



2009  
ANNUAL REPORT

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# Key figures

Consolidated IFRS figures (in thousand euro)	2009	2008	Evolution 2009/2008
<b>Income statement</b>			
Net turnover	813 763	811 283	+ 0.3%
Operating cash flow (EBITDA) <sup>(1)</sup>	130 304	130 148	+ 0.1%
Depreciations and amortization (DA)	(21 164)	(21 672)	- 2%
Non-recurring items	1 948	(9 901)	
Operating result (EBIT) <sup>(2)</sup>	111 087	98 575	+ 13%
Financial result excluding non-recurring financial charges	(25 311)	(39 867)	- 37%
Non-recurring currency exchange differences		(4 040)	
Result from ordinary activities before taxes	85 776	58 708	+ 46%
Income tax	(11 566)	(7 900)	+ 46%
Net result from ordinary activities	74 210	50 808	+ 46%
Net result from associates (24% participation Arseus)	2 702	3 569	
Net result of the Group <sup>(3)</sup>	76 912	54 377	+ 41%
Recurring net result from continuing operations	72 754	66 442	+ 10%
<b>Average number of shares <sup>(4)</sup></b>	<b>23 347 309</b>	<b>23 673 785</b>	
Market capitalization on 31 December	851 590	654 137	
<b>Data per share, in euro</b>			
Recurring net earnings from continuing operations per share	3.12	2.81	+ 11%
Net result per share	3.30	2.30	+ 43%
Gross dividend per share	0.80	0.60	+ 33%
Net dividend per share	0.60	0.45	+ 33%
<b>Balance sheet data</b>			
Balance sheet total	1 338 452	1 417 253	
Total equity before dividend	660 518	600 520	
Net financial debt	282 318	433 317	
Working capital	58 286	124 243	
<b>Key rates</b>			
Gross margin	53%	57%	
EBITDA margin	16%	16%	
Gearing	43%	72%	

\* A complete, detailed terminology list can be found on the inner back cover of this document.

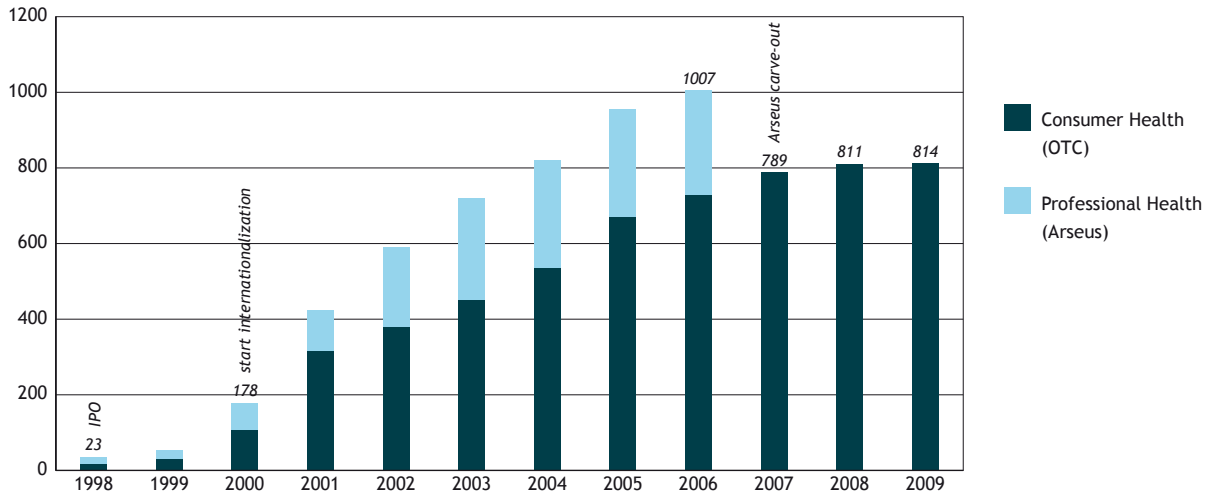
(1) Operating cash flow (EBIT+DA) before non-recurring items but after corporate costs.

(2) Ebitda minus DA after adjustments of non-recurring items.

(3) Net result from continuing operations - non-recurring items, including exchange rate differences, and related tax effects according to the effective tax rate.

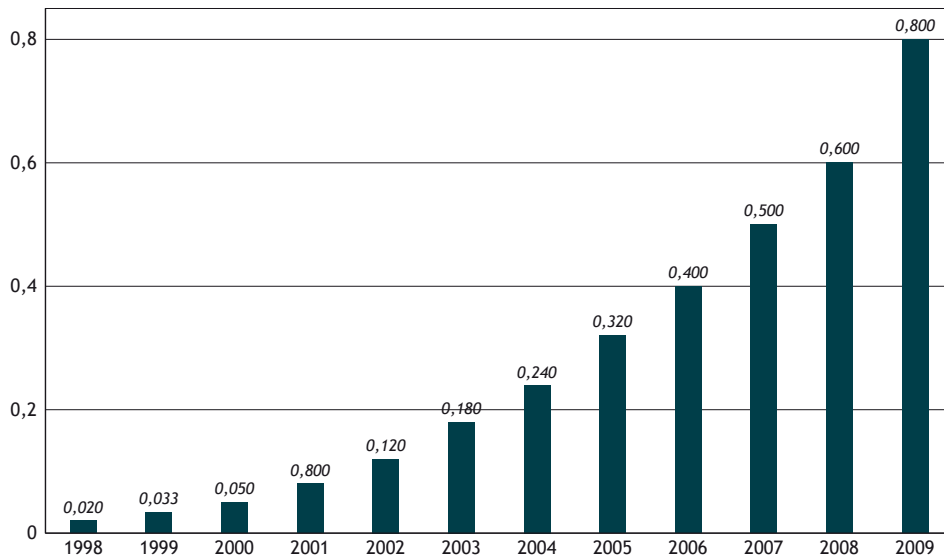
(4) Calculated on the basis of the weighted average number of shares, after deduction of treasury shares.

## From 23 to 814 million euro turnover since IPO

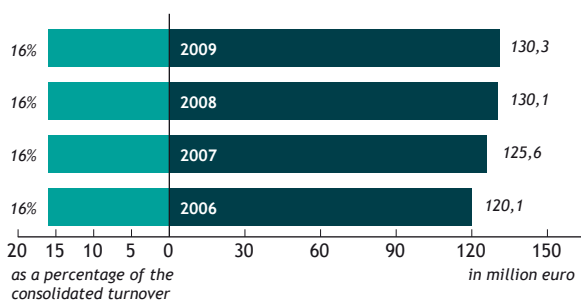


## Annual dividend increase

Gross dividend per share, in euro



## Solid operating cash flow \*



(\*) Operating result (EBIT) increased with depreciations and amortization, before non-recurring items and after corporate cost.

The data for 2006, 2007 and 2008 refer to the continuing operations (Consumer Health/OTC), excluding Arseus which was carved-out in 2007.



## The specialist in over-the-counter medicines and healthcare products

Omega Pharma is active in the field of health and personal care products to which the end-consumer has access without a medical prescription (Over-The-Counter or OTC products). With its innovative quality products, Omega Pharma aims to offer consumers the possibility of pursuing a healthy lifestyle and experiencing a better sense of well-being.

Omega Pharma profiles itself in this respect as the preferred partner of the pharmacist, for whom the marketing of OTC products represents an important part of its income.

Since the creation of the Group in 1987, Omega Pharma has built a remarkable and impressive track record. From its Belgian headquarters it developed a strong position in Europe and beyond, including in South America, Southeast Asia and the Middle East. More than 2000 enthusiastic employees contribute on a daily basis to the further growth and internationalisation of the Group, which today is directly active in 35 countries. The sophisticated acquisition strategy and continued focus on selected market segments has resulted in the Group – with its current geographical spread – being ranked 13th in the global market for over-the-counter medicines and personal care products. Thanks to its renewed brand strategy and its unique business model, based, amongst others, on continuous product innovation, a varied mix of products and brands, experienced and talented employees and Operational Excellence, Omega Pharma is ready for the future.

In pursuing its goal Omega Pharma pays considerable attention to all its stakeholders, including its employees, customers, suppliers, shareholders and financiers.

Entrepreneurship, ambition, creativity and innovation, commitment and mutual respect are highly valued in the fulfilment of the mission and vision.



# Letter from the Chairman

Dear Shareholder,

In 2009, Omega Pharma has successfully responded to the consequences of the financial and economic situation at the end of 2008. The management and employees of Omega Pharma can rightly be proud of the delivered performance. Great uncertainty had severely shaken the confidence of consumers and distributors, so that sales in many distribution channels were significantly delayed. Both pharmacists and distributors felt themselves compelled to reduce their inventories.

Moreover, in a number of foreign markets, our sales were hit by the devaluation of a number of currencies, which fortunately recovered towards the end of the year.

During a recession, companies must ensure that the damage is limited as much as possible. The first task is to see where savings can be made. We had set ourselves the goal of saving thirty million euro, but finally realised savings of thirty-four million euro. To this end, the management closely scrutinised every overhead and marketing expense. All employees of Omega Pharma, without exception, made a contribution and their efforts have contributed to the positive financial results. Also with effect from 2010, the impact will be visible of a number of interventions in the cost basis of the Company's production sites, in particular the sale of the production unit in Marseille and the amalgamation of two Dutch entities.

Crisis or not, innovation must always be the driving force of an enterprise. A number of initiatives were already taken in 2009 and should enable us to produce high quality and competitively priced products, on which we can build a strong brand policy. This will also be one of the key tasks in 2010 and the subsequent years.

Acquisitions have always been a focus of Omega Pharma's strategy and although we have become extremely cautious, and keep a sharp eye on the financial health of the Company, we remain attentive to this. Initially, the management pays attention to developing small footholds in countries with an interesting potential and we already made various small acquisitions at the end of 2008. The effectiveness of this global strategy is reflected in the results of the Emerging Markets where sales rose by 4 per cent in 2009. Furthermore, we are only interested in companies with very strong products and brands that can find a place in and along our already extensive range.

The divestment process, leading to the self-dependencing of Arseus, was concluded at the end of 2009. This not only has a positive impact on our debt position, but is also entirely in line with our strategic focus to be a pure, leading OTC company.

Our financial strength has conspicuously improved in 2009, with an impressive improvement in net financial debt. This allows us to propose a 33 per cent increase in the dividend and thank our Shareholders for their confidence.



A company is created by a collection of people with talent, enthusiasm and energy. People who want to create something they are proud of and for which they enjoy going to work day after day. People who prefer not to watch from the sidelines and make comments, but are not afraid to make daring and courageous decisions. People who not only rely on knowledge, position or favourable circumstances, but are willing to always go further, to learn by trial and error, and continually offer resistance to attacks and setbacks. People with strong ethics and considerable social awareness. These people will determine the future of Omega Pharma and it is the duty of the Board of Directors to bring them together, to motivate and to support them.

The appointment of Georges De Vos as Chief Operating Officer is a step in that direction. But a number of excellent staff have also already been appointed to other key positions, and others will follow.

At the coming Annual General Meeting, Jean-Louis Duplat shall not be re-eligible as an independent director. Like the other members of the Board of Directors, I will sorely miss him because of his exceptional professional and human qualities. Jean-Louis, take care...

Chris Van Doorslaer and Karel Van Eetvelt will be proposed in order to further strengthen the Board of Directors. They will undoubtedly make an important contribution to the success of the Omega Pharma project.

2009 was a successful year. I am convinced that the management and all the employees will do their utmost, with their knowledge and enthusiasm, by means of a combination of conscious thrift, keen insight for the right innovation, a strong brand policy, shrewd offensives and correct assessment of the risks, in order to make the future even better.

Lucas Laureys  
Chairman of the Board of Directors



## Letter from the CEO

Dear Shareholder,

2009 was a fascinating year! Like all companies, Omega Pharma had to respond to the uncertainty caused by the financial crisis. In close consultation with the Board of Directors, the Executive Committee implemented a rigorous plan, both in terms of cost savings and working capital.

In the first half-year, all this led to a 3 per cent decrease in turnover, while turnover increased by 4 per cent in the second half-year. Thus, even in such a crisis year, our OTC business realised a record turnover, together with a tighter organisation and a stronger balance sheet structure.

This strongly improved financial muscle is now being used to radically optimise the management structure, to extend the brand policy, to enter into larger OTC markets like skin care and cough & cold, to finally break through in the Emerging Markets and, thanks to an improved innovation policy, to develop unique products.

Omega Pharma exists since 23 years. The first 13 years we became a Belgian OTC player, in the next 10 years, 2000-2009, we established ourselves in 35 countries. And now, in 2010, the third phase, in which the Operational Excellence in all these activities will be increased, starts.

Thanks to the promising growth brands and growth markets, as well as the enormous potential and passion of managers and employees, the future of the Omega Pharma group looks extremely positive. Probably better than ever.

I am convinced, dear Shareholder, that rigorous implementation of this third phase in the coming five years can lead to the creation of extremely advantageous shareholder value.

You can certainly count on our maximum effort to achieve this for you.

If this mission for 2010-2015 is successfully completed, which I am very confident of, this will partially be the result of the crucial year 2009: the crisis year in which Omega Pharma decided to make the appropriate structural changes, and implemented them. It is therefore with pride and pleasure that I conclude 2009 with a heartfelt thank you to all Omega Pharma employees and stakeholders!

Marc Coucke  
CEO Omega Pharma

# The beginnings of all things are small

*(Omnia rerum principia parva sunt)*

Marcus Tullius Cicero, Roman statesman and writer (106 BC - 43 BC)

Start of acquisition processes  
on the Belgian home market

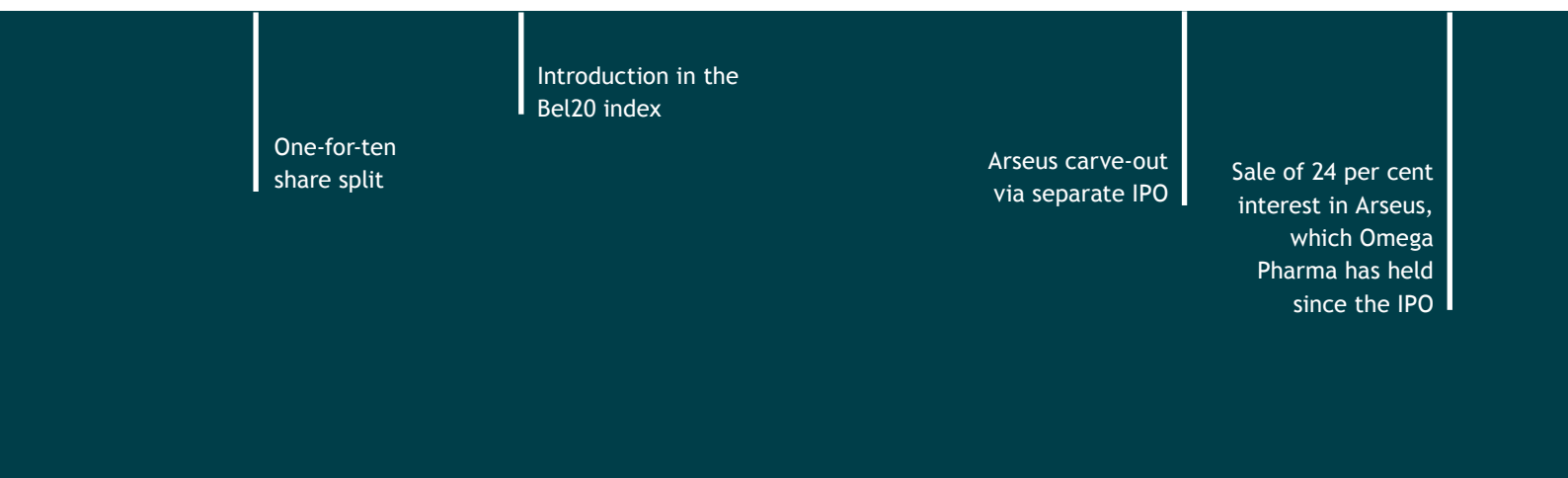
With the slogan 'By pharmacists, for pharmacists' the founders of the Company began to build a Consumer Health organization in which the relationship with the pharmacists plays a major role.

1987    1988    1989    1990    1991    1992    1993    1994    1995    1996    1997    1998

Omega Pharma is founded by two pharmacists, including Marc Coucke, the current CEO

Management buy-out  
by Marc Coucke

Initial Public  
Offering (IPO)



# Key events in 2009

## Cost savings plan

In January 2009, Omega Pharma announced a savings plan that should produce cost savings of 30 million euro and that should reduce working capital by more than 20 million euro, without loss of market share and with the preservation of the internal dynamics. The initiated savings plan was amply realised and will also have a further positive impact in 2010.

## Joint Venture with Modi-Mundipharma

In the presence of various prominent persons, the Joint Venture with the Indian Modi-Mundipharma group – announced in September 2008 – was formalised in April 2009 during an official presentation in Brussels. The 50/50 Joint Venture with the name Modi Omega Pharma (India) Private Limited will start with an initial capital of 2 million euro and with a team of 75 sales representatives, who will already introduce 8 products to 6,000 physicians, 10,000 pharmacies and numerous other sales outlets.

### Joint Venture Modi Omega Pharma: launching of 8 Omega Pharma brands in India



## Strengthening of the Executive Committee

As of 1 September 2009, Mr. Georges De Vos was appointed Chief Operating Officer (COO), with a seat on the Executive Committee. After careers at Procter & Gamble, Duracell and ALJ-Toyota, he joined Novartis Consumer Health in 1997, where he gained international experience in, amongst others, Latin America, Eastern Europe, the Middle East, Japan and Russia. He will operate from the headquarters of Omega Pharma in Nazareth (Belgium) and he will be responsible for implementing growth strategies and the Operational Excellence in all regions.

## Sale of aerosol production unit in Marseille

In October 2009, the aerosol production unit in Marseille was sold to Fareva, one of Europe's largest and fastest growing contract manufacturers for the OTC sector. A long-term partnership was concluded with Fareva for the manufacturing and/or development of a number of products for Omega Pharma.

## Sale of the interest in Arseus NV

In November 2009, Omega Pharma sold its remaining 24.04 per cent interest in Arseus (7.5 million shares) to Waterland Private Equity Investments. The price per share amounts to 8 euro plus an earn-out of up to 2.75 euro per share payable to Omega Pharma at an exit of Waterland.

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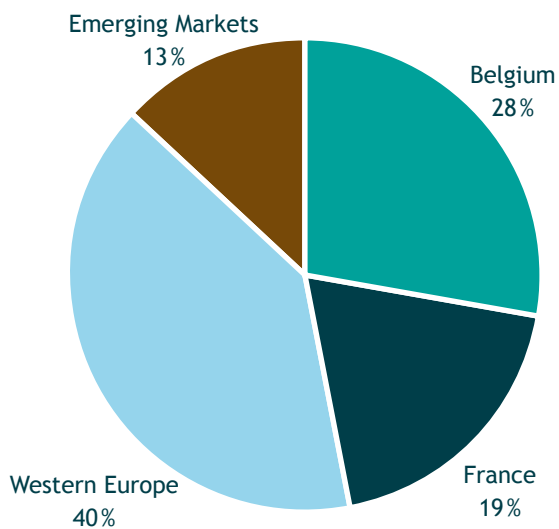
## Profile and positioning

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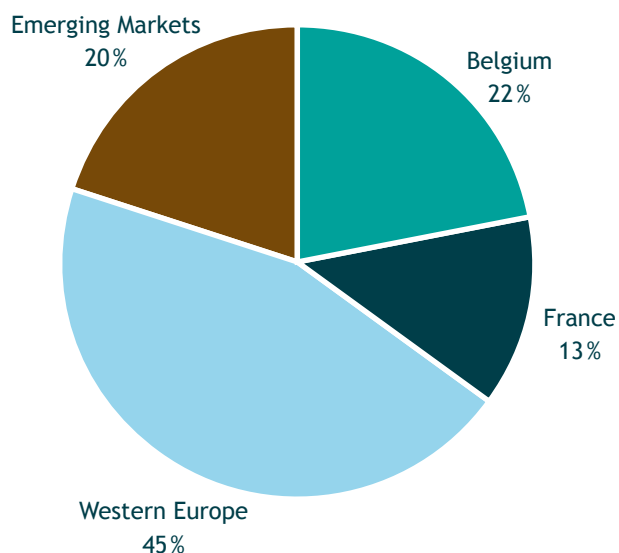
# Highlights in 2009

Consolidated figures in million euro (and %)	Turnover		REBITDA	
	2009	Evolution	2009	Evolution
Western Europe	326.7	-3%	63.5	-3%
Belgium	227.7	+11%	30.5	+3%
Emerging Markets	102.3	+4%	27.9	+8%
France	157.1	-9%	18.7	-4%
OTC operational	813.8	+0.3%	140.6	+0.1%
Corporate			-10.3	
Omega Pharma	813.8	+0.3%	130.3	+0.1%

Relative breakdown of turnover



Relative operating EBITDA breakdown



During 2009 it was decided to reduce the geographic reporting segments from five to four and to regroup the countries and regions. The new segments are:

## Western Europe

- Includes the activities in all Western European countries where Omega Pharma is active, with the exception of Belgium and France. Specifically, these countries are (in alphabetical order): Cyprus, Denmark, Finland, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, the United Kingdom, Sweden and Switzerland.
- Has a top ten position in each country except in Germany, Ireland and the United Kingdom, which – in addition to historical reasons – is connected to the specific market structure in these countries that is strongly influenced by local players.

