euros.

1.2. Consolidated balance sheet

The consolidated balance sheet total increased by 18.6% from 573.592 million euros in 2010 to 680.232 million euros in 2011.

Assets

Total noncurrent assets amount to 446.376 million euros. This amount is 90.566 million euros higher than in 2010.

The intangible assets increased by 82.571 million euros to a total of 367.069 million euros. This increase is due mainly to recognising goodwill as a result of the acquisitions of Pharma Nostra in Brazil, CMS in Belgium and a Dutch compounding pharmacy, and to Corilus' and Arseus Dental Dental Technologies R&D activities.

Property, plant and equipment increased by 8.288 million euros to a total of 57.150 million euros. This increase is due mainly to acquiring assets in acquisitions and the new head office and distribution centre of Fagron Netherlands, which were delivered in December 2011.

The net operational capital expenditures amount to 17.330 million euros, which is 3.5% of the 2011 turnover. The net operational capital expenditures included investments in R&D, automation and the aforementioned investment in a new head office and distribution centre for Fagron Netherlands.

Financial assets amount to 0.819 million euros.

Deferred tax assets represent a value of 20.368 million euros. They are mainly related to tax losses carried forward which are likely to be appropriated in the future.

The other non current assets amount to 0.969 million euros and are mainly security deposits.

Total current assets amount to 233.856 million euros in 2011 compared to 217.782 million euros in 2010, an increase by 16.074 million euros. The key changes were the increase in inventories by 10.584 million euros (16.0%), the decrease in trade receivables by 10.347 million euros (12.0%), and the increase in cash and cash equivalents by 18.664 million euros (36.5%). The decrease in trade receivables is due to stricter management of outstanding invoices and factoring.

Equity and liabilities

Total equity amounts to 220.452 million euros. This represents an increase of 12.330 million euros in comparison to 2010.

Total liabilities increased from 365.470 million euros in 2010 to 459.780 million euros in 2011. This represents an increase of 94.310 million euros.

Provisions increased by 0.076 million euros to 1.051 million euros.

Pension obligations in 2011 amount to 3.884 million euros, a decrease of 18.6% in comparison to 2010.

Deferred tax liabilities relate among other things to temporary differences between reporting and fiscal accounting at the local entities. These amounted to 1.932 million euros in 2011 against 4.363 million euros in 2010.

Non current interest-bearing financial liabilities (long-term borrowings) amount to 4.350 million euros in 2011, a decrease of 210.610 million euros against 2010. Current interest-bearing financial liabilities (short-term borrowings) amount to 254.057 million euros in 2011, an increase of 251.742 million euros against 2010. These movements are mainly attributable to the expiration of the company's credit facilities on the closing date of August 2012, i.e. within 12 months.

As at 31 December 2011, net financial debt (total current and non current interest-bearing financial liabilities plus other long-term liabilities less cash and cash equivalents) amounts to 188.557 million euros, versus 166.089 million euros at the closing date of 2010. At year-end 2011, the net financial debt/ annualised recurring EBITDA ratio was 2.48, fully in compliance with the covenant under the credit facility, which sets a maximum ratio of 3.25.

Trade payables are 13.349 million euros, or 16.5%, higher than in 2010, amounting to 94,194 million euros in 2011.

Taxes, remuneration and social security amount to 37.338 million euros, an increase of 10.338 million euros in comparison to 2010.

Other current payables amount to 59.521 million euros versus 26.806 million euros in 2010. This increase is due to the increase of subsequent payments for acquisitions.

1.3. Consolidated cash flow statement

The consolidated cash flow statement takes as its starting point the profit before income taxes of 37.078 million euros, as reported in the consolidated income statement.

From this amount are deducted the outgoing cash flows before taxes, being 8.281 million euros. This amount includes all income taxes effectively paid during 2011. Then the elements from operating activities not having a cash flow effect or not directly related to operating activities are reintroduced. This represents a total of 24.164 million euros. A significant portion relates to paid interest (10.416 million euros) recognised as cash flows from financing activities (see below) minus the positive revaluation of financial derivatives (1.478 million euros). In this context, depreciations and amortisations on tangible and intangible assets and changes in provisions and deferred taxes are significant non-cash elements as well. The next step is to set off the changes in working capital in the cash flow statement (positive effect of 19.185 million euros). The total cash flow from operating activities amounts to 72.147 million euros, an increase of 71.3% in comparison to 42,126 million euros in 2010.

Total cash flows from investment activities produced an outflow of 62.353 million euros relating to capital expenditures in the amount of 17.330 million euros and payments for existing shareholdings (subsequent payments) and in new holdings in the amount of 45.023 million euros.

The total of cash flows from financing activities represents an inflow of 10,467 million euros. Arseus increased its share capital by 0.224 million euros in 2011 and paid out 13.176 million euros in dividends. Payment of interest on loans and other financial elements such as financial discounts produced an outflow of 10.416 million euros, the new borrowings producing an inflow of 62.241 million euros. This is offset by repayment of borrowings in the amount of 28,407 million euros.

Total cash and cash equivalents increased by 20.260 million euros: from 51.186 million euros at the start of the reporting period to 69.850 million euros at the end of the reporting period. This difference is due to losses on exchange on liquid assets.

Notes to the consolidated financial statements

1. General information

Arseus NV (the 'Company') and its subsidiaries (together, the 'Group') constitute a multinational group of companies that supplies products, services and concepts to professionals and institutions in the health-care sector in Europe, the United States, Brazil and Argentina. The company is subdivided into four divisions and operates in the markets for pharmaceutical compounding for pharmacies, dental products, medical and surgical products, and medical ICT solutions.
The Company is a public limited liability company, incorporated and domiciled in Belgium, with its registered office at Textielstraat 24, 8790 Waregem. The company registration number is BE 0890 535 026. The operational activities of the Arseus Group are driven by the Dutch company Arseus BV. The head office of Arseus BV is located in Rotterdam.

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

The Board of Directors approved the publication of these consolidated financial statements on 29 March 2012.

2. Financial reporting principles

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

IFRS developments

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

a) New and revised standards and interpretations of existing standards applied by the Group in 2011.

The following new standards, revised standards and interpretations first apply to the reporting period of the Group starting from 1 January 2011:

- IAS 24 (revised): 'Related party disclosures', effective as of 1 January 2011. The revised standard updates the definition of 'Related Party' and amends certain requirements relating to disclosure obligations of state-controlled enties.
- "Improvements to the IFRS standards" (2010) resulting in changes to IAS 1, IAS 27, IAS 34, IFRS 1, IFRS 3, IFRS 7 and IFRIC 13. The improvements are applicable to financial years starting on or after 1 January 2011.

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

The following new standards, revised standards and interpretations first apply to the reporting period of the group starting from 1 January 2011, but are not relevant for the Group:

- Amendments to the IAS 32 standard 'Classification of rights issues' requiring the rights issued within the scope of application of the amendments to be classified as equity. The amendments are applicable to financial years starting on or after 1 February 2010.
- Amendments to the IFRS 1 standard, providing a limited exemption for comparative IFRS 7 information for first-time adopters, effective date 1 July 2010.
- IFRIC 19 'Extinguishing financial liabilities with equity instruments', effective date 1 July 2010.

IFRIC 19 clarifies the administrative processing of transactions in which a debtor and a creditor revise the conditions of a financial commitment resulting in the debtor paying back the amount due in full or in part by means of issuing equity instruments to the creditor.
- Amendments to the interpretation IFRIC 14 'Prepayments of a minimum funding requirement', effective date 1 January 2011. The changes remove the unintended implications of IFRIC 14 relevant to processing of prepayments in the event of a minimum required funding ratio.

