



Annual Results 2007

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Content

- Condensed consolidated income statement p. 2
- Condensed consolidated balance sheet p. 3
- Condensed consolidated cash flow statement p. 4
- Statement by the statutory auditor p. 4
- General information on the company and summary of significant accounting policies p. 5

Comments on the results for 2007
(1 January 2007 - 31 December 2007) are being provided in the press release
of 13 March 2008, which can be consulted at www.omega-pharma.be.

Condensed income statement⁽¹⁾

(in EUR thousands)	January- December 2007	January- December 2006
Operating income	792,527	740,258
Turnover	789,303	730,696
Other operating income	3,224	9,562
Operating expenses	706,533	646,121
Trade goods, changes in inventories of finished goods, work in progress	336,301	337,422
Services and other goods	223,793	190,551
Employee benefit expenses	101,775	89,770
Depreciations, amortizations and changes in provisions for liabilities	15,739	13,969
Other operating expenses	28,925	14,409
Operating result	85,994	94,137
Financial income	406	1,046
Financial expense	-34,843	-24,282
Financial result	-34,437	-23,236
Result from ordinary activities before income tax	51,557	70,901
Income tax	7,869	11,645
Result from continuing operations	45,794	59,256
Of which result from companies included according to the equity method	2,106	-
Result from discontinued operations	108,993	12,883
- of which net proceeds from the sale of discontinued operations	100,994	-
- of which net profit contribution from discontinued operations for the period that discontinued operation were in consolidation scope.	7,999	12,883
Result of the period	154,787	72,139
<i>Number of shares (weighted average, after deduction of treasury shares)</i>	<i>25,799,638</i>	<i>25,831,353</i>
<i>Net profit per share (in EUR)</i>	<i>6.00</i>	<i>2.79</i>
<i>Diluted net profit per share (in EUR)</i>	<i>5.91</i>	<i>2.74</i>

⁽¹⁾ All figures refer to the continuing operations, except when explicitly mentioned otherwise.

Condensed consolidated balance sheet

(in EUR thousands)	31 December 2007	31 December 2006
Non current assets	968,250	848,460
Intangible assets	845,318	762,816
Property, plant and equipment	50,199	53,723
Financial assets	45,509	2,962
Deferred income tax	26,384	25,289
Other non current assets	841	3,670
Current assets	358,449	454,052
Inventories	100,686	154,021
Trade receivables	176,651	219,412
Other current assets	45,683	52,014
Cash and cash equivalents	35,429	28,605
TOTAL ASSETS	1,326,699	1,302,512
EQUITY	612,166	505,735
Share capital and share premium	366,294	358,274
Retained earnings	306,664	206,745
Treasury shares	-63,242	-58,746
Fair value and other reserves	4,212	-1,779
Cumulative translation adjustments	-1,763	1,241
LIABILITIES	714,533	796,777
Non current liabilities	450,774	458,280
Provisions	6,267	3,580
Pension obligations	8,369	11,424
Deferred tax liabilities	68,059	34,297
Borrowings	334,440	388,306
Other non current liabilities	64	
Derivative financial instruments	33,576	20,673
Current liabilities	263,759	338,497
Borrowings	22,526	27,957
Trade payables	180,422	221,376
Taxes, remuneration and social security	40,120	53,914
Other current payables	20,692	35,250
TOTAL EQUITY AND LIABILITIES	1,326,699	1,302,512

