

# Press release

Regulated information | Consolidated results for the first six months of 2013  
Waregem (Belgium) / Rotterdam (the Netherlands)<sup>1</sup>, 2 August 2013

## INNOVATION STRATEGY RESULTS IN STRONG INCREASE OF GROSS MARGIN AND PROFITABILITY

### EBIT INCREASES 45.4% AT TURNOVER GROWTH OF 5.4%

#### Key points of the first half of 2013:

- Turnover increased by 5.4% to € 282.7 million
- Organic growth at constant exchange rates was 5.9%
- REBITDA increased by 29.9% to € 50.4 million
- EBITDA increased by 34.7% to € 44.2 million
- EBIT increased by 45.4% to € 35.6 million
- Net profit increased by 23.0% to € 18.8 million
- **Outlook for 2013: Healthy organic turnover growth and profitability that grows faster than turnover**

**Ger van Jeveren, CEO of Arseus:** “The results of Arseus for the first six months of 2013 are excellent. Turnover increased by 5.4% to € 282.7 million. Organic turnover growth at constant exchange rates of Arseus was 7.7% in the second quarter of 2013. Consistent optimisation of the product portfolio has resulted in an increase of Arseus’ gross margin by no less than 2.9 percentage points in the first six months of 2013 compared with the same period in 2012. All divisions contributed to this increase. Operational excellence and a closely monitored cost policy resulted in a substantial decrease in operating costs as a percentage of turnover. The significant turnover growth, strong increase in the gross margin and lower costs resulted in an impressive increase in the REBITDA, EBITDA, EBIT and net profit. For 2013, we expect healthy organic growth and profitability that grows faster than turnover. We look to the future with great confidence.

The Board of Directors of Arseus recently started an analysis of strategic options, both inside and outside Arseus, for the Healthcare Solutions and Healthcare Specialties divisions. After concluding this analysis, the Board of Directors will announce the results in a press release.”

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<sup>1</sup> This press release was sent out by Arseus NV and Arseus BV.

<b>Income Statement (x 1,000 euros)</b>	<b>H1 2013</b>	<b>H1 2012</b>	<b>Evolution</b>
Net sales	282,705	268,272	5.4%
Gross margin	146,690	131,449	11.6%
As % of net sales	51.9%	49.0%	
Operating costs	-96,279	-92,629	3.9%
<b>EBITDA before corporate costs and non-recurring result</b>	<b>50,411</b>	<b>38,820</b>	<b>29.9%</b>
As % of net sales	17.8%	14.5%	
Corporate costs	-3,703	-3,447	7.4%
EBITDA before non-recurring result	46,707	35,373	32.0%
As % of net sales	16.5%	13.2%	
Non-recurring result	-2,499	-2,549	-1.9%
<b>EBITDA</b>	<b>44,208</b>	<b>32,824</b>	<b>34.7%</b>
As % of net sales	15.6%	12.2%	
Depreciation and amortisation	-8,637	-8,362	3.3%
<b>EBIT</b>	<b>35,571</b>	<b>24,462</b>	<b>45.4%</b>
As % of net sales	12.6%	9.1%	
Financial result, excluding revaluation of financial derivatives	-11,734	-5,288	121.9%
Revaluation of financial derivatives	1,284	781	64.5%
Profit before taxes	25,121	19,955	25.9%
Taxes	-6,325	-4,675	35.3%
<b>Net profit</b>	<b>18,796</b>	<b>15,280</b>	<b>23.0%</b>
Recurring net profit <sup>2</sup>	19,683	16,633	18.3%
Net profit per share (in euros)	0.61	0.50	21.6%
Recurring net profit per share (in euros)	0.64	0.55	17.1%
Average number of shares	30,696,597	30,374,461	

<b>Balance sheet (x 1,000 euros)</b>	<b>30/06/13</b>	<b>31/12/12</b>
Intangible assets	501,811	417,866
Property, plant and equipment	59,244	59,255
Deferred tax assets	30,616	32,296
Other non-current assets	2,320	1,870
Operational working capital	66,755	51,315
Other working capital	-91,594	-69,567
Equity	229,326	245,384
Provisions	8,426	8,320
Financial instruments	2,464	3,749
Deferred tax liabilities	1,734	2,466
Net financial debt	327,201	233,117