b) The following new standards, amendments to standards and interpretations were published by IASB but have not yet become mandatory for the financial year starting on 1 January 2011 and have not yet been approved by the EU:
- Amendments to the IFRS 1 standard 'First-time adoption of International Financial Reporting Standards' concerning severe hyperinflation and withdrawing the fixed application date for first adopters. The improvements are applicable to financial years starting on or after 1 July 2011.
- Amendments to the IFRS 7 standard 'Financial instruments disclosures', requiring an improvement in disclosure on transferred financial assets. These amendments are applicable on financial years starting on or after 1 July 2011.
- Amendments to the IAS 1 standard 'Presentation of financial statements', effective date 1 July 2012. The amendments pertain to the notes to items presented in the unrealised gains and losses in the statement of realised and unrealised gains and losses.
- Amendments to the IAS 12 standard 'Income taxes', effective date 1 January 2012. The amendments provide a practical method for valuation of deferred tax assets and liabilities for property investments recognised in accordance with the fair-value model.
- IFRS 9 'Financial instruments', effective date 1 January 2013. This standard pertains to classification and valuation of financial assets and liabilities and suspension of recognising financial assets and liabilities in the balance sheet.
- IFRS 10 'Consolidated financial statements', effective date 1 January 2013. The new standard builds on the existing principles by identifying the concept of control as the key factor in the decision to recognise an entity in the consolidated financial statements.
- IFRS 11 'Joint arrangements', effective date 1 January 2013. The new standard focuses more on rights and obligations than on legal form. The proportional consolidation method is no longer acceptable.
- IFRS 12 'Disclosure of interests in other entities', effective date 1 January 2013. This new standard contains requirements for the disclosure of all forms of interests in other entities.
- IFRS 13 'Fair value measurement', effective date 1 January 2013. The new standard explains how the fair value is to be measured for the purpose of financial reporting.
- IAS 19 (revised) 'Employee benefits', effective as of 1 January 2013. The revised standard results in significant amendments to the method of recognising and valuation of the pension cost of defined-benefit pension rights and severance pay, and to disclosure of all employee benefits.
- IAS 27 (revised) 'Separate financial statements', effective as of 1 January 2013. The revised standard contains the remaining requirements relevant to separate financial statements after inclusion of the requirements regarding control in the new IFRS 10 standard.
- IAS 28 (revised) 'Investments in associates and joint ventures', effective as of 1 January 2013. Due to the publication of IFRS 11, the revised standard requires joint ventures and associates to be processed in accordance with the Changes in Equity method.

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 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 BV 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 statements are presented in euros, the functional and presentation currency of Arseus. To consolidate Arseus and each of its subsidiaries, the respective financial statements are converted as follows:

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

Exchange rate differences arising from the conversion of the net investment in foreign subsidiaries at year-end exchange rate are recognised as shareholders' equity elements at 'cumulative conversion differences'.

Transactions in foreign currencies

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

Property, plant and equipment

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

Buildings	25 to 60 years
Building fixtures and fittings	5 to 25 years
Computer equipment	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 acquisition date. Goodwill on acquisitions of subsidiaries is recognised under intangible assets. Goodwill is tested for impairment at least once a year, but also when there is a triggering event. 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 from 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. These products are depreciated on their economic 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 12 months after balance sheet date.

Financial assets

Arseus classifies its financial assets into the following categories: loans and receivables, and financial assets available for sale. Management determines its investment classifications at initial recognition, evaluating them at each reporting date. The Group does not have any financial assets in the category held until maturity nor any financial assets designated as fair value for which any changes in value have to be included in the income statement.

Loans and receivables

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

Financial assets available for sale

Financial assets available for sale are assets regarding which the management does not have any intention of disposal within 12 months of 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 change 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 1 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 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 (i.e. factoring), the trade receivables are taken off the balance sheet provided that the conditions as stated in IAS 39 paragraphs 15-37 and IAS 32 paragraphs 42-43 are fulfilled.

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

Share capital

Ordinary shares are classified as equity.

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

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

Provisions

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

Provisions are recognised based on management's best estimate of the expenditure required to settle the present obligation at balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Derivative financial instruments

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

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

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

Employee benefit expenses

Pension obligations

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

Actuarial gains and losses arising from empirical adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are spread in the income statement over the employees' expected average remaining employment periods. For defined contribution plans, Arseus pays contributions to insurance companies. Once the contributions have been paid, Arseus ceases to have any liabilities. Contributions to defined contribution plans are recognised as costs in the income statement at the moment they are made.

Share-based payments

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

Income taxes

Income 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 statements of Arseus in the period in which the dividends are approved by the shareholders of Arseus.

3. Risk Management

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

Strategic risk related to market and growth

The strategic risk related to market and growth is that Arseus may face unfavourable market situations or competition that develops to Arseus' disadvantage. Another possibility is bad strategic decisions taken by the Company. Such as: technological advances enabling the development of competitive alternative products, the possibility that success of a new product fails to materialise, ineffective configuration of the pipeline, scarcity of pharmaceutical raw materials, a drop in demand in the markets where Arseus is active as a result of new regulations and/or legislation, amended policy of healthcare insurers, events affecting the purchasing patterns of key customers, or a disturbed balance between demand and supply in the markets where Arseus is active.

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

Risks related to regulations

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

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

All entities periodically prepare business plans, budgets and interim forecasts at predetermined moments. Discussions with the management of the entities take place periodically on the general course of affairs, including the realisation and feasibility of the forecasts issued and strategic decisions.

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

Inventory risks

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

Product liability risk

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

Cyclical and seasonal nature of operating activities

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

ICT related risk

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

Financial risks

In addition to aforementioned strategic and operational risks, Arseus is also subject to various financial risks. Arseus has at its disposal ample credit facilities to sustain its day-to-day operations. The most important credit facility of 300 million euros has a term until 30 August 2012. At the end of 2011, the net financial debt/annualised recurring EBITDA ratio was 2.48 and therefore more than satisfied the condition of a debt ratio of maximum 3.25 as of 31 December 2011 as agreed in the credit agreement.

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 mix of financial debts with fixed and variable interest rates. At this time, financing is largely based on a syndicated loan in euros with a variable interest rate of 1 to 6 months. A higher Euribor rate by 10 base points would have adversely affected the variable interest charges in the amount of some 183 (thousand) euros after taxes. A 70 million euros financing risk due to the variable interest rate is hedged by financial derivatives.

Exchange rate risk

The exchange rate risk is the risk on results due to fluctuations in the exchange rates. Arseus reports its financial results in 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 and Brazilian real. In 2011, these entities collectively represent just over 18% of the consolidated turnover and over 29% 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 and the United States. The hypothetical supplementary effect of the euro strengthening (weakening) by 10% against the Brazilian real would affect the income statement by 0.599 million euros (0.732 million euros), whereas the impact on equity would amount to 6.190 million euros (7.565 million euros). In the event of the euro strengthening (weakening) by 10% against the US dollar, the impact on the income statement would amount to 0.123 million euros (0.150 million euros). The impact on equity would amount to 0.481 million euros (0.588 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 70 million euros financing risk 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 2011, the cumulative revaluation of financial derivatives amounted to -3.452 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 IFRS specified in note 2 on page 94. 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 2011 was 333.432 million euros (2010: 251.944 million euros).

Pension obligations

The present value of the pension obligations is derived from a number of actuarially determined factors based on assumptions. The assumptions applied to determine net costs (income) for pensions include expected long-term rate of return of the relevant pension plan assets and the discount rate. Any changes in these assumptions will impact the book value of pension obligations. The gross defined benefit obligation is calculated periodically by independent actuaries. The book value of pension obligations as at 31 December 2011 was 3.884 million euros (2010: 3.276 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 statements are 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

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

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

1. **Fagron** provides products and services for pharmaceutical compounding. Fagron develops and markets its own pharmaceutical formulas, sells and distributes instruments and pharmaceutical raw materials for pharmaceutical compounding, sells and distributes compounded and cosmetic products under its own brand name, Fagron, to pharmacists, provides third-party pharmaceutical compounding services to pharmacists and hospitals, and provides specialty pharmaceutical raw materials to the pharmaceutical, nutraceutical, veterinary and cosmetic industries.

2. **Arseus Dental** provides specialist products and services to dentists, labs and other dental profes-

sionals. Furthermore, Arseus Dental produces and assembles a complete in-house range of imaging equipment for dentists, such as x-ray units, panoramic units, intra-oral digital sensors and cameras. In Switzerland, Arseus Dental (as OEM supplier) manufactures precision components for the dental and orthopaedic industry.

3. **Arseus Medical** provides innovative products, services and solutions for doctors, hospitals, nursing homes and homecare nurses. The focus lies on personal care, mobility, organisation, hygiene & sterilisation and diagnostics.

4. **Corilus** provides total ICT solutions for a wide range of medical and paramedical professions, such as pharmacists, dentists, GPs, ophthalmologists, and veterinarians.

