

# Interim financial statements

## First semester 2014

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The undersigned hereby declare that, to the best of their knowledge, the condensed consolidated financial statements for the six-months period ended 30 June 2014, which have been prepared in accordance with the IAS 34 'Interim Financial Reporting' as adopted by the European Union, give 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**

During the first semester of 2014, the Board of Directors has decided to start the divestment of Corilus. A detailed report on the first semester of 2014 can be found in the Arseus press release of 5 August 2014.

## **2. Condensed consolidated income statement**

(x 1,000 euros)	June 2014	June 2013 <sup>1</sup>
<b>Operating income</b>	<b>210,015</b>	<b>162,771</b>
Turnover	209,149	162,566
Other operating income	866	205
<b>Operating expenses</b>	<b>(164,028)</b>	<b>(132,237)</b>
Trade goods	(76,204)	(72,916)
Services and other goods	(33,940)	(23,117)
Employee benefit expenses	(45,820)	(33,319)
Depreciation and amortization	(7,166)	(4,070)
Other operating expenses	(898)	1,186
<b>Operating profit</b>	<b>45,988</b>	<b>30,534</b>
Financial income	355	1,529
Financial expenses	(10,991)	(8,355)
<b>Profit before income tax</b>	<b>35,352</b>	<b>23,708</b>
Taxes	(10,864)	(6,804)
<b>Profit for the year from continuing operations</b>	<b>24,488</b>	<b>16,904</b>
Profit (loss) for the year from discontinued operations (attributable to equity owners of the company)	(17,879)	1,893
<b>Profit (loss) for the year</b>	<b>6,608</b>	<b>18,796</b>
<hr/>		
<b>Profit (loss) attributable to:</b>		
Equity holders of the company (net result)	6,597	18,774
Non-controlling interest	11	22
<b>Profit (loss) for the year</b>	<b>6,608</b>	<b>18,796</b>
<hr/>		
<b>Earnings (loss) per share attributable to owners of the parent during the year</b>		
Profit (loss) for the year per share (in euros)	0.22	0.61
Diluted profit (loss) for the year per share (in euros)	0.21	0.60

<sup>1</sup> The income statement of 2013 is restated for the application of IFRS 5

### **3. Condensed consolidated statement of comprehensive income**

(x 1,000 euros)	June 2014	June 2013 <sup>2</sup>
<b>Profit after income tax for the period</b>	<b>6,608</b>	<b>18,796</b>
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of post employment benefit obligations	0	0
<b>Items that may be subsequently reclassified to profit or loss</b>	<b>0</b>	<b>0</b>
Currency translation differences	9,800	(10,260)
<b>Other comprehensive income from the period, net of tax</b>	<b>9,800</b>	<b>(10,260)</b>
<b>Total comprehensive income for the period</b>	<b>16,408</b>	<b>8,536</b>
<b>Attributable to:</b>		
Equity holders of the company	16,399	8,587
Non-controlling interest	9	(51)
<b>Total comprehensive income for the period attributable to equity holders of the company:</b>		
From continuing operations	34,278	6,694
From discontinued operations	(17,879)	1,893
	<b>16,399</b>	<b>8,587</b>

<sup>2</sup> The statement of comprehensive income 2013 is restated for the application of IFRS 5

#### **4. Condensed consolidated statement of financial position**

(x 1,000 euros)	June 2014	December 2013
<b>Non current assets</b>	<b>645,272</b>	<b>492,100</b>
Intangible assets	544,419	400,587
Property, plant and equipment	57,344	47,454
Financial assets	813	867
Deferred tax assets	28,135	28,292
Other non current assets	14,561	14,900
<b>Current assets</b>	<b>235,737</b>	<b>236,536</b>
Stock	68,025	58,917
Trade receivables	39,150	29,611
Other current assets	21,764	19,137
Cash and cash equivalents	106,799	128,871
<b>Assets held for sale</b>	<b>94,708</b>	<b>76,057</b>
<b>Total assets</b>	<b>975,718</b>	<b>804,693</b>
<b>Equity</b>	<b>153,916</b>	<b>155,168</b>
<b>Non current liabilities</b>	<b>551,364</b>	<b>389,097</b>
Provisions	9,134	9,197
Pension obligations	4,350	4,286
Deferred tax liabilities	19,692	4,451
Borrowings	515,111	368,698
Financial instruments	3,077	2,463
<b>Current liabilities</b>	<b>241,661</b>	<b>230,364</b>
Borrowings	8,265	55,004
Trade payables	58,959	55,551
Taxes, remuneration and social security	34,770	28,842
Other current payables	139,668	90,968
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>28,776</b>	<b>30,064</b>
<b>Total liabilities</b>	<b>821,802</b>	<b>649,525</b>
<b>Total equity and liabilities</b>	<b>975,718</b>	<b>804,693</b>