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

## Notes to the consolidated interim financial statements

### Income statement

The **consolidated turnover** in the first six months of 2013 amounted to € 282.7 million, an increase of 5.4% (7.1% at constant exchange rates) compared with the first six months of 2012. Organic growth in the first six months of 2013 was 4.2% (5.9%). The consolidated turnover in the second quarter of 2013 increased by 8.9% (10.1%) to € 149.4 million. Organic growth in the second quarter was 6.5% (7.7%).

(x 1,000 euros)	H1 2013	H1 2012	Growth	Org. growth
Turnover	282,705	268,272	5.4% (7.1%)	4.2% (5.9%)
	Q2 2013	Q2 2012		
Turnover	149,419	137,228	8.9% (10.1%)	6.5% (7.7%)

By optimising the product portfolio and constantly developing and introducing innovative products and concepts, the **gross margin** increased by 11.6% to € 146.7 million in the first six months of 2013. Compared with the first six months of 2012, gross margin as a percentage of turnover increased by 2.9 percentage points to 51.9%.

Operational excellence and a tightly monitored cost policy resulted in a decrease in **operating costs** as a percentage of turnover. In the first six months of 2013, operating costs as a percentage of turnover decreased 0.4 percentage points to 34.1%.

The strong turnover growth, higher gross margin and lower costs resulted in a **REBITDA**<sup>3</sup> that increased significantly faster than turnover, by 29.9% to € 50.4 million.

**Corporate costs** as a percentage of turnover remained unchanged at 1.3%.

The **non-recurring result** amounted to -€ 2.5 million. This result primarily consists of acquisition costs, integration costs and reorganisation costs.

**EBITDA** increased in the first six months of 2013 by 34.7% to € 44.2 million. The operational margin (EBITDA as a percentage of turnover) increased by 3.4 percentage points to 15.6%.

The **depreciation and amortisation** amounted to € 8.6 million, an increase of € 0.3 million or 3.3% compared to the same period in 2012.

**EBIT** amounted to € 35.6 million, an increase of 45.4% in comparison with the first six months of 2012.

Excluding the revaluation of the financial derivatives, the **financial result** amounted to -€ 11.7 million. The increase compared to the first six months of 2012 is due to an increase in the net financial debt, higher currency exchange rate differences and higher interest rates resulting from the refinancing and issue of a bond loan in July 2012.

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<sup>3</sup> EBITDA before corporate costs and non-recurring result.

The **revaluation of financial derivatives** amounted to € 1.3 million. This positive revaluation reflects an upward trend in the interest rate. This interest hedging instrument does not qualify for hedge accounting according to IAS 39. As a non-cash item, it has been deducted from the financial result and is shown separately in the income statement.

The **effective tax rate**, as a percentage of the profit before taxes, was 25.2% in the first half of 2013, compared to 23.4% in the same period last year. The effective cash tax rate<sup>4</sup> for the Arseus Group was 17.2% in the first six months of 2013.

In the first half of 2013, the **net profit** increased 23.0% to € 18.8 million, despite the increase in the financial result and a higher tax rate. The net profit per share amounted to € 0.61.

### Balance sheet

The most important changes on balance sheet level can be summarised as follows.

The **intangible assets** increased by € 83.9 million. This increase was largely due to the recognition of goodwill relating to the acquisition of US-based Freedom Pharmaceuticals, and the R&D activities of Corilus and Arseus Dental Technology.

The **operational working capital**<sup>5</sup> increased by 9.0% to € 66.8 million, compared to 30 June 2012. With turnover growth of 5.4%, the accounts receivable decreased by 7.2% and the stock increased by 10.8%. In South America the stock was increased to improve product availability for Fagron's customers.