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

2011 (x 1,000 euros)	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
Total turnover	242,981	163,398	52,082	34,443		492,903
Intersegment turnover	(43)	(174)	(232)	(124)		(573)
Turnover	242,938	163,224	51,850	34,318		492,330
Operating result per segment	46,353	(624)	4,595	5,989	(10.056)	46,257
Financial result						(9,179)
Profit before income tax						37,078
Income tax expenses						(8,938)
Profit for the period						**28,140**

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

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

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

2011 (x 1,000 euros)	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
Depreciation and amortisation	2,458	3,620	1,042	4,086	3,344	14,550
Write-down on inventories	(862)	286	138			(439)
Write-down on receivables	(125)	673	(49)	(80)		419

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

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

2011 (x 1,000 euros)	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallocated	Total
Assets	301,798	194,690	56,455	56,707	70,583	680,232
Liabilities	115,196	56,722	16,572	11,974	259,316	459,780
Capital expenditure	4,359	2,023	1,080	5,152	4,717	17,330

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

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

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

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

Turnover of Arseus in 2011 and 2010 by geographical segments is as follows:

(x 1,000 euros)	2011	2010
The Netherlands	132,076	127,779
Belgium	128,818	126,493
France	72,750	65,083
Brazil	57,351	5,473
Germany	46,408	47,484
Italy	14,523	14,835
Switzerland	10,545	9,779
United States	9,661	7,148
Spain	9,476	9,227
Czech Republic	6,230	5,669
United Kingdom	2,374	2,040
Denmark	2,092	3,003
Poland	27	43
Total	**492,330**	**424,056**

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

Concerning the geographical segments Belgium and the Netherlands, Arseus applies the following allocation for fixed assets in 2011 and 2010:

(x 1,000 euros)	2011	2010
Belgium	129,026	120,157
The Netherlands	95,619	75,470
Other	221,731	160,183
Total	**446,376**	**355,810**

6. Turnover

(x 1,000 euros)	2011	2010
Sale of goods	467,290	402,984
Rendering services	25,040	21,071
Turnover	**492,330**	**424,056**

7. Other operating income

(x 1,000 euros)	2011	2010
Gain on disposal of fixed assets	81	419
Other operating income	1,171	787
Total other operating income	**1,252**	**1,206**

8. Employee benefit expenses

(x 1,000 euros)	2011	2010
Wages and salaries	69,435	60,570
Social security costs	18,724	15,755
Pension costs - defined benefit plans	502	928
Pension costs - defined contribution plans	1,360	1,441
Other post-employment benefit contributions	1,327	4,607
Other employment costs	9,815	6,305
Total employee benefit expenses	**101,163**	**89,606**

Full-time equivalents (rounded at one unit)	2011	2010
Belgium	553	522
Brazil	429	178
The Netherlands	417	395
France	275	243
Germany	193	192
Switzerland	101	102
Czech Republic	91	81
Italy	55	59
United States	50	48
Spain	41	41
United Kingdom	11	12
Denmark	9	10
Poland	2	3
Argentina	1	
Total	**2,229**	**1,887**

At 31 December 2011, Arseus' workforce (fully consolidated companies) comprised 2,333 persons or 2,228.5 full-time equivalents. Of these full-time equivalents, 1,115.2 are attributable to Fagron, 646.0 to Arseus Dental, 166.6 to Arseus Medical, 253.9 to Corilus and 46.8 to Arseus Corporate.

9. Depreciation and amortisation

(x 1,000 euros)	2011	2010
Depreciation and amortisation	14,550	12,453
Write-down on inventories	(439)	(617)
Write-down on receivables	419	836
Depreciation and amortisation	**14,531**	**12,672**

10. Other operating expenses

(x 1,000 euros)	2011	2010
Increase (decrease) in provisions for current liabilities	(68)	(181)
Increase (decrease) in provisions for pension liabilities	495	(213)
Taxes and levies (excl. income tax)	1,586	1,316
Other operating expenses	3,484	627
Total other operating expenses	**5,498**	**1,549**

The item 'Other operating expenses' mainly pertains to acquiring costs and deficits on the realisation of trade receivables.

Non-recurring costs are not recognised as 'Other operating expenses' but are presented in their originating cost category. The total non-recurring costs included in the EBIT amount to 5.890 million euros. These costs mainly include acquiring costs, integration costs and reorganisation costs within Arseus Dental. In addition, the revaluation of the financial derivatives constitutes a non-recurring result of 1.478 million euros in the financial result. The total non-recurring costs after income taxes are calculated by multiplying the sum of the non-recurring costs by the weighted average effective income tax rate and come to 3.349 million euros.

11. Financial result

(x 1,000 euros)	2011	2010
Financial income	1,269	477
Revaluation of financial derivatives	1,478	382
Financial expenses	(2,958)	(1,845)
Interest expenses	(8,010)	(4,959)
Currency exchange differences	(958)	(14)
Financial result	**(9,179)**	**(5,960)**

The positive revaluation of financial derivatives relates to the change in the market value of the interest rate hedges that are not a cash flow and do not qualify for hedge accounting in accordance with IAS 39. To value the hedging instruments, the mixed instruments were split into their components and valued on the basis of valuation models, discounted cash flows, and Black & Scholes, as appropriate. The parameters used for these models are those valid as at year-end.

The financial result, excluding the revaluation of the financial derivatives, amounts to -10.657 million euros, an increase of 68% compared to 2010. This increase is due to an increase in the net financial debt and an average increase in interest rates.

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

12. Income tax expenses

(x 1,000 euros)	2011	2010
Current tax expenses	7,922	8,911
Deferred tax	1,016	(1,333)
Income tax expenses	**8,938**	**7,578**
Weighted average current tax rate	24.1%	25.2%
Profit before income tax	37,078	30,056
Tax calculated at weighted average statutory tax rate	11,358	9,233
Income not subject to taxes	(3,572)	(4,366)
Expenses not deductible for tax purposes	841	456
Tax on profit previous years	(72)	2,320
Other	382	(64)
Income tax expenses	**8,938**	**7,578**

In early 2011, Corilus negotiated a settlement of disputes with the tax authority pertaining to the tax years 2003 through 2007 for a total sum of 2.320 million euros. In 2010, this amount was included in the line 'Tax on profit previous years'.

13. Earnings per share

(x 1,000 euros)	2011	2010
Basic earnings per share		
Profit attributable to equity holders of the Company	28,147	22,357
Weighted average number of ordinary shares (x 1,000)	30,082	29,995
Basic earnings per share (in euros)	0,94	0,75
Diluted earnings per share		
Profit attributable to equity holders of the Company	28,147	22,357
Weighted average number of ordinary shares (x 1,000)	30,082	29,995
Effect of warrants	363	102
Weighted average number of ordinary shares (diluted; x 1,000)	30,446	30,097
Diluted earnings per share (in euros)	0,92	0,75
Earnings per share before non-recurring items		
Profit attributable to equity holders of the Company	28,147	22,357
Non-recurring items (after tax)*	3,349	6,954
Profit before non-recurring items attributable to equity holders of the Company	31,496	29,311
Weighted average number of ordinary shares (x 1,000)	30,082	29,995
Basic earnings per share before non-recurring items (in euros)	1,05	0,98
Effect of warrants	363	102
Weighted average number of ordinary shares (diluted; x 1,000)	30.446	30.097
Diluted earnings per share (in euros)	1,03	0,97

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

14. Intangible assets

(x 1,000 euros)	Goodwill	Development	Concessions & patents	Brands	Software	Other	Total
Net book value as at 1 January 2010	**199,825**	**14,619**	**1,357**	**3,974**	**9,605**	**74**	**229,455**
Investments		6,707	240	77	2,604		9,629
Acquisitions	51,776			342			52,118
Disposals					(41)		(41)
Amortisation		(3,503)	(396)	(362)	(3,069)	(4)	(7,334)
Other movements		53	(4)		85		135
Exchange differences	343	179			15		538
Net book value as at 31 December 2010	**251,944**	**18,056**	**1,197**	**4,032**	**9,199**	**70**	**284,498**
Gross carrying amount	251,944	35,841	5,489	5,030	20,964	148	319,416
Accumulated amortisation		(17,785)	(4,292)	(998)	(11,765)	(78)	(34,918)
Net book value	**251,944**	**18,056**	**1,197**	**4,032**	**9,199**	**70**	**284,498**
Net book value as at 1 January 2011	**251,944**	**18,056**	**1,197**	**4,032**	**9,199**	**70**	**284,498**
Investments		8,126	92	6	1,224		9,447
Acquisitions	85,563	77	9	1	82		85,732
Disposals					(17)		(17)
Amortisation		(5,388)	(185)	(405)	(2,634)		(8,612)
Other movements		2,591	16	75	(2,575)	(70)	37
Exchange differences	(4,075)	43			16		(4,016)
Net book value as at 31 December 2011	**333,432**	**23,505**	**1,128**	**3,708**	**5,296**		**367,069**
Gross carrying amount	333,432	48,117	5,216	5,178	17,789	22	409,754
Accumulated amortisation		(24,612)	(4,088)	(1,469)	(12,493)	(22)	(42,685)
Net book value	**333,432**	**23,505**	**1,128**	**3,708**	**5,296**		**367,069**

The category ‘Development’ consists mainly of unique software developed in-house in full control of Arseus.