## 5. Condensed 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
<b>Balance at 31 December 2012</b>	<b>318,134</b>	<b>(208,349)</b>	<b>(4,263)</b>	<b>135,910</b>	<b>241,432</b>	<b>3,753</b>	<b>245,186</b>
Profit for the period				18,774	18,774	22	18,796
Other comprehensive income for the period, net of income tax		(10,187)			(10,187)	(73)	(10,260)
<b>Total comprehensive income for the period</b>	<b>318,134</b>	<b>(218,536)</b>	<b>(4,263)</b>	<b>154,684</b>	<b>250,019</b>	<b>3,703</b>	<b>253,722</b>
Capital increase	793				793		793
Treasury shares			(2,061)		(2,061)		(2,061)
Result on treasury shares			(4,637)		(4,637)		(4,637)
Dividends				(18,842)	(18,842)		(18,842)
Share-based payments		153			153		153
<b>Balance at 30 June 2013</b>	<b>318,927</b>	<b>(218,383)</b>	<b>(10,961)</b>	<b>135,842</b>	<b>225,425</b>	<b>3,703</b>	<b>229,128</b>
Profit for the period				(50,876)	(50,876)	50	(50,826)
Other comprehensive income for the period, net of income tax		(12,363)			(12,363)	(136)	(12,499)
<b>Total comprehensive income for the period</b>	<b>318,927</b>	<b>(230,746)</b>	<b>(10,961)</b>	<b>84,966</b>	<b>162,186</b>	<b>3,703</b>	<b>229,128</b>
Treasury shares			(10,881)		(10,881)		(10,881)
Share-based payments		247			247		247
<b>Balance at 31 December 2013</b>	<b>318,927</b>	<b>(230,499)</b>	<b>(21,842)</b>	<b>84,966</b>	<b>151,553</b>	<b>3,615</b>	<b>155,168</b>
Profit for the period				6,597	6,597	11	6,608
Other comprehensive income for the period, net of income tax		9,802			9,802	(2)	9,800
<b>Total comprehensive income for the period</b>	<b>318,927</b>	<b>(220,697)</b>	<b>(21,842)</b>	<b>91,563</b>	<b>167,952</b>	<b>3,624</b>	<b>171,576</b>
Capital increase	733				733		733
Treasury shares			7,109		7,109		7,109
Result on treasury shares			(3,860)		(3,860)		(3,860)
Dividends				(22,209)	(22,209)		(22,209)
Share-based payments		568			568		568
<b>Balance at 30 June 2014</b>	<b>319,660</b>	<b>(220,129)</b>	<b>(18,593)</b>	<b>69,354</b>	<b>150,292</b>	<b>3,624</b>	<b>153,916</b>