The **net financial debt**<sup>6</sup> increased by € 94.1 million in the first six months of 2013, to € 327.2 million. This increase is due to the acquisitions of US-based Freedom Pharmaceuticals and Belgian Soft33, subsequent payments and paid earn-outs of approximately € 15 million for earlier acquisitions, and investments in R&D and automation, among other things. At the end of June 2013 the net financial debt / annualised REBITDA ratio was 3.14. It is expected that this ratio will decrease substantially towards the end of the year, as it has in previous years.

The **net operational capex**<sup>7</sup> amounted to € 10.5 million, representing 3.7% of turnover in the first six months of 2013. The capex consists of, among other things, investments in R&D and automation.

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<sup>4</sup> The effective cash tax rate is defined as the taxes paid divided by the profit before taxes.

<sup>5</sup> The operational working capital is defined as the sum of stock and trade receivables less the trade payables.

<sup>6</sup> The net financial debt is the sum of long-term and short-term financial liabilities (excluding financial instruments) less cash and cash equivalents.

<sup>7</sup> Net operational capex is defined as the acquired and produced intangible assets and property, plant and equipment (excluding acquisitions), less assets sold.

## **KEY FIGURES PER DIVISION**

### **Fagron**

(x 1,000 euros)	H1 2013	H1 2012	Evolution
Turnover	158,158	141,065	12.1%
REBITDA	38,749	29,051	33.4%
REBITDA margin	24.5%	20.6%	
	Q2 2013	Q2 2012	Evolution
Turnover	86,585	72,450	19.5%

In the first six months of 2013 Fagron further strengthened its worldwide market leadership in the niche market for pharmaceutical compounding. Turnover increased by 12.1% (15.3% at constant exchange rates) to € 158.2 million. Organic turnover growth amounted to 10.2% (13.3%). Fagron's turnover increased by 19.5% (21.8%) in the second quarter of 2013. Organic turnover growth in the second quarter was no less than 15.6% (17.7%).

Fagron's impressive organic growth is due to the successful optimisation and innovation of pharmaceutical compounding to fulfil the worldwide growing need for tailor-made medication, the investment in innovation and product development and the introduction of new products, concepts and formulations for pharmaceutical compounding on the market. This strategic focus, combined with the use of a uniform ERP system and teams active worldwide in the areas of procurement, quality, marketing and innovation and working closely with the local organisations, resulted in a strong increase of the REBITDA margin by 3.9 percentage points in the first six months of 2013, to 24.5%.

In April 2013 Fagron acquired US-based Freedom Pharmaceuticals. Freedom Pharmaceuticals is a leading supplier of pharmaceutical raw materials, excipients, bases and capsules to independent compounding pharmacies in the United States. The acquisition of Freedom Pharmaceuticals created nationwide coverage in the United States, enabling Fagron to immediately provide its customers with extra value. With locations in St. Paul (Minnesota), Aurora (Colorado), Scottsdale (Arizona), Tucson (Arizona) and Tulsa (Oklahoma), Fagron is perfectly positioned to provide compounding pharmacies in the United States with innovative products and concepts, as well as value added services and training.

Fagron is active in 30 countries worldwide. In 2013, Fagron will further strengthen its position as global market leader through an active buy-and-build strategy, starting up greenfields and robust organic growth.

Detailed information on the acquisition of US-based Freedom Pharmaceuticals can be found in the press release of 25 April 2013. This press release can be downloaded at [www.arseus.com](http://www.arseus.com).

## Corilus

(x 1,000 euros)	H1 2013	H1 2012	Evolution
Turnover	20,453	17,853	14.6%
REBITDA	5,358	4,622	15.9%
REBITDA margin	26.2%	25.9%	
	Q2 2013	Q2 2012	Evolution
Turnover	10,177	8,877	14.6%

The turnover of Corilus grew by 14.6% to € 20.5 million in the first six months of 2013, while the REBITDA increased by 15.9% to € 5.4 million. Organic turnover growth amounted to 11.1%. This good result can be explained by the further strengthening of Corilus' market leadership position as a supplier of unique integrated ICT solutions with added value for medical specialists in Belgium, France and the Netherlands. Thanks to strong organic growth combined with the acquisition of Soft33, Corilus saw its customer base grow by 3,000, to just over 29,000.