Goodwill

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

Goodwill impairment test

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

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

	2011	2010
Fagron	179.21	113.86
Arseus Dental	82.22	76.18
Arseus Medical	38.98	38.26
Corilus	33.02	23.64
Total	**333.43**	**251.94**

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

	Organic 5-year Growth (%)		Perpetual Growth Rate (%)		Gross Margin (%)		Discount Rate (%)	
	2011	2010	2011	2010	2011	2010	2011	2010
Fagron	5	5	2.5	2.5	51.42	51.48	9.42	12.81
Arseus Dental	4	4	2.0	2.0	41.10	39.68	8.13	8.74
Arseus Medical	3	3	2.5	2.5	45.32	43.12	7.47	8.54
Corilus	3	3	1.5	1.5	79.32	75.88	8.39	8.88

The above assumptions were subjected to a sensitivity analysis confirming that for 2011 no impairment of goodwill was required.

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

15. Property, plant and equipment

(x 1,000 euros)	Land and buildings	Plant machinery and equipment	Furniture and vehicles	Leasing and other similar rights	Other tangible assets	Assets under construc- tion	Total
Net book value as at 1 January 2010	**13,994**	**5,807**	**3,609**	**2,703**	**11,181**	**1,338**	**38,631**
Investments	8,099	2,021	709		1,859	194	12,882
Acquisitions	1,572	1,162	116	7	226		3,083
Disposals	(348)	(9)	(100)		(1,515)		(1,972)
Amortisation	(365)	(1,595)	(1,354)	(430)	(1,373)		(5,118)
Other movements	1,059	223	30		8	(1,388)	(66)
Exchange differences	588	356	10	458		10	1,422
Net book value as at 31 December 2010	**24,599**	**7,965**	**3,019**	**2,738**	**10,387**	**155**	**48,862**
Gross carrying amount	27,000	20,012	15,198	4,594	16,204	155	83,164
Accumulated amortisation	(2,401)	(12,047)	(12,179)	(1,856)	(5,817)		(34,302)
Net book value	**24,599**	**7,965**	**3,019**	**2,738**	**10,387**	**155**	**48,862**
Net book value as at 1 January 2011	**24,599**	**7,965**	**3,019**	**2,738**	**10,387**	**155**	**48,862**
Investments	3,278	2,089	1,684	430	2.117	230	9,829
Acquisitions	4,059	497	1,968	61	22		6,606
Disposals	(92)		(73)	(8)	(992)		(1,165)
Amortisation	(675)	(1,849)	(1,391)	(512)	(1.510)		(5,938)
Other movements	26	(49)	131	(20)	(421)	(151)	(483)
Exchange differences	(414)	(104)	(110)	74		(7)	(560)
Net book value as at 31 December 2011	**30,781**	**8,549**	**5,228**	**2,762**	**9,603**	**228**	**57,150**
Gross carrying amount	34,468	23,487	18,751	5,190	16,613	228	98,736
Accumulated amortisation	(3,686)	(14,938)	(13,523)	(2,428)	(7,010)		(41,586)
Net book value	**30,781**	**8,549**	**5,228**	**2,762**	**9,603**	**228**	**57,150**

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

16. Financial assets and other non current assets

(x 1,000 euros)	Financial assets	Other non current assets	Total
Balance at 1 January 2010	**1,228**	**1,014**	**2,241**
Investments	27	48	75
Transfers and disposals	7	1	8
Reimbursements	(409)	(218)	(627)
Other movements	(34)	2	(32)
Balance at 31 December 2010	**818**	**846**	**1,665**
Balance at 1 January 2011	**818**	**846**	**1,665**
Investments		200	200
Transfers and disposals		42	42
Reimbursements		(119)	(119)
Other movements	1		1
Balance at 31 December 2011	**819**	**969**	**1,788**

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

An analysis of the assets mentioned above showed that none of these need to undergo an extraordinary impairment in 2011.

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

17. Taxes, remuneration and social security

a) Taxes, remuneration and social security

(x 1,000 euros)	2011	2010
Current income tax liabilities	4,197	3,823
Other current tax and VAT payables	19,196	10,830
Remuneration and social security payables	13,945	12,346
Taxes, remuneration and social security	**37,338**	**27,000**

b) Deferred tax assets

(x 1,000 euros)	Differences in depreciation rates	Employee benefits	Provisions	Tax losses	Other	Total
Balance at 31 December 2009	**60**	**619**	**594**	**17,235**	**697**	**19,205**
Result	150	184	(429)	330	1,085	1,320
Change in the scope of consolidation			261			261
Balance at 31 December 2010	**210**	**803**	**426**	**17,565**	**1,782**	**20,785**
Result	(16)	156	(48)	2,052	(3,552)	(1,408)
Change in the scope of consolidation			1,114		(124)	990
Balance at 31 December 2011	**194**	**958**	**1,493**	**19,617**	**(1,895)**	**20,368**

The category ‘Other’ mainly concerns netting with deferred tax liabilities.

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 through seventh year. The 2011 analysis results showed that no impairment is required for the relevant assets.

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

c) Deferred tax liabilities

(x 1,000 euros)	Differences in depreciation rates	Other	Total
Balance at 31 December 2009	**2,708**	**1,524**	**4,232**
Result	322	(299)	23
Change in the scope of consolidation	108		108
Balance at 31 December 2010	**3,138**	**1,225**	**4,363**
Result	241	(2,672)	(2,431)
Change in the scope of consolidation			
Balance at 31 December 2011	**3,379**	**(1,447)**	**1,932**

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

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

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

18. Inventories

(x 1,000 euros)	2011	2010
Raw materials	12,088	13,714
Auxiliary materials	2	3
Work in progress	3,540	2,438
Finished goods	7,588	8,630
Trade goods	53,424	41,276
Inventories	**76,643**	**66,059**

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

a) Trade receivables and other receivables

(x 1,000 euros)	2011	2010
Trade receivables	79,230	88,520
Provision for impairment of receivables	(3,274)	(2,218)
Total trade receivables	**75,956**	**86,303**
Other receivables	**11,407**	**14,234**

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.

			Of which due at year-end			
(x 1,000 euros)	Carrying amount	Of which not past 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 2011	75,956	51,902	12,561	6,143	1,565	3,785
Trade receivables at 31 December 2010	86,303	58,683	14,490	7,537	1,807	3,786

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.

b) Cash and cash equivalents

(x 1,000 euros)	2011	2010
Investments with a maturity of less than three months	3,059	1,605
Cash at bank and in hand	66,790	49,581
Cash and cash equivalents	**69,850**	**51,186**

The majority of cash and cash equivalents consist of money in bank accounts and cash. The cash and cash equivalents are centralised as much as possible in a cash pool, deposited in accounts with banks that mostly have an A rating. All new bank accounts we open are with banks awarded at least an A or A- rating.

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

20. Equity

Authorised capital

By resolution adopted by the Extraordinary General Meeting of 7 September 2007, the Board of Directors was granted the power to increase the capital in one or more instalments by a maximum amount of 319,810,475 euros by means and on terms to be decided by the Board of Directors, such within a period of five years as from publication date of said resolution in the Annexes of the Belgian Bulletin of Acts, Orders and Decrees.

As at 31 December 2011, the Board of Directors is still authorised to increase the capital by a maximum amount of 319,810,475 euros.

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

This power of the Board of Directors will apply to capital increases that are subscribed to in cash or in kind, or that result from capitalisation of reserves with or without the issue of new Shares. The Board of Directors is permitted to issue convertible bonds or warrants within the limits of the authorised capital.

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

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

The movements in this balance sheet item are presented in the statement of changes in equity. During 2011, no treasury shares were purchased. The decrease of treasury shares is due to (subsequent) payments on participations. As at 31 December 2011, Arseus NV owned a total of 1,097,585 treasury shares. In accordance with IFRS, these shares are deducted from equity and do not affect the income statement. In the context of the Warrant Plan of the Offer and Warrant Plans 1 and 2, 21,767 new shares were issues during 2011 at an amount of 224,379 euros, 11,804 euros of which was recognised as an issue premium. The total number of shares outstanding as at 31 December 2011 amounted to 31,216,888.
During 2011, a majority interest share was acquired in Dutch company Unit Dose Pack BV. A liability was taken to the Group's equity concerning acquisition of the minority interest.

Warrant Plan of the Offer

As proposed by the Board of Directors, the Extraordinary General Meeting of Shareholders of 7 September 2007 approved the 'Warrant Plan of the Offer'. This plan concerned the creation of no more than 6,550,699 warrants, each entitling the holder to subscribe to one share, to be offered to existing shareholders of Omega Pharma NV who acquired Arseus NV shares. At the adoption of the realised capital increase on 9 October 2007, the exact number of warrants issued proved to be 3,650,575. These warrants were exercisable from 17 to 28 January 2011 at an exercise price of 14.50 euros (140% of 10.25 euros, which was the price set at the moment of the IPO).