## Belgium

- The only organisation within the Group that is active in both OTC-products and generic medicines (1/3 and 2/3 respectively).
- Number 2 in the Belgian OTC market, with an estimated market share of approximately 5 per cent.
- Handles the distribution of the generic medicines of Eurogenerics in Belgium. Eurogenerics is the number 1 in the Belgian generics market, with a market share of 60 per cent (Source: Febelgen).

## Emerging Markets

- Includes all activities of Omega Pharma in Central and Eastern Europe and in countries outside Europe where Omega Pharma is directly active.
- Has developed from the organisation of Bittner Pharma, which has been included in the consolidation since 2007 and is directly active in Russia, Ukraine, Austria, Poland and the Baltic states. In the subsequent two years, Omega Pharma strengthened its position in this region and, by means of greenfield investments or smaller acquisitions, the Group developed a direct presence in the Adriatic region (Croatia, Serbia, Slovenia...), Hungary, Romania, Slovakia, Czech Republic and Turkey.
- Had also a direct presence outside the European continent in 2009, namely in Argentina, Australia, New Zealand, Singapore and India. Exports through local distributors means that the products of Omega Pharma are also available in many other countries (e.g. United Arab Emirates/Dubai, and in a few Asian countries).

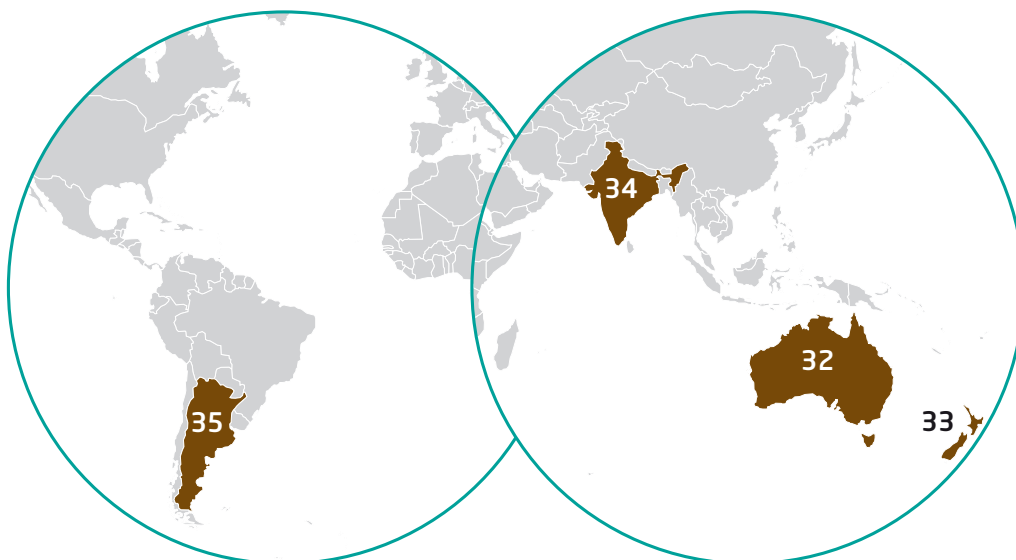
## France

- Number 3 in the French OTC market with a market share of approximately 4 per cent.
- Many of the Group's international brands originate in France including XLS, Para, Silence, T.LeClerc, Innox, Phytosun Arômes,...
- Since the summer of 2006, the organisation has a fully integrated structure, with three sales divisions, each specialised in a specific area.
- Has a new general manager, Mr. Marc Thibiant, since the beginning of 2010.

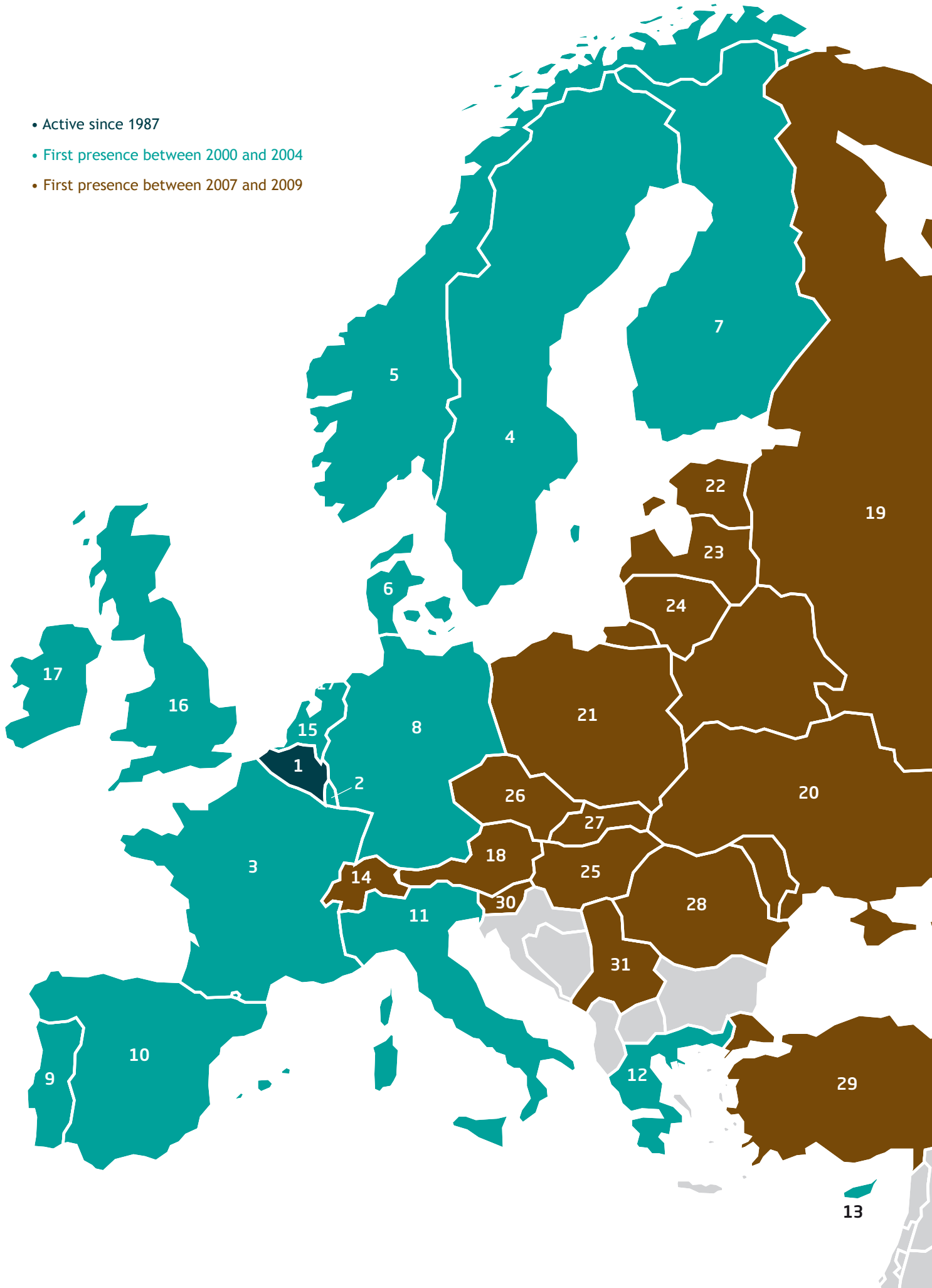
## Omega Pharma on the world map

In less than 10 years, Omega Pharma has transformed itself from a local Belgian company into an international group, which is directly active in 35 countries. The geographical expansion of the Group is on track with, amongst others rapid growth in Russia and the first sales in India. The geographic expansion will continue steadily in the future with, for example, potential partners being sought in Brazil, Egypt and Mexico.

1. Belgium
2. Luxembourg
3. France
4. Sweden
5. Norway
6. Denmark
7. Finland
8. Germany
9. Portugal
10. Spain
11. Italy
12. Greece
13. Cyprus
14. Switzerland
15. Netherlands
16. United Kingdom
17. Ireland
18. Austria
19. Russia
20. Ukraine
21. Poland
22. Estonia
23. Latvia
24. Lithuania
25. Hungary
26. Czech Republic
27. Slovakia
28. Romania
29. Turkey
30. Slovenia
31. Serbia
32. Australia
33. New-Zealand
34. India
35. Argentina



- Active since 1987
- First presence between 2000 and 2004
- First presence between 2007 and 2009

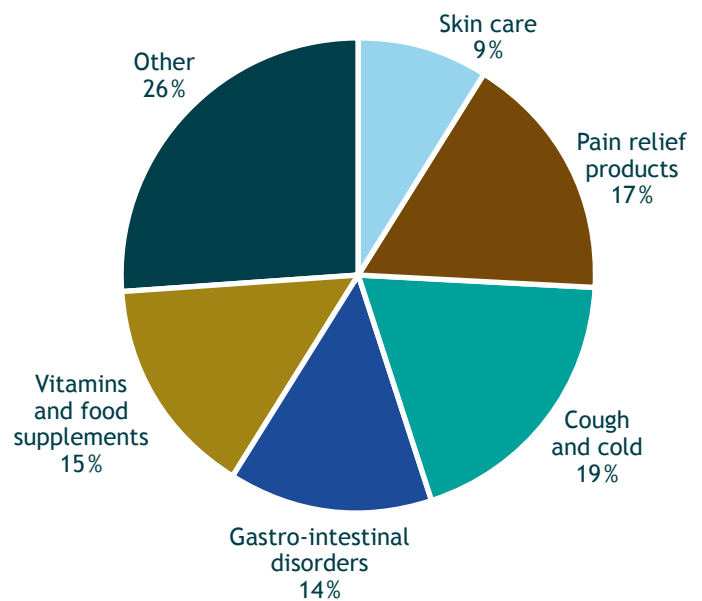


# OTC, a market with a future

## Market segments

The OTC market is characterised by a very extensive and diverse range, with products against coughs and colds, pain relief products, vitamins, minerals and food supplements, products against gastro-intestinal disorders and skin care products being the most important segments.

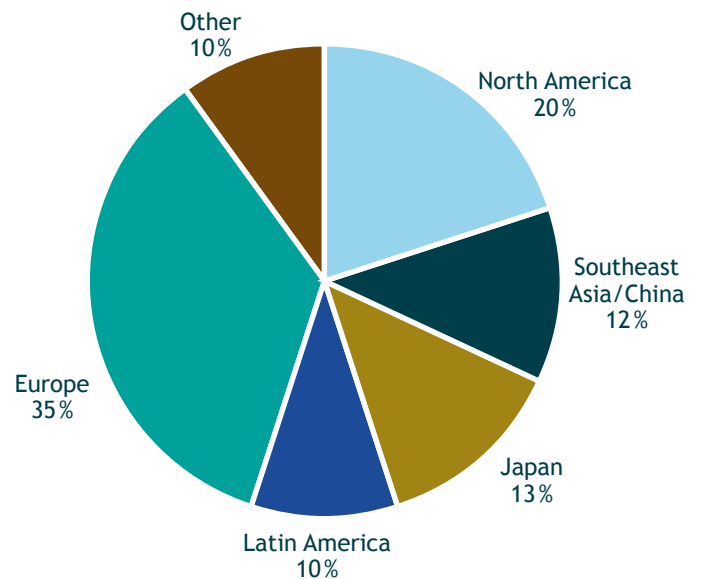
Most important OTC segments



## The Global OTC market

Since the definition of OTC products is ambiguous, the size of the global market cannot easily be determined. Estimates vary from 50 to 75 billion euro. Measured in terms of regions, the major importance of the mature markets, such as Europe, North America and Japan, is striking.

Size of the global OTC market: 62 billion euro (estimated)



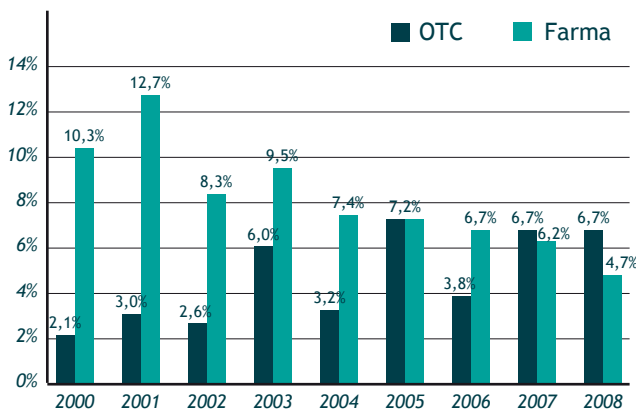
## A market with a promising future

A number of trends in society create favourable perspectives for the OTC market:

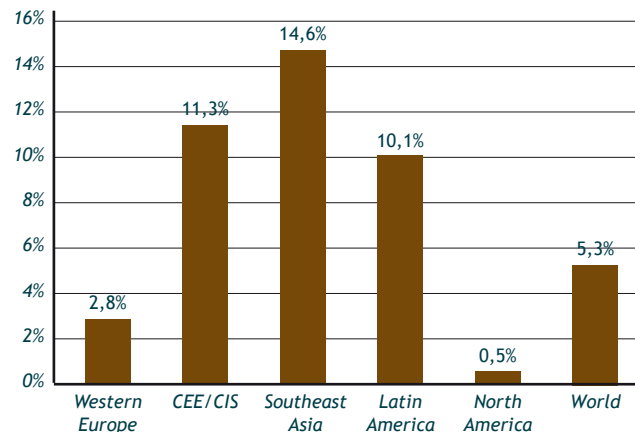
- An ageing population implies increasing medical needs, which can be addressed to a large extent with OTC products.
- Higher living standards and higher disposable income support the sale of OTC products. This trend is very noticeable in the growth countries where a new middle class has sufficient income to spend part of it on healthcare and beauty.
- The contemporary lifestyle results in increased attention for personal hygiene, healthy life style and enjoyment.
- The increased availability of information offers consumers more ways to look for the products they want. As a result, they have more control over their own health.

- The government facilitates access to OTC products because they want to save on the co-payment of prescription medicines. Medicines are more quickly and easily subject to a change of status (Rx-to-OTC), and a centralised system facilitates the market introduction of OTC products in several countries at the same time.
- OTC products are receiving greater attention from pharmacists. They are faced with pressure on margins and decreasing income from the sale of prescription medicines. This loss of income can be compensated by the turnover from other products such as health and personal care products that require no prescription. While 22.9 per cent of the gross margin of Belgian pharmacists derived from over-the-counter products in 2004, this percentage was already 26.5 per cent in 2009 (source: APB Statistics).
- Other sales channels are also interested in the rapidly growing OTC market. OTC products are finding their way to various sales outlets other than pharmacies, although in continental Europe the latter still remains the reference.

Market growth as %



Estimated OTC growth in 5 years (CAGR)



## The major market players

The major participants in the global OTC markets are primarily OTC divisions of major pharmaceutical companies, complemented by a number of multinational corporations that approach the OTC market from the Fast Moving Consumer Goods sector (FMCG). These larger organisations focus almost exclusively on the biggest product segments, in which they enter into mutual competition.

While many of these multinationals divested their OTC division in the 1990s, the movement has been in the opposite direction in recent years. Due to the improved growth prospects of the OTC market compared to the pharmaceutical market, these companies attach a greater strategic importance to their OTC activities. At the other end of the spectrum, there are numerous smaller national companies which operate almost exclusively in their home markets and concentrate mainly on dermocosmetic products and smaller market segments.

Group (OTC division)	OTC sales in 2009 (million euro)	% of total	Major brands
Johnson & Johnson	11 481	26%	Immodium, Neutrogena, RoC, Listerine
Procter & Gamble	9 897	18%	Oral-B, Prilosec OTC, Vicks, Actonel
GlaxoSmithKline	5 124	16%	Alli, Aquafresh, Gaviscon, Nicorette, Zantac
Bayer	4 558	15%	Aspirine, Supradyn, Canesten
Novartis	4 222	13%	Voltaren, Lamisil, Maalox, Nicotinell, Ciba-Vision
Reckitt Benckiser	2 288	27%	Clearasil, Dettol, Nurofen, Strepsils, Mucinex
Wyeth ('08)	2 150	12%	Advil, Alavert, Caltrate
Sanofi-Aventis	1 430	5%	Aspégic, Rhinatiol, Hexomedine
Taisho	1 289	63%	Avalon, Lipovitan D, Livita, Pabron
Pierre Fabre	1 237	69%	Klorane, Avène, Galénic, Elancyl, Nicogum
Boehringer Ingelth. ('08)	1 190	10%	Antistax, Bisolvon, Buscopan, Pharmaton
Schering-Plough ('08)	1 008	6%	Claritine, Coppertone
Omega Pharma	814	100%	Wartner, XLS, Paranix, Silence, Aflubin, Bodysol, ACO
SSL International	636	90%	Durex, Scholl Footcare
Arkopharma ('08)	194	100%	4-3-2-1 Minceur

*The turnover figures are based on the data included in the annual reports and/or press releases of the corresponding companies, transformed into euro where relevant at the exchange rates of early March 2010.*

# Generic medicines

In Belgium, Omega Pharma handles the distribution of generic medicines of Eurogenerics, a subsidiary of the German company Stada.

A generic medicine is a copy of an original product whose patent has expired. To be registered by the Belgian Federal Public Service for Health, Food Chain Safety and Environment, a generic medicine must satisfy three quality criteria:

- it must contain the same active ingredient,
- it must be available in the same dosage (amount of active ingredient per medicine), and
- it must have the same pharmaceutical form (syrup, capsules, etc.) as the original medicine.

A generic medicine is cheaper than a brand medicine, for an identical quality and effectiveness.

At the end of 2007, the sale of generic medicines came under pressure. The situation changed at the beginning of 2009, which was mainly the result of:

- increased interest from government, which boosts sales, and
- the increase in the number of new generic medicines. This trend will continue for some time as the patents of many major branded medicines will soon expire.

Moreover, a recent European health study with participation from 2800 patients in seven European countries (including Belgium) showed that consumers have considerably confidence in generic medicines. Of the patients who are aware of generic medicines, 9 out of 10 already had experience of them. Knowledge of generic medicines thus appears to be sufficient to use them. Important in this respect is that 83 per cent of the patients/users believe that generic medicines are as effective as the branded medicines. (Research conducted by Insites Consulting with the results published on 4 January 2010 on the website <http://www.insites.be>)

# Omega Pharma, a unique business model

## Focus on OTC

Omega Pharma is one of the few companies that mainly concentrates on the OTC market and is poised to enter the worldwide top ten ranking in this promising market. Most of the other major players are divisions of larger companies, which only realise between 5 per cent to 20 per cent of their turnover in the OTC market.

## Strong in several market segments

While Omega Pharma in the past mainly focused on specific niche segments, it will compete with the major players in the future, primarily in the 'Cough & Cold' and 'Derma' categories. Omega Pharma is convinced that it has now realised sufficient critical mass to take this step. The recent successes of, for example, Aflubin in the 'Cough & Cold' category support this decision. This adapted focus does not change the fact that Omega Pharma also wants to remain market leader in less prominent market segments.

## Strong sales and marketing organisation

Omega Pharma's extensive sales organisations and experienced marketing department enable the Company to conduct its marketing both via pharmacies and trade (push), as well as directly to end-consumers (pull). This combination approach ensures optimum strength. The most important brands will often be supported by TV advertising campaigns.