Hector, the in-house developed communication software between hospitals, doctors, laboratories, radiologists and dentists, is currently being used in more than 60% of the hospitals in Flanders. Many hospitals and laboratories now already reach more than 70% of health care providers via this channel. Hector is the first solution to make full use of the eHealthBox system provided by the Belgian federal government's eHealth platform. Hector is integrated in all software packages available in the Belgian EMD market.

Greenock, state-of-the-art pharmacy software developed in house by Corilus, continues its successful advance. In 2013 Corilus successfully launched Morion, software for opticians, in Belgium. In France, the Centre Hospitalier Sud Francilien selected Softalmo, thereby confirming the package's indisputable position as market leader in ophthalmology in French hospitals.

In the second quarter of 2013 Corilus acquired Belgian company Soft33. Soft33 is an important provider of software for homecare nurses. Soft33 has more than 2,000 homecare nurses as customers. The software of Soft33 is complimentary to Infiplus from Corilus. With more than 3,800 users, Infiplus is the most commonly used software in Belgium for both independent nurses and those working as part of a group.

## Healthcare Specialties

(x 1,000 euros)	H1 2013	H1 2012	Evolution
Turnover	45,436	47,454	-4.3%
REBITDA	5,583	5,565	0.3%
REBITDA margin	12.3%	11.7%	
	Q2 2013	Q2 2012	Evolution
Turnover	22,802	23,535	-3.1%

Healthcare Specialties focuses on developing and launching innovative dental and medical solutions and products. Healthcare Specialties incorporates Arseus' activities aimed at dental

laboratories, the activities aimed at the production of precision components and orthopaedic tools for dental and medical professionals (Hader), the activities aimed at digital dental imaging and complete software for dental practices (Julie-Owandy) and the surgical solutions offered by Duo-Med. In the first six months of 2013, Healthcare Specialties achieved turnover of € 45.4 million and a REBITDA margin which increased by 0.6 percentage points to 12.3%, thanks to a strict focus on gross margin and cost control.

In the activities focused on dental laboratories (Arseus Dental Lab), the own brands Novux (CAD/CAM concept), Selexion (products used daily in dental laboratories) and Ceka-Preciline (leading in dental attachments) saw strong growth in the first six months of 2013. Dental laboratories however showed a reluctance to invest due to the lack of clarity in Western Europe concerning the reimbursement of dental charges. During the International Dental Show (IDS) in Cologne, Arseus was appointed as the exclusive distributor of the entire product range of AmannGirrbach in Belgium, the Netherlands, France and Luxembourg.

The French company Julie-Owandy achieved good organic growth in the first six months of 2013. During the IDS held in March, Julie-Owandy successfully launched Opteo, an in-house developed innovative intra-oral sensor. The Swiss company Hader suffered from a sober investment climate and the strong Swiss franc, which adversely affected the international competitive position. In line with the strategy of innovation, Hader has developed and launched new dental and medical orthopaedic products with added value, such as the Hader Lucky, in 2013 also. Hader Lucky is the latest surgical torque wrench and is a high precision dental instrument used by dental surgeons for tightening dental implants.

In the first six months of 2013, Duo-Med, which supplies doctors and hospitals in the Benelux with innovative products, solutions and services, conducted a comprehensive evaluation of its product range. The emphasis in this was on attracting innovative products and solutions with high added value and to phase out distributions with a lower margin in the areas of radiology and endoscopy. The emphasis in the second half of 2013 will be on the introduction of the Microcutter from Cardica. The MicroCutter offers patients numerous benefits. The MicroCutter allows smaller incisions to be made and that means faster recovery, less pain and less risk of infections.

