

Interim financial statements

First semester 2011

Contents

1. Interim management report.....	2
2. Consolidated income statement	2
3. Comprehensive income statement	3
4. Consolidated balance sheet.....	4
5. Consolidated statement of changes in equity.....	5
6. Consolidated cash flow statement	6
7. Profit per share	7
8. Notes to the interim financial information	7
9. Segment information.....	10
10. Related parties	12
11. Business combinations.....	12
12. Subsequent events	13
13. Contingent liabilities.....	14
14. Effective tax rate	14
15. Auditors' review report	14

The undersigned hereby declare that, to the best of their knowledge, the condensed consolidated financial statements for the six-months period ended 30 June 2011, which have been prepared in accordance with the IAS 34 'Interim Financial Reporting' as adopted by the European Union, gives a true and fair view of the assets, liabilities, financial position and profit and loss of the company and the undertakings included in the consolidation as a whole, and that the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year and of the major transactions with the related parties, and their impact on the condensed consolidated financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Ger van Jeveren, CEO

Jan Peeters, CFO

In the event of any discrepancy between the English translation and the original Dutch version of these interim financial statements, the latter shall prevail.

1. Interim management report

No significant events occurred during the first semester of 2011. A detailed report on the first semester of 2011 can be found in the Arseus press release of 5 August 2011.

2. Consolidated income statement

(x 1,000 euros)	June 2011	June 2010
Operating income	233,353	205,390
Turnover	232,734	204,678
Other operating income	619	712
Operating expenses	(213,154)	(188,843)
Trade goods	(118,909)	(106,741)
Services and other goods	(34,591)	(31,209)
Employee benefit expenses	(49,603)	(44,791)
Depreciation and amortization	(7,414)	(5,831)
Other operating expenses	(2,637)	(271)
Operating profit	20,199	16,548
Financial income	280	136
Financial expenses	(2,966)	(4,117)
Profit before income tax	17,513	12,567
Income tax expenses	(3,472)	(2,011)
Profit after income tax	14,041	10,555
Attributable to:		
Equity holders of the company (net profit)	13,962	10,481
Non-controlling interest	79	74
Profit for the period	14,041	10,555
Earnings per share (in euros)	0.46	0.35
Diluted earnings per share (in euros)	0.46	0.35
Recurring earnings per share (in euros)	0.48	0.47
Diluted recurring earnings per share (in euros)	0.47	0.47

3. Comprehensive income statement

(x 1,000 euros)	June 2011	June 2010
Profit after income tax	14,041	10,555
Currency translation adjustments		
Movements for the period	(123)	1,896
Non-controlling interest	67	62
Total direct movements in equity	(56)	1,958
Profit for the period	13,985	12,513
to the equity holders of the company	13,839	12,377
to non-controlling interest	146	136

4. Consolidated balance sheet

(x 1,000 euros)	June 2011	December 2010
Non current assets	385,436	355,810
Intangible assets	310,983	284,498
Property, plant and equipment	51,667	48,862
Financial assets	819	818
Deferred tax assets	21,128	20,785
Other non current assets	839	846
Current assets	210,579	217,782
Stock	70,753	66,059
Trade receivables	84,280	86,303
Other current assets	16,424	14,234
Cash and cash equivalents	39,122	51,186
Total assets	596,015	573,592
Equity	210,959	208,122
Shareholder's equity (parent)	217,605	216,654
Treasury shares	(9,073)	(10,816)
Non-controlling interest	2,427	2,284
Non current liabilities	240,825	225,747
Provisions	848	975
Pension obligations	3,421	3,276
Deferred tax liabilities	4,445	4,363
Borrowings	230,696	214,960
Financial instruments	1,415	2,172
Current liabilities	144,230	139,723
Borrowings	1,003	2,315
Financial instruments	1,822	2,758
Trade payables	78,174	80,845
Taxes, remuneration and social security	23,581	27,000
Other current payables	39,651	26,806
Total equity and liabilities	596,015	573,592

