



**ARSEUS**  
Driving superior care

## Press release

Regulated information | Consolidated results for the first half of 2014

Waregem (Belgium) / Rotterdam (The Netherlands)<sup>1</sup> 5 August 2014

**TURNOVER OF ARSEUS INCREASES STRONGLY BY 34.7% TO  
€ 209.1 MILLION**

**STRONG ORGANIC GROWTH AT FAGRON OF 14.2%**

**REBITDA MARGIN AT FAGRON OF 28.5% DUE TO SUCCESSFUL R&D  
AND INNOVATION STRATEGY**

**NET DEBT/REBITDA RATIO IS 2.96**

**BOARD OF DIRECTORS DECIDES TO DIVEST CORILUS**

**Ger van Jeveren, CEO of Arseus:** *“The results of Arseus over the first six months of 2014<sup>2</sup> are outstanding. Turnover increased 34.7% to € 209.1 million. At constant exchange rates, Fagron generated organic growth of 14.9% in the second quarter of 2014. With its successful R&D and innovation strategy, Fagron's REBITDA margin rose to 28.5%, an increase of 400 basis points compared to the previous year.*

*An important strategic milestone was reached in the first half of the year with the completion of the divestment of Healthcare Solutions and Healthcare Specialties, which has transformed Arseus into a pure and innovative pharmaceutical R&D company. In line with this strategic decision, the Board of Directors decided to initiate the process of divesting Corilus. From now on, Arseus will focus fully on the expansion of Fagron as a successful and innovative pharmaceutical R&D company. In the first half of the year, the global market leadership in the fast-growing niche market for pharmaceutical compounding was further strengthened with the acquisition of pharmaceutical compounding pharmacies in the US, Europe, South Africa and Australia. Fagron has further acquisitions in the pipeline in Europe, the United States and South America.*

*The outlook for 2014 has been adjusted due to the divestment of Corilus, and Arseus expects to achieve turnover from continued operations of at least € 435 million<sup>3</sup>, with a REBITDA<sup>4</sup> margin from continued operations of 26%.”*

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

<sup>2</sup> Based on continuing operations (Fagron and HL Technology).

<sup>3</sup> Based on constant exchange rates (EUR/US dollar 1.324 and EUR/BRL 3.112)

Income Statement (x 1,000 euros)	H1 2014	H1 2013	Evolution
Net turnover	209,149	162,566	28.7%
Gross margin	132,945	89,650	48.3%
<i>As % of net turnover</i>	63.6%	55.1%	8.4%
Operating costs	-73,929	-50,765	45.6%
<b>EBITDA before corporate costs and non-recurrent result</b>	<b>59,016</b>	<b>38,885</b>	<b>51.8%</b>
<i>As % of net turnover</i>	28.2%	23.9%	4.3%
Corporate costs	-3,346	-3,072	8.9%
EBITDA before non-recurrent result	55,670	35,813	55.4%
<i>As % of net turnover</i>	26.6%	22.0%	4.6%
Non-recurrent result	-2,516	-1,209	108.1%
<b>EBITDA</b>	<b>53,154</b>	<b>34,604</b>	<b>53.6%</b>
<i>As % of net turnover</i>	25.4%	21.3%	4.1%
Depreciation and amortisation	-7,166	-4,070	76.1%
<b>EBIT</b>	<b>45,988</b>	<b>30,534</b>	<b>50.6%</b>
<i>As % of net turnover</i>	22.0%	18.8%	3.2%
Financial result, excluding revaluation of financial derivatives	-10,023	-8,111	23.6%
Revaluation of financial derivatives	-613	1,284	-147.7%
Profit before taxes	35,352	23,707	49.1%
Taxes	-10,864	-6,804	59.7%
<b>Net profit</b>	<b>24,488</b>	<b>16,903</b>	<b>44.9%</b>
Result from discontinued operations	-17,879	1,893	-1,044.5%
Recurrent net profit <sup>5</sup> from continued operations	26,575	16,825	57.9%
Net profit per share from continued operations (in €)	0.80	0.55	45.5%
Recurrent net profit per share from continued operations (in €)	0.87	0.55	58.4%
Average number of shares	30,604,868	30,696,597	

Balance sheet (x 1,000 euros)	30-06-'14	31-12-'13
Intangible non-current assets	544,419	400,587
Property, plant and equipment	57,344	47,454
Deferred tax assets	28,135	28,292
Other non-current assets	15,374	15,767
Operational working capital	48,216	32,977
Other working capital	(152,674)	(100,673)
Assets/liabilities held for sale <sup>6</sup>	60,436	40,342
Equity	153,916	155,168
Provisions	13,484	13,483
Financial instruments	3,077	2,463
Deferred tax liabilities	19,692	4,451
Net financial debt <sup>7</sup>	411,081	289,181

<sup>4</sup> EBITDA after corporate costs and non-recurrent result.