## More investments in research, development and innovation

Omega Pharma is convinced of the importance of innovation and manages this centrally from its Belgian headquarters. The continuous inflow of innovation at Omega Pharma may be the result of in-home development, collaboration with universities and other organisations, licensing and acquisitions.

Some examples of innovations in 2009 (some of which are already on the market and others will be on the market in 2010):

- XLS Medical: new slimming line within the XLS range
- Paranix: line extensions within the existing range of anti-lice products
- Prevalin: nasal spray for hay fever
- Predictor: a new non-contact infrared thermometer
- Septivon: protective and anti-bacterial hand gel and wipes
- Dermalax: a new innovative range for skin disorders



## Mixed production and supply model

Due to the great diversity in its product portfolio, Omega Pharma pursues a mixed model of own production and outsourcing of production and aims for the most profitable production method for each product.

Omega Pharma largely derives the strength and success of its unique business model from the way it consistently maintains control over the most important elements in the value chain, ranging from the development, the production, the packaging to the marketing and sale of its products to customers and partners.

### Value chain



# Operational Excellence

## The third phase starts in 2010

Omega Pharma can look back up until now on two important stages in its growth:

### 1987 - 1999

From the start of Omega Pharma in 1987 the focus was solely on Belgium for 13 years. Several internationalisation proposals were then rejected. The step to the second stage was only taken when sufficient critical mass was reached in Belgium.

### 2000 - 2009

The second stage in the existence of Omega Pharma is the internationalisation process. In 2000, the first steps in this process were taken with the acquisition of the French listed company Pharmygiène and in that same year Chefaro, the OTC division of Akzo Nobel, was also acquired. Since that time, Omega Pharma has been active in Belgium, the Netherlands, France, Germany, the United Kingdom and Spain.

Following a period of integration and focus on internal growth, a start was made with the development of OTC activities in Portugal and Greece during the period 2002-2003.

In 2004 came the acquisition of 60 OTC brands from Pfizer that, amongst others, also gave the Group access to the Scandinavian countries and Italy.

Product acquisitions, such as Wartner and Silence, were also made from time to time in order to strengthen the brand portfolio in various countries.

The expansion into Central and Eastern Europe followed at the end of 2006 with the acquisition of the Austrian-based Bittner Pharma, which mainly markets its products in Austria, Russia, Ukraine, Poland and the Baltic states.

In 2008 and 2009 acquisitions of smaller OTC companies in several countries in Eastern Europe, in particular the

Czech Republic, Slovakia, Hungary, Romania and the Adriatic countries followed. In each case, Omega Pharma products were added to these companies' own brands.

During this period, Omega Pharma also took its first steps in other continents, such as Australia and South America (particularly in Argentina), and thus became a world player just in time.

The Group now is ranked 13th worldwide, is directly active in 35 countries and has developed sufficient critical mass and sales platforms.

The vast experience and expertise that Omega Pharma has gained during these two stages enable it to take a following step in 2010, and to usher in the third stage: the Operational Excellence phase.

## Operational Excellence in progress

Operational Excellence will be based, amongst others, on the following pillars:

### A new approach on countries

Each regional manager directs his country cluster, while each corporate brand manager offers the products from his category to the country managers and assists them in their marketing. The new strategy will also be rolled out by the regional managers and the corporate brand managers in all countries where the Group operates. This matrix provides the country managers with the necessary support, but without limiting their responsibility and feeling for local initiatives.

### Strengthening management

Recently, a number of top class individuals were recruited who significantly strengthen the Group with their wide international experience in OTC and FMCG at various multinationals.

### More investments in research, development and innovation

A strong focus will be placed on centrally-managed innovation. To this end, the business development and innovation department was strengthened. The Group is continuously looking for innovative OTC products, which can both be developed in-house and licenced in with royalties being paid to the licensor.

### More own, centrally managed brands

Omega Pharma strives to centrally manage more own brands. This will be accompanied by improved visibility of the brands and products, partly by means of additional investments in efficient media, especially television.

### Higher attention on supply

The supply activities will be centrally managed. This should enable the Group to improve the coordination and management of the mixed model of own production and outsourcing of production, leading to a higher gross margin (amongst others by means of multi-country packaging and larger production runs).

The extremely varied range of Omega Pharma products requires a high degree of specialisation in different production techniques so that own investment in this is not always cost-effective. For some products (including anti-insect products and phytopharmaceutical products), Omega Pharma has its own production facilities in Belgium, France, the Netherlands and Austria. Also, the products that are marketed locally by our Indian Joint Venture will be manufactured on the spot by our Indian Joint Venture partner.

For the other products, long-term cooperations are concluded with strategic partners.

### Strong growth in Emerging Markets

The expected growth in Emerging Markets over the next five years greatly exceeds the expected OTC growth for Western Europe (2.8 per cent).

The expected growth in CEE/CIS, Southeast Asia and Latin America is 11.3 per cent, 14.6 per cent and 10.1 per cent respectively.

It is precisely in these regions that the geographic expansion in 2008-2009 was realised.

By cross-selling and introducing new Omega Pharma products in these countries, the aim is to achieve double-digit growth in the Emerging Markets.

### Growth targets

Omega Pharma assumes low single-digit growth in Belgium and Western Europe. In France, following the change of management and focus on the new brand strategy, it should be possible to stabilise turnover and then subsequently return to growth. Especially the Emerging Markets, which already achieve a high profit contribution, will show double-digit growth.

With the substantiation of these pillars, 'Operational Excellence' can be achieved, which will not only lead to further growth of the Group, but together with the new brand strategy will also ensure the realisation of a higher gross margin on sales.



HYPOALLERGENIC

**Bodysol**

**SUN**



# Omega Pharma's brand strategy

Since the turnover of the Star Brands only represents 15 per cent of the total turnover of Omega Pharma and these Star Brands are not present in the fastest growing OTC segments, Omega Pharma has developed a new brand strategy. This strategy will ensure that Omega Pharma will further grow in the OTC top 15 market.

With this new brand strategy, a broadening of the brand portfolio and a change in focus occupy centre stage. With a view to a new matrix that will generate 50 per cent of Omega Pharma's turnover, the Company's brands will be centralised around five pillars. These pillars have been chosen on the basis on the fastest growing segments in the OTC market. The aim is to focus more on top segments such as Derma and Cough & Cold on the one hand, while on the other hand we continuously support the current Omega Pharma brands.

## Derma

This category is the largest of these five pillars and is further divided into two subcategories: Cosmetics and Medicated Skin Care. The Cosmetics subcategory caters for the trends such as body protection, an ageing population and the use of natural products and therefore offers a complete range of personal care products for face, body, sun protection and babies. Omega Pharma is already active in this segment with brands like Bodysol, Aco, Claire Fisher and Santangelica. The Medicated Skin Care subcategory, with brands like Wartner and Dermalex, offers solutions for various skin conditions and allergies. In addition, this subcategory also includes the entire Septivon range; products that immediately cleanse and disinfect the skin.



## Cough & Cold

This second major category focuses on all symptoms that consumers encounter with a cough, cold or allergies in the respiratory tract. This segment will not only concentrate on the roll out of cough syrups and lozenges (already available in several European countries), but will also introduce homeopathic and aromatherapy solutions to the market. In order to be present in the growing segment of allergy protection, Omega Pharma is also launching Prevalin, specifically addressing the symptoms of hay fever.



## Parasites

The focus of this category is the elimination of parasites. Para is the umbrella brand for all Omega Pharma's anti-insect products. With leading brands such as Paranix, the number one product against head lice in Europe, Omega Pharma has acquired the expertise that enables it to continue growing in this segment. With the brand Paravet, Omega Pharma will also focus on the control of parasites in pets and will roll out this brand in various countries in the future as well.



## Classics

We could call the products in this category the foundations of Omega Pharma. With the focus on innovation, Omega Pharma continues to believe in the growth of these strong brands (Predictor, Davitamon, XLS, Silence). The XLS slimming products and multi-vitamins such as Davitamon continue to be present with new ingredients and formulas in order to remain competitive in the market. With its high brand awareness, Predictor will also expand the range beyond pregnancy tests.



## Multi-locals

This category includes strong local brands that are also interesting to roll out in other countries but require international coordination to optimise growth. For the moment, these are brands that are oriented towards the Beauty segment, such as the high-quality make-up from T. LeClerc, the natural hair colouring from Farmatint and the innovative technologies from Cellulase. This category also includes Bional, a range of nutritional supplements for various disorders, with the largest categories being bladder and prostate problems and relaxation.



## The 5 Star Brands in 2009

Below is a summary of the results of the previous Star Brands of 2009 that are now included in the five pillars.

### Wartner

Wartner is the biggest European OTC brand for easy-to-use products to remove warts from hands and feet by freezing. The brand was acquired in 2004 by Omega Pharma. By 2007, it was introduced on the market in almost every country where the Group is operating. In addition, Omega Pharma assures continuous innovation, and has therefore developed a specific version for removing warts on feet, as well as the introduction, in 2008, of a device that assures totally pain-free treatment. In 2009, Omega Pharma also introduced this brand in its initial Central and Eastern Europe markets. This process will continue in 2010.

### Para

Para is the umbrella brand for all anti-insect products of Omega Pharma, with Paranix as the star player in this product category. Paranix is a European top brand for products against head lice. When Paranix was introduced on the market at the beginning of this century, it was the first anti-head lice product that did not contain pesticides. Paranix forms a silicon cocoon around the insect which suffocates them. It is effective with just one treatment and safe for children. Omega Pharma has followed the same expansion strategy for Paranix as it has for Wartner. Building on the success of Paranix, the prefix Para is now also applied for the anti-mosquito brands of the Group (Parazeet).

### Silence

This anti-snoring product has been part of the Omega Pharma brand portfolio since April 2007. It was initially only available in France. Since that time, this innovative product has been successfully launched in approximately twenty countries, and this number had increased to thirty by the end of 2009.

### XLS

The XLS slimming products have their origin in France and today these nutritional supplements are also available in Belgium, Germany, Portugal, Spain, Italy and Greece. This cross-selling strategy is continuing in 2010, with the scheduled introductions in Poland and Austria among others. In addition, the XLS assortment has been widened step-wise to include low-calorie food (XLS Nutrition) and anti-cellulite products (XLS Cellulase).

### Predictor

The high brand awareness of Predictor is based on the fact that, in 1971, it was the very first pregnancy test to be used by the consumer without requiring the intervention of a doctor, and on the continuous innovation that Predictor has realised in this field. Since 2006, the Predictor brand has no longer been confined to pregnancy tests, but also includes other auto-diagnostic products (ovulation meters, body temperature meters, and blood pressure meters, etc.). Local distribution agreements have already made Predictor one of today's strongest brands in many Emerging Markets where Omega Pharma has not as yet established full operations.





# Corporate Governance Statement

The Board of Directors of the Company adopted a Corporate Governance Charter on 23 December 2005, in which it undertook to apply the provisions of the Belgian Corporate Governance Code of 9 December 2004. On 9 March 2010, the Board of Directors of the Company approved the new Corporate Governance Charter based on the provisions of the Corporate Governance Code of 12 March 2009, and also confirmed that the Company uses this Code as a reference code. This Charter can be found on the Company's website. Any future changes to the Charter will also be announced on the website.

This Statement contains the actual information concerning the application of Corporate Governance in the Company.

# Board of Directors and specialised committees of the Board of Directors

## Board of Directors






















## Composition of the Board of Directors

The Board of Directors comprises minimum three and maximum ten members, who must not necessarily be Shareholders.

The members of the Board of Directors are appointed by the General Meeting. When a director's position becomes vacant, the remaining Board members have the possibility of provisionally filling the vacancy. The procedure for the appointment of a new director is included in the terms of reference of the Appointment and Remuneration Committee, which are part of the Corporate Governance Charter. The Articles of Association of the Company provide a nomination right to Couckinvest NV in the appointment of the members of the Board of Directors, by which half of the directors plus one should be appointed from the candidates exclusively nominated by Couckinvest NV. No use has been made of this nomination right in practice. The terms of office for new or renewed board appointments has been set at not more than four years. No age limit is set for directors.

As at 31 December 2009, the Board of Directors was composed as follows:

Name	Independent director	Audit committee	Appointment & Remuneration committee	Term of the current appointment
 Lucas Laureys NV <i>(permanent representative: Lucas Laureys)</i>				Until 3 May 2010
 Mercur Consult NV <i>(permanent representative: Jan Boone)</i>				Until 3 May 2010
 Benoit Graulich				Until 3 May 2010
 Jean-Louis Duplat				Until 3 May 2010
 Marc Coucke				Until 2 May 2011
 Couckinvest NV <i>(permanent representative: Marc Coucke)</i>				Until 2 May 2011
 Sam Sabbe BVBA <i>(permanent representative: Sam Sabbe)</i>				Until 2 May 2011

















 Chairman       Member


The mandates of Lucas Laureys NV (permanent representative: Lucas Laureys), Mercur Consult NV (permanent representative: Jan Boone), Benoit Graulich and Jean-Louis Duplat expire immediately after the General Meeting of Shareholders of 3 May 2010.

The Board of Directors will present proposals to the General Meeting of Shareholders on 3 May 2010 to resolve:

- The reappointment of Lucas Laureys NV (permanent representative: Lucas Laureys) as non-executive director until the General Meeting of Shareholders to be held in 2014. As a result of the new legislation concerning independent directors, Lucas Laureys NV (permanent representative: Lucas Laureys) no longer meets the independence requirements.
- The appointment of Benoit Graulich BVBA (permanent representative: Benoit Graulich) as non-executive director until the General Meeting of Shareholders to be held in 2014. As a result of the new legislation concerning independent directors, Benoit Graulich BVBA (permanent representative: Benoit Graulich) does not meet the independence requirements.
- The reappointment of Mercur Consult NV (permanent representative: Jan Boone) as an independent director, in the sense of article 526ter of the Belgian Company Code, until the General Meeting of Shareholders to be held in 2014.
- The appointment of Chris Van Doorslaer and Karel Van Eetvelt as independent directors, in the sense of article 526ter of the Belgian Company Code, until the General Meeting of Shareholders to be held in 2014.
- Jean-Louis Duplat has served three consecutive terms as an independent director. His mandate will not be renewed. The Board of Directors would like to thank Mr. Jean-Louis Duplat for his many years of commitment and contribution to the governance of the Company.

Subject to approval by the General Meeting of Shareholders of 3 May 2010, with effect from that date the Board will be composed as follows:

Name	Independent director	Non-executive director	Term of the current appointment
 Lucas Laureys NV <i>(permanent representative: Lucas Laureys)</i>			Until 5 May 2014
 Mercur Consult NV <i>(permanent representative: Jan Boone)</i>			Until 5 May 2014
 Benoit Graulich BVBA <i>(permanent representative: Benoit Graulich)</i>			Until 5 May 2014
 Chris Van Doorslaer			Until 5 May 2014
 Karel Van Eetvelt			Until 5 May 2014
 Marc Coucke			Until 2 May 2011
 Couckinvest NV <i>(permanent representative: Marc Coucke)</i>			Until 2 May 2011
 Sam Sabbe BVBA <i>(permanent representative: Sam Sabbe)</i>			Until 2 May 2011

 Chairman     
  Member

Note: From this point on in the section, the Board members are identified by the names of their permanent representative.

The curricula vitae of the Board members can be found on the pages 44 and 45.

## Functioning of the Board of Directors

### Functioning

The Board of Directors is charged with the management of the Company with a view to the Company's long-term success by providing entrepreneurial leadership while assessing and managing the Company's risks. The Board of Directors' detailed role and operation is described in terms of reference that are part of the Corporate Governance Charter.

There were seven meetings in 2009, including one in accordance with the written-decision-making procedure. All directors were present at all meetings, except Benoit Graulich, who apologised for absence from one meeting. Jan Cassiman took part in the two meetings that took place in 2009, before his resignation as a director took effect. This provided an attendance record of 98 per cent.

The independent directors also met in the absence of the executive directors.

The Board meetings mainly consisted of discussing the results, the supervision of the Executive Committee, and the implementation of the strategy. The Board also considered the sale to Enhold NV of the 24.04 per cent participation that Omega Pharma NV retained in Arseus NV. Furthermore, the Board also decided to issue 31,500 subscription rights (warrants) under the existing continuous warrant plan of 1 April 2003. All of the Board's decisions in 2009 were made unanimously.

### Conflicts of interest

In 2009, the procedure of article 523 of the Belgian Company Code was applied three times, whereby article 524 of the Belgian Company Code was also applied in one of these three cases. In accordance with the applicable provisions, the contents of the minutes of the decisions concerned are presented below, specifying the grounds

for justification, explanation and pecuniary effects of the conflicts of interests.

#### Board of Directors of 6 March 2009 (Remuneration for Executive Committee members)

'The Board then discussed the proposed remuneration for the Executive Committee members for the 2009 financial year.

Prior to this, two Board members, specifically Marc Coucke and Couckinvest NV, state that they have a potential conflict of interest in the sense of article 523 of the Belgian Company Code with respect to the decision to grant a fixed and variable remuneration to Couckinvest NV, in its capacity as CEO. The other directors confirm that they do not have a conflict of interest, in the sense of article 523 of the Belgian Company Code, in approving the remuneration for the Executive Committee members since, in the opinion of the directors, this decision falls under the exceptions provided in article 523, §3, 2 of the Belgian Company Code. All directors also confirm that they have no conflict of interest in the sense of article 524 of the Belgian Company Code since, in the opinion of the directors, the decision falls under the 'de minimis' provision provided in article 524, §1, 3, 1° and 2° of the Belgian Company Code.

Marc Coucke's conflict of interest in the sense of article 523 of the Belgian Company Code ensues from the fact that he is both a director of the Company, on the one hand, and reference shareholder of Couckinvest NV, on the other.

For Couckinvest NV, this conflict of interest results from the fact that it is a director of both the Company, on the one hand, while it is remunerated as CEO, on the other. The directors concerned will notify the Company's Statutory Auditor of their conflict of interest.

Marc Coucke and Couckinvest NV will not further participate in the deliberations, or voting on the award of the remuneration for the CEO. The directors concerned will leave the meeting when this item is deliberated and decided upon. Marc Coucke and Couckinvest NV consequently leave the meeting.

*The grounds for justification and the explanation are as follows:*

The Board of Directors considers that, in view of the important role of the CEO within the Executive Committee, an appropriate market-level remuneration is justified for the CEO.

The Board believes that a fixed fee amounting to 600,000 euro for the 2009 financial year is a reasonable remuneration for the CEO's performance.

The Board further believes that a variable remuneration of 120,000 euro for the CEO for the 2009 financial year is in line with market practice.

*The pecuniary consequences are as follows:*

The CEO's mandate will be remunerated at an amount of 600,000 euro for the 2009 financial year.

The Board of Directors unanimously approves the CEO's remuneration of 600,000 euro for the 2009 financial year.

The Board of Directors also decides to provide the CEO with a variable remuneration of no more than 120,000 euro for the 2009 financial year.

Marc Coucke and Couckinvest NV now return to take part in the further deliberations and decisions.'

**Board of Directors meeting of 6 March 2009 (Granting discharge to the members of the Executive Committee in office during the 2008 financial year for fulfilling their mandate during the course of the financial year)**

'Four directors, specifically Couckinvest NV, Marc Coucke, Sam Sabbe BVBA, and Jan Cassiman BVBA, state in advance that they might have a conflict of interests, in the sense of article 523 of the Belgian Company Code, in granting discharge to Couckinvest NV, Sam Sabbe BVBA, and Jan Cassiman BVBA respectively, in their capacity as the Company's Executive Committee directors during the 2008 financial year.

For Couckinvest NV, Sam Sabbe BVBA, and Jan Cassiman BVBA, this conflict of interests arises from the fact that, on the one hand, they are directors of the Company and, on the other, were members of the Executive Committee during the 2008 financial year.

For Marc Coucke, this conflict of interest derives from the fact that he is a director of both the Company, on the one hand, and reference shareholder of Couckinvest NV, on the other.

The directors concerned will notify the Company's Statutory Auditor of their conflicts of interest.

Marc Coucke, Couckinvest NV, Sam Sabbe BVBA, and Jan Cassiman BVBA, will not further participate in the deliberations or voting on the discharge to be granted, and each leave the meeting, when the discharge of respectively Couckinvest NV, Sam Sabbe BVBA, and Jan Cassiman BVBA is decided.