5. Consolidated statement of changes in equity

(x 1,000 euros)	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	196,352
Currency translation adjustments		1,896			1,896	62	1,959
Profit for the period				10,481	10,481	74	10,555
Total recognised income for the period	317,302	(193,980)	(7,881)	91,242	206,683	2,183	208,866
Purchase of treasury shares			(3,152)		(3,152)		(3,152)
Dividends relating to 2009 result				(10,880)	(10,880)		(10,880)
Share-based payments		78			78		78
Balance at 31 June 2010	317,302	(193,902)	(11,033)	80,362	192,730	2,183	194,913
Currency translation adjustments		940			940	53	993
Profit for the period				11,876	11,876	48	11,924
Total recognised income for the period	317,302	(192,962)	(11,033)	92,238	205,546	2,284	207,830
Purchase of treasury shares			217		217		217
Dividends relating to 2009 result							
Share-based payments		75			75		75
Balance at 31 December 2010	317,302	(192,887)	(10,816)	92,238	205,838	2,284	208,122
Currency translation adjustments		(123)			(123)	67	(56)
Profit for the period				13,962	13,962	79	14,041
Total recognised income for the period	317,302	(193,009)	(10,816)	106,200	219,677	2,430	222,107
Capital increase	224				224		224
Purchase of treasury shares			1,743		1,743		1,743
Dividends relating to 2010 result				(13,154)	(13,154)		(13,154)
Share-based payments		38			38		38
Balance at 30 June 2011	317,527	(192,971)	(9,073)	93,046	208,529	2,430	210,959

6. Consolidated cash flow statement

(x 1,000 euros)	June 2011	June 2010
Operating activities		
Profit before income taxes	17,513	12,567
Taxes paid	(2,932)	(3,287)
Adjustments for financial items	2,686	3,981
Total adjustments for non-cash items	7,291	5,014
Total changes in working capital	(4,987)	(1,270)
Total cash flow from operating activities	19,572	17,005
Investment activities		
Capital expenditures	(7,790)	(7,438)
Investments in existing shareholdings (subsequent payments) and in new holdings	(19,908)	(19,384)
Total cash flow from investing activities	(27,699)	(26,822)
Financing activities		
Capital increase	224	-
Purchase of treasury shares	-	(3,152)
Dividends paid	(13,176)	(10,801)
New borrowings	16,838	22,225
Reimbursement of borrowings	(3,359)	(1,375)
Interest received (paid)	(4,285)	(2,959)
Total cash flow from financing activities	(3,757)	3,939
Total net cash flow for the period	(11,884)	(5,878)
Cash and cash equivalents – start of the period	51,186	34,284
Gains or losses on exchange on liquid assets	(181)	173
Cash and cash equivalents – end of the period	39,122	28,578
Change in cash and cash equivalents	(11,884)	(5,878)

7. Profit per share

The weighted average number of ordinary shares outstanding at 30 June 2011 equals 30,050,851 compared to 30,100,683 at 30 June 2010. This results in a basic earnings per share of € 0.46, the diluted profit per share is equal to € 0.46.

At 30 June 2011 the capital represented 31,216,888 shares, 1,105,585 of which are treasury shares held by Arseus NV. As the result of the exercise of warrants 21,767 new shares have been issued.

The recurring net profit per share for the period is defined as the net profit for the period before non-recurring items and revaluation of the financial derivatives after taxes.

8. Notes to the interim financial information

1. General information

Arseus NV (the 'Company') and its subsidiaries (together, the 'Group') constitute a multinational group of companies that supplies products, services and concepts to professionals and institutions in the healthcare sector in Europe, the United States and Brazil. The Company is subdivided into four divisions and operates in the markets for pharmaceutical compounding for pharmacies, dental products, medical and surgical products, and medical ICT solutions.

The Company is a public company, founded and located in Belgium, with registered office at Textielstraat 24, 8790 Waregem. The company 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.

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

This condensed consolidated interim financial information was approved for issue by the Board of Directors on 4 August 2011.

2. Basis of preparation for condensed consolidated interim financial information

This condensed consolidated interim financial information for the first half of 2011, including the comparable figures for 2010, has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information must be read in conjunction with the annual financial statements for the year 2010 (including the principles for financial reporting) which is available at www.arseus.com.

3. Summary of the most important accounting policies

The accounting policies used to prepare the consolidated interim financial statements for the first half of 2011 are consistent with those applied in the Arseus consolidated financial statements for the year ended 31 December 2010.

The accounting policies were consistently applied for all periods presented.

A summary of the most important accounting policies can be found in the 2010 annual report. The annual report can be consulted through the following web link:
www.arseus.com.

This condensed consolidated interim financial information has been prepared in accordance with IFRS standards and IFRIC interpretations that apply, or which are applied early, as of 30 June 2011 and which have been endorsed by the European Union.