Condensed consolidated cash flow statement⁽²⁾

(in EUR thousands)	2007	2006
Profit before income taxes	51,557	70,901
Taxes paid	-19,297	-11,927
Adjustments for non-cash items and interests paid	59,276	30,839
Changes in working capital	6,528	4,276
Total cash flow from operating activities	98,064	94,089
Cash flow from discontinued operations	272,708	
Capital expenditures and disposals	-18,492	-15,409
Investments in existing shareholdings (post payments) and in new holdings (net of cash acquired)	-211,949	-19,341
Total cash flow from investing activities	42,267	-34,750
Capital increase in cash	8,020	2,038
Repurchasing treasury shares	-60,991	-16,237
Dividend distribution	-10,343	-7,941
Change in debt	-33,088	-14,622
Interest received (paid)	-34,069	-23,113
Total cash flow from financing activities	-130,470	-59,875
Total net cash flow of the period	9,861	-536
Cash and cash equivalents – start of the year	28,605	26,480
Impact of discontinued operations on cash and cash equivalents	-2,532	-
Gains or losses on exchange on liquid assets	-505	-129
Cash and cash equivalents – end of the year	35,429	26,073
Total net cash flow of the period	9,861	-536
Cash flow from operating activities of discontinued operations	-7,078	17,570
Cash flow from investing activities of discontinued operations	-15,421	-13,776
Cash flow from operating activities of discontinued operations	25,377	-5,946
Total net cash flow from discontinued operations	2,878	-2,152

Review by the Statutory Auditor

The statutory auditor, PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, represented by Peter Van den Eynde, has confirmed that their audit work, which is substantially complete, has not revealed any significant matters requiring adjustment of the 2007 condensed consolidated income statement, balance sheet, or statements of cash flows as attached to the press release.

⁽²⁾All figures refer to the continuing operations, except when explicitly mentioned otherwise.

General information on the company and summary of significant accounting policies

1. General information

Omega Pharma NV (the “Company”) and its subsidiaries (together the “Group”) are vendors of high-added-value products and services to pharmacies and other medical sectors. The Group has activities in about 30 European countries.

The Company is a limited liability company, making or having made a public appeal on savings. The Company is incorporated and domiciled in Belgium, having its registered office at Venecoweg 26, 9810 Nazareth, with company number BE 0431 676 229.

The Company’s shares are listed on the Regulated Market Eurolist by Euronext Brussels.

The consolidated financial statements for the accounting period from 1 January 2007 to 31 December 2007 have been approved for issue by the Board of Directors on 11 March 2008.

2. Summary of significant accounting policies

The principle accounting policies applied in preparation of these consolidated financial statements are set out below. These policies have been consistently applied by all consolidated entities, including subsidiaries, to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of Omega Pharma Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU). The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value.

In preparing this financial information management has used its best knowledge of the standards and interpretations, facts and circumstances, and accounting policies that are applied for the annual financial statements in accordance with IFRSs as adopted by the EU.

As permitted, the Group has chosen not to adopt IAS 34 “Interim financial statements” in preparing its 2006 and 2007 interim statements.

Consolidation criteria

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered an impairment indicator of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

Items included in the financial statement of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency. To consolidate the Group and each of its subsidiaries, the financial statements are translated as follows:

- assets and liabilities at the year-end rate;
- income statements at the average rate for the year;
- components of the equity at the historical exchange rate.

Exchange differences arising from the translation of the net investment in foreign subsidiaries at the year-end exchange rate are recorded as part of the shareholders' equity under "currency translation differences".

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when, as from 1 January 2005, hedge accounting in accordance with IAS 32 and IAS 39 is being applied.

Property, plant and equipment

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

Buildings	3 % - 4 %
Building fixtures and fittings	4 % - 20 %
Plant, machinery and equipment	4 % - 40 %
Furniture	20 % - 40 %
Computer equipment, software	20 % - 33 % - 40 %
Office equipment	20 % - 40 %
Vehicles	20 %
Other tangible fixed assets	25 % - 50 %

Virtually all assets are depreciated on a straight-line basis.

To the extent residual values are taken into account for calculating the depreciations, those residual values are reviewed annually.

Assets acquired under leasing arrangements are depreciated over the economical life time, which may exceed the lease term if it is reasonably certain that the ownership will be obtained at the end of the lease term.

Intangible assets

Goodwill:

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are never reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Brands, licenses, patents, software and other:

Intangible assets are capitalized at cost, provided this is not higher than the economic value provided and the cost does not exceed the recoverable amount.

Several externally acquired intangible assets with an indefinite useful life have been identified. It specifically concerns the Star Brands and Key Brands for which, based on the relevant factors, no foreseeable limit to the period of time over which these brands are expected to generate cash flow can be determined. These intangibles are tested for impairment annually.

The costs of brands with a definite useful life are capitalized and generally amortized on a straight line basis over a period of 20 years.