On 16 February 2011, 1,018 new shares were issued as a result of the exercise of warrants under the Warrant Plan of the Offer. These newly issued shares are entitled to dividend from the 2011 financial year onward. Consequently, these 1,018 newly issued shares were listed on a separate line on NYSE Euronext until 10 May 2011. 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 the Warrant Plans 1 and 2, both approved by the Board of Directors on 6 September 2007. The number of voting securities of Arseus currently amounts to 31,216,888. The total number of voting rights (denominator) currently amounts to 31,216,888. The authorised share capital currently amounts to 320,023.050.35 euros.

Share-based payments

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

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

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

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

The warrants granted under Warrant Plan 2 (for directors and consultants) have a lifetime of 5 years as of the date 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 warrant's fair value on grant date and is spread over the vesting period of the warrants. The cost is recognised at the item 'Other employee benefit expenses' at an amount of 45 (thousand) euros for financial year 2011.

The movements in the number of outstanding warrants under the Warrant Plan of the Offer were as follows:

2011	**Average exercise price (in euros)**	**Warrants**
As at 1 January	14.50	3,680,575
Allocated		
Lapsed		3,679,557
Exercised	14.50	1,018
As at 31 December	-	-

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

2011	Average exercise price (in euros)	Warrants
As at 1 January	10.11	1,224,000
Lapsed	10.25	21,375
Lapsed	8.68	500
Lapsed	8.14	20,000
Lapsed	7.77	750
Exercised	9.74	20,749
As at 31 December	10.14	1,160,626

During 2011, 20,749 warrants were exercised under Warrant Plans 1 and 2.

The related weighted average exercise price per share at year-end amounted to 10.14 euros in 2011.

As of 31 March 2012, the total number of warrants not yet exercised, which could prompt the issue of the same number of shares of the Company, amounted to 1,160,626. Their average exercise price amounts to 10.14 euros.

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

Expiry date	Exercise price	Warrants
2011 - May	6.29	10,000
2012 - May	10.25	1,032,863
2012 - May	8.14	17,375
2013 - May	10.25	40,132
2013 - May	8.14	2,375
2013 - May	7.77	3,125
2013 - May	8.11	125
2014 - May	10.25	40,132
2014 - May	8.14	2,375
2014 - May	7.77	3,125
2014 - May	8.11	125
2015 - May	8.14	2,375
2015 - May	7.77	3,125
2015 - May	8.11	125
2016 - May	7.77	3,125
2016 - May	8.11	125
Total	**10.1437**	**1,160,626**

Fair value

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

Stock option plan

On 7 December 2009, the Board of Directors approved the Arseus NV Stock Option Plan (Stock Option Plan) for employees, directors, and consultants of the Company and/or subsidiaries, which approval was subsequently ratified by the Special Shareholders' Meeting of 27 January 2010.
The options granted under the Stock Option Plan are granted free of charge and, in line with the plan, have a term of 6 years from the date of offer. Options not exercised at the end of the six-year term, on 16 January 2016 therefore, are void by operation of law.
In accordance with the provisions of Section 43, § 4, 1° of the Act of 26 March 1999 concerning the Belgian Action Plan for Employment 1998 (Stock Options Act), the Exercise Price shall be determined on the basis of the share's average closing price during the thirty days preceding the date of the offer of the Options, and was therefore calculated at 8.5214 euros per option.
The Options shall be exercisable during the third, fourth, fifth and sixth calendar year following the calendar year in which the Options were offered, each time for 25%.
The Exercise of the Options at the Exercise Price shall take place unconditionally and may only take place in the month of April of each calendar year and may take place for the first time in April 2012 in the proportions specified below.

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

2011	Average exercise price in euros	Stock options
Per 1 January	8.52	987,500
Granted		
Forfeited		
Void and unexercisable		
Exercised		
Per 31 December	**8.52**	**987,500**

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 2011 Stock Option Plan will be presented to the Annual General Meeting of 14 May 2012 for approval, and will be available for inspection on the corporate website (www.arseus.com) under the header 'Investor Relations'.

The procedure of Article 523 of the Belgian Companies Code was not applied during 2011, also not for the Board of Directors' approval of the 2011 Stock Option Plan on 27 October 2011, such due to the fact that the beneficiaries were not yet known at the moment the plan was approved.

Dividend

A dividend of 13,154 (thousand) euros was paid in 2011. This equates to a gross dividend of 0.44 euros per share. At the Annual General Meeting of 14 May 2012, a gross dividend for 2011 will be proposed amounting to 0.50 euros per share, which equates to a total dividend of 15,060 (thousand) euros. This dividend due is not recognised in these financial statements.

A further Note on equity is included in the section Corporate Governance Statement on page 58 of this annual report.

21. Provisions

(x 1,000 euros)	Taxes	Disputes	Warranty obligations	Other	Total
Balance at 1 January 2010	**48**	**183**	**511**	**115**	**857**
Additions					
Through business combinations		139	41	160	341
Other		114	89	140	342
Amounts used		(313)	(172)	(39)	(523)
Transfers			(22)	(20)	(42)
Balance at 1 January 2011	**48**	**123**	**448**	**357**	**975**
Additions					
Through business combinations			144		144
Other		(13)	51	10	47
Amounts used		(9)	(37)	(69)	(115)
Balance at 31 December 2011	**48**	**100**	**606**	**297**	**1,051**

22. Pension obligations

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

(x 1,000 euros)	2011	2010	2009	2008	2007
Present value of funded obligations	12,474	13,064	12,390	10,386	9,712
Fair value of plan assets	(9,838)	(9,441)	(8,735)	(7,755)	(7,737)
Present value of unfunded obligations	2,636	3,623	3,655	2,631	105
Unrecognised actuarial losses (gains)	1,248	(347)	(290)	413	401
Liability in the balance sheet	3,884	3,276	3,365	3,044	2,376

All defined benefit plans are final salary pension plans. The amounts pertaining to post-employment medical plans are included in the liability but are not significant. There are no informal constructive obligations.

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

- The weighted average discount rate was 5.10% for 2011 and 5.20% for 2010;
- The weighted expected return on plan assets amounted to 4.06% during 2011 and 3.82% during 2010;
- The weighted expected general salary increase amounted to 2.50% during 2011 and 2.50% during 2010.

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

The amounts recognised in the income statement are as follows:

(x 1,000 euros)	2011	2010
Current service cost	728	473
Interest cost on obligation	637	582
Return on plan assets	(368)	(340)
Net actuarial gains (losses) recognised during the year		
	997	**715**
of which included in the other operating expenses	495	(213)
of which included in the employee benefit expenses	502	928

Movements in net liability:

(x 1,000 euros)	2011	2010
Net liability in the balance sheet at 1 January	**3,276**	**3,365**
Expense	997	715
Pensions paid directly from pension reserve		
Contributions (benefits – effective pension obligation payments)	(390)	(804)
Net liability in the balance sheet at 31 December	**3,884**	**3,276**

23. Financial debts and financial instruments

(x 1,000 euros)	2011	2010
Non-current		
Financial lease liabilities	767	1,264
Bank borrowings	3,583	213,697
Other borrowings		
	4,350	**214,960**
Current		
Financial lease liabilities	534	683
Bank borrowings	253,516	850
Other borrowings	7	782
	254,057	**2,315**
Total	**258,407**	**217,275**

Non-current borrowings by term (x 1,000 euros)	2011 Financial leases	2011 Bank borrowings	2010 Financial leases	2010 Bank borrowings
More than 1 year but less than 5 years	767	2,128	1,264	211,891
More than 5 years		1,454		1,805
Total non-current borrowings	**767**	**3,583**	**1,264**	**213,697**

a. Bank borrowings

The book value of the bank borrowings is expressed in euros. The effective interest rate at balance sheet date on 31 December 2011 was 2.776%.

Arseus' principal financing sources are two credit facilities of 300 million euros in total, with a duration to 30 August 2012. As at the closing date of 2011, an amount of 246 million euros had been withdrawn. This amount is presented as a current bank loan. This concerns a loan with a variable interest rate of 1 to 6 months. The interest risk relating to 70 million euros of this loan was 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. To value the hedging instruments, the mixed instruments were specified to component level and valued on the basis of valuation models, discounted cash flows, and Black & Scholes respectively as appropriate. The parameters used for these models are those applicable as at year-end and are therefore classified as Level 2.
The fair value of these financial derivatives at year-end 2011was 3.452 million euros, 1.517 million euros of which was presented as long-term liability and 1.935 million euros as short-term liability. The full movement in fair value in 2011 was added to the result. Arseus has no other financial derivatives.