<sup>5</sup> Recurrent net profit is defined as the profit before non-recurrent items and the revaluation of financial derivatives, adjusted for taxation based on the effective tax rate for the group.

<sup>6</sup> Excluding net debt of discontinued operations.

<sup>7</sup> Including net debt of discontinued operations.

## Notes to the consolidated interim financial statement<sup>8</sup>

### Income statement

Following the decision by the Board of Directors of Arseus to divest Corilus, the profit and loss from this division are reported as discontinued operations and the assets, respectively the liabilities, of this division are reported in the balance sheet on the lines assets and liabilities held for sale. Therefore, all commentary that follows, in terms of sales and earnings, refers to the continuing operations.

The **consolidated turnover** in the first six months of 2014 amounted to € 209.1 million, an increase of 28.7% (34.7% at constant exchange rates) compared to the first six months of 2013. Organic growth in the first six months of 2014 amounted to 9.0% (14.2%). The consolidated turnover in the second quarter of 2014 increased by 33.6% (38.8%) to € 118.3 million. Organic growth in the second quarter was 10.7% (15.1%).

(x 1,000 euros)	H1 2014	H1 2013	Growth	Org. growth
Turnover	209,149	162,566	28.7% (34.7%)	9.0% (14.2%)
	Q2 2014	Q2 2013		
Turnover	118,381	88,634	33.6% (38.8%)	10.7% (15.1%)

As a result of optimising the product portfolio and the continuous development and introduction of innovative products and concepts, the **gross margin** rose 48.3% in the first six months of 2014 to € 132.9 million. Compared with the first six months of 2013, gross margin as a percentage of turnover was 840 basis points higher at 63.6%.

Due to the strong increase in turnover and the higher gross margin, **REBITDA<sup>9</sup>** increased substantially faster than turnover by 51.8% to € 59,0 million. The REBITDA as a percentage of turnover increased by 430 basis points to 28.2%.

**Corporate costs** as a percentage of turnover decreased by 30 basis points to 1.6% in comparison with the first six months of 2013.

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

**EBITDA** increased 53.6% in the first six months of 2014 to € 53.2 million. The operational margin (EBITDA as a percentage of turnover) increased by 410 basis points to 25.4%.

**Depreciation and amortisation** increased to € 7.2 million in the first six months of 2014, of which € 1.8 million is related to depreciation of intangible assets as a result of the partial allocation of the total transaction consideration of recent acquisitions to brands and clients bases.

**EBIT** amounted to € 46.0 million, an increase of 50.6% in comparison with the first six months of 2013.

<sup>8</sup> On the basis of continued operations (Fagron and HL Technology), unless otherwise stated.  
<sup>9</sup> EBITDA before corporate costs and recurrent-result.

Excluding the revaluation of the financial derivatives, the **financial result** amounted to -€ 10.0 million. The increase compared to the first six months of 2013 was due to an increase in the net financial debt.

The **revaluation of the financial derivatives** amounted to -€ 0.6 million. This revaluation was due to the declining trend in interest rates. This interest-rate hedge does not qualify for hedge accounting according to IAS 39.

The **effective tax rate**, as a percentage of the profit before taxes, was 30.7% in the first half of 2014, compared to 28.7% in the same period of the previous year. The effective cash tax rate<sup>10</sup> is significantly lower than the effective tax rate due to optimal tax planning. We expect the effective cash tax rate over the year to be less than 20%.

Despite the increase in the tax rate, **net profit** from continued operations in the first six months of 2014 rose by 44.9% to € 24.5 million. The net profit per share from continued operations amounted to € 0.80.

## Balance sheet

The main changes at balance-sheet level can be summarised as follows.

The **intangible non-current assets** increased by € 143.8 million, mainly due to the recognition of goodwill resulting from acquisitions.

**Operational working capital**<sup>11</sup> increased by 46.2% to € 48.2 million compared with 31 December 2013. As a result of the successful integration of acquisitions and operational excellence, the operational working capital as a percentage of the annual turnover, corrected for acquisitions, declined further by 1.5% compared to the same period in the previous year.

The **net financial debt**<sup>12</sup> rose by € 121.9 million in the first six months of 2014 to € 411.1 million. At the end of June 2014 the net financial debt/annualised REBITDA ratio stood at 2.96. As has been the case in previous years, this ratio is expected to decline substantially towards year-end.

**Net operational capex**<sup>13</sup> amounted to € 5.3 million, or 2.6% of turnover in the first half of 2014. Capex includes primarily investments in new pharmaceutical compounding facilities for the Fagron Group.