## 6. Condensed consolidated statement of cash flows

(x 1,000 euros)	June 2014	June 2013
<b>Operating activities</b>		
Profit before income taxes	24,656	25,121
Taxes paid	(3,273)	(4,317)
Adjustments for financial items	13,194	10,450
Total adjustments for non-cash items	21,631	8,903
Total changes in working capital	(9,755)	(15,908)
<b>Total cash flow from operating activities</b>	<b>46,453</b>	<b>24,249</b>
<b>Investment activities</b>		
Capital expenditures	(9,826)	(10,499)
Investments in existing shareholdings (subsequent payments) and in new holdings	(161,879)	(76,117)
Proceeds from disposal of available-for-sale financial assets	28,627	
<b>Total cash flow from investing activities</b>	<b>(143,078)</b>	<b>(86,616)</b>
<b>Financing activities</b>		
Capital increase	733	793
Purchase of treasury shares	3,248	(7,371)
Dividends paid	(22,189)	(18,652)
New borrowings	221,914	105,935
Reimbursement of borrowings	(123,608)	(6,355)
Interest received	446	383
Interest paid	(7,612)	(5,703)
<b>Total cash flow from financing activities</b>	<b>72,932</b>	<b>69,031</b>
<b>Total net cash flow for the period</b>	<b>(23,693)</b>	<b>6,665</b>
Cash and cash equivalents – start of the period	135,412	72,352
Gains or losses on exchange on liquid assets	1,261	(377)
Cash and cash equivalents – end of the period	112,980	78,640
<b>Change in cash and cash equivalents</b>	<b>(23,693)</b>	<b>6,665</b>
<b>Cash flows from discontinued operations</b>		
Cash flow from operating activities	4,416	2,853
Cash flow from investing activities	(9,844)	(16,666)
Cash flow from financing activities	3,729	10,143
<b>Total net cash flow from discontinued operations</b>	<b>(1,699)</b>	<b>(3,670)</b>

## **7. 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, North and South America, Australia, Asia, The Middle East, and Africa. The Company is subdivided into two divisions and operates in the markets for pharmaceutical compounding and precision components and orthopaedic tools for dental and medical professionals.

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 2014.

### **2. Basis of preparation for condensed consolidated interim financial information**

This condensed consolidated interim financial information for the first half of 2014, including the comparative figures for 2013, 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 2013 (including the principles for financial reporting) which is available at [www.arseus.com](http://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 2013 are consistent with those applied in the Arseus consolidated financial statements for the year ended 31 December 2013.

The accounting policies were consistently applied for all periods presented.

A summary of the most important accounting policies can be found in the 2013 annual report. The annual report can be consulted through the following web link: [www.arseus.com](http://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 2014 and which have been endorsed by the European Union.

The following new standards, amendments to standards and interpretations have been endorsed by the European Union and are mandatory for the first time for the financial year beginning 1 January 2014:

- IFRS 10 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2014.
- IFRS 12 'Disclosure of interests in other entities', effective for annual periods beginning on or after 1 January 2014.
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements' and IFRS 12 'Disclosure of interests in other entities'. These amendments will be effective for annual periods beginning on or after 1 January 2014 which is aligned with the effective date of IFRS 10, 11 and 12.
- Amendments to IAS 32 'Offsetting financial assets and financial liabilities', effective for annual periods beginning on or after 1 January 2014.
- Amendments to IAS 36 'Impairment of assets', effective for annual periods beginning on or after 1 January 2014.

The application of the aforementioned amendment does not constitute a significant impact on the financial information of the Company.

The following new standards and amendments to standards have been issued and have been endorsed by the European Union, but are not mandatory for the first time for the financial year beginning 1 January 2014:

- IFRIC 21 'Levies', effective for annual periods beginning on or after 17 June 2014.

The application of the aforementioned amendments does not constitute a significant impact on the financial information of the Company.

The following new standard, amendments to standards and interpretation have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2014 and have not been endorsed by the European Union:

- IFRS 9 'Financial instruments', effective for annual periods beginning on or after 1 January 2018.
- 'Annual improvements (2010-2012 cycle)' with minor amendments to eight standards, effective for annual periods beginning on or after 1 July 2014.
- 'Annual improvements (2011-2013 cycle)' in response to four issues addressed during the 2011-2013 cycle, effective for annual periods beginning on or after 1 July 2014.
- Amendment to IAS 19 'Defined benefit plans', effective for annual periods beginning on or after 1 July 2014.
- Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' on depreciation and amortisation, effective for annual periods beginning on or after 1 January 2016.
- IFRS 15 'Revenue from contracts with customers'. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2017, subject to EU endorsement.

No new standards, amendments to standards and interpretations were early-adopted. Management is currently assessing the impact on the annual statements.