*The grounds for justification of granting discharge are as follows:*

During the course of the 2008 financial year, the Board of Directors regularly obtained full insight into all the minutes and decisions of the Executive Committee and, on this basis, the Board could reasonably determine that each of the individual members of the Executive Committee had properly fulfilled their mandate for the 2008 financial year.

*The pecuniary consequences of granting discharge are as follows:*

The discharge means that none of the Executive Committee directors can be held personally financially accountable by the Board of Directors for errors and violations committed during the performance of their mandate.

In separate voting (per member of the Executive Committee), the Board of Directors unanimously decides to grant discharge to each of the members of the Executive Committee separately (i.e. Couckinvest NV, Sam Sabbe BVBA, BDS Management BVBA, Jan Cassiman BVBA, MDS BVBA, Mike Van Ganse BVBA and Mr. Scheepens) for the way they have performed their office and mandate during the 2008 financial year.'

Board of Directors meeting of 8 November 2009  
(Discussing the transaction with respect to the 24.04 per cent participation in Arseus)

'a) Application of article 523 of the Belgian Company Code

Two directors, specifically Mr. Coucke and Couckinvest NV, report in advance that they could have a conflict of interest, in the sense of article 523 of the Belgian Company Code, in the decision to approve the Transaction.

The conflict of interest for Couckinvest NV arises from the fact that it is a director of the Company, on the one hand, and director and shareholder of Arseus NV and also a selling party of 1.06 per cent of Arseus shares to Enhold NV on the other.

For Mr. Coucke, this conflict of interest arises from the fact that he is a director of the Company, on the one hand, and reference shareholder of Couckinvest NV, on the other.

The directors concerned will notify the Company's Statutory Auditor of their conflicts of interest.

Mr. Coucke en Couckinvest NV will not further participate in the deliberations, or voting on the approval of the Transaction.

Mr. Graulich states that he is also a director of Arseus NV, but for the approval of this Transaction has no conflict of interests in the sense of article 523 of the Belgian Company Code. However, to guarantee the transparency in this decision process as much as possible, Mr. Graulich wishes to refrain from the further deliberation and decision. The Board takes note of this statement.

#### *Description of the transaction and explanation*

The Transaction can be described as follows:

The proposed transaction concerns the sale by the Company of its 24.04 per cent interest in Arseus NV to Enhold NV. This sale will be linked to the simultaneous sale to Enhold NV by Couckinvest NV of 1.06 per cent of its interest in Arseus NV, which was stipulated as a condition for the Transaction.

Enhold NV is a related company of Waterland Private Equity Fund IV CV, hereinafter referred to as 'Waterland', within the sense of article 11 of the Belgian Company Code.

The transaction, and the simultaneous sale by Couckinvest NV of 1.06 per cent of its interest in Arseus, would mean that Enhold NV acquires a 25.1 per cent interest in Arseus NV.

The price for the Arseus NV shares in this Transaction amounts to 8 euro per share, plus an earn-out of up to 2.75 euro per share payable at an exit of Enhold NV, depending on the future creation of shareholder value by Arseus NV.

The Board of Directors determines that, by means of this transaction, the Company would immediately realise an accounting gain on its non-strategic interest in Arseus NV and would strength its balance sheet with cash revenues that could be spent in the long-term on the OTC core business. Thanks to the earn-out, the Company would also retain a realistic prospect of additional revenue from the Arseus business model.

#### *The pecuniary consequences are as follows:*

The Company will transfer to Enhold NV the ownership of all its 7,500,000 shares held in Arseus.

The price for the Arseus NV shares in this Transaction amounts to 8 euro per share, plus an earn-out of up to 2.75 euro per share payable at an exit of Waterland, depending on the future creation of shareholder value by Arseus NV.

The price for the shares is payable as follows: (i) 7 euro per share on the closing of the transaction, (ii) the earn-out to the extent that it would be realisable, and (iii) 1 euro per share payable after a period of 5.5 years, in the context of a vendor loan granted to Enhold NV for the Transaction by the Company at a capitalised interest rate of 7 per cent per annum.

b) Application of article 524 of the Belgian Company Code

The approval of the proposed Transaction is possibly related to relationships of Omega Pharma NV with a related company, which is not a subsidiary, specifically Couckinvest NV.

Couckinvest NV is a director and reference shareholder of Omega Pharma NV, as well as a director and shareholder of Arseus NV.

The proposed transaction between Omega Pharma NV and Enhold NV can only take place provided Couckinvest NV also sells 1.06 per cent of its Arseus interest to Enhold, under the same conditions as Omega Pharma NV. It was further established that Omega Pharma NV could only obtain the negotiated conditions provided Couckinvest also undertook to sell 1.06 per cent in Arseus NV to Enhold NV.

During its meeting on 26 October 2009, the Board of Directors appointed a committee of three independent directors, consisting of Lucas Laureys NV, Mercuur Consult NV and Mr. Duplat, to assess the Transaction in accordance with the provisions of article 524 of the Belgian Company Code. This committee then requested CVBA BDO Atrio Bedrijfsrevisoren (Auditors), with its office in Guldensporenpark 100 block K, 9820 Merelbeke, represented by its permanent representative, Mr. Koen de Brabander, to assist the committee as an independent expert as provided in article 524, §2, 1 of the Belgian Company Code.

The committee took note of the report from the independent expert and his conclusion on 7 November 2009.

Based on this conclusion and after assessing all the factors as referred to in article 524, §2 of the Belgian Company Code, the committee issued its reasoned recommendation in writing to the Board of Directors on 8 November 2009, in which it concluded that in view of the current market conditions and subsequent assessment of the available information, it considered that the proposed Transaction is not manifestly unlawful and does not contain any disadvantage for the Company. The committee therefore recommends that entering into the Transaction is justified.

The Board of Directors does not deviate from the recommendation from the committee.

The Board of Directors explicitly confirms that the procedure provided for in article 524 of the Belgian Company Code was applied.

The Company's Statutory Auditor will be informed of the committee's recommendation and the present minutes in accordance with the provisions of article 524, §3 of the Belgian Company Code.

The Board of Directors then extensively discusses the proposed Transaction and underlying documents.'

The conclusion from the report of the Company's Statutory Auditor with respect to this transaction is as follows:

'We have reconciled the financial information, as included in the recommendations of the committee and the minutes of the Board of Directors, with underlying supporting documents. On the basis of these activities, we confirm the accuracy of the information contained in the recommendations of the committee and in the minutes of the Board of Directors.'

## Evaluation

The Board of Directors is responsible for a regular review of its own effectiveness, with a view to continuously improve the management of the Company. In this context, under its Chairman's leadership, the Board of Directors evaluates its size, its composition and its performance every three years.

There are also regular and individual evaluations of the members of the Board of Directors performed by the Appointment and Remuneration Committee and possibly by other persons, internal or external to the Company.

Based on the results, the Appointment and Remuneration Committee, if applicable, will draw up a report analyzing the strengths and weaknesses of the members of the Board and, where appropriate, provide recommendations for the appointment of new directors or for not renewing a director's appointment.

There will also be an evaluation of the Chairman of the Board of Directors and his role within the Board.

## Specialised committees of the Board of Directors

An Audit Committee and an Appointment and Remuneration Committee have been created within the Board of Directors. The terms of reference of both committees are an appendix to the Corporate Governance Charter. These committees have an advisory role. The Board of Directors is responsible for final decision-making. The committees report after each meeting to the Board of Directors.

### Audit Committee

#### Composition of the Audit Committee

The Audit Committee consists of members of the Board of Directors and has a minimum of three members. All members of the Audit Committee are non-executive directors and the majority should be independent directors.

Since 1 January 2009, the Audit Committee consists of Jan Boone (Chairman), Benoit Graulich and Lucas Laureys and, with effect from 6 March 2009, Jean-Louis Duplat also became a member, so that the Audit Committee in 2009 was composed entirely of independent directors and therefore met all applicable provisions of the Belgian Corporate Governance Code in 2009.

#### Functioning of the Audit Committee

##### Functioning

The Audit Committee met three times during 2009, and all members attended these meetings. The Statutory Auditor also attended the Audit Committee meetings.

The Audit Committee mainly evaluated the various processes of the financial reporting and evaluated and advised on the external and internal audit. During 2009, the Audit Committee also paid attention to the internal control and risk management systems.

##### Evaluation

Every three years, the Audit Committee reviews its terms of reference, evaluates its own effectiveness and makes recommendations where appropriate to the Board of Directors.



## Appointment and Remuneration Committee

### Composition of the Appointment and Remuneration Committee

The Appointment and Remuneration Committee consists of members of the Board of Directors and has a minimum of three members. All members of the Appointment and Remuneration Committee are non-executive directors and the majority should be independent directors.

In 2009, the Appointment and Remuneration Committee consisted of the following members: Benoit Graulich (Chairman), Lucas Laureys, Jan Boone and Jean-Louis Duplat, so that the Appointment and Remuneration Committee in 2009 was composed entirely of independent directors and therefore met all applicable provisions of the Belgian Corporate Governance Code in 2009.

### Functioning of the Appointment and Remuneration Committee

#### Functioning

The Appointment and Remuneration Committee met three times during 2009, and all members attended these meetings.

During 2009, the Appointment and Remuneration Committee issued recommendations on the remuneration of the Executive Committee members and the appointment of Georges De Vos as a new member of the Executive Committee. Furthermore, the Appointment and Remuneration Committee paid attention to the future composition of the Board of Directors as a result of the new independence requirements. In addition, the Appointment and Remuneration Committee also discussed the procedure for developing a remuneration policy and determining the remuneration levels for non-executive directors and Executive Committee members in accordance with the new provisions applicable in this area.

#### Evaluation

Every three years, the Appointment and Remuneration Committee reviews its terms of reference, evaluates its own effectiveness and makes recommendations where appropriate to the Board of Directors.



# eau précieuse *femme*

spécialiste  
DE LA  
**PURETÉ**  
DE LA **PEAU**

## NOUVEAU cotons démaquillants purifiants

- Démaquillent et purifient en douceur
- Imprégnés individuellement
- 100% coton

LA PRÉCIEUSE SOLUTION  
CONTRE LES IMPERFECTIONS



## Executive Committee

The Executive Committee is responsible for the management of the Company and exercises the powers delegated by the Board of Directors to the Executive Committee. The role and responsibilities of the Executive Committee are contained in the terms of reference of the Executive Committee, which are part of the Corporate Governance Charter.



## Composition of the Executive Committee

The Board of Directors has set up an Executive Committee in the sense of article 524 bis of the Belgian Company Code.

The members of the Executive Committee are appointed for an indefinite period by the Board of Directors on the basis of recommendations of the Appointment and Remuneration Committee.

As of 1 September 2009, Limestone NV, with Georges De Vos as permanent representative, was appointed as Chief Operating Officer (COO), with a seat in the Executive Committee. Ton Scheepens and MDS BVBA, with permanent representative Mario Debel, decided to resign from the Executive Committee with effect from 1 November 2009 and 15 January 2010 respectively. The Board of Directors and the Executive Committee want to take this opportunity to thank them for their many years of hard work.

The Executive Committee is now composed as follows:

Name	Permanent representative	Position
Couckinvest NV	Marc Coucke	Chief Executive Officer
Sam Sabbe BVBA	Sam Sabbe	Chief Strategy Officer
BDS Management BVBA	Barbara De Saedeleer	Chief Financial Officer
Limestone NV	Georges De Vos	Chief Operating Officer
Jan Cassiman BVBA	Jan Cassiman	Head of Innovation and Business Development

*Note: From this point in the section, the mandate holders are identified by the names of their permanent representative.*

The curricula vitae of the Executive Committee members can be found on the pages 44 and 45.

## Functioning of the Executive Committee

### Functioning

The Executive Committee is responsible for the management of the Company. The Committee must propose a business strategy to the Board of Directors and then implement this strategy, based on the decisions of the Board relating to it, and taking into account the Company's values, its risk appetite and key policies. The Executive Committee's detailed role and operation is described in its terms of reference that are part of the Corporate Governance Charter.

The Executive Committee meets each week in principle and reports regularly to the Board of Directors. The Board of Directors receives the minutes of each Executive Committee meeting.

### Conflicts of Interest

In 2009, the procedure of article 524ter of the Belgian Company Code was applied one time. In accordance with the applicable provisions, the contents of the minutes of the decision concerned, specifying the grounds for justification, explanation and pecuniary effects of the conflict of interest, are presented below.

**Executive Committee of 29 June 2009 (Approval of licensing agreement):**

'MDS BVBA states in advance that it possibly has a conflict of interest in the sense of article 524ter of the Belgian Company Code with respect to the decision to conclude a Know-How License Agreement between Chefaro Ireland Ltd. and Despharma Kft.

This conflict of interest ensues from the fact that MDS BVBA is a member of the Executive Committee of Omega Pharma NV, ultimate shareholder of Chefaro Ireland Ltd., on the one hand, and shareholder/director of Despharma Kft. on the other.

MDS BVBA will notify the Company's Statutory Auditor of its conflict of interest. A copy of these minutes will be made available to the Board of Directors.

MDS BVBA will not further participate in the deliberations or voting on the conclusion of the Know-How License Agreement between Chefaro Ireland Ltd. and Despharma Kft.

MDS BVBA therefore leaves the meeting.

*The grounds for justification and the explanation are as follows:*

The CEO explains that the proposed cooperation with Despharma Kft. relates to the licensing in of know-how relating to products intended for the treatment of psoriasis, atopic skin and eczema.

The CEO explains the nature of the products and emphasises the quality of the underlying studies and research.

The Executive Committee believes that the proposed cooperation between Chefaro Ireland Ltd. and Despharma Kft. is entirely in line with the strategy of the Omega Pharma group and the expansion of its portfolio. The conditions of the cooperation are explained and discussed. The Executive Committee believes that the conditions to which the agreement will be subject are both in accordance with the market practice and in line with what is justified for such transactions.

*The pecuniary consequences are the following:*

Despharma Kft. will be entitled to payments of licence fees for entry into various territories, up to a maximum total amount of 1,000,000 euro.

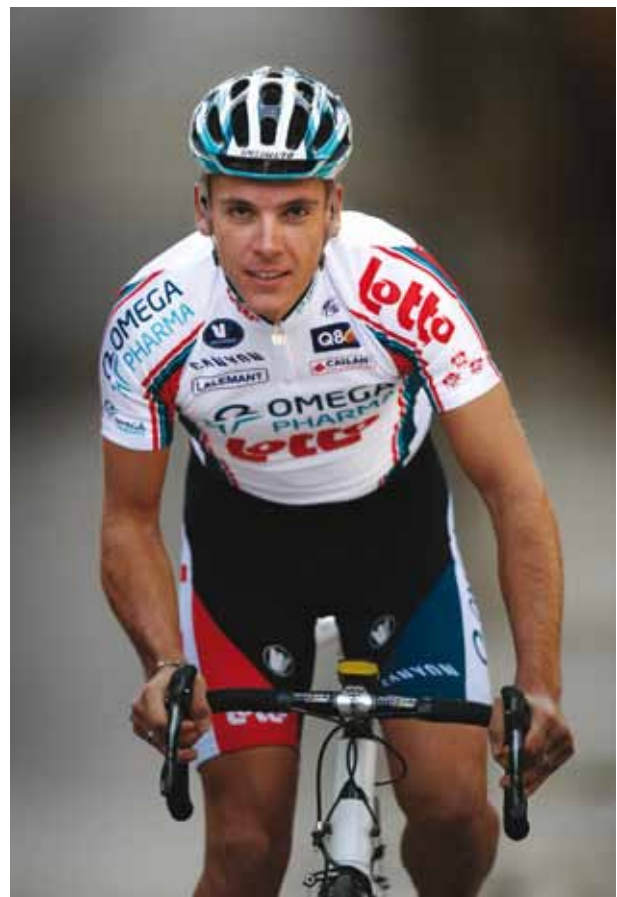
In addition, Despharma Kft. will be entitled to payments of royalty fees, depending upon the realised net sales of the products.

After thorough discussion of the various provisions of the agreement, the Executive Committee believes that the proposed cooperation is in accordance with the market practice and, as far as can now be judged, in the interest of the Omega Pharma group.

The Executive Committee therefore unanimously approves the agreement.

From now on, MDS BVBA will participate again in the deliberations and decisions.'

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## Curricula vitae

Below are brief curricula of the members, or their permanent representatives, of the Board of Directors or the Executive Committee.

**Mr. Lucas Laureys.** °1945. Holds a degree in Economic Sciences (RUG, Ghent), Postgraduate in Business Management (Vlerick Management School), MBA Sales & Marketing (Leuven). From 1971 to 2006, Managing Director (responsible for Sales & Marketing) of Van de Velde NV, a listed company, lingerie manufacturer based in Schellebelle (Belgium). From 1997 to date, also Chairman of the Board of Directors of this listed company. Director of Topform International, a listed lingerie manufacturer in Hong Kong and independent director at Delta Lloyd Bank (Belgium).

**Mr. Jan Boone.** °1971. Holds a degree in Applied Economic Sciences (KUL, Leuven), and a Special Auditing Degree (Licence Spéciale en Révisorat) (UMH, Mons). He started his career in the audit department of PricewaterhouseCoopers. He was member of the Executive Committee at Omega Pharma from 2000 to 2005. Since 2005, he is active at Lotus Bakeries, and is currently the Managing Director of Lotus Bakeries (Belgium). Since then he is also an executive director at Lotus Bakeries. In addition, he fulfills a mandate as independent director at Durabrik.

**Mr. Marc Coucke.** °1965. Pharmacist (RUG, Ghent) and postgraduate in Business Management (Vlerick Management School). Founder and driving force of the Company. Also CEO until 30 September 2006, then Chairman from 1 October 2006 to 11 March 2008. He has been CEO again since 11 March 2008. He is still the inspirer of the Company and determines to a large degree the strategy. He is also a director of Arseus NV.

**Mr. Jean-Louis Duplat.** °1937. Doctor of Law (KUL, Leuven). Professor at the faculty of Economic Sciences of the Namur University (Belgium), Honorary Chairman of the CBFA (Belgium), director at Aedifica NV, Portolai NV and Chirec VZW (non-profit making hospital network). Chairman of Child Focus.

**Mr. Benoit Graulich.** °1965. Degree in Law, Business Management and Finance (KUL, Leuven) and in Fiscal Sciences. He is a Partner of Bencis Capital Partners, and an independent director at Lotus Bakeries NV (Belgium), Vande Velde NV (Belgium), and Wereldhave NV (Belgium). He previously held various positions at Ernst & Young (Belgium), Artesia Bank (Belgium) and Pricewaterhouse (Belgium).

**Mr. Sam Sabbe.** °1965. Degree in Law (RUG, Ghent). Previously worked as a banker at Artesia Bank (formerly Paribas Bank Belgium), mainly in Corporate Banking where he gained extensive experience in the field of mergers and acquisitions. Active as Chief Financial Officer at Omega Pharma between September 1999 and April 2007, and as Executive Vice President between April 2007 and October 2007. Chief Strategy Officer since 11 March 2008. Actively involved in all Omega Pharma's major acquisitions during this period. Responsible for strategy, M&A, Legal, Human Resources, Investor Relations, Public Relations and a number of operational activities. Director of Ecuphar NV (Belgium).

**Mr. Chris Van Doorslaer.** °1961. Civil Engineer (electro-technical - mechanics) (RUG, Ghent), Master in General Management (Vlerick), Master of Business Administration (Flanders Business School), Laureate in Export Management (UAMS). Chief Executive Officer Cartamundi. He started his career at Unilever and fulfilled afterwards several management functions at Fiskars. Member of the Board of Directors of Miko NV. Member of the Advisory Board of Ingobyi vzw.



**Mr. Karel Van Eetvelt.** °1966. Degree in Physical Education (KUL, Leuven). Managing Director Unizo. He started his career as cabinet staff at the cabinet of the president of the Flemish Government Gaston Geens and fulfilled several functions at Bouwunie, the Union of SME-construction company. Further, he is regent at the National Bank of Belgium, member of Group 10, member of the daily management of the Social Economical Board of Flanders, president High Board of Independents and SME, vice-deputy Ueapme, Director of Zenito, ADMB, Sporta, HUB and Huize Eyckerheide.