### Healthcare Solutions

(x 1,000 euros)	H1 2013	H1 2012	Evolution
Turnover	58,658	61,900	-5.2%
REBITDA	721	-417	272.8%
REBITDA margin	1.2%	-0.7%	
	Q2 2013	Q2 2012	Evolution
Turnover	29,855	32,366	-7.8%

Healthcare Solutions, the division focusing on the dental and medical distribution activities of Arseus, achieved organic growth of -5.2% in the first six months of 2013, while the REBITDA margin increased by 1.9 percentage points to 1.2%, thanks to a strict focus on gross margin and cost control. The distribution activities aimed at hospitals and nursing homes achieved strong turnover growth. During the first half of 2013, the distribution activities aimed at dental practices

were affected by the lack of clarity in Western Europe concerning the reimbursement of dental charges.

Arseus divested Belgium based Dorge Medic at the beginning of July. Detailed information on the sale of Belgium based Dorge Medic can be found in the press release of 4 July 2013. This press release can be downloaded at [www.arseus.com](http://www.arseus.com).

### **Development treasury shares and exercise of warrants and stock options**

On 31 December 2012, Arseus owned 651,775 treasury shares. As a result of the purchase of 968,522 treasury shares, the exercise of 1,210,500 stock options by directors, members of the Executive Committee and employees of Arseus and the disposal of 28,419 shares as a subsequent payment for acquisitions, Arseus held 381,378 treasury shares on 30 June 2013.

On 13 June 2013, Arseus issued 79,844 new shares as a result of the exercise of warrants. Following the issue of these new shares, the number of Arseus shares with voting rights increased to 31,358,358. The total number of voting rights (denominator) is 31,358,358. The authorised capital is € 321,384,974.57. Detailed information can be found in the press release by Arseus of 13 June 2013, which can be downloaded at [www.arseus.com](http://www.arseus.com).

### **Outlook<sup>8</sup>**

Based on the current view and the existing Arseus portfolio, for 2013 as a whole management is expecting healthy organic growth and profitability that grows faster than turnover.

### **Composition of the Arseus Executive Committee**

It was decided in mutual consultation that Mr (Frank) Verbakel will resign from the Executive Committee of Arseus as of 31 August 2013. The Board of Directors of Arseus thanks Mr Verbakel for his valued contribution to the success of Arseus over the past 7 years.

From 1 September 2013 the Arseus Executive Committee of Arseus is composed as follows:

Ger van Jeveren	CEO Arseus and CEO Fagron
Jan Peeters	CFO Arseus
Mario Huyghe	CEO Healthcare Solutions
Dirk Van Lerberghe	CEO Corilus

### **Statement by the statutory auditor**

For the complete interim financial information in accordance with IAS 34 and the corresponding statement from the statutory auditor, which is a statement without any particular comments, see the annex to this press release.

### **Conference call**

Ger van Jeveren (CEO) and Jan Peeters (CFO) will provide further details on the results for the first half of 2013 today in a conference call. The conference call starts at 9:30 a.m. You can join

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<sup>8</sup> This press release contains data related to the future based on the current internal estimates and forecasts in addition to market forecasts. The statements concerning the future contain inherent risks and are only applicable on the date on which they are issued. There may be substantial differences between the actual results and the results cited in the statements about the future.

from 09:15 a.m. onwards by calling +31 10 713 72 95 (the Netherlands) or +32 2 404 03 34 (Belgium). From 10:30 a.m., the conference call can be heard on +31 20 713 34 87 with access code 437927#. From Monday, 5 August 2013 the conference call may be listened to or downloaded from the corporate website of Arseus ([www.arseus.com](http://www.arseus.com)).

### **Financial calendar**

The trading update on the third quarter of 2013 will be published at 07:30 a.m. on 8 October 2013. Ger van Jeveren (CEO) and Jan Peeters (CFO) will provide further details on this trading update in a conference call on 8 October. This conference call starts at 09:30 a.m.

### **For more information:**

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*In the event of any discrepancy between the English translation and the original Dutch version of this press release, the latter shall prevail.*

### **Arseus profile**

Arseus is a multinational group of companies that supplies products, services and concepts to professionals and institutions in the healthcare sector in 30 countries worldwide. Arseus 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 Belgian company Arseus NV is located in Waregem, and is listed on NYSE Euronext Brussels and NYSE Euronext Amsterdam. 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.