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

Company

- ACA Pharma NV
- Alphadent NV
- Arseus NV
- Arseus Capital NV
- Arseus Dental Nederland BV
- Arseus Lab BV
- Corilus SA
- Duo-Med NV
- Dutch BioFarmaceutics BV
- Fagron BV
- Arseus Dental Solutions NV
- Spruyt hillen BV

b. Financial leases

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

(x 1,000 euros)	2011	2010
Cost – capitalised financial leases	5,190	4,594
Accumulated depreciation	(2,428)	(1,856)
Net amount of assets in leasing	**2,762**	**2,738**

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)	2011	2010
Machinery and installations	2,733	2,738
Furniture and vehicles	29	
Net amount of assets in leasing	**2,762**	**2,738**

Financial lease liabilities – minimum lease payments:

(x 1,000 euros)	2011	2010
Within 1 year	568	731
More than 1 year but less than 5 years	896	1,499
Total	**1,464**	**2,230**
Future financing charges on financial leases	163	284
Present value of financial lease liabilities	**1,301**	**1,947**

c. Operating leases

Operating lease liabilities – minimum lease payments:

(x 1,000 euros)	2011	2010
Within 1 year	6,752	5,749
More than 1 year but less than 5 years	12,642	10,818
More than 5 years	4,200	4,932
Total	**23,594**	**21,499**

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

24. Other current payables

(x 1,000 euros)	2011	2010
Prepayments	1,069	2,097
Other payables	55,253	21,857
Accrued expenses	3,198	2,852
Other current payables	**59,521**	**26,806**

An amount of 50.090 million euros of the 'Other payables' pertains to amounts to be paid concerning existing participations (subsequent payments).

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

25. Contingencies

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

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

The prospectus and the 2007, 2008, 2009 and 2010 annual reports report that Fagron Ibérica, one of Arseus NV's subsidiaries, had a dispute regarding a claim of 12.953 million euros from Abbott GmbH & Co. KG. The court of first instance No.37 of Barcelona ruled in favour of Fagron Ibérica on 11 March 2005, but Abbott GmbH & Co KG filed an appeal. In 2008, the court again ruled that Fagron Ibérica is not required to pay any compensation, in response to which Abbott GmbH & Co.KG appealed again. On 31 May 2011, the court's final ruling was in favour of Arseus once more and the case has been closed.

26. Related parties

The overall remuneration package for members of the Executive Committee and the CEO individually, as well as the non-executive directors, for the financial years 2010 and 2011 was as follows.

(x 1,000 euros)	Fixed remuneration component [1]	Variable remuneration component	Other remuneration components [2]
2010 financial year			
Ger van Jeveren, CEO	424	291	16
Executive Committee, including the CEO	1.850	591	37
Non-executive members of the Board of Directors	185		
2011 financial year			
Ger van Jeveren, CEO	437	300	24
Executive Committee, including the CEO	1.607	657	48
Non-executive members of the Board of Directors	185		

The variable remuneration component for the 2011 fiscal year is the bonus effectively paid out in 2012.

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

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

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

In 2007, members of the Board of Directors who do not serve on the Executive Committee obtained 110,000 warrants. The resignation of two members in 2009 brings the total number of warrants outstanding in this context to 90,000. In the course of 2007, Mr Van Jeveren obtained 500,000 warrants, while the other members of the Executive Committee obtained 300,000 warrants. The members of the Executive Committee, in the composition in effect on 31 December 2011, together hold 810,000 warrants. In the course of 2010, Mr Van Jeveren obtained 500,000 stock options, while the other members of the Executive Committee together hold 390,000 stock options.

The CEO rents out buildings to a group company for an amount of 244,000 euros. This lease arrangement was concluded before the Company was acquired by Omega Pharma, the legal predecessor to Arseus, and was supported by independent valuation reports upon its commencement. This lease was reported to Arseus' Board of Directors when Arseus was established. The agreements are expiring.

27. Business combinations

Arseus completed a number of acquisitions in the financial year 2011. Full control was acquired of all group companies, with the exception of Unit Dose Pack BV, where Arseus obtained a majority interest of 51%. As the acquired activities were immediately – in their entirety or to a significant degree – integrated in existing entities of Arseus, their respective contributions to the profit of Arseus have not been reported separately.

Regarding US company Fagron Inc. (formerly Gallipot Inc.) acquired in 2010, the final fair value of the assets and liabilities acquired was established, representing an increase in goodwill of 0.118 million euros. This goodwill was allocated to the operating company segment Fagron. The fair value of the acquired assets and liabilities is further explained in the following box.

Fair value of the acquired assets and liabilities of Fagron Inc.

(x 1,000 euros)	
Property, plant and equipment	148
Deferred tax assets	346
Inventories	1,215
Trade receivables	779
Other receivables	79
Cash	125
Total assets	2,693
Trade payables	619
Other current debts	768
Net acquired assets	1,306
Goodwill	10,490
Total acquisition amount	11,796

During 2010, Brazilian company Fagron do Brasil Farmacêutica Ltda (formerly Deg Importação De Produtos Químicos Ltda) was acquired. In November 2011, the final fair value of the assets and liabilities acquired was established, representing an increase in goodwill of 0.938 million euros. This goodwill was allocated to the operating company segment Fagron. The fair value of the acquired assets and liabilities is further explained in the following box.

Fair value of the acquired assets and liabilities of Fagron do Brasil Farmacêutica Ltda

(x 1,000 euros)	
Intangible assets	74
Property, plant and equipment	2,458
Deferred tax assets	204
Inventories	3,943
Trade receivables	4,550
Other receivables	87
Cash	-822
Total assets	10,494
Financial debts	102
Trade payables	3,564
Other current debts	1,902
Net acquired assets	4,926
Goodwill	32,411
Total acquisition amount	37,338

During 2011, Brazilian company Pharma Nostra Comercial Ltda was acquired (integrated in the consolidated financial statement as from July 2011). The acquisition involved a payment of approximately 51.472 million euros, representing an increase in goodwill of 52.175 million euros. This goodwill was fully allocated to the Fagron operating business segment. Regarding the acquired trade receivables of 5.673 million euros, a bad debt provision was created amounting to 0.405 million euros.
The provisional fair value of the acquired assets and liabilities was determined as detailed below.

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

(x 1,000 euros)	
Intangible assets	4
Property, plant and equipment	5,121
Other non-current assets	50
Deferred tax assets	1,233
Inventories	5,717
Trade receivables	5,268
Other receivables	103
Cash	2,104
Total assets	19,600
Financial debts	5,856
Trade payables	5,159
Other current debts	9,287
Net acquired assets	-702
Goodwill	52,175
Total acquisition amount	51,472

Furthermore, Fagron acquired a Dutch compounding pharmacy in 2011. Corilus acquired Belgian company CMS. CMS supplies software to residential care homes in Belgium. In addition to the above acquisitions, some smaller companies and activities were acquired, the total acquisition price of which amounted to 32.262 million euros. The total net assets acquired for allocation of the acquisition price regarding these smaller companies and activities amounted to 0.494 million euros. Regarding the acquired trade receivables of 1.620 million euros, a bad debt provision was created amounting to 0.075 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 – other companies

(x 1,000 euros)	
Intangible assets	90
Property, plant and equipment	1,586
Other assets	39
Deferred tax assets	353
Inventories	868
Trade receivables	1,545
Other receivables	192
Cash	2,170
Total assets	6,842
Provisions	207
Deferred tax liabilities	0
Financial debts	1,396
Trade payables	2,601
Other current debts	2,145
Net acquired assets	494
Goodwill	31,768
Total acquisition amount	32,262

The final determination of the fair value of the assets and liabilities regarding previous minor acquisitions resulted in an adjustment of 0.565 million euros. Furthermore, the total goodwill decreased by 4.075 million due to exchange rate differences, which were mainly due to fluctuations in the Brazilian real.
The fair value of a number of acquired assets and liabilities was determined on a provisional basis. The fair value as stated is provisional because the integration process of the acquired entities and their activities is still ongoing.

At year-end, the Group had an amount of approximately 11.2 million euros in contingencies. These fees payable to former shareholders were determined on the basis of business plans at the time of acquisition. Any differences between the liabilities as stated and the actual payment are not material for 2011.
The total represents an increase in the goodwill of 81.488 million euros, of which 65.345 million euros was allocated to the Fagron operating segment, 6.041 million euros to Arseus Dental, 0.721 million euros to Arseus Medical and 9.381 million euros to Corilus. 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.

In December 2011, Arseus signed an agreement for the acquisition of Pharma Cosmetic in Poland, established in Krakow. This company is a leading supplier of pharmaceutical raw materials for pharmaceutical compounding in Poland. In 2011, Pharma Cosmetic achieved a turnover of approximately 7.5 million euros and it will be consolidated as from January 2012.