**Mr. Jan Cassiman.** °1962. Degree in Industrial Pharmacy (RUG, Ghent), and Marketing Management (EHSAL). Started his career at Pfizer, and subsequently fulfilled various management positions at Qualiphar, Novartis and Synthelabo (Sanofi). From 2000, he fulfilled European and international OTC management positions for Sanofi, based in Paris. He has worked with Omega Pharma since July 2003. Since February 2005, he has been an Executive Committee member as Business Development & Marketing Services Director. Was CEO from 1 October 2006 until 11 March 2008. He is responsible for Innovation and Business Development.

**Mrs. Barbara De Saedeleer.** °1970. Graduate in Marketing and Degree in Business and Financial Studies, specialising in Quantitative Business Economics, (Vlekh). Started her career in 1994 with Paribas Bank Belgium (subsequently Artesia Bank and Dexia Bank Belgium), in Corporate Banking and developed to become Regional Director Corporate Banking for East Flanders. Has worked at Omega Pharma since June 2004 as Group Treasury Manager and subsequently Head of Finance. Appointed Chief Financial Officer with effect from 16 April 2007.

**Mr. Georges De Vos.** °1959. Degree Business Engineering (Solvay Business School), and various post-graduate courses at the University of Brussels (VUB) and Harvard University in Boston (USA). After careers with Procter & Gamble, Duracell, and ACJ Toyota, he was recruited by Novartis Consumer Health in 1997, where he gained more than 12 years of management-experience in various areas, countries and regions, and also at international and corporate levels. Active at Omega Pharma since 1 September 2009 as Chief Operating Officer (COO), and in this capacity member of the Executive Committee.

# Remuneration report

## Procedure for the development of the remuneration policy and setting of the remuneration level

### Non-executive directors

As far as the non-executive directors are concerned, a remuneration policy is proposed that consists purely of a fixed remuneration, excluding performance-related components such as bonuses or equity-related long-term incentive plans. These proposed emoluments are presented each year for approval at the Annual General Meeting.

The Annual Meeting of 2009 has decided to award each non-executive director an overall fixed annual remuneration and no longer to provide separate remunerations for membership of specialised committees on top of the fixed remuneration. The remuneration of the Chairman of the Board of Directors was set by the Annual General Meeting at a higher level taking into account his special role and responsibilities within the Board.

### Executive committee

The Nomination and Remuneration Committee has performed a study into the remuneration of executives at comparable companies, and has also taken the relevant trends in the field of legislation and corporate governance into consideration. Based on this and in order to attract, retain and motivate qualified and skilled professionals for the Executive Committee, the Appointment and Remuneration Committee has forwarded its recommendations concerning remuneration policy and level to the Board of Directors. In its recommendations, the Appointment and Remuneration Committee has proposed that in addition to a fixed remuneration, the variable remuneration component should in principle form an integral part of total remuneration. It is also of the opinion that a long-term incentive should be incorporated in the form of warrants. Based on the

aforementioned recommendation, the Board of Directors has established the remuneration policy for the members of the Executive Committee for 2009.

In 2009, no changes were brought to the remuneration policy that was exercised in 2008.

## Remuneration policy Executive Committee

The remuneration of the members of the Executive Committee consists of a fixed component, a variable component linked to the performance of the Company, as well as warrants that offer the directors the possibility of participating in the Company in the longer term.

The fixed component of the remuneration of the members of the Executive Committee is determined annually. For the setting of the fixed remuneration, both the duties performed and the market conditions, are taken into account.

In addition to the market-based remuneration, the Board of Directors, on the recommendation of the Appointment and Remuneration Committee, determines a bonus plan each year, so that the objectives of the Executive Committee are consistent with the objectives of the Company.

The variable remuneration component is calculated on an annual basis for all members of the Executive Committee on the basis of the same criteria, which are mainly related to turnover and profitability. A score scale, used to modulate the remuneration on the basis of the realisation of a particular criterion, will be developed for all criteria. In 2009, the objective criteria were turnover, EBITDA, stock level, FCF and Kicker on EBITDA (as a result of which a bonus of maximum 117 per cent was possible). For competitive reasons, no specific figures can be provided about this. For 2009, the maximum achievable variable remuneration component represents 29 per cent of the total fixed and variable remuneration of the members of the Executive Committee. The Board of Directors also reserves the

right to adjust the evaluation of the criteria individually or for the entire Executive Committee on the basis of individual or group performance within or outside these criteria.

Where appropriate, the warrants are issued under Warrantplan 3, approved by the Board on 1 April 2003. Each warrant, subject to payment of an exercise price, grants the right to a single share of the Company. The warrants can be exercised at the rate of 25 per cent per year, commencing from the fourth calendar year following the calendar year in which the warrants were offered. The exercise price of the warrants is equal to the average of the rates during the 30 days prior to their

issue. The position of the director involved is taken into account when determining the number of warrants to be awarded.

For 2010, no changes in the remuneration policy for the members of the Executive Committee will be proposed, except for the objective criteria that are taken into consideration for the annual bonus plan. The following criteria will apply in 2010: turnover, EBITDA (as amount and percentage), gross margin as percentage, FCF, continuous growth per quarter, Kicker on sales and EPS (as a result of which a bonus of maximum 125 per cent is possible).

## Remuneration non-executive directors

The remunerations of the non-executive directors amount to (in euro):

Name	Annual remuneration	Committee remuneration	Other remuneration
Lucas Laureys *	60 000	–	–
Jan Boone	30 000	–	–
Benoit Graulich	30 000	–	–
Jean-Louis Duplat	30 000	–	–

\* *Chairman of the Board of Directors*

The members of the Executive Committee who are also members of the Board of Directors of the Company do not receive any remuneration for the exercise of their mandate as director.

## Remuneration Executive Committee

### Remuneration CEO

The gross remuneration\* of the CEO amounts to\*\* (in euro):

Name	Statute	Fixed gross remuneration	Variable gross remunerations	Pension	Other	Total
Marc Coucke	Management company	600 000	70 000	—	—	670 000

\* The total amounts are equal to the total cost incurred by the Company. There are no social security or pension plan contributions payable by the Company.

\*\* All remunerations for 2009 were also payable in 2009, with the exception of the variable remuneration that was paid in 2010.

There are no long-term cash incentive plans for the CEO.

### Remuneration other members of the Executive Committee

The gross cash remunerations\* of the other members of the Executive Committee amount to\*\* (in euro):

	Fixed gross remuneration	Variable gross remunerations	Pension	Other	Total
Other members of the Executive Committee***	1 736 333	274 250	—	—	2 010 583

\* The total amounts are equal to the total cost incurred by the Company. No social security or pension plan contributions are payable by the Company.

\*\* All remunerations for 2009 were also payable in 2009, with the exception of the variable remuneration that was paid in 2010.

\*\*\* Georges De Vos received a remuneration during the last four months of 2009.

There are no long-term cash incentive plans for the members of the Executive Committee.

In 2009, the full Executive Committee was awarded 36 per cent of the maximum achievable bonus.

## Shares and warrants

### Shares

No shares were awarded to the members of the Executive Committee during 2009.

### Warrants

#### Warrants awarded to members of the Executive Committee during 2009

During 2009, the following warrants were awarded:

Name	Decision	Plan	Number	Exercise price	Exercise period	Award value for the year
Georges De Vos	Awarded by the Board of Directors from 24.09.2009	Warrant plan 3	10 000	26.99 euro	2013-2016	The theoretical valuation under IFRS 2

#### Warrants exercised by members of the Executive Committee or cancelled during 2009

No warrants were exercised by the members of the Executive Committee in 2009, nor were any warrants held by members of the Executive Committee cancelled during the course of the year.



# Corporate Governance Charter

## General

The Board of Directors approved the original version of the Corporate Governance Charter on 23 December 2005, and updated it on 11 March 2008.

The current Corporate Governance Charter and its appendices were approved by the Board of Directors on 9 March 2010 and are based on the provisions of the Belgian Corporate Governance Code of 12 March 2009. The main amendments and additions concern the duties of the Board of Directors, the role, composition and functioning of the Audit Committee, and the duties of the Executive Committee.

## **Policy concerning transactions and other contractual relationships between the Company and its Board members or members of the Executive Committee, which are not covered by the conflict of interests rules**

All members of the Board of Directors and the Executive Committee, or their permanent representatives, are expected to avoid actions, positions or interests that are contrary to, or appear to be contrary to the interests of the Company or any of the companies of the Omega Pharma group. Furthermore, the Board of Directors must approve all transactions between the Company and the persons identified above. When the persons identified are faced with a possible conflict of interest with respect to a decision or transaction of the Company, moreover, they must notify the Chairman of the Board of Directors as quickly as possible. This policy document is part of the Corporate Governance Charter.

## Trading Code with respect to equity transactions

Without prejudice to other applicable laws and regulations on insider dealing and market manipulation, the Board of Directors has drawn up a Trading Code to prevent privileged information being illegally used by insiders.

This Trading Code is part of the Corporate Governance Charter.

## Reference Code

The Company believes that it complies with all provisions of the 2009 Belgian Corporate Governance Code, with the exception of the required percentage that a shareholder must hold to submit proposals to the General Meeting. While the 2009 Belgian Corporate Governance Code provides a threshold of 5 per cent, the Company uses a threshold of 10 per cent. The Company believes that its proposal, in view of the annual rotation of its shares, prevents investors with a short-term view would impact too strong on the strategy of the Company, which focuses on continuity and sustainable achievements in the medium to long term.

## Internal control and risk management systems

The Company strives to develop its business by pursuing a sustainable policy in the area of internal control and risk management and has, for this reason and according to IFRS 7, examined and defined the risks and uncertainties to which the Group is subject to (see pages 84 - 91 for more details). In this context, the Company tries to provide internal control mechanisms at various levels.

Important roles in internal control and risk management are currently played by the Audit Committee (see page 38 for more details) and the Statutory Auditor (see below).

In addition, the Company has appointed a compliance officer to control compliance with the Trading Code relating to equity transactions. Furthermore, the Company rolled out internal guidelines, 'General Directives', at group level. These General Directives include amongst others the operational guidelines on human resources, treasury, insurance, risk management and control of business processes.

Finally, the Shareholders have a right to ask questions during the General Meeting, and the Company falls under the supervision of the Belgian Banking, Finance and Insurance Commission (Commissie voor het Bank-, Financie-, en Assurantiewezen - CBFA).

## External Supervision

The Statutory Auditor, PricewaterhouseCoopers Bedrijfsrevisoren, represented by Mr. Peter Van den Eynde, Auditor, performed the external supervision in 2009. The General Meeting of 5 May 2008 renewed the mandate of the Statutory Auditor until and including the Annual Meeting to be held in 2011. Details concerning the Statutory Auditor's fee in 2009 are included in Note 29 to the financial statements.



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## Stock market and Shareholders information

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# Information for Shareholders

## Number of shares

On 31 December 2009, there were 24,227,303 voting shares, representing a total share capital of 16,464,661.41 euro. The number of Omega Pharma shares has remained unchanged during 2009.

The shares are nominative, bearer or dematerialised, within the restrictions prescribed by law.

## Listing of the share

All the shares of Omega Pharma are listed on the continuous market of NYSE Euronext (Brussels).

- ISIN code: BE003785020
- Reuters: OMEP.BR
- Bloomberg: OME BB

The Omega Pharma shares have been part of the Bel20 index since 1 March 2002.

Below are the main indices in which the share is included, together with the weight that the Omega Pharma share represents in them.

- Bel20 close (0.92 per cent)
- Belgian All Share Price (0.35 per cent)
- Next150 (0.48 per cent)

## Shareholder structure

Based on the most recent notifications and the transactions that are made public, the shareholder structure is as follows:

Shareholder	Date of most recent notification	Number of shares	Percentage of the total
Couckinvest NV / Marc Coucke	22 September 2008 and 29 January 2009 (transactions made public)	7 271 746	30.01%
Omega Pharma NV (treasury shares)	22 September 2008	934 994	3.86%
Capital Research and Management Company	30 March 2010	759 435	3.13%
Public		15 261 128	63.00%
Total		24 227 303	100.00%

The total free float (only excluding Couckinvest NV / Marc Coucke and the treasury shares) consequently amounts to 66.13 per cent.

The reporting thresholds for major shareholdings are set at 3 per cent, 5 per cent, 7.5 per cent and multiples of 5 per cent. The 7.5 per cent threshold was added to the articles of association after the decision of the Extraordinary General Meeting of Shareholders of 9 June 2009.

Notification forms can be downloaded from the website of the regulator, CBFA: [www.cbfa.be](http://www.cbfa.be).

Shareholders who think they should issue a notification, can contact Freya Loncin, Head of Legal, for advice (+32/9/381.02.15).

## Evolution of the share price

For the share prices from 26 July 1998 until and including 25 April 2000, the share split of 25 April 2000 has been retroactively taken into account.

The share from 1998 to date



The share in 2009



## Share price in 2009

- Closing price on first trading day: 26.80 euro
- Highest closing price: 36.145 euro (16 October)
- Highest intraday listing: 36.250 euro (16 October)
- Lowest closing price: 16.100 euro (30 March)
- Lowest intraday listing: 15.595 euro (26 March)
- Closing price on last trading day: 35.15 euro
- Average closing price in 2009: 25.99 euro (256 trading days)

## Turnover of trading in the share

- Total annual traded turnover in 2009: 480,224,660 euro
- Average daily traded turnover in 2009 based on closing price: 1,875,878 euro

## Traded volume

- Total annual volume traded in 2009: 18,864,313 shares
- Average daily volume traded in 2009: 73,689 shares
- Annual rotation in 2009: 0.78 (on the basis of 24,227,303 shares issued)
- Average number of shares per transaction in 2009: 141.6

## Market capitalisation

Based on the closing price on 31 December 2009:  
851,589,700 euro

## Dividend

The Board of Directors will propose to the Annual Meeting of Shareholders of 3 May 2010, to pay out a gross dividend per share of 0.80 euro for the 2009 financial year. The share will be listed ex-dividend on 5 May 2010.

Since the IPO in 1998, Omega Pharma has increased its dividend year after year, but maintained the payout ratio at a comparable level.

Financial year	Gross dividend
1998*	0.02 euro
1999**	0.033 euro
2000	0.05 euro
2001	0.08 euro
2002	0.12 euro
2003	0.18 euro
2004	0.24 euro
2005	0.32 euro
2006	0.40 euro
2007	0.50 euro
2008	0.60 euro
2009	0.80 euro

\* Translated from Belgian franc in euro.

\*\* Translated from Belgian franc in euro, and after splitting the shares from 1 into 10.

## Warrants

On 31 December 2009, there were 334.430 warrants giving the right to subscribe for securities. These warrants are all part of the Warrantplan 3. The Board of Directors is of the opinion that the possibility towards the participation of the employees, service providers and important third parties will form an important stimulant for a further expansion and growth of the Company. For more details, please refer to Note 27 to the consolidated financial statements.

## Financial services

Omega Pharma uses the following financial institutions to provide financial services to its Shareholders: Bank Degroof, Dexia Bank, Fortis Bank, ING Bank Belgium, KBC Bank, and Petercam.

## Financial analysts

The sell-side analysts of 12 stock-brokers monitor the Omega Pharma share. In alphabetical order:

Stockbroker	Analyst
Arkéon Finance	Stephan Dubosq (Paris)
Bank Degroof	Marc Leemans (Brussels)
BNP Paribas Fortis	Tim Heirwegh (Brussels)
Exane BNP Paribas	Stéphane Sumar (Paris)
Fortis Bank Nederland	Mark van der Geest (Amsterdam)
ING	Sjoerd Ummels (Brussels)
KBC Securities	Jan De Kerpel (Brussels)
Kempen en Co	Chris Kaashoek (Amsterdam)
Petercam	Jan Van den Bossche (Brussels)
Rabo Securities	Philip Scholte (Amsterdam)
Royal Bank of Scotland	Wim Gille (Amsterdam)
UBS	David Kerstens (London)

## Financial calendar

- 3 May 2010 (7 p.m.): Annual General Meeting of Shareholders
- 5 May 2010: Ex-dividend date
- 7 May 2010: 'Record date'
- 10 May 2010: Dividend to be made payable
- 19 July 2010 (5.45 p.m.): Trading Update on the second quarter 2010
- 26 August 2010 (5.45 p.m.): Publication of half-year results 2010
- 19 October 2010 (5.45 p.m.): Trading Update on the third quarter 2010
- 20 January 2011 (5.45 p.m.): Trading Update on the fourth quarter 2010 and the full year 2010

## Company's website

The Company's documents which are made public are available free of charge on the Company's website [www.omega-pharma.be](http://www.omega-pharma.be). These documents can also be obtained free of charge from the Company's registered office. These are mainly the Company's articles of association, its Corporate Governance Charter and annexes, its statutory and consolidated annual accounts, its annual report, its interim report and the press releases.



## General Meeting and proposals for resolutions

The Annual General Meeting of Shareholders is held each year at the Company's registered office on the first Monday of May at 7 p.m. If this day is a public holiday, the meeting is held at the same time on the following working day.

The first coming General Meeting is scheduled for 3 May 2010. The convocation, the agenda and the proxy form for each General Meeting are included on the website [www.omega-pharma.be](http://www.omega-pharma.be) under the section Press releases. The conditions for admission to the General Meeting are included in the Company's articles of association and are also stated in the convocations to each General Meeting.

Shareholders who, individually or jointly, represent at least 10 per cent of the capital, can propose items for the agenda of a meeting, provided these proposals are submitted to the Board of Directors at least 90 days in advance.

The following resolutions will be proposed to the General Meeting of 3 May 2010:

- Proposal to approve the annual accounts closed on 31 December 2009.
- Proposal to approve the allocation of the result of the financial year as included in the annual accounts, including a gross dividend per share of 0.80 euro.
- Proposal to discharge by separate vote the members of the Board of Directors and the Auditor for their mandate during the year 2009.
- Proposal to approve the annual remuneration for the year 2010 for the Chairman of the Board of Directors at 60,000 euro and for all other non-executive directors at 30,000 euro.

- Proposal to reappoint Lucas Laureys NV, with as permanent representative Lucas Laureys, as non-executive director for a period of 4 years, up to and including the annual General Meeting to be held in 2014.
- Proposal to reappoint Mercuur Consult NV, with as permanent representative Jan Boone, as independent director according to and meeting the criteria of article 526ter of the Belgian Company Code for a period of 4 years, up to and including the annual General Meeting to be held in 2014.
- Proposal to appoint Benoit Graulich BVBA, with as permanent representative Benoit Graulich, as non-executive director for a period of 4 years, up to and including the annual General Meeting to be held in 2014.
- Proposal to appoint Karel Van Eetvelt and Chris Van Doorslaer as independent directors according to and meeting the criteria of article 526 ter of the Belgian Company Code for a period of 4 years, up to and including the annual General Meeting to be held in 2014.



# Relevant elements in case of a public takeover bid

The information that Omega Pharma NV is required to provide in accordance with article 34 of the Royal Decree of 14 November 2007 governing the obligations of issuers of financial instruments that are allowed for trading on a regulated market, is listed below.

## Capital structure

On 31 December 2009, there were 24,227,303 voting shares, representing a total share capital of 16,464,661.41 euro. All shares have equal rights and obligations.

## Restrictions related to the transfer of shares

The Company's articles of association do not impose any other restrictions related to the transfer of shares other than those stipulated by the Belgian Company Code.

## Holders of shares conferring special voting rights

The Company has not granted any special voting rights to any holder of its shares.

## Mechanism for the control of any share plan for employees when the voting rights are not directly exercised by the employees

The voting rights associated with shares to be acquired by the employees as a result of the stock option plans are exercised directly by the employees concerned.

## Restriction of the exercising of the voting right

Each share confers the right to one vote.

Each Shareholder can exercise his voting right provided that he or she was validly admitted to the General Meeting and that these rights have not been suspended. The rules for admission to the General Meeting are included in article 32 of the articles of association and in the convocation to the General Meeting.

According to the articles 7 and 9 of the Company's articles of association, the Company is entitled to suspend the exercising of voting rights conferred to shares (i) as long as the requested amounts payable for these shares

have not been paid, and (ii) which belong to several owners until only one person has been identified to the Company as designated to act as the owner. Nobody can participate in voting at the General Meeting with voting rights related to securities for which he has failed to submit in due time a legally specified notification of participation.