## 8. Profit per share

(in euros)	June 2014	June 2013
<b>Basic earnings (loss) per share</b>	<b>0.22</b>	<b>0.61</b>
- from continued operations	0.80	0.55
- from discontinued operations	(0.58)	0.06
<b>Diluted earnings (loss) per share</b>	<b>0.21</b>	<b>0.60</b>
- from continued operations	0.79	0.54
- from discontinued operations	(0.58)	0.06
<b>Basic earnings (loss) per share before non-recurring items</b>	<b>0.83</b>	<b>0.64</b>
- from continued operations	0.87	0.55
- from discontinued operations	(0.04)	0.09
<b>Diluted earnings (loss) per share before non-recurring items</b>	<b>0.82</b>	<b>0.63</b>
- from continued operations	0.86	0.54
- from discontinued operations	(0.04)	0.09

The earnings used in the calculations are as follows:

(x 1,000 euros)	June 2014	June 2013
<b>Profit (loss) attributable to equity holders of the company</b>	<b>6,597</b>	<b>18,774</b>
- from continued operations	24,476	16,882
- from discontinued operations	(17,879)	1,893
<b>Non-recurring items, after tax</b>	<b>18,782</b>	<b>909</b>
- from continued operations	2,099	(56)
- from discontinued operations	16,683	965
<b>Profit (loss) before non-recurring items attributable to equity holders of the company</b>	<b>25,379</b>	<b>19,683</b>
- from continued operations	26,576	16,825
- from discontinued operations	(1,197)	2,858

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

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

(number of shares x 1,000)	June 2014	June 2013
<b>Weighted average number of ordinary shares</b>	<b>30,605</b>	<b>30,697</b>
Effect of warrants and stock options	351	451
<b>Weighted average number of ordinary shares (diluted)</b>	<b>30,956</b>	<b>31,147</b>

On 30 June 2013 the capital represented 31,431,360 shares, 527,753 of which are treasury shares held by Arseus NV. As result of the exercise of warrants 73,002 new shares have been issued.

The recurring earnings per share for the period are defined as the net profit for the period before non-recurring items.

See note 9 for definition and calculation of the non-recurring items (after tax), from continued operations. The non-recurring items from discontinued operations are defined as results see note 9 related to discontinued operations including impairments and costs to sell.

## **9. Non-recurring results**

The total non-recurring result, from continued operations, included in the EBIT amount to 2.5 million euros cost (June 2013: 1.2 million euros costs). This negative result mainly includes acquiring costs, integration costs and reorganisation costs. In addition, the revaluation of the financial derivatives constitutes a non-recurring result of 0.6 million euros cost in the first semester of 2014 and 1.3 million euros profit in the first semester of 2013. The total non-recurring result after income taxes, from continued operations, are calculated by multiplying the sum of the non-recurring costs by the weighted average effective income tax rate and come to 1.0 million euros (June 2013: 19 thousand euros).

## **10. Segment information**

Arseus divisional structure is tailored to the various activities of Arseus and also supports effective decision-making and individual responsibility. The two segments are Fagron and HL Technology. This is in accordance with IFRS 8, which states that the operational segments must be determined on the basis of the components that the Executive Committee applies to assess the performance of the operational activities and on which the decisions are based

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

1. **Fagron** supplies pharmaceutical raw materials, equipment & supplies, concepts and pharmaceutical compounding to pharmacies and hospital pharmacies in 30 countries. Pharmaceutical compounding is an essential part of pharmaceutical care that enables pharmacists to fulfil the worldwide growing need for tailor-made medication. Fagron's own R&D organization consists of 200 pharmacists who are working continually on developing new formulations for specific patients and patient groups;
2. **HL Technology** develops and produces innovative precision components and orthopaedic tools for dental and medical professionals.

The segment results for continued operations for the reporting period ending 30 June 2014 are as follows:

(x 1,000 euros)	Fagron	HL Technology	Total
Turnover	204,131	5,018	<b>209,149</b>
EBITDA before non recurring items and corporate costs	58,228	788	<b>59,016</b>
Corporate costs			<b>(3,346)</b>
Non-recurring items			<b>(2,516)</b>
Depreciations and amortizations			<b>(7,166)</b>
Operating profit			<b>45,987</b>

The segment results for continued operations for the reporting period ending 30 June 2013 are as follows:

(x 1,000 euros)	Fagron	HL Technology	Total
Turnover	158,158	4,408	<b>162,566</b>
EBITDA before non recurring items and corporate costs	38,749	136	<b>38,885</b>
Corporate costs			<b>(3,072)</b>
Non-recurring items			<b>(1,209)</b>
Depreciations and amortizations			<b>(4,070)</b>
Operating profit			<b>30,534</b>

In 2014 and 2013, there are no inter-segment revenues regarding Fagron and HL Technology.