Research and development

Research costs related to the prospect of gaining new scientific or technological knowledge and understanding are expensed as incurred.

Development costs are defined as costs incurred for the design of new or substantially improved products and for the processes prior to commercial production or use. They are capitalized if, amongst others, the following criteria are met:

- There is a market for selling the product
- The economic benefits for the Company will increase when selling the developed asset
- It is possible to prove the accumulated cost of the development.

Development costs are amortized using a straight-line method over the period of their expected benefit, currently not exceeding five years.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available for sale financial assets. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Until 1 January 2005, financial assets were accounted for based on Belgian GAAP, which implies loans and receivables were recognized at amortized cost and available for sale financial assets were recognized at cost. Impairment losses were recognized when the net book value exceeds the recoverable amount of the asset.

Loans and receivables

Loans and receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are carried at cost using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available for sale financial assets are at initial recognition measured at fair value unless the fair value cannot be reliably determined, in which case they are measured at cost. Unrealized gains and losses arising from changes in the fair value are recognized in equity. When the related assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gain and losses.

Currently, the available for sale financial assets comprise only investments in shares that do not have quoted markets and for which the fair value cannot be determined reliably. Hence, they are carried at cost. Any events or changes in circumstances that might indicate a decrease in the recoverable amount are considered carefully. Impairment losses are recognized in the income statement as deemed necessary.

Derivative financial assets and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (1) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- (2) hedges of particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge);
- (3) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Leases - Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are expensed as incurred.

Leases - Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance lease.

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in the non-current (payable after 1 year) and current (payable within 1 year) borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset, which may exceed the lease term if it is reasonably certain that the ownership will be obtained at the end of the lease term.

Inventories

Raw materials, consumables and goods for resale are valued at acquisition value using the FIFO method or net realizable value (further NRV) on the balance-sheet date, if lower. Work in progress and finished products are valued at production cost, which, in addition to the purchase cost of raw materials, consumption goods and consumables, also includes those production costs that are directly attributable to the individual product or product group and related production overhead.

Trade receivables

Debtors are valued at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and are valued at acquisition value. Adjustments to the carrying amounts are made when the realization value on the balance sheet date is lower than the acquisition value.

Share Capital

Ordinary shares are classified as equity.

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

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

Provisions

Provisions for restructuring costs, legal claims, the risk of losses or costs which might arise from personal securities or collateral constituted as guarantees of creditors or third party commitments, from obligations to purchase or sell fixed assets, from the fulfillment of completed or received orders, technical guarantees associated with sales or services already completed by the Company, unresolved disputes, included taxes, or compensation for dismissal are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

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

Employee benefits

Pension obligations

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10 % of the value of plan assets or 10 % of the defined benefit obligation are spread to income over the employees' expected average remaining working lives.

For defined contribution plans, the Group pays contributions to pension insurance plans. The Group has no further payment obligations once the contributions have been paid.

Contributions to defined contribution plan are recognized as an expense in the income statement when incurred.

Share based payments

The Group operates an equity-settled, share-based compensation plan. The total amount to be expensed over the vesting period is determined by reference to the fair value of the warrants granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the warrants are exercised.

Income taxes

Income taxes on the results for the financial year include current income tax and deferred taxes. Current income taxes include the expected tax liabilities on the Company's taxable income for the financial year, based on the tax rates applicable on the balance sheet date, and any tax adjustments of previous years.

Deferred income taxes are recorded according to the "liability" method and is calculated on temporary differences between the carrying amount and the tax basis. This method is applied to all temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseen future. The calculation is based on the tax rates that are enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. According to this calculation method, the Group is also required to account for deferred taxes relating to the difference between the fair value of the net acquired assets and their tax base resulting from acquisitions, if any.

Deferred income tax assets have been accounted for to the extent that it is probable that the tax losses carried forward will be utilized in the foreseeable future. Deferred income tax assets are written down when it is no longer probably that the corresponding tax benefit will be realized.

Revenue recognition

Sales of goods are recognized when a Group entity has delivered products to the customer; the customer has accepted the products; and collectibility of the related receivables is reasonably assured. Sales of services are recognized in the accounting period in which the services are rendered.