## Agreements between Shareholders of which the Company is aware and which may lead to restrictions on transfer of shares and/or the exercising of voting rights

The Company is not aware of any such agreements at the time this document was prepared.

## Rules for the appointment and replacement of directors and for the modification of the articles of association

The members of the Board of Directors are appointed by the General Meeting. The Company's articles of association also provide a nomination right for Couckinvest NV for the appointment of the members of the Board of Directors, by which half plus one of the directors should be appointed from the candidates exclusively nominated by Couckinvest NV. In practice, no use has been made of this nomination right. The Company's articles of association can be modified by an Extraordinary General Meeting in accordance with the provisions and majorities stipulated in the Belgian Company Code.

## Authorization to issue or to purchase shares

The Extraordinary General Meeting of 7 July 2006 has granted the Board of Directors the authorization to increase the share capital in one or more times with a maximum amount of 16,296,833.81 euro, in a manner and under the conditions to be specified by the Board of Directors, for a five-year period starting on the date of publication of this decision in the Appendices to the Belgian Official Gazette. On 31 December 2009, the Board of Directors was still entitled to increase the capital by a maximum amount of 16,066,977.41 euro.

The Extraordinary General Meeting of 9 June 2009 has granted the Board of Directors the authorization for a period of five (5) years, starting from the date of the authorization, to acquire the Company's own shares, by purchase or exchange, directly or from a person who acts in their own name but for the account of the Company, at a price which may not be lower than 1 euro and not higher than the average of the closing prices of the 10 working days preceding the day of the purchase or the exchange, plus 10 per cent, and this in such a manner that the Company will never hold treasury shares of which the fraction value exceeds 20 per cent of the Company's issued share capital. The Board of Directors is also authorised to dispose of those shares without being bound by the aforementioned time and price restrictions. These authorisations can also be used for the possible acquisition or disposal of Company shares by direct subsidiaries in accordance with article 627 of the Belgian Company Code.

The Board of Directors has not exercised its right to repurchase the Company's own shares during 2009. At 31 December 2009, the Company held 879,994 shares with a total book value amounting to 24,144,000 euro.

#### **Agreements to which the Company is a party and which come into effect, are subject to modifications, or lapse in the event of a change of control of the Company after a public takeover bid**

The Facility Agreement, entered into on 1 December 2006 between Omega Pharma NV (as Company and Original Borrower), Omega Pharma Holding (Nederland) BV (as Original Borrower), certain subsidiaries of Omega Pharma NV (identified in the agreement as Original

Guarantors), ING Bank NV (as Arranger and Agent), and the financial institutions (identified in the agreement as Original Lenders). The Note Purchase Agreement, entered into on 27 July 2004 between Omega Pharma NV and certain subsidiaries identified in the agreement on the one hand and the Purchasers on the other hand. Both agreements include clauses that come into effect in the event of a change of control over the Company. Warrantplan 3 also includes a change of control clause. In accordance with Section 556 of the Belgian Company Code, the clauses identified above were approved by the General Meeting.

#### **Agreements between the Company and its directors or employees, which provide for compensation when, as a result of a public take-over bid, directors or employees resign or are forced to resign without a valid reason**

No such agreements exist.

#### **Notification of Shareholders of the Company in the framework of article 74 of the Law related to public take-over bids**

The Company received a copy of the notifications of Couckinvest NV and Mr. Marc Coucke to the CBFA in accordance with article 74 of the Law of 1 April 2007 on public takeover bids. These notifications show that Couckinvest NV and Marc Coucke held, on 1 September 2007, more than 30 per cent of the Company's shares, in mutual agreement. A copy of these notifications can be found on the Company's website.

## Annual information

In accordance with the Law of 16 June 2006 on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets, a summary of the 'Annual Information' as referred to in Title 10 of this Law is included hereunder. The full documents listed in this summary are available on the corporate website. The Company wishes to emphasise that this information may have become outdated.

## Prospectuses

The Company has not issued a prospectus during 2009.

## Information for the Shareholders

- 30 March 2009: Convocation to the General Meetings of 4 May 2009 and 9 June 2009.
- 30 March 2009: Proxy forms for the General Meetings identified above.
- 15 May 2009: Convocation to the Extraordinary General Meeting of 9 June 2009.
- 15 May 2009: Proxy forms for the Extraordinary General Meetings identified above.
- 9 June 2009: Publication of the new Statutory notification thresholds for participations.

## Periodical press releases and information

- 22 January 2009: Trading Update for fourth quarter and full year 2008.
- 12 March 2009: Publication of the annual results for 2008.
- 16 April 2009: Trading Update for first quarter of 2009.
- 16 July 2009: Trading Update for second quarter of 2009 and first half-year of 2009.
- 27 August 2009: Publication of the interim financial report for the first half-year of 2009.
- 15 October 2009: Trading Update for third quarter of 2009.

## Occasional press releases and information

- 28 April 2009: Press conference with regard to the establishment of the Indian Modi-Omega Pharma Joint Venture.
- 31 August 2009: Press release concerning the appointment of Georges De Vos as COO of Omega Pharma.
- 25 September 2009: Press release as a result of the falling below the 3 per cent notification threshold by Capital Group Intl.
- 9 October 2009: Press release concerning the sale of the production unit in Marseille, France.
- 9 November 2009: Press release concerning the sale of the 24.04 per cent interest in Arseus.



# Consolidated financial statement

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## Statement

*We hereby certify that, to the best of our knowledge, the consolidated financial statements as of December 31, 2009, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and that the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.*

Marc Coucke, CEO

31 March 2010

Barbara De Saedeleer, CFO

# Consolidated income statement

(in thousand euro)	Note	2009	2008
<b>Operating income</b>		<b>822 825</b>	<b>817 490</b>
Turnover	1	813 763	811 283
Other operating income	2	9 062	6 207
<b>Operating expenses</b>		<b>(727 170)</b>	<b>(718 916)</b>
Trade goods		(379 349)	(344 201)
<i>Trade goods purchased</i>		(372 620)	(341 969)
<i>Changes in inventories of raw materials, components, work in progress and finished goods</i>		(6 729)	(2 232)
Services and other goods		(208 185)	(232 526)
Employee benefit expenses	3	(99 415)	(107 408)
Depreciations and amortization	4	(21 164)	(21 673)
Changes in provisions for liabilities	4	2 560	3 389
Other operating expenses	5	(21 617)	(16 497)
<i>Of which restructuring charges</i>		(13 484)	(9 901)
<i>Of which other</i>		(8 133)	(6 596)
<b>Operating result</b>		<b>95 655</b>	<b>98 574</b>
Financial income		965	1 315
Financial expense		(26 276)	(41 182)
<b>Financial result</b>	<b>6</b>	<b>(25 311)</b>	<b>(39 867)</b>
<b>Result excluding associates and before income tax</b>		<b>70 344</b>	<b>58 707</b>
Result of associates (accounted for according to the equity method)		2 702	3 569
Gain on the sale of participation in associates		15 432	
<b>Result of associates</b>		<b>18 134</b>	<b>3 569</b>
<b>Result from ordinary activities before income tax</b>		<b>88 478</b>	<b>62 276</b>
Income tax	7	(11 566)	(7 900)
<b>Result after income tax</b>		<b>76 912</b>	<b>54 376</b>
Minority interests		(88)	(117)
<b>RESULT OF THE PERIOD</b>		<b>76 824</b>	<b>54 259</b>
<i>Total number of shares outstanding on 31 December</i>		<i>24 227 303</i>	<i>24 227 303</i>
<i>Of which treasury shares</i>		<i>879 994</i>	<i>879 994</i>
<i>Weighted average after deduction of treasury shares</i>		<i>23 347 309</i>	<i>23 673 785</i>
<i>Earnings per share (in euro)</i>	8	<i>3.30</i>	<i>2.30</i>
<i>Diluted earnings per share (in euro)*</i>		<i>3.26</i>	<i>2.30</i>

\* Taking into account the dilutive impact of outstanding warrants which are 'in the money'.

The Notes form an integral part of the consolidated financial statement.

# Consolidated balance sheet

(in thousand euro)	Note	2009	2008
<b>Non current assets</b>		<b>987 882</b>	<b>1 002 647</b>
Intangible assets	9	905 319	878 967
Property, plant and equipment	10	43 244	50 074
Financial assets	11	1 940	46 467
<i>of which: Associates</i>			44 527
Deferred income tax assets		29 028	26 318
Other non current assets		8 351	821
<b>Current assets</b>		<b>350 570</b>	<b>414 606</b>
Inventories	12	109 794	122 931
Trade receivables	13	164 223	202 242
Other current assets		51 324	55 640
<i>of which income tax assets</i>		22 534	28 085
Cash and cash equivalents	14	25 229	33 793
<b>TOTAL ASSETS</b>		<b>1 338 452</b>	<b>1 417 253</b>
<b>EQUITY</b>	<b>15</b>	<b>660 518</b>	<b>600 520</b>
Share capital and share premium		366 841	366 841
Retained earnings		325 219	262 815
Treasury shares		(24 144)	(24 144)
Fair value and other reserves		(1 284)	4 641
Cumulative translation adjustments		(6 659)	(9 850)
Minority interests		545	217
<b>LIABILITIES</b>		<b>677 934</b>	<b>816 733</b>
<b>Non current liabilities</b>		<b>369 473</b>	<b>439 299</b>
Provisions	16	4 475	3 887
Pension obligations	17	4 587	6 147
Deferred income tax liabilities	18	71 947	69 045
Borrowings (non current financial liabilities)	19	258 332	344 781
Other non current liabilities		61	14
Derivative financial instruments	19	30 071	15 425
<b>Current liabilities</b>		<b>308 461</b>	<b>377 434</b>
Borrowings (current financial liabilities)	19	19 085	101 850
Trade payables		215 731	200 930
Income tax liabilities		35 076	27 207
Taxes, remuneration and social security		13 760	13 762
Other current payables	20	24 809	28 631
Derivative financial instruments	19		5 054
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 338 452</b>	<b>1 417 253</b>

The Notes form an integral part of the consolidated financial statement.

# Consolidated statement of comprehensive income

As at 31 December 2008:

(in thousand euro)	Fair value & other reserves	Cumulative translation adjustments	Retained earnings	Minority interests	Total equity
Fair value gains/(losses) on cash flow hedges	543				543
Fair value gains/(losses) on cash flow hedges - tax effect	(184)				(184)
Currency translation adjustments		(8 088)			(8 088)
Profit for the period			54 259	117	54 376
<b>Total comprehensive income for the period</b>	<b>359</b>	<b>(8 088)</b>	<b>54 259</b>	<b>117</b>	<b>46 647</b>

As at 31 December 2009:

(in thousand euro)	Fair value & other reserves	Cumulative translation adjustments	Retained earnings	Minority interests	Total equity
Fair value gains/(losses) on cash flow hedges	(9 014)				(9 014)
Fair value gains/(losses) on cash flow hedges - tax effect	3 063				3 063
Currency translation adjustments		3 191			3 191
Profit for the period			76 824	88	76 912
<b>Total comprehensive income for the period</b>	<b>(5 951)</b>	<b>3 191</b>	<b>76 824</b>	<b>88</b>	<b>74 152</b>

## Consolidated statement of changes in equity

(in thousand euro)	Number of shares	Share capital & share premium	Treasury shares	Fair value & other reserves	Cumul.-transl.-adjustments	Retained earnings	Minority interests	Total equity
Amount at 31 December 2007	24 867 310	366 294	(63 242)	4 212	(1 762)	306 664		612 166
<b>Total comprehensive income for the period</b>				<b>359</b>	<b>(8 088)</b>	<b>54 259</b>	<b>117</b>	<b>46 647</b>
Capital increases	21 455	547						547
Employee share options scheme				70				70
Treasury shares cancelled			85 346			(85 346)		0
Treasury shares purchased	(1 541 456)		(46 248)			490		(45 758)
Dividend on treasury shares						1 217		1 217
Dividend						(13 104)		(13 104)
Share of movement in reserves of investments accounted for according to the equity method						(1 365)		(1 365)
Other							100	100
Amount at 31 December 2008	23 347 309	366 841	(24 144)	4 641	(9 850)	262 815	217	600 520
<b>Total comprehensive income for the period</b>				<b>(5 951)</b>	<b>3 191</b>	<b>76 824</b>	<b>88</b>	<b>74 152</b>
Capital increases								
Employee share options scheme				26				26
Dividend on treasury shares						528		528
Dividend						(14 536)		(14 536)
Share of movement in reserves of investments accounted for according to the equity method						(412)		(412)
Other							240	240
Amount at 31 December 2009	23 347 309	366 841	(24 144)	(1 284)	(6 659)	325 219	545	660 518

The Notes form an integral part of the consolidated financial statement.

## Consolidated cash flow statement

(in thousand euro)	Note	2009	2008
Result excluding associates and before income tax		70 344	58 707
Taxes paid	7	6 060	(9 289)
Amortization of intangible assets	4, 9	8 949	8 527
Depreciations of tangible assets	4, 10	9 513	9 658
Amounts written off: inventories - receivables	4	3 137	2 732
(Profit)/loss on sale of fixed assets		(1 785)	104
Changes in provisions	4	386	(5 668)
Interests and non-cash financial items	6	22 233	31 712
<b>Total adjustments for non-cash items and interests paid</b>		<b>42 433</b>	<b>47 066</b>
(Increase)/decrease in other non-current assets		(141)	(789)
(Increase)/decrease in inventories	12	11 463	(21 989)
(Increase)/decrease in trade debtors	13	39 771	(22 130)
(Increase)/decrease in VAT receivables, income tax receivables and other receivables (excluding deferred charges)	13	(1 562)	(2 537)
(Increase)/decrease in prepayments and accrued income		(455)	(726)
Increase/(decrease) in trade creditors		7 352	12 185
Increase/(decrease) in advance payments received		(106)	105
Increase/(decrease) in social security and taxation creditors		161	(807)
Increase/(decrease) in other creditors		1 910	(7 228)
Increase/(decrease) in accruals and deferred income		(3 461)	(1 431)
Increase/(decrease) in provisions			219
<b>Total changes in working capital</b>		<b>54 932</b>	<b>(45 128)</b>
<b>Total cash flow from operating activities</b>		<b>173 769</b>	<b>51 356</b>
Cash flow from divestments		52 500	
Capital expenditure	9, 10	(27 562)	(23 066)
Capital disposals	9, 10	4 609	1 845
Changes in the scope and transfers of opening positions		233	630
Investments in existing shareholdings (post payments) and in new holdings	26	(6 287)	(18 006)
Dividends received		2 250	450
<b>Total cash flow from investing activities</b>		<b>25 743</b>	<b>(38 147)</b>
Proceeds from the issue of share capital			547
Purchases of own shares			(47 676)
Dividend distribution	28	(14 014)	(11 464)
Change in debts	19	(171 584)	72 845
Net interests paid	6	(23 090)	(27 548)
<b>Total cash flow from financing activities</b>		<b>(208 688)</b>	<b>(13 296)</b>
Cash and cash equivalents at the beginning of the year		33 793	35 429
Effect of exchange rate fluctuations		612	(1 549)
Cash and cash equivalents at the end of the year		25 229	33 793
<b>Total net cash flow of the period</b>		<b>(9 176)</b>	<b>(87)</b>

The Notes form an integral part of the consolidated financial statement.

# Report of the Board of Directors on the consolidated annual accounts

- Slightly increasing annual turnover and EBITDA thanks to strong second half-year
- Net profit +41 per cent; dividend +33 per cent
- More than 170 million euro operating free cash flow
- Current earnings per share increases to 3.12 euro

## 1. Notes to the consolidated income statement

### Major factors related to the evolution of the turnover

In spite of the economical crisis and a relatively weak first half-year (turnover - 3 per cent compared to 2008), Omega Pharma's turnover increased in 2009 by 0.3 per cent (+ 1.4 per cent with unchanged currency rates).

The impact of the economical crisis was the most perceptible in France: the turnover decreased with 9 per cent compared to last year. A stronger local management and an intensified focus on a number of key-categories should stop this decreasing trend in 2010.

Especially the generic products and a number of new distributions outperformed the own brands this year, and noticed an increase of their share in the group turnover.

Thanks to innovation, some product categories realized a double digit growth. The brand Aflubin (cough and cold) for instance, more than doubled his turnover. The renewed assortment of XLS and XLS nutrition that was launched last year, kept on growing this year; and the Septivon-range that was extended with anti-bacterial wipes tripled its turnover. The investment in the natural hair coloring product Farmatint, well-known in Spain and South-Europe, widened the brand portfolio and offers possibilities for future growth by cross-selling.

Amongst the Omega classics, we especially notice the lasting growth of the Para brand (anti-insect products)

with among others, the product Paranix (anti-head louse product).

The growth in the Emerging Markets is the result of the enforced geographical expansion in 2008, combined with the introduction of the Omega brands in those countries.

The unfavorable currency exchange differences caused the annual turnover to end approximately 1 per cent lower. This phenomenon was particularly felt in the United Kingdom and Scandinavia.

### Gross margin and operating cash flow rate respectively amount to 53.4 per cent and 16.0 per cent of turnover

The gross margin decreased to 53.4 per cent versus 57.6 per cent in 2008. This decrease is attributable to a number of exchange rate fluctuations (especially during the first half-year), and to the product mix in which the distributions (especially of Belgian generic drugs) increased in importance.

The cost basis decreased by 34 million euro. The cost savings plan, which aimed to save 30 million euro, was completed successfully. Overhead costs were drastically reduced while forward-looking investments (innovations, growth countries,...) increased again as from

the last quarter of the year. In view of the uncertain macro-economic circumstances, also brand-support expenditure was reduced.

The cost savings plan thus led to a decrease of the operating costs with 10 per cent (-24 million euro). Mainly the charges for transport and logistics, the costs for temporal staff and the charges for publicity were restricted.

The employee costs decreased with 7 per cent (or 8 million euro), mainly in France (-2.1 million euro), in Western Europe (-5.5 million euro) and on corporate level (-2.7 million euro) also as a result of the decrease of the variable remunerations and the social security for those remunerations. The number of personnel was 2,039 at the end of the reporting period (1,945 full-time equivalents), what represents a decrease with 5 per cent compared to 2008.

The operating cash flow (EBIT+DA) before non-recurring items but after corporate expense (EBITDA) amounts to 130.3 million euro, which is approximately the same amount as last year.

## Notes to the evolution of turnover and operating cash flow by segment

In *Belgium*, Omega Pharma's turnover grew strongly with 11 per cent. Especially the generics noticed a higher turnover growth than the own brands, which caused a slower growth of the profitability than the turnover. Nevertheless, the EBITDA increased with 0.8 million euro, what leads to an EBITDA margin of 13.4 per cent, or a decrease with 1 per cent.

In *France*, the turnover continued to decline (-9 per cent in 2009). Thanks to the cost savings plan, the decrease of the turnover only caused a limited decrease of the profitability (EBITDA decreased with 4 per cent). The forecast for 2010 however looks promising: a new management was recruited for this purpose and we expect that the strong local brands and the pharmacy-

oriented selling organizations will stabilize the 2010 sales.

In *Western Europe*, the turnover as well as the profitability are slightly negative (both -3 per cent), mainly due to exchange differences and a weak first half-year. Western Europe will fully benefit from the innovative projects of the Group during 2010.

The *Emerging Markets* noticed a strong fourth quarter (turnover +11 per cent). The annual turnover increased by 4 per cent and was responsible for more than 12 per cent of the group sales, and more than 20 per cent of the group profit. Russia, Ukraine and Australia achieved the highest growth, and the Indian Joint Venture booked its first (limited) sales.

## Profit before taxes from OTC-activities increases with 20 per cent

The depreciations and amortizations decreased slightly compared to 2008 (decrease with 2.3 per cent), mainly because of the decreased risk for write-offs for trade receivables.

The extraordinary result consists of a number of significant one-off costs, such as the restructuring of certain production facilities and management structures in France, Germany and on corporate level, which led to non-recurrent costs of 13.5 million euro (versus 9.9 million euro in 2008).

The financial result improved from minus 40 million euro to minus 25 million euro, thanks to the lower interest rates and the decreased debt. In 2008, the result was influenced by 4.0 million euro for one-off currency exchange differences. In 2009, this negative impact was bended to a positive impact of 0.6 million euro.