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

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

(x 1,000 euro)	2011	2010
Audit fee for the Group audit		
Arseus Group	419	355
Audit fee for PricewaterhouseCoopers Bedrijfsrevisoren	200	179
Audit fee for parties related to PricewaterhouseCoopers Bedrijfsrevisoren	235	176
Additional services rendered by the Auditor to the Group		
Other engagements linked to the Auditor's mandate	38	37
Additional services rendered by parties related to the Auditor to the Group		
Tax advisory services	73	39
Other services	180	8

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

29. Significant events after balance sheet date

In December 2011, Arseus signed an agreement for the acquisition of Pharma Cosmetic in Poland.
This company will be included in Arseus' consolidated financial statements as from January 2012.

30. Additional notes

1 Off-balance sheet rights and liabilities - collateral:

- Hader SA provided a mortgage registration in the amount of 1.012 million euros in the context of its financing.
- Arseus BV issued a guarantee in the amount of 1.3 million euros in the context of the new construction of the head office of Fagron Nederland.

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

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

31. List of the consolidated companies

Abacus BVBA	Land van Rodelaan 7, 9820 Schelderode (Belgium)	100%
ABC Dental and Pharmaceutical Consultancy NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
ACA Pharma NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
AD Dentaire SAS	Rue faubourg de béthune 90, 59001 Lille (France)	100%
Alpa Sprl	Avenue de Coteaux 82, 4030 Liège (Belgium)	100%
Alphadent NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
APPEG SA	Rue de la Sambre 6, 6032 Charleroi (Belgium)	100%
Arseus België NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
Arseus BV	Kralingseweg 207-211, 3062 CE Rotterdam (Netherlands)	100%
Arseus Capital NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
Arseus Dental BV	Kralingseweg 207-211, 3062 CE Rotterdam (Netherlands)	100%
Arseus Dental Nederland BV	Cartografenweg 18, 5141 MT Waalwijk (Netherlands)	100%
Arseus Dental Solutions Est SARL	Boucle de la Bergerie 5, 57070 St Julien Les Metz (France)	100%
Arseus Dental Solutions IDF SAS	Avenue Alphand 2, 75116 Paris (France)	100%
Arseus Dental Solutions Nord SA	Rue faubourg de béthune 90, 59000 Lille (France)	100%
Arseus Dental Solutions NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
Arseus Dental Solutions Ouest SAS	Le Bordage, 35510 Cesson Sevigne (France)	100%
Arseus Dental Solutions Rhône-Alpes SARL	Boulevard Edmond Michelet 13, 69008 Lyon (France)	100%
Arseus Dental Solutions SAS	Boulevard Ornano 30/34, 93200 Saint-Denis (France)	100%
Arseus Devroe bvba	Dragonderdreef 5, 8570 Vichte (Belgium)	100%
Arseus Hospital NV	Boomsesteenweg 524, 2610 Wilrijk (Belgium)	100%
Arseus Lab BV	Leeuweriklaan 2, 3704 GR Zeist (Netherlands)	100%
Arseus Lab NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
Arseus Lab SAS	27 rue des Frères Lumière, 68000 Colmar (France)	100%
Arseus Medical BV	Gelderlandhaven 4, 3433 PG Nieuwegein (Netherlands)	100%
Arseus Medical NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
Arseus NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
Arseus Tec NV	Textielstraat 24, 8790 Waregem (Belgium)	100%
Arseus Tec SAS	Boulevard Ornano 32, 93200 Saint-Denis (France)	100%
Bruco Hospital NV	Dragonderdreef 5, 8570 Vichte (Belgium)	100%
CMIS BVBA	Mastboomstraat 4, 2640 Aartselaar (Belgium)	100%
CMS Frankrijk Sarl	Boulevard Malesherbes 19, 75008 Paris (France)	100%
CMS NV	Mastboomstraat 4, 2640 Aartselaar (Belgium)	100%
Corilus BV	Randhoeve 221, 3995 GA Houten (Netherlands)	100%
Corilus Info Santé SA	Rue Gabriel Peri 30, 92700 Colombes (France)	100%
Corilus SA	Rue Camille Hubert 23, 5032 Gembloux (Belgium)	100%
Dorge Medic SA	Chausse de Nivelles 351, 5020 Temploux (Belgium)	100%
DSD BV	Markerkant 1303I, 1314 AL Almere (Netherlands)	100%
Duo-Med NV	Berkenlaan 53, Londerzeel (Belgium)	100%
Dutch BioFarmaceutics BV	Steenovenweg 15, 5701 AJ Helmond (Netherlands)	100%
Eurotec Dental GmbH	Forumstrasse 12, 4468 Neuss (Germany)	100%
Eurotec Dental SAS	Boulevard Ornano 30/34, 93200 Saint-Denis (France)	100%
Fagron a.s.	Holicka 1098/31M, 772 00 Olomouc (Czech Republic)	73.1%
Fagron Brasil Empreendimentos E Participações Ltda	Rua Jurupari, 803 – Jardim Oriental, 04348-070 São Paulo (Brazil)	100%
Fagron Brazil Holding BV	Kralingseweg 207-211, 3062 CE Rotterdam (Netherlands)	100%

Fagron BV	Venkelbaan 101, 2908 KE Capelle aan den IJssel (Netherlands)	100%
Fagron do Brasil Farmacêutica Ltda	Rua Jurupari, 803 – Jardim Oriental, 04348-070 São Paulo (Brazil)	100%
Fagron GmbH & Co KG	Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)	100%
Fagron Group BV	Kralingseweg 207-211, 3062 CE Rotterdam (Netherlands)	100%
Fagron Holding USA LLC	Orange street 1209, New Castle County (United States of America)	100%
Fagron Iberica SAU	Carrer de Josep Tapiolas 15, 8226 Terrassa (Spain)	100%
Fagron Inc.	2400 Pilot Knobroad, 55120 St. Paul (United States of America)	100%
Fagron Italia SrL	Via Del Fonditore 4/4, 40138 Bologna (Italy)	100%
Fagron Nordic A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen (Denmark)	100%
Fagron NV	Textielstraat 20, 8790 Waregem (Belgium)	100%
Fagron Poland SP. Z.o.o	Albatrosów 1, Cracow (Poland)	100%
Fagron SAS	Rue Gabriel Peri 30, 92700 Colombes (France)	100%
Fagron Services BV	Molenwerf 13, 1911 DB Uitgeest (Netherlands)	100%
Fagron Services BVBA	Industrieweg 2, 2850 Boom (Belgium)	100%
Fagron Sarl	Intendente Neyer 924, Beccar, Partido de San Isidro. Provincia de Bs.As (Argentina)	100%
Fagron UK Ltd	Pink Ribbon Lane 1 First Floor, NE1 DW Newcastle upon Tyne (United Kingdom)	100%
Faynel Jost SARL	Boulevard Edmond Michelet 13, 69008 Lyon (France)	100%
GJD NV	Ieperstraat 30, 8930 Menen (Belgium)	100%
GSM Dentaire Sarl	Rue du Point du Jour 77, 92100 Boulougne Bilancourt (France)	100%
Hader SA	Rue Jardinière 153, 2300 La Chaux-de-Fonds (Switzerland)	100%
Imagelevel NV	Nieuwkerkenstraat 29, 9100 Nieuwkerken-Waas (Belgium)	100%
JPG Pharma NV	Ondernemersstraat 4, 2500 Lier (Belgium)	100%
Liengme SA	Boulevard de Eplatures 39, 2300 La Chaux-de-Fonds (Switzerland)	100%
Médical Universal SAS	1 Rue Galilée, 69800 Saint Priest (France)	100%
Multident GmbH	Pelikanplatz 25, 30177 Hannover (Germany)	100%
Nolte GmbH	Schürfweg 29, 49477 Ibbenbüren (Germany)	100%
Novux Lab BV	Leeuweriklaan 3, 3705 GR Zeist (Netherlands)	100%
Owandy Benelux Sprl	Chaussée Bara 68, 1420 Braine L'Alleud (Belgium)	100%
Owandy Iberia SLU	Centro bbc Barajas c/jerez de los cabalieros 2, 28042 Madrid (Spain)	100%
Owandy Inc	192 Lexington Avenue Suite 1101, 10016 NY New York (United States of America)	100%
Owandy Radiologie Italia Srl	Via del Guado 57, 20033 MI Desio (Italy)	100%
Owandy SAS	Allée kepler 4/5, 77420 Champs sur Marne (France)	100%
Pharma Assist BV	Dieselstraat, 7903 AR Hoogeveen (Netherlands)	100%
Pharma Nostra Comercial Ltda	Rua Aquidaba, 1144, 20720-293 Rio de Janeiro (Brazil)	100%
Pharmaflore SA	Rue Botrieux 7, 7864 Lessines (Deux-Acren) (Belgium)	100%
Rocam SA	Rue Jardinière 153, 2300 La Chaux-de-Fonds (Switzerland)	100%
Sosoeme NV	Samelstraat 33, 9170 Sint Gillis Waas (Belgium)	100%
Spruyt hillen BV	Tinbergenlaan 1, 3401 MT IJsselstein (Netherlands)	100%
Steunpunt Apotheek Mierlo-Hout BV	Steenovenweg 15, 5701 AJ Helmond (Netherlands)	100%
Timm Health Care BV	Tinbergenlaan 1, 3401 MT IJsselstein (Netherlands)	100%
Twipe BV	Kralingseweg 207-211, 3062 CE Rotterdam (Netherlands)	100%
Unit Dose Pack BV	Eijkenakker 12, 5571 SL Bergeijk (Netherlands)	51%
Van Beek Medical BV	Zeilmakersstraat 31, 8601 WT Sneek (Netherlands)	100%
Van Hopplynus Ophtalm SA	Rijksweg 10, 2880 Bornem (Belgium)	100%
Zenith Pharmaceuticals Cyprus Ltd	Doma Building Arch Makarios III Avenue 227, 3105 Limassol (Cyprus)	100%