The new standards, amendments to standards and interpretations listed below contain those that have been endorsed by the EU up to 7 June 2011.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011:

- Amendment to IAS 32 'Classification of rights issues' requiring rights issues within the scope of the amendment to be classified as equity. The amendments are effective for annual periods beginning on or after 1 February 2010.
- Amendments to IFRS 1 providing a limited exemption from comparative IFRS 7 disclosures for first-time adopters, effective as of 1 July 2010.
- IAS 24 Revised 'Related-party transactions', effective for annual periods beginning on or after 1 January 2011. The revised standard amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.
- 'Improvements to IFRSs' (2010) amending IAS 1, IAS 27, IAS 34, IFRS 1, IFRS 3, IFRS 7 and IFRIC 13. These improvements are effective 1 January 2011.
- IFRIC 19 'Extinguishing financial liabilities with equity Instruments', effective for periods beginning on or after 1 July 2010. IFRIC 19 clarifies the accounting when a debtor and creditor might renegotiate the terms of a financial liability with the result that the debtor extinguishes the liability fully or partially by issuing equity instruments to the creditor.
- Amendments to IFRIC 14 'Pre-payments of a minimum funding requirement', effective for annual periods beginning on or after 1 January 2011. The amendment removes an unintended consequence of IFRIC 14 arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement.

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

The following new standards, amendments to standards and interpretations have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2011 and have not been endorsed by the European Union:

- Amendments to IFRS 1 'First-time adoption of IFRSs' related to severe hyperinflation and the removal of fixed dates for first-time adopters. These amendments are effective on or after 1 July 2011.
- Amendments to IFRS 7 'Financial instruments: disclosures' requiring enhanced disclosures of transferred financial assets. These revisions are effective at the earliest for annual periods beginning on or after 1 July 2011.
- Amendments to IAS 1 'Presentation of financial statements', effective on or after 1 July 2012. The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income.
- Amendments to IAS 12 'Deferred taxes', effective on or after 1 January 2012. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.
- IFRS 9 'Financial instruments', effective for periods beginning on or after 1 January 2013. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.
- IFRS 10 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013. The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements.
- IFRS 11 'Joint arrangements', effective for annual periods beginning on or after 1 January 2013. The new standard focuses on the rights and obligations rather than the legal form. Proportional consolidation is no longer allowed.
- IFRS 12 'Disclosure of interests in other entities', effective for annual periods beginning on or after 1 January 2013. This a new standard on disclosure requirements for all forms of interests in other entities.
- IFRS 13 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013. The new standard explains how to measure fair value for financial reporting.
- IAS 19 Revised 'Employee benefits', effective for annual periods beginning on or after 1 January 2013. Through these amendments significant changes are made to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.
- IAS 27 Revised 'Separate financial statements', effective for annual periods beginning on or after 1 January 2013. The revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 Revised 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2013. The revised standard now includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

4. Non recurring items

Non recurring items as per 30 June 2011 primarily relate to acquisition costs and integration costs.

9. Segment information

The Group's activities relate to products and services in professional healthcare, subdivided 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** supplies products and services for pharmaceutical compounding. Fagron develops and markets its own formulas for pharmaceutical compounding, sells and distributes instruments and pharmaceutical raw materials for pharmaceutical compounding, sells and distributes pharmaceutical compounding and cosmetic products to pharmacists under its own brand name Fagron, provides third-party pharmaceutical compounding services to pharmacists and hospitals and provides specialised pharmaceutical raw materials to the pharmaceutical, nutraceutical, veterinary and cosmetic industries;
2. **Arseus Dental** provides specialist products and services to dentists, laboratories and other dental professionals. Furthermore, Arseus Dental produces and assembles a complete in-house range of imaging equipment for dentists, such as X-ray units, panoramic units, intra-oral digital sensors and cameras. In Switzerland Arseus Dental (as OEM supplier) manufactures precision components for the dental and orthopaedic industry;
3. **Arseus Medical** provides innovative products, services and solutions for doctors, hospitals, nursing homes and home care workers. The focus is on personal care, mobility, organisation, hygiene & sterilisation and diagnostics;
4. **Corilus** provides total ICT solutions for a wide range of medical and paramedical professions, including pharmacists, dentists, physicians, ophthalmologists and veterinarians.

The segment results for the period ending on 30 June 2011 are as follows:

(x 1,000 euros)	Fagron	Arseus Dental	Arseus Medical	Corilus	Total
Turnover	108,804	81,607	25,817	16,507	232,734
EBITDA before non recurring items and corporate costs	22,406	3,601	2,693	4,239	32,939
Corporate costs					(3,072)
Non recurring items					(2,253)
Depreciations and amortizations					(7,414)
Operating profit					20,199

The segment results for the period ending on 30 June 2010 are as follows:

(x 1,000 euros)	Fagron	Arseus Dental	Arseus Medical	Corilus	Total
Turnover	85,076	79,697	25,122	14,783	204,678
EBITDA before non recurring items and corporate costs	16,771	5,724	2,153	3,956	28,605
Corporate costs					(2,865)
Non recurring items					(3,361)
Depreciations and amortizations					(5,831)
Operating profit					16,548