As on 30 June 2014, the assets and liabilities, as well as the capital expenditure (investments) for continued operations, are as follows:

(x 1,000 euros)	Fagron	HL Technology	Un- allocated	Total
Total Assets	769,176	22,857	88,977	<b>881,010</b>
Total liabilities	245,648	3,204	544,174	<b>793,026</b>
Capital expenditure	5,147		199	<b>5,347</b>

As on 31 December 2013, the assets and liabilities, as well as the capital expenditure (investments) for continued operations, are as follows:

(x 1,000 euros)	Fagron	HL Technology	Un- allocated	Total
Total assets	518,970	22,602	187,064	<b>728,636</b>
Total liabilities	154,877	3,304	461,280	<b>619,461</b>
Capital expenditure	4,791	85	330	<b>5,206</b>

## **11. Long Term Borrowings**

In April 2014, Arseus issued an US Private Placement (USPP) of 185 million US dollars. The USPP is in line with Arseus' financial strategy to further diversify its sources of financing. The USPP consists of several tranches with maturities of 3.5 and 7 years in both US dollars and euros. The average annual fixed interest rate is 4.6%.

The funds of the USPP are used to partly repay existing loans and to finance acquisitions.

## **12. 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 is part of the 2013 annual report. The remuneration is determined on a yearly basis, therefore no further details are provided in these interim financial statements.

## **13. Business combinations**

In the first semester of 2014 Arseus acquired several companies. Full control was acquired of all group companies. As the acquired activities were immediately - in their entirety or to a significant degree – integrated in existing entities of Arseus, their respective contribution to the profit of Arseus have not been reported separately.

In April 2013, US company Freedom Pharmaceuticals Inc. was acquired. The acquisition of Freedom Pharmaceuticals strengthens Fagron's global market leadership, creates a presence throughout the United States and allows Fagron to immediately deliver extra value to its customers. Fagron is perfectly positioned to provide compounding pharmacies in the United States with innovative products and concepts, as well as value added services and training, through its offices. The acquisition involved a payment of approximately 77.656 million euros.

The final fair value of the assets and liabilities acquired was established, representing a decrease in goodwill of 5.1 million euros, mainly due to valuing and recognition of the customer base. Expectation is that the goodwill will be fully tax deductible. The fair value of the acquired assets and liabilities was determined as detailed below.

<b>Fair value of the acquired assets and liabilities (x 1,000 euros)</b>	
Intangible assets	9,048
Property, plant and equipment	210
Deferred tax assets	25
Inventories	1,492
Trade receivables	1,556
Cash	64
<b>Total assets</b>	<b>12,394</b>
Financial debt	525
Deferred tax liabilities	3,555
Trade payables	754
Other current debts	316

<b>Net acquired assets</b>	<b>7,243</b>
Goodwill	70,413
Total acquisition amount	77,656

The end of 2013, US company JCB Laboratories Inc. was acquired. The acquisition involved a payment of approximately 15.972 million euros, representing an increase in goodwill of 14.812 million euros mainly recognised in 2013. This goodwill was allocated to the operating company segment Fagron. Expectation is that the goodwill will be fully tax deductible. The provisional fair value of the acquired assets and liabilities was determined as detailed below.

<b>Fair value of the acquired assets and liabilities (x 1,000 euros)</b>	
Property, plant and equipment	718
Deferred tax assets	32
Inventories	320
Trade receivables	455
Cash	(83)
<b>Total assets</b>	<b>1,442</b>
Financial debt	44
Trade payables	113
Other current debts	125
<b>Net acquired assets</b>	<b>1,160</b>
Goodwill	14,812
Total acquisition amount	15,972

In April 2014, US company Pharmacy Services Inc. was acquired. Fagron has further strengthened its worldwide market leadership with this acquisition of compounding facilities. Through this acquisition Fagron gained the number one market position in US compounding.