<sup>10</sup> The effective cash tax rate is defined as the taxes paid divided by the profit before tax.

<sup>11</sup> The operational working capital is defined as the sum of inventory and trade receivables less trade payables.

<sup>12</sup> The net financial debt is the sum of long-term and short-term financial borrowings (excluding financial instruments) less cash and cash equivalents.

<sup>13</sup> Net operational capex is defined as intangible assets and property, plant and equipment that have been acquired or produced (excluding acquisitions), less assets sold.

## KEY FIGURES PER DIVISION

### Fagron

(x 1,000 euros)	H1 2014	H1 2013	Evolution
Turnover	204,131	158,158	29.1%
REBITDA	58,228	38,749	50.3%
REBITDA margin	28.5%	24.5%	
	Q2 2014	Q2 2013	Evolution
Turnover	115,857	86,585	33.8%

Fagron closed the first half of 2014 with excellent results. Turnover increased by 29.1% (35.3% at constant exchange rates) to € 204.1 million. Organic turnover growth amounted to 8.9% (14.2%). Fagron's turnover increased by 33.8% (39.2%) in the second quarter of 2014. Organic turnover growth in the second quarter was 10.5% (14.9%).

The gross margin rose strongly in the first six months of 2014 to 63.1%, an increase of 860 basis points, driven by the successful introduction of the Fagron Advanced Derma concept and other innovations. The strong growth in turnover and the substantial increase in the gross margin led to significant increases in REBITDA, EBITDA and EBIT. Fagron's healthy organic growth is evidence of its successful strategy, in which innovation and optimisation of pharmaceutical compounding is the central priority with the aim of providing optimal customised pharmaceutical patient care. R&D is an essential element in this strategy. Over 200 Fagron pharmacists are working continually on the R&D pipeline, developing innovative concepts and solutions that add substantial value in meeting the increasing global demand for tailor-made medication.

December 2013 saw the global launch of Fagron Advanced Derma, an innovative total concept for dermatologists and pharmacists. This concept offers both prescribers and pharmacists a total solution for treating patients with dermatological conditions with patient-specific pharmaceutical preparations. After the introduction, the R&D team at Fagron worked on expanding this concept. Six new Fagron Advanced Derma vehicles will be launched globally in the fourth quarter of 2014 focusing on the treatment of dermatological conditions such as hypertrophic scars, scabies, psoriasis and xerosis. Fagron Advanced Derma is structured such that the patient's compounded medication is entirely tailored to the particular patient's unique needs and skin condition. In addition to the vehicles developed by Fagron R&D, dermatologists and pharmacists are also provided with indication and vehicle-specific formulations. Compatibility data, stability data, compounding protocols, therapeutic recommendations and references in scientific literature are part of this ever-growing set of formulations.

In the second half of the year, Fagron's R&D department will focus on developing a concept aimed at pain management which will be introduced worldwide in the first quarter of 2015. This total concept enables pharmacists and prescribers to offer patients individualised care in controlling pain. Central to this concept is innovative, non-systemic transdermal pharmaceutical compounding which can provide very localised pain treatment, thus limiting the side effects that

frequently occur with the medication frequently used, which is usually systemic and can lead to problems such as addiction to pain-killers.

In the first half of the year, important steps were taken to further develop Fagron's worldwide market leadership in the fast-growing niche market of pharmaceutical compounding. Fagron acquired five pharmaceutical compounding pharmacies in the United States and Europe. In addition, the recently announced acquisitions of three compounding pharmacies in Greece, Australia and South Africa were completed.

#### HL Technology – R&D innovation center

(x 1,000 euros)	H1 2014	H1 2013	Evolution
Turnover	5,018	4,409	13.8%
REBITDA	788	136	478.3%
REBITDA margin	15,7%	3.1%	
	Q2 2014	Q2 2013	Evolution
Turnover	2,524	2,049	23.2%

HL Technology focuses on the development and production of innovative precision components and orthopaedic tools for dental and medical specialists. HL Technology achieved turnover of € 5.0 million in the first half of the year, an increase of 13.8% (13.0%) compared to the same period in the previous year. REBITDA increased strongly from € 0.136 million in the first half of 2013 to € 0.788 million in the first half of 2014. Based in Switzerland, HL Technology achieved strong growth of 23.2% (22.0%) in the second quarter.

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

At 31 December 2013 Arseus held 881,378 treasury shares. After the exercise of 353,625 stock options by Arseus directors, managers and employees. Arseus held 527,753 treasury shares on 30 June 2014.