At 30 June 2011, the assets and liabilities, as well as the capital expenditure for the reporting period ending on this date, are as follows:

(x 1,000 euros)	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallo- cated	Total
Total assets	222,240	186,713	64,583	57,974	64,506	596,015
Total liabilities	62,929	51,005	16,671	14,653	239,798	385,056
Capital expenditure	1,380	1,082	467	2,467	2,394	7,790

At 31 December 2010, the assets and liabilities, as well as the capital expenditure for the reporting period ending on this date, are as follows:

(x 1,000 euros)	Fagron	Arseus Dental	Arseus Medical	Corilus	Unallo- cated	Total
Total assets	197,800	180,743	63,375	47,498	84,176	573,592
Total 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

10. Related parties

The members of the Executive Committee, the CEO and the non-executive directors are considered as related parties. The remuneration policy is described in the Corporate Governance Statement which constitutes part of the 2010 annual report. The remuneration is determined on a yearly basis, therefore no further details are provided in these interim financial statements.

11. Business combinations

In the first semester of 2011 Fagron acquired a Dutch compounding pharmacy with turnover of approximately 2.5 million euros in 2010. Corilus acquired Belgian CMS. CMS supplies software to Residential and Care Centres in Belgium. Besides these acquisitions several other small companies and activities were acquired in the first semester.

The total purchase price equals 26.1 million euros. The total net assets acquired for allocation of the purchase price amounted to -0.2 million euros.

For the acquisition of Gallipot in April 2010 a final allocation of the purchase price took place. The fair value of the acquired assets and liabilities is detailed below.

Fair value of the acquired assets and liabilities of Gallipot (x 1,000 euros)	
Intangible assets	0
Property, plant and equipment	148
Deferred tax assets	346
Stocks	1,215
Trade receivables	779
Other receivables	79
Cash	125
Total assets	2,693
Deferred tax liabilities	0
Trade payables	619
Other current debts	768
Net acquired assets	1,306
Goodwill	10,490
Total acquisition amount	11,796

For the acquisition of Brazilian Deg Importação De Produtos Químicos Ltda in 2010 a provisional allocation of the acquisition price has been determined. The fair value of the acquired assets and liabilities is detailed below.

Fair value of the acquired assets and liabilities of Deg Importação De Produtos Químicos Ltda (x 1,000 euros)	
Intangible assets	74
Property, plant and equipment	2,470
Deferred tax assets	183
Stocks	3,668
Trade receivables	4,550
Other receivables	87
Cash	(822)
Total assets	10,209
Financial debts	102
Trade payables	3,564
Other current debts	1,577
Net acquired assets	4,967
Goodwill	32,371
Total acquisition amount	37,338

12. Subsequent events

At the beginning of July Arseus signed an agreement in principle for the acquisition of Brazilian Pharma Nostra Comercial Ltda. Pharma Nostra is market leader in Brazil and had turnover of approximately 45 million euros in 2010. The EBITDA margin is approximately 15%. The acquisition price is approximately 51 million euros. For more details see the press release of 11 July 2011.

In the prospectus and the 2007, 2008, 2009 and 2010 annual reports, Arseus NV reported that Fagron Ibérica, one of the subsidiaries of Arseus NV, has been awarded a contested claim of 12.953 million euros from Abbott GmbH & Co. KG. The court of first instance No.37 ruled in favour of Fagron Ibérica on 11 March 2005 but Abbott GmbH & Co. KG. filed an appeal against this decision. In 2008 the court once again found that Fagron Ibérica was not required to pay any damages, which once again prompted an appeal by Abbott GmbH & Co. KG. The definitive court ruling in Arseus' favour came on 31 May 2011.

For the outlook for the second half of the year 2011, see the press release of 5 August 2011. The main risks and uncertainties are the same as those mentioned in the 2010 annual report.

13. Contingent liabilities

No significant changes have occurred since 31 December 2010.

14. Effective tax rate

Recognised income tax expenses is based on management's best estimate of the weighted average annual income tax rate of 20%, which is expected for the full financial year 2011.

After the consolidation of Pharma Nostra Comercial Ltda, the management expects the effective tax rate to exceed 20%.

15. Auditors' review report



To the Board of Directors
Arseus NV

FREE TRANSLATION

Statutory auditor's report on review of consolidated condensed financial information for the period ended 30 June 2011

Introduction

We have reviewed the accompanying consolidated balance sheet of Arseus NV and its subsidiaries as of 30 June 2011 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the 6-month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this consolidated condensed financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Gent, 4 August 2011

PwC Bedrijfsrevisoren bcvba
Represented by

Peter Opsomer
Bedrijfsrevisor