The acquisition involved a payment of approximately 160.273 million euros, representing an increase in goodwill of 134.673 million euros. Expectation is that the goodwill will be fully tax deductible. The provisional fair value of the acquired assets and liabilities was determined as detailed below.

<b>Fair value of the acquired assets and liabilities (x 1,000 euros)</b>	
Intangible assets	31,861
Property, plant and equipment	2,853
Deferred tax assets	57
Inventories	1,341
Trade receivables	4,085
Other receivables	108
Cash	6,290
<b>Total assets</b>	<b>46,595</b>
Deferred tax liabilities	11,094

Trade payables	819
Other current debts	9,082
<b>Net acquired assets</b>	<b>25,600</b>
Goodwill	134,673
Total acquisition amount	160,273

In January 2014, Panoramix B.V. was acquired. The acquisition involved a payment of approximately 49.082 million euros, representing an increase in goodwill of 39.844 million euros. This goodwill was allocated to the operating company segment Fagron. The provisional fair value of the acquired assets and liabilities was determined as detailed below.

<b>Fair value of the acquired assets and liabilities (x 1,000 euros)</b>	
Property, plant and equipment	5,771
Other non-current assets	3
Inventories	3,171
Trade receivables	2,314
Other receivables	3,448
Cash	(287)
<b>Total assets</b>	<b>14,420</b>
Financial debts	210
Deferred tax liabilities	1,095
Trade payables	760
Other current debts	3,117
<b>Net acquired assets</b>	<b>9,238</b>
Goodwill	39,844
Total acquisition amount	49,082

Furthermore, some smaller companies and activities were acquired during 2014. The total net assets acquired, before allocation of the acquisition price, amounted to 0.322 million euros negative.

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.

The fair value of a number of acquired assets and liabilities, acquired in 2014, was determined on a provisional basis. The fair value as stated is provisional because the integration process of the acquired entities and their activities is still ongoing. The provisional fair value of intangible assets, property, plant and equipment, deferred tax and working capital can change when the final fair value of the assets and liabilities acquired is established.

The final determination of the fair value of the assets and liabilities from previous minor acquisitions, acquired in 2013, resulted in an adjustment of 1.814 million euros (decrease of

goodwill). The changes are mainly the result of the recognition of intangible assets partly offset by the derecognition of inventories.

The total changes in goodwill from acquisitions represents an increase of 161.681 million euros.

### Contingent liabilities

At first semester closing the Group had 68.375 million euros in contingencies. These fees payable to former shareholders were determined on the basis of business plans at the time of acquisition. In 2014 the actual payments were equal to the recognised contingencies (first semester 2013: - 1.810 million euros lower payments).

(x 1,000 euros)	2014
<b>Balance at 1 January</b>	<b>58,063</b>
Additions through business combinations	48,470
Used during the period	(38,159)
Unused amounts reversed	
<b>Balance at 30 June</b>	<b>68,375</b>

The contingent liabilities mainly relate to earn-out agreements of acquisitions in the United States. The earn-out agreements are based on the companies' operating income before depreciation and amortisation of 2014 and 2015. The recognised contingencies are based on the companies' projected operating income.

### 14. Discontinued Operations

The end of June 2014, the divestment program of the Healthcare Specialties and Healthcare Solutions divisions has been virtually completed. The end of April 2014 Arseus completed the divestments of Medical Universal SAS and Eurotec SAS. The end of June 2014, Arseus finalised the sale of Duo-Med, Owandy Radiology and Arseus Medical. Duo-Med was sold to ABN Amro Participaties, Owandy Radiology to Villa Sistemi Medicali based in Milan and Arseus Medical was acquired by entrepreneurs Cedric De Quinnemar and Jan Ponnet.

The companies mentioned above were classified to 'Assets held for sale' in 2013. In 2014, management recognised an additional impairment loss of 6.512 million euros. Further details on the disposed assets and liabilities and the calculation of the gain on the disposal are explained in note 16.