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY ARSEUS NV AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2011

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

Unqualified opinion on the consolidated accounts

We have audited the consolidated accounts of Arseus NV and its subsidiaries (the "Group") as of and for the year ended 31 December 2011, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated income statement, the consolidated statement of realised and unrealised gains and losses, the consolidated balance sheet, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet total was EUR(000) 680,232 and the consolidated balance sheet shows a profit for the financial year, group share, of EUR(000) 28,147.

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

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

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The selection of these procedures is a matter for our judgement, as is the assessment of the risk that the consolidated accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to the preparation and fair presentation of the consolidated accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

PwC Bedrijfsrevisoren cvba, burgerlijke vennootschap met handelsvorm - PwC Reviseurs d'Entreprises scrl, société civile à forme commerciale - Financial Assurance Services
Maatschappelijke zetel/Siège social: Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe
Vestigingseenheid/Unité d'établissement: Wilsonplein 5 G, B-9000 Gent
T: +32 (0)9 268 82 11, F: +32 (0)9 268 82 99, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / RBS BE89 7205 4043 3185 - BIC ABNABEBR

We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management as well as the presentation of the consolidated accounts taken as a whole. Finally, we have obtained from the Board of Directors and Group officials the explanation and information necessary for our audit.

We believe that the audit evidence we have obtained provides a reasonable basis for our opinion

In our opinion, the consolidated accounts give a true and fair view of the Group's net worth and financial position as of 31 December 2011 and of its results and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Additional disclosure

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

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

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

Ghent, 12 April 2012

The Statutory Auditor
PricewaterhouseCoopers Bedrijfsrevisoren bcvba
Represented by
Peter Opsomer BVBA
Represented by

Peter Opsomer
Bedrijfsrevisor

Statutory financial statements

Condensed stand-alone income statement Arseus NV

(x 1,000 euros)	2011	2010
Operating income	**2,490**	**2.793**
Turnover		
Other operating income	2,490	2.793
Operating charges	**2,977**	**3.411**
Goods for resale, raw materials and consumables		
Services and other goods	2,781	3,266
Remuneration, social security and pensions	166	94
Depreciation and amortisation	29	29
Other operating charges	1	22
Operating result	**-487**	**-618**
Financial result	**14.926**	**17.795**
Profit from ordinary activities before taxes	**14.439**	**17.177**
Exceptional result		
Profit for the financial year before taxes	**14.439**	**17.177**
Result taxes		
Net profit for the financial year	**14.439**	**17.177**

Condensed stand-alone balance sheet Arseus NV

(x 1,000 euros)	2011	2010
Fixed assets	**400,115**	**400,143**
Formation expenses		
Intangible assets	29	57
Property, plant and equipment		
Financial assets	400.086	400.086
Current assets	**94,909**	**114,131**
Debtors due after one year	69.569	69.569
Inventories and orders in execution		
Debtors due within one year	3.621	8.570
Investments	9.801	11.613
Cash at bank and in hand	11.855	24.334
Deferred charges and accrued income	63	45
Total assets	**495,024**	**514,274**
Capital and reserves	**333,130**	**333,526**
Capital	320.023	319.810
Share premiums	12	
Legal reserves	3.156	2.434
Unavailable reserves	9.207	10.816
Available reserves	732	278
Profit carried forward		188
Creditors	**161,894**	**180,748**
Creditors due after one year		166.000
Creditors due within one year	161.630	14.564
Accrued charges and deferred income	264	184
Total liabilities	**495,024**	**514,274**

Appropriation of profits Arseus NV

(x 1,000 euros)	2011	2010
Profit to be appropriated	**14,627**	**17,177**
Profit for the year to be appropriated	14.439	17.177
Profit carried forward from the previous financial year	188	
Transfers from capital and reserves	**1,358**	
To the reserves	1.358	
Transfers to capital and reserves	**925**	**3,835**
To statutory reserves	722	859
To other reserves	203	2.976
Result to be carried forward		**188**
Profit to be carried forward		188
Profit to be distributed as dividends	**15,060**	**13,154**
Dividend	15.060	13.154

Accounting policies

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

Statutory financial statements of Arseus NV

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

The Statutory Auditor expressed his unqualified opinion on the statutory financial statements of Arseus NV over financial year 2011.

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', *Result of operating activities*
EBITDA:	'Earnings Before Interests, Taxes, Depreciations and Amortisations', *Result of operating activities* plus depreciations and amortisations, operating cash flow
EBT:	'Earnings Before Taxes', Profit before taxes, *Result of operating activities* after *net financing costs*
Financial result:	*Net financing costs, result of financing income and financing costs*
Gearing ratio:	Net financial debt as percentage of total *Equity*
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) of the reporting period*, consolidated result
REBIT:	'Recurring Earnings Before Interests and Taxes', *Result of operating activities* adjusted for all non-recurring items
REBITDA:	'Recurring Earnings Before Interests, Taxes, Depreciations and Amortisations', *Result of operating activities* plus depreciations and amortisations and adjusted for all non-recurring items
Recurring net result:	*Profit (loss) of the reporting period*, adjusted for non-recurring items
Recurring net operating cash flow:	*Profit (loss) of the reporting period* plus depreciations and amortisations and adjusted for all non-recurring items
Recurring operating cash flow:	*Profit (loss) from operating activities* plus depreciations and amortisations and adjusted for all non-recurring items
Working capital:	*Inventories* plus *Trade receivables* less *Trade payables*

Ainara, Rafa and Lune

Family situation

Names of parents:	Ainara and Rafa Padilla
Position, division:	Innovation Assistant and General Manager at Fagron Brazil
Name of child:	Lune Padilla
Age:	4
Country:	Brazil

Hello!
My name is Lune Padilla, I am the daughter of Ainara and Rafa.
I am four years old, born in Spain and now I live in Brasil.
My parents both work at Fagron, but I don't know what they do there... but when they put my body lotion on they tell me it's body lotion from their work.
I always lived in Barcelona, but last year we moved to São Paulo for my daddy's work. I really like São Paulo, I play a lot and learned to speak Portuguese, and most importantly: I dance like a Brazilian lady!

Willem and Korneel

Family situation

Name of parent:	Willem Demuynck
Position, division:	General Manager at Arseus Dental Solutions Benelux
Place, country:	Waregem, Belgium
Name of child:	Korneel Demuynck
Age:	8
Country:	Belgium

Do you like your dad's job, and can you explain why?
Yes, because he is cheerful and he is the boss, but he is not the highest boss, he has other bosses above him..

Why is your dad good at his work?
Because he studied a lot and sometimes he still goes to school.
And he has lots of important meetings.

Have you been to your father's workplace?
No, but we drove past it on the motorway once.
It looks like a glass pyramid.

What do you like best about your dad that nobody knows about him in the office?
He can be very crazy with me and my brother and he plays American Football.

What would you like to be later on?
Archaeology professor.

Forward-looking statements caution

This annual report may contain forward-looking statements. Forward-looking statements are statements that are not historical facts, containing information such as, but not limited to, communications expressing or implying beliefs, expectations, intentions, forecasts, estimates or predictions (and the assumptions they are based on) on the part of Arseus. Forward-looking statements by definition involve risks and uncertainties. The actual future results or circumstances may therefore differ materially from those expressed or implied in forward-looking statements. Such a difference may be caused by a range of factors (such as, but not limited to, evolving statutory and regulatory frameworks within which Arseus operates, claims in the areas of product liability, currency 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.