This leads to a net result from continuing operations excluding associates (OTC) before income tax of 70.3 million euro (+20 per cent).

## Profit contribution by Arseus

Until October 2009, Omega Pharma held 24 per cent of the shares of Arseus NV. Consequently, up to September 30th 2009, 24 per cent of the net profit of Arseus, 2.7 million euro, could be added to its 2009 result. The sale of that participation led to a surplus value of 15.4 million euro.

After adding the Arseus contribution of 24 per cent of net profit of Arseus, and the profit on the sale of the participation, the profit before taxes amounted to 88.5 million euro.

The profit from continuing operations after income taxes amounted to 76.9 million euro, which is an increase of 41 per cent versus 2008.

## Higher profit per share

In 2009, no own shares were purchased nor sold, but the average number of shares has decreased slightly to 23.35 million because of the full year impact of the purchases of last year.

The increase of the net profit also led to the increase of the recurrent profit per share, and the net profit per share, respectively with 11 per cent and 43 per cent. The net recurring EPS amounts to 3.12 euro.

Further comments to the various elements in the income statement can be found in the Notes 1-8, which are included further in this document and which form an integral part of the Report of the Board of Directors on the consolidated annual accounts.

## 2. Notes to the consolidated balance sheet

On the assets side, the intangible assets demonstrate a 3 per cent increase. This is primarily related to the consolidation goodwill of the acquisitions that have been realized in the course of 2009. The value of the sections R&D and brands also increased and illustrate again the emphasis on innovation.

The tangible assets decreased with 14 per cent, mainly as a consequence of the closure and divestment of some manufacturing sites, such as the production entity in Marseille.

The continuing attention for working capital (inventories + trade receivables - trade payables) brought about a decrease with more than 50 per cent from 124.2 million euro in 2008 to 58.3 million euro in 2009 and amounts now to 7.2 per cent of the consolidated turnover (versus 15.3 per cent in 2008). The amelioration with 66 million euro can be explained by lower inventories, factoring in Belgium and the Netherlands, and structural arrangements with key suppliers.

On the liabilities side, equity was mainly impacted by the net profit.

On 31 December 2009, the net financial debt (NFD) <sup>(1)</sup> has decreased to 278.9 million euro (versus 433.3 million euro in 2008) which corresponds to a NFD/EBITDA ratio (as applied for the covenant calculation) of 1.9. The net financial debt was affected in 2009 by the decreased debt ratio. Thanks to the high profitability and the working capital improvement programme, Omega Pharma could generate considerable free cash flows, which made it possible to significantly decrease the NFD/EBITDA ratio.

The capex of the past period represents 3.4 per cent of the turnover.

Further comments to the various elements of the balance sheet can be found in the Notes 9-20, which are included further in this document and which form an integral part of the Report of the Board of Directors on the consolidated annual accounts.

*(1) Net financial debt = current and non-current financial liabilities + derivative financial instruments - cash and cash equivalents*

### 3. Notes to the consolidated cash flow statement

The consolidated cash flow statement starts from the profit before taxes as included in the consolidated income statement.

This amount is augmented by the inflow of cash flows for taxes in the amount of 6 million euro. This amount represents all income taxes that have been effectively paid back by the authorities in the course of 2009, while the amount in the income statement (charges of 11.6 million euro) refers to the income taxes that have been accounted for in 2009.

Subsequently, the elements from the operating activities that do not have a cash flow effect are added back. Non-financial elements (mainly depreciations, amortization and changes in provision) amount to a total of 20.2 million euro. In the income statement, a part of these elements are included in the other operating expenses (restructuring charges), which explains the difference between both amounts.

In order to obtain the cash flow from operating activities, the financial elements are also added back. The amount of 22.2 million euro refers almost completely to interests paid on borrowings, and the remainder to other non-cash financial items. Part of the interests due in 2008 was effectively paid after balance sheet date, thus explaining the difference with the amount in the income statement.

For the calculation of the net cash flow from operating activities, adjustments for changes in working capital are subsequently made. This relates both to changes in working capital in the narrow definition, for which

trade receivables, inventories and trade payables are taken into account, and to other elements. The other elements of the working capital (in the broad definition) are reflected in the table and refer to debts related to acquisitions, provisions, social security etc.

This leads to a net cash flow from operating activities of 173.8 million euro in 2009.

The total amount for cash flows from investing activities indicates an inflow of 25.7 million euro. In 2008, there was a net outflow of 38.1 million euro. The inflow in 2009 is mainly the result of the divestment of the participation in Arseus, that brought about a cash inflow of 52.5 million euro. The capital expenditure amounts to 27.6 million euro and corresponds, as already mentioned, with 3.4 per cent of the turnover. The payments made in 2009 for existing and new shareholdings (6 million euro) are related both to acquisitions made in 2009 (which are also further detailed in Note 23), as to post-payments for acquisitions in 2008. The 2009 acquisitions imply a number of post-payments of the base price in 2009, and may also lead to a maximum of approximately 1 million euro of performance-related compensations ('earn-outs') in the period 2010-2011.

The cash flows from financing activities represent an outflow of 208.7 million euro. This outflow is mainly due to reimbursements of loans for an amount of 171.6 million euro. The distribution of the dividend over the preceding period (2008) resulted in 2009 in an outflow of 14 million euro, while 23 million euro was paid for interests on borrowings.

## 4. Prognosis (\*)

Thanks to the many grow markets, and the promising grow brands, the sales growth of 4 per cent of the 4th quarter is expected to be continued in 2010, with at least the same growth of profitability. Thanks to the expected further decrease of the financial charges, it is possible to obtain an important increase of the EPS.

We expect that the sales in Belgium and Western Europe will notice a limited single digit increase. In France, the new management and the focus on the new brand strategy should stabilize the turnover, and should later on be able to notice again a turnover growth. Especially the Emerging Markets, that already realize a high profit contribution, will notice double digit growth figures.

Special attention will be given also to the increase of the gross margin. The gross margin of 53.4 per cent realized in 2009, should increase again. If abstraction is made for the generic drugs, the gross margin in 2009 was already 61 per cent, and the margin for the brands managed by corporate services was even 71 per cent. The new brands strategy, with focus on five categories, will contribute towards an increase of the gross margin in 2010.

In 2010, the results will still profit from the cost savings program of 2009 as a number of savings were structural measures. In order to support the brand strategy, the appropriate marketing expenditures will be made in several countries. We expect the EBITDA to end at least at the same percentage.

The debt ratio will continue to decrease thanks to the creation of a high free cash flow. It is very likely, at equal low interest rates, that the financial charges will continue to decrease.

Information about significant events after the balance sheet date is included in Note 25 to the consolidated annual accounts. An overview of main risks and uncertainties is included in the Notes, which are included further in this document and which form an integral part of the Report of the Board of Directors on the consolidated annual accounts.

## 5. Auditcommittee

All members of the audit committee dispose of sufficient knowledge of accounting and audit experience. In 2009, the audit committee was composed completely of independent members of the Board of Directors.

*(\*) Disclaimer: These forward-looking information are based on current internal estimates and expectations as well as market expectations. Forward-looking statements contain inherent risks and apply exclusively on the date they are made. The actual results may differ substantially from those included in the forward-looking statements. Considering the reduced visibility which is inherent to the current economic environment, differences between expectations and reality may vary more strongly than before.*

## 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 close to 40 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 Euronext Brussels.

These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2010.

## Summary of significant accounting policies

The principal 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 consolidated 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 consolidated 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.

### a) New and amended standards, endorsed by the EU and effective for the periods ending 31 December 2009 and early adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

- *IAS 1 (revised). 'Presentation of financial statements' - effective 1 January 2009.* The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

- *IFRS 7 'Financial instruments - Disclosures' (amendment) - effective 1 January 2009.* The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
  - *IFRS 2 (amendment), 'Share-based payment' - effective 1 January 2009* - deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Company's financial statements.
  - *IFRS 8, 'Operating Segments' - mandatory for accounting periods beginning on or after 1 January 2009.* This standard replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard uses a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. IFRS 8 has no impact on the Company's financial statements.
  - *IAS 23 (Revised) 'Borrowing costs'*
  - *IFRIC 14 'IAS 19 'The limit on a defined benefit asset, minimum funding requirements and their interaction'*
  - *Annual improvements project (2008)*  
This standard improves existing standards and amends 20 standards, basis of conclusions and guidance. The improvements include changes in presentation, recognition and measurement plus terminology and editorial changes, except for the amendment to the definition of assets held for sale and discontinued operations.
- b) Standards and interpretations endorsed by the EU as at 31 December 2009 but not yet effective for the periods ended 31 December 2009 and not early adopted by the Group:**
- IFRS 3 (Revised) 'Business combinations'
  - IAS 27 (Revised) 'Consolidated and separate financial statements'
  - Amendment to IAS 39 'Eligible hedged items'
  - IFRIC 12 'Service concession arrangements'
  - IFRIC 15 'Agreements for construction of real assets'
  - IFRIC 16 'Hedges of a net investment in a foreign operation'
  - IFRIC 17 'Distributions of non-cash assets to owners'
  - IFRIC 18 'Transfers of assets from customers'
  - Annual improvements 2008 'Amendment to the definition of assets held for sale and discontinued operations (classify as held for sale where a partial disposal results in a loss of control)'
  - Amendments to IAS 39 and IFRS 7 'Reclassification of Financial Instruments'
- (c) New standards and interpretations effective for the periods ended 31 December 2009 but not relevant to the Group:**
- Amendment to IAS 32 'Financial instruments: Presentation' and IAS 1 'Presentation of financial statements on puttable financial instruments and obligations arising on liquidation'
  - Amendment to IFRS 1 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements'
  - IFRIC 13 'Customer loyalty programmes'
  - Amendment to IFRIC 9 and IAS 39 on 'Embedded derivatives'

## Consolidation

### Subsidiaries

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.

### Associates

Associates are companies in which the Group has, directly or indirectly, a significant influence but not the control to govern the financial and operating policies. This is

generally evidenced when the Group holds between 20 and 50 per cent of the voting rights.

Investments in associates are accounted for by the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the individual investments.

When the Group's share of losses in an associate exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities of the associate identified at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Profits and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, unless the loss provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used in line with those used by the Group.

In case the financial statements of an associate have been prepared as of a date different from the Group, adjustments are booked for significant transactions or events that occur between that date and the date of the consolidated financial statements.

## 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 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 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 (in the financial result), except when, as from 1 January 2005, hedge accounting in accordance with IAS 32 and IAS 39 is being applied. In that case, the mark-to-market value is recognized in the income statement when related to fair value hedges, and in equity when related to cash flow hedges.

## Property, plant and equipment

Property, plant and equipment are 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 economic 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 for impairment each time there is a triggering event, or at least annually. Goodwill is 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 capitalised at cost.

Several externally acquired intangible assets with an indefinite useful life have been identified. It specifically concerns the important strategic 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 twenty 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.
- The expenditure attributable to the intangible assets can be measured reliably.

Development costs are amortized using a straight line method over the period of their expected benefit, currently not exceeding five years. Amortization only starts as of the moment that these assets are ready for commercialisation.

## 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.

## 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 exceeding 12 months after the balance sheet date. Loans and receivables are carried at amortized 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 remeasured 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 unrecognized firm commitments (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 realisable 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

Trade receivables 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 needs to be impaired.

In case of transfer of trade receivables to a third party (through factoring), the trade receivables are not recognized any more in the balance sheet if the conditions mentioned in IAS 39 §15-37 and in IAS 32 §42-43 are met.

## Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts 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 on transaction costs), 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, fines and penalties related to 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 risks 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 per cent of the value of plan assets or 10 per cent 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, as the guaranteed minimum return exceeds the legally required minimum return.

Contributions to defined contribution plans 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 tax expense as presented in the income statement 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 are calculated on temporary differences between the carrying amount and the tax base. This method is applied to all temporary differences except for differences arising on investments in subsidiaries and associates where the timing of the reversal of the temporary difference is controlled by the Group and where 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 realized 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 probable 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 probable. Sales of services are recognized in the accounting period in which the services are rendered.

The revenue resulting from the sale of a brand is recognized at the moment of the transfer of property to the buyer.

## Segment reporting

An operating segment is a group of assets and operations engaged in providing products or services that are the basis of the internal reports on the operating activities to the Executive Committee.

## Dividend distribution

Dividend distribution to the Company's Shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Shareholders.

# Risk management

In conformity with IFRS 7, the following chapter gives a description of the principal risks and uncertainties to which the Group's activities are exposed.

It is the Group's policy to remain continuously focused on identifying all major risks, developing plans to prevent or alleviate risks, to manage them appropriately and reduce their consequences should they still occur. Despite this policy the Company is not positioned to provide a full guarantee that these risks will not occur or that they will remain without consequences should they occur.

An investment in the shares of the Group therefore involves substantial risks, which potential investors should carefully consider, and which include but are not limited to the following risks (mentioned at random):

## Business cycle risk

While this document was being prepared, it was not yet entirely clear whether the weak economy and recession would continue to manifest themselves in 2010. In the course of 2009, it was generally assumed that the average consumer postponed or reduced his purchases of products needed occasionally, while the purchase of products for daily or regular use remained relatively unchanged. The assumption that Omega Pharma's products usually only have low to moderate sensitivity to economic cycles was substantially and generally confirmed during 2009.

In the first and second quarters of 2009 in particular, this context showed that there were not only significant differences in various categories of OTC products mutually between themselves, but also between different countries and geographical regions. For example, it appeared that consumption of innovative

products, with a favourable price to quality ratio, was more resistant to recession than more expensively priced luxury products such as make-up. Omega Pharma coordinated its product mix to this, which meant the effect on turnover was relatively limited; however, the resulting gross margin is slightly lower.

In geographical terms, ignoring exchange rate differences, Omega Pharma's operations in Belgium, the Netherlands, Scandinavia and the majority of the Emerging Markets are more resistant to recession than in other countries, such as France, Spain, Italy and the United Kingdom. There are also other countries in the middle. This can on the one hand be attributed to the extent to which the recession has affected these countries, and on the other hand to the sensitivity to the recession of Omega Pharma's specific product mix in each of these countries.

Although the Group's operations have a significant geographical spread, and in spite of a diversified product mix, it cannot be excluded that changes in economies at both micro and macro level fundamentally affect the Group's results.

## Uncertainty of prognoses

The Group makes use of all internally available information for developing forecasts for the sector in general and Omega Pharma in particular. Based on all this information, an estimate is made, which serves as the basis for developing the business plans for the Group. All local managers are involved in this process. No guarantee can be given that the prognoses included in these plans will occur as anticipated. In such an event, this may have a materially adverse effect on the Group's business operations, financial position, prospects and/or operational results.

## Market price fluctuations

The future profitability of the Group is determined in part by the purchase prices for raw materials, components, and for operating expenses such as transportation costs. The commodity markets for the most important raw and ancillary materials seem to be relatively stable at the moment. Some business-to-business services did show a deflationary trend during 2009. Partly as a result of this, Omega Pharma succeeded with its programme to save more than 30 million euro of its costs during 2009.

Although there are many providers for these products and services on the market, the Group continues to closely monitor the situation in order to be capable of developing the required preventive measures should these markets become more volatile. In case of a fuelling inflation it cannot be excluded that the raw materials for OTC products become considerably more expensive which may significantly impact the Group's profitability in a negative way.

## Inventory related risks

Given that the Group stores and markets a large assortment of products having a specific storage life and a trend-sensitive nature, in a market environment that is characterized by a high innovation pace, the emergence of a disruptive technology or a sudden change in customer preferences or a changing consumer confidence may lead to the need to write down part of the inventory. An inventory related risk of this kind might have an adverse effect on the Group's business operations, financial position and/or operational results.

## Product risks

The many products of Omega Pharma are produced in some own production entities and also by many contracting firms. One production error can bring about all kinds of problems, like withdrawal of a product or a brand, loss of market share, temporal unavailability of

products, claims or product responsibility, impact of one product on the purchase behavior of the customers for all products, etc.

It is possible as well that the quick evolving legislation concerning the many categories of the Omega Pharma business (cosmetics, food supplements, medical devices, medicines, ... ) can result in the impossibility to commercialize one or more products, or in the obligation to sell the products with weakened claims, which can lead to a loss of market share.

These product risks can thus have an important impact on the financial situation of Omega Pharma, as well on sales, gross margin, (impairment) amortizations, profitability as solvability.

## Innovation risks

Although Omega Pharma is far less dependent upon the result of Research and Development than traditional pharmaceutical companies, a regular inflow of innovative products and services remains a requirement for the continued favourable development of turnover. Omega Pharma has installed a specific function for in-licensing. Its task is to track innovations and establish third party contacts to provide support in the event of a significant innovation. This reduces the risk of a lack of innovation. The Group also performs specific product and service development activities in-house.

In the event that Omega Pharma is unable to maintain a high pace of innovation and thereby fails to create the innovative solutions required to meet the needs of the market, its business operations, financial position, prospects and/or operational results could be, materially adversely affected. The results of the Group can be impacted most by changes in the segments where the largest turnover is achieved, e.g. slimming, head lice treatment, wart removal, pregnancy tests, anti-snoring products, vitamins etcetera.

For the vast majority of the types of products marketed by Omega Pharma, a legal authorization is required prior to introducing these products on the market. In these procedures, it is verified whether the new product meets all valid requirements related to quality, safety and/or efficacy. Because not all new products are subject to such procedures, and because such procedures cannot capture all risks, it cannot be excluded that specific, previously unknown problems associated with innovative products occur which may lead to market withdrawal. This may have consequences for the operations, the financial situation, the prognosis and/or the results of the Group.

## Risks of reduced economies of scale

The unfavorable economic cycle, increased competition or any other reason may cause a decrease of the sales volume of specific products. This may invoke a cost increase for these products (when sourced externally) or a negative profitability of the Group's manufacturing sites (when sourced internally).

The unfavorable economic cycle, the cost reduction program or any other reason may cause a decrease of the sales volume in specific countries, which may negatively affect the leverage effect on profitability in such a way that the fixed costs of the organization in the related country is insufficiently covered.

## Risk of inadequate protection of brand and other intellectual property rights

Omega Pharma relies on a combination of trade marks, trade names, confidentiality and non-disclosure clauses and agreements and copyrights to define and protect its rights to the intellectual property related to its products. It is of great importance that Omega Pharma is able to continue using these brands and trademarks in the future and that it adequately protects all valuable intellectual property by keeping trade secrets or applying legal devices such as trademark and patent registrations.

In the event that the above devices fail to fully protect the Group's intellectual property rights in any of its key markets, third parties (including competitors) may be able to commercialise its innovations or products or use its know-how, which could materially adversely impact Omega Pharma's business operations, financial position, prospects and/or operational results.

The other way round, Omega Pharma cannot guarantee that, unintentionally, its activities, or those of its licensors, will not occasionally infringe on the patents owned by others. The Group may spend significant time and effort and may incur significant litigation costs if it is required to defend itself against intellectual property rights suits brought against Omega Pharma or its licensors, regardless of whether the claims have any merit. If Omega Pharma is found to infringe on the patents or other intellectual property rights of others, it may be subject to substantial claims for damages, which could materially impact the Group's cash flow, business operations, financial position, prospects and/or operational results. The Group may also be required to cease development, use or sale of the relevant products or processes or it may be required to obtain a license on the disputed rights, which may not be available on commercially reasonable terms, if at all.

The Company has installed a specific function to manage Intellectual Property. This department is charged with the task of monitoring and ensuring that the existing rights of the Company remain intact and to assure that new brands, formulas, and technologies are adequately protected by all necessary trademark registrations, patents, etc.

### **Risk of reduced brand recognition or negative brand image**

The Omega Pharma trademarks and brands are important factors in determining the market position and competitiveness of the Group. The success of Omega Pharma is to an important degree based on the recognition and the positive image of the companies in the Group, as well as the brands and products of the companies in the Group. If brand recognition would considerably decrease, or if any other factor would negatively affect the reputation or the image of the companies and brands of the Group, its business operations, financial position, prospects and/or operational results could be materially adversely affected. Risks of dependency on a specific geographical market

France is the country where the Group generates the highest turnover from own OTC brands. Negative macroeconomic developments or weaknesses of the local organization of Omega Pharma in this country may have a significant impact on the results of the Group.