Arseus intends to sell Corilus. The management expects the fair value less costs to sell of the discontinued operations will be higher than the carrying amount of the related assets and liabilities. Accordingly, no impairment loss was recognised by management, when the assets and liabilities of the discontinued operations were reclassified as held for sale. The determination of the fair value falls in level 2 of the fair value hierarchy as defined under IFRS13. The fair value is determined using observable market data such as prices obtained for recent sales of similar activities. Further details on the assets and liabilities reclassified as held for sale are explained in note 15.

The combined results of the discontinued operations included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in 2014.

### Result for the year from discontinued operations

(x 1,000 euros)	June 2014	June 2013
<b>Operating income</b>	<b>64,024</b>	<b>120,326</b>
Turnover	63,287	120,139
Other operating income	737	187
<b>Expenses</b>	<b>65,553</b>	<b>118,912</b>
<b>Profit before tax</b>	<b>(1,529)</b>	<b>1,414</b>
Attributable income tax expenses	(275)	479
Loss on remeasurement to fair value, settlement costs and costs to sell	(16,076)	
<b>Loss for the year from discontinued operations (attributable to Equity holders of the company)</b>	<b>(17,879)</b>	<b>1,893</b>

### 15. Assets held for sale and related liabilities

The 'Assets held for sale' mainly relate to the activities of Corilus which is expected to be sold within one year. An overview of the assets and liabilities to be sold is:

(x 1,000 euros)	June 2014
Intangible assets	72,362
Property, plant and equipment	1,717
Deferred tax assets	1,708
Other non-current assets	296
Inventories	4,400
Trade receivables	7,057
Other receivables	4,647
Cash and cash equivalents	2,522
<b>Assets held for sale</b>	<b>94,708</b>
Provisions	142
Pension obligations	74
Deferred tax liabilities	855
Borrowings	91
Trade payables	8,732
Taxes, remuneration and social security	5,081
Other current payables	13,803
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>28,776</b>

## **16. Discontinued Operations**

The first semester of 2014, virtually all dental and medical activities are divested.

### **Consideration**

(x 1,000 euros)	June 2014
Consideration received in cash and cash equivalents	30,322
Subsequent payments	2,251
<b>Total consideration</b>	<b>32,573</b>

The received consideration minus cost to sell amounts to 28.627 million euros.

### **Analysis of assets and liabilities disposed of**

(x 1,000 euros)	June 2014
<b>Current assets</b>	<b>32,209</b>
Inventories	8,821
Trade receivables	15,409
Other receivables	4,320
Cash and cash equivalents	3,659
<b>Non-current assets</b>	<b>21,505</b>
Intangible assets	16,575
Property, plant and equipment	3,316
Financial assets	
Deferred tax assets	1,326
Other non-current assets	288
<b>Current liabilities</b>	<b>19,637</b>
Trade payables	11,492
Taxes, remuneration and social security	5,546
Other current payables	2,599
<b>Non-current liabilities</b>	<b>1,502</b>
Provisions	482
Pension obligations	713
Deferred tax liabilities	(250)
Borrowings	557
<b>Net assets disposed of</b>	<b>32,573</b>

## **17. Subsequent events**

For the outlook of the financial year 2013, please refer to the press release of 5 August 2014. The main risks and uncertainties are the same as those mentioned in the 2013 annual report.

## **18. Effective tax rate**

Recognised income tax expenses are based on management's best estimate of the weighted average annual income tax rate of 30.7%, which is expected for the full financial year 2014 (2013: 25.2%).



**pwc**

## 19. Auditors' review report

To the Board of Directors Arseus NV

### **FREE TRANSLATION**

### **Statutory auditor's report on review of condensed consolidated financial information for the period ended 30 June 2014**

#### **Introduction**

We have reviewed the accompanying condensed consolidated statement of financial position of Arseus NV and its subsidiaries as of 30 June 2014 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of 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 condensed consolidated financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated 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 condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Antwerp, August 4, 2014

The statutory auditor  
PwC Reviseurs d'Entreprises sccrl / Bedrijfsrevisoren bcvba  
Represented by

Peter Van den Eynde\*  
Bedrijfsrevisor

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