On 13 June 2014, Arseus issued 73,002 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 31,431,360. The total number of voting rights (denominator) is 31,431,360. The share capital is € 322,111,645.98. Detailed information can be found in the press release by Arseus of 13 June 2014. This press release can be viewed at [www.arseus.com](http://www.arseus.com).

#### Outlook<sup>14</sup>

The outlook for 2014 has been adjusted due to the divestment of Corilus, and Arseus expects to achieve turnover from continued operations of at least € 435 million<sup>15</sup>, with a REBITDA<sup>16</sup> margin from continued operations of 26%.

<sup>14</sup> This press release contains data related to the future based on the current internal estimates and forecasts in addition to market forecasts. The forward-looking statements 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 forward-looking statements.

<sup>15</sup> Based on constant exchange rates (EUR/US dollar 1.324 and EUR/BRL 3.112).

<sup>16</sup> EBITDA after corporate costs and non-recurrent result.

### 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.

### Other information

In the divestment process of Corilus, Arseus is represented by ING Corporate Finance as financial advisor and by Allen & Overy as legal counsel.

### Conference call

Ger van Jeveren (CEO) and Jan Peeters (CFO) will provide further details on the results in the first six months of 2014 today in a conference call. The conference call starts at 09:30 CET. You may join the call from 09:15 CET onwards by calling +31 (0)10 713 72 95 (the Netherlands) or +32 (0)2404 04 03 34 (Belgium).

From 10:30 CET, the conference call can be heard on +31 (0)20 713 34 87 with access code 469446#. From 6 August 2014 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 2014 will be published at 07:30 CET on 8 October 2014. 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 CET.

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

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### Arseus profile

Arseus is an innovative scientific pharmaceutical R&D company that is focused on optimising and innovating pharmaceutical compounding worldwide. Arseus consists of two divisions: Fagron and HL Technology. 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. HL Technology develops and produces innovative precision components and orthopaedic tools for dental and medical professionals.

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.

## Income statement, split into continued and discontinued operations (Corilus)

x € 1,000	Continued operations			Corilus			Total continued operations and Corilus		
	H1 -14	H1-13	Δ	H1 -14	H1-13	Δ	H1 -14	H1-13	Δ
Net sales	209,149	162,566	28.7%	21,220	20,453	3.8%	230,369	183,019	25.9%
Gross margin	132,945	89,650	48.3%	17,718	16,700	6.1%	150,663	106,350	41.7%
As % of net sales	63.6%	55.1%	8.4%	83.5%	81.6%	1.8%	65.4%	58.1%	7.3%
Operating costs	-73,929	-50,765	45.6%	-11,982	-11,341	5.6%	-85,911	-62,106	38.3%
As % of net sales	35.3%	31.2%	-4.1%	-56.5%	-55.5%	-1.0%	-37.3%	-33.9%	-3.4%
<b>EBITDA before corp. costs and non-recurrent result</b>	<b>59,016</b>	<b>38,885</b>	<b>51.8%</b>	<b>5,736</b>	<b>5,358</b>	<b>7.1%</b>	<b>64,752</b>	<b>44,244</b>	<b>46.4%</b>
As % of net sales	28.2%	23.9%	4.3%	27.0%	26.2%	0.8%	28.1%	24.2%	3.9%
Corporate costs	-3,346	-3,072	8.9%	-	-	-	-3,346	-3,072	8.9%
EBITDA before non-recurrent result	55,669	35,813	55.4%	5,736	5,358	7.1%	61,406	41,172	49.1%
As % of net sales	26.6%	22.0%	4.6%	27.0%	26.2%	0.8%	26.7%	22.5%	4.2%
Non-recurrent result	-2,516	-1,209	108.1%	-659	-64	924.0%	-3,157	-1,273	149.4%
<b>EBITDA</b>	<b>53,153</b>	<b>34,604</b>	<b>53.6%</b>	<b>5,077</b>	<b>5,294</b>	<b>-4.1%</b>	<b>58,230</b>	<b>39,898</b>	<b>45.9%</b>
As % of net sales	25.4%	21.3%	4.1%	23.9%	25.9%	-2.0%	25.3%	21.8%	3.5%
Depreciation and amortization	-7,166	-4,070	76.1%	-2,711	-2,541	6.7%	-9,877	-6,611	49.4%
<b>EBIT</b>	<b>45,987</b>	<b>30,534</b>	<b>50.6%</b>	<b>2,366</b>	<b>2,753</b>	<b>-14.1%</b>	<b>48,354</b>	<b>33,287</b>	<b>45.3%</b>
As % of net sales	22.0%	18.8%	3.2%	11.1%	13.5%	-2.3%	21.0%	18.2%	2.8%

The average number of outstanding shares in the first six months of 2014 was 30,604,868.

The average number of outstanding shares in the first six months of 2013 was 30,696,597.