### **Risks of dependency on customers**

The Group generates its consolidated turnover by maintaining a large number of individual customers. This considerably reduces the risk of dependency on a few major accounts. In specific individual countries, though, including the Netherlands and the United Kingdom, the Group does generate an important part of the local turnover with a more limited number of customers, implying a higher risk of customer dependency in these countries. Moreover, the market situation may evolve and lead to an altered situation in other countries. Omega Pharma spares no effort to detect such alterations in the market at the earliest possible stage in order to develop an appropriate action plan in such an event, but cannot fully exclude any impact in such an event.

### **Risk of an altered competitive landscape**

The future market share and turnover of the Group can be impacted by competition. Omega Pharma limits this risk by focusing on those market segments where it has a considerable market share and/or where it can further expand its position and where no or little transnational competitors are operating. Nevertheless, it can not be excluded that existing competitors beset the position of the Group or that new competitors emerge. This could bring the market position of the Group in peril. Over the past years the global OTC sector has been the subject of a considerable consolidation, which may continue in the future, thus possibly altering the competitive balances.

## Risk of changes in relevant regulations and of an altered distribution landscape

Omega Pharma is marketing its products to the end-consumer mainly through the pharmacy-channel, although the Group is also operating in large retail distribution and drug store chains in countries such as the United Kingdom and the Netherlands. In some countries, the trend to liberalise the market for OTC medicines has already led to measures authorising the retail sale of these products beyond the pharmacy under certain conditions.

Although Omega Pharma is not only marketing OTC medicines, but mainly nutritional supplements, personal care products and medical devices, this trend may still impact the results of the Group. In many countries it is now authorised for one pharmacist to own and exploit several pharmacies. If this trend would continue, a significant alteration of the distribution landscape cannot be excluded, with possible impact on the market position, the turnover and the profitability of the Group.

## Seasonality risk

As the Group's product range includes both typical summer and winter products as well as products that are consumed throughout the year, Omega Pharma's annual turnover is relatively evenly spread between the various quarters. Nevertheless, because of seasonal factors, the turnover in a specific quarter may fluctuate significantly in comparison with previous or comparable quarters of previous accounting periods, which complicates the predictability of the annual results.

## Dependency on distribution and licensing agreements

Over 65 per cent of the Group's turnover is derived from proprietary products and brands. Nevertheless, terminations or alterations to distribution and licensing agreements may have a significant impact on the evolution of the turnover and the profitability of the Group, and may - e.g. in Belgium - cause a substantial decrease of the activity level.

## Dependency on the Belgian government policy related to generic medicines

Omega Pharma is the Belgian distributor of the generic medicines of Eurogenerics (EG), a subsidiary of Stada. As opposed to the proprietary products and brands of Omega Pharma, the EG products require a doctor's prescription for retail supply. The turnover of these products depends to a large degree on the policy that the Belgian government is applying for generic medicines. On the one hand, the sale of these products may strongly fluctuate in function of the measures taken by the Belgian government to promote generic subscription with physicians. On the other hand, the Belgian government may determine the consumer price level, the trade compensation level and the allowance of the health insurance system in the price of these products - all which may significantly impact the turnover and profitability of these products.

## Risks inherent to acquisitions

Since its IPO in 1998, Omega Pharma has acquired multiple companies. Acquisitions have been and are likely to remain an important part of the Group's current growth strategy, even when no major acquisitions are expected in 2010. But also for minor acquisitions there is a risk that corporate cultures do not match, expected synergies are not fully realised, restructurings prove to be more costly than initially anticipated or acquired companies prove to be more difficult to integrate than foreseen.

Furthermore, as Omega Pharma further grows through acquisitions, it may have to recruit additional personnel and improve its managerial, operational and financial systems. If the Group fails to address these challenges, this could adversely impact its business operations, financial position, prospects and/or operational results.

## Risk related to fiscal disputes

Cf. Note 21 related to Contingencies.

## Dependency on key staff

The performance of the Company is largely dependent on its ability to identify, attract, recruit, train, retain and motivate highly skilled staff. If the Company does not succeed in this mission, it can have a major negative impact on its operations, its results, and its financial situation.

## Product liability risks

The products of Omega Pharma are subject to potential product liability risks - both of a general nature, as inherent to pharmaceutical products, medical devices and nutrients. Despite existing pre-marketing registration and control procedures, the use of these products may lead to complaints and/or claims related to safety, quality, labeling,...

It cannot be guaranteed that the Group will not be subject to any such claims in the future. If the Group's product liability insurance coverage is insufficient to cover any successful such product liability claims, its business operations, financial position, prospects and/or operational results could be materially adversely affected.

## IT risks

Information systems are a central part of Omega Pharma's business operations and the distribution and logistics services it offers. The failure of the Group's information systems through breakdown, malicious attacks, viruses or other factors, could severely impair several aspects of operations including, but not limited to, logistics, sales, customer service and administration. Any such failure related to the operation of information systems, may have a material adverse effect on Omega Pharma's business operations, financial position, prospects and/or operational results.

## Environmental and safety risks

The Group's operations are subject to environmental and safety laws and regulations, which can continuously evolve. The cost of compliance with these and similar future regulations could be substantial.

## Share price risk

Just like any share, the Omega Pharma share is subject to fluctuations that are caused by internal and often also external factors. Although Omega Pharma aims for a balance between long-term view shareholders and investors with a shorter term perspective, it remains possible that at a given time an unbalanced situation occurs that increases the share's volatility.

## Financial risk

Omega Pharma has outstanding financial debts and must therefore be capable of repaying them. Over the years Omega Pharma has always generated a sufficiently high net free cash flow to repay or service its debts, thus meeting all covenants with its credit providers. The Group holds the opinion that it has applied a solid financial structure with an appropriate leverage over the past years. From the perspective of the current economic recession, the inherent sharper profile of various risk factors as well as the inherent reduction of the visibility/predictability for the further evolution of the operations and their profitability, it is possible that the current financial leverage may prove less ideal than under previous conditions. In the event of a breach of covenants at the moment of refinancing (end 2011), a new financing facility may prove to be more difficult to obtain, or may invoke higher financial charges.

## Currency exchange risk

The Group incurs foreign currency risk on borrowings and interests that are denominated in US dollar (on the US Private Placement) and on its operating activities denominated in other currencies. Foreign currency risk

from exchanging assets, equity and liabilities of foreign subsidiaries from foreign currencies into euro are not hedged.

The currency exchange risk on the US Private Placement, denominated in US dollar, is entirely hedged by cross currency swaps.

The Group's risk management policy is to hedge between 75 per cent and 100 per cent of anticipated transactions. If the euro had strengthened (weakened) 10 per cent against the US dollar at 31 December 2009, the hedging reserve in shareholders equity would have been 0.766 million euro lower (1.088 million euro higher) - 2008: 1.719 million euro lower (2.694 million euro higher). The fluctuation in the US dollar has an insignificant influence on profit or loss, since the hedges that qualify as fair value hedge, are an exact mirror of the hedged item. More details about these hedges can be found in Note 19.

Some of the Group's activities are denominated in other currencies than the euro - i.e. in the Scandinavian countries and the United Kingdom. The hypothetical effect of a 10 per cent strengthening (weakening) of the euro against the British pound, would have had an effect on profit or loss of 0.67 million euro (-0.67 million euro), while shareholders' equity would be impacted by -1.840 million euro (1.840 million euro). If the euro has gained (lost) 10 per cent against the Swedish crown, this would have impacted profit or loss by 0.775 million euro (-0.775 million euro), while shareholders' equity would be impacted by -0.241 million euro (0.241 million euro).

Also in countries like Russia and Ukraine, where the operating income of the Group in 2009 was largely realized in euro, there is an indirect currency exchange risk as each devaluation would make the products of the Group relatively more expensive for the local consumers.

## Interest rate risk

The Group reviews at least twice a year the target mix between fixed and floating rate debt.

The purpose of this policy is to achieve an optimal balance between cost of funding and volatility of financial results.

The Group's interest rate risk arises mainly from long-term borrowings. As a result of the reimbursement of the first tranche of the US Private Placement loan as per July 28th 2009, and of a lower use of the syndicated loan, approximately 45 per cent of the borrowings were at floating rates. The Group entered into several interest rate swaps in respect of the US Private Placement.

The Group manages its cash flow interest rate risk by using floating-to-fixing interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

If the market interest rates would have been on average 100 base point higher (lower) during 2009, profit or loss would have been 3.366 million euro lower (higher), which is approximately the same impact as in 2008: 3.371 million euro

A change of 100 base points on interest rates would have impacted the hedging reserve in shareholders' equity by 6.527 million euro.

## US Private Placement hedges

Cf. Note 19.

## Fair value risk

Cf. Note 19.

## Customer credit risk

As the Group has a strict credit policy in place, exposure to credit risk is monitored and restricted.

The Group has no individual customers who represent a significant part of the consolidated turnover, nor of the Trade Receivables.

## Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, acquire and cancel treasury shares, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by the equity. Net debt is calculated as total borrowings (including current borrowings, non-current borrowings and the value of the related financial derivatives) less cash and cash equivalents.

The gearing ratios at 31 December 2009 and 2008 were as follows:

(in thousand euro)	31.12.2009	31.12.2008
Total borrowings	277 476	446 645
Derivative financial instruments related to borrowings	30 071	20 479
Less: cash and cash equivalents and current financial assets	(25 229)	(33 793)
<b>Net financial debt</b>	<b>282 318</b>	<b>433 331</b>
<b>Total equity</b>	<b>660 518</b>	<b>600 520</b>
<b>Gearing ratio</b>	<b>43%</b>	<b>72%</b>

## Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet for borrowings, and trade and other payables.

31.12.2009 (in thousand euro)	Earliest contractual maturity (undiscounted)		
	< 1 year	1 to 5 years	> 5 years
Finance lease liabilities	844	3 374	1 778
Bank borrowings	11 241	284 383	18 051
Bank overdrafts	17 886		
Trade and other payables	289 377		
<b>Total liabilities</b>	<b>319 348</b>	<b>287 757</b>	<b>19 829</b>

31.12.2008 (in thousand euro)	Earliest contractual maturity (undiscounted)		
	< 1 year	1 to 5 years	> 5 years
Finance lease liabilities	929	3 374	2 622
Bank borrowings	55 361	369 883	61 706
Bank overdrafts	61 805		
Trade and other payables	270 530		
<b>Total liabilities</b>	<b>388 625</b>	<b>373 257</b>	<b>64 328</b>

## Segment information

All activities of the Group are situated in the OTC business (Over The Counter - i.e. non-prescription health care products).

The segments of these activities are identified following their geographical location. The segment reporting only consists of the geographical segments. No secondary reporting has been identified. The identification of the operating segments is done on the basis of the components that the Management uses to assess the performance and to make decisions about the operating activities.

At 31 December 2009, the Group is organized into four business segments:

1. Omega Pharma Western Europe: activities in Western Europe, excluding Austria, Belgium en France
2. Omega Pharma Belgium: the activities in Belgium
3. Omega Pharma Emerging Markets: activities in Austria, Central and Eastern Europe (including Russia, Ukraine, Czech Republic, Slovakia, Hungary, Romania, Slovenia, Serbia and Turkey), Australia, New Zealand and Argentina.
4. Omega Pharma France: the activities in France

The segment results for the year ended 31 December 2008 are as follows:

(in thousand euro)	Western Europe	Belgium	Emerging Markets	France	Unallocated	TOTAL
Total turnover	350 511	212 818	98 512	174 588		836 429
Inter segment turnover	(14 616)	(7 836)		(2 694)		(25 146)
Turnover	335 895	204 982	98 512	171 894		811 283
<b>Operating profit/segment result</b>	<b>54 225</b>	<b>21 403</b>	<b>29 268</b>	<b>14 634</b>	<b>(20 956)</b>	<b>98 574</b>
Financial result						(39 867)
Profit/loss for the year of companies at equity						3 569
<b>Result from continuing operations before income tax</b>						<b>62 276</b>
Income tax						(7 900)
<b>Net income from continuing operations</b>						<b>54 376</b>
Share of minority interests						(117)
Net result of the period - Share of the Group						54 259

The segment results for the year ended 31 December 2009 are as follows:

(in thousand euro)	Western Europe	Belgium	Emerging Markets	France	Unallocated	TOTAL
Total turnover	347 689	236 437	102 787	160 561		847 474
Inter segment turnover	(20 952)	(8 757)	(507)	(3 495)		(33 711)
Turnover	326 737	227 680	102 280	157 066		813 763
<b>Operating profit/segment result</b>	<b>55 796</b>	<b>25 340</b>	<b>23 295</b>	<b>11 598</b>	<b>(20 374)</b>	<b>95 655</b>
Financial result						(25 311)
Profit/loss for the year of companies at equity						18 134
<b>Result from continuing operations before income tax</b>						<b>88 478</b>
Income tax						(11 566)
<b>Net income from continuing operations</b>						<b>76 912</b>
Share of minority interests						(88)
Net result of the period - Share of the Group						76 824

Other segment items included in the income statement are as follows:

31.12.2008 (in thousand euro)	Western Europe	Belgium	Emerging Markets	France	Unallocated	TOTAL
Depreciations and amortization	5 689	3 081	1 045	6 381	1 665	17 861
Write-down on inventories	816	755		158		1 729
Write-down on receivables	391	89		1 602		2 082
Increase/decrease in provisions	(2 902)	(85)		(401)		(3 388)

31.12.2009 (in thousand euro)	Western Europe	Belgium	Emerging Markets	France	Unallocated	TOTAL
Depreciations and amortization	5 262	2 860	1 747	6 242	1 856	17 967
Write-down on inventories	387	790	(69)	1 986		3 094
Write-down on receivables	55	42	397	(388)		106
Increase/decrease in provisions	(1 479)	(274)	6	(813)		(2 560)

Segmentation of the 2009 turnover according to the origin of the products reveals that 532.074 million euro (65.4 per cent) turnover is generated by proprietary branded products, while distributions represent a turnover of 281.690 million euro (34.6 per cent). Distributions refer for approximately 3/5 to generic medicines and for 2/5 to OTC products in other categories.

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

(in thousand euro)	Western Europe	Belgium	Emerging Markets	France	Unallocated	TOTAL
Non-current assets	428 322	38 460	241 598	183 662	110 585	1 002 647
Current assets	166 197	76 279	58 249	83 658	30 223	414 606
Total assets	594 518	114 739	299 847	267 341	140 808	1 417 253
Total liabilities	121 303	82 135	46 491	123 215	443 589	816 733
Capital expenditure	8 311	3 549	3 018	6 585	3 302	24 765

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:

(in thousand euro)	Western Europe	Belgium	Emerging Markets	France	Unallocated	TOTAL
Non-current assets	440 825	39 090	251 686	177 938	78 343	987 882
Current assets	156 244	39 270	69 271	57 150	28 635	350 570
Total assets	597 069	78 360	320 957	235 088	106 978	1 338 452
Total liabilities	131 726	91 693	53 293	82 109	319 113	677 934
Capital expenditure	14 368	3 918	2 889	3 401	2 779	27 355

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operation cash. They exclude deferred taxation related to the IFRS revaluation of the swaps.

Segment liabilities comprise operating liabilities. They exclude items such as corporate borrowings.

# T. LeClerc

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Collection Printemps 2010

Lentecollectie 2010



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## 1. Turnover

(in thousand euro)	2009	2008
Sale of goods	764 145	770 434
Rendering services	49 618	40 849
Turnover	813 763	811 283

## 2. Other operating income

(in thousand euro)	2009	2008
Gain on disposal of fixed assets	169	71
Other operating income	8 893	6 136
Other operating income	9 062	6 207

Other operating income include, amongst others, received indemnities and relates to several countries.

## 3. Employee benefit expenses

(in thousand euro)	2009	2008
Wages and salaries	65 762	66 627
Social security costs	17 429	19 024
Pension costs - defined benefit plans *	1 961	4 816
Pension costs - defined contribution plans	1 276	1 151
Other employment costs (commissions, premiums, travel, ...)	12 987	15 790
Employee benefit expenses	99 415	107 408

\* See also Note 17.

Because of the cost savings programme, the employee benefit expenses decreased with 7.4 per cent to 99.4 million euro.

Full-time equivalents rounded at one unit			
		31.12.2009	31.12.2008
	Belgium, including corporate services	336	341
	France	453	502
Western Europe	Denmark	5	7
	Finland	11	11
	Germany	69	72
	Norway	12	11
	Sweden	62	62
	Cyprus	4	5
	Greece	75	92
	Italy	45	48
	Portugal	49	50
	Switzerland	24	28
	Spain	115	110
	Ireland	33	32
	Luxembourg	19	22
	Netherlands	121	152
	United Kingdom	16	10
Emerging Markets	Austria	232	272
	Poland	38	28
	Latvia	10	11
	Australia	17	21
	New Zealand	2	2
	Czech Republic	56	50
	Slovakia	11	6
	Hungary	10	9
	Romania	56	60
	Turkey	15	20
	Argentina	12	7
	Singapore	4	1
	Croatia	1	0
	Russia	3	0
	Slovenia	10	0
	Serbia	9	0
	India	10	0
		<b>Total</b>	<b>1 945</b>

## 4. Depreciations, amortization and changes in provisions

(in thousand euro)	2009	2008
Depreciations and amortization	17 966	17 862
Write-down on inventories	3 093	1 729
Write-down on receivables	105	2 082
Increase/decrease in provisions for current liabilities	(972)	(1 323)
Increase/decrease in provisions for pension liabilities	(1 588)	(2 066)
Depreciation, amortization and changes in provisions	18 604	18 284

The amortizations of intangible assets amounted to 8.6 million euro and noted a slight increase compared to 2008. The depreciations of tangible assets decreased from 9.7 million euro in 2008 to 9.4 million euro in 2009. This decrease can partly be explained by the sale of the production entity in Marseille at end of September 2009.

## 5. Other operating expenses

(in thousand euro)	2009	2008
Other operating expenses	8 132	6 596
Restructuring charges	11 947	12 180
Restructuring provisions	1 538	(2 279)
Total other operating expenses	21 617	16 497

The amount for restructuring charges and related provisions arrives at 13.5 million euro for 2009 compared to 9.9 million euro in 2008.

The restructuring costs in 2009 concerned mainly the reorganization of production entities and management structures (mainly in the Netherlands, Bittner Austria, France and Belgium).

A one-off exchange rate compensation (Emerging Markets) also was recorded here.

## 6. Financial result

(in thousand euro)	2009	2008
Financial income	965	1 315
Financial expenses	(6 483)	(6 856)
Interest expenses	(20 377)	(29 897)
Foreign exchange differences	584	(4 429)
Financial result	(25 311)	(39 867)

The most important changes in comparison with 2008 can be attributed to the interest expenses and currency exchange differences. The decrease of the interest expenses results from lower basic interest rates, combined with the decrease of the net financial debt. (partly after the reimbursement of the first note of the US Private Placement loan of 44.7 million euro).

After the exceptional unfavorable currency exchange differences (-4.4 million euro) in 2008, the currency rates evolved positively in 2009, with a positive exchange rate difference result of 0.584 million euro as a consequence.

The other financial expenses contain among other things commitment and utilization fees, varied bank costs and expenses related to factoring.

## 7. Income tax

(in thousand euro)	2009	2008
Current tax expenses	6 846	5 470
Deferred tax	4 720	2 430
<b>Total tax charge</b>	<b>11 566</b>	<b>7 900</b>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

(in thousand euro)	2009	2008
Result excluding associates	70 344	58 708
<b>Tax calculated at weighted average statutory tax rate</b>	<b>18 203</b>	<b>14 889</b>
Income not subject to tax	(8 487)	(12 686)
Expenses not deductible for tax purposes	1 451	1 732
Other	399	3 965
<b>Tax charge</b>	<b>11 566</b>	<b>7 900</b>

The weighted average effective tax rate was 16.4 per cent (2008: 13.46 per cent).

## 8. Earnings per share

(in thousand euro unless stated otherwise)	2009	2008
<b>Basic earnings per share</b>		
Profit attributable to equity holders of the Company	76 824	54 259
Weighted average number of ordinary shares (in thousands)	23 347	23 674
<b>Basic earnings per share (in euro)</b>	<b>3.30</b>	<b>2.30</b>
<b>Diluted earnings per share</b>		
Profit attributable to equity holders of the Company	76 824	54 259
Weighted average number of ordinary shares (in thousands)	23 347	23 674
Effect of warrants **	286	
Weighted average number of ordinary shares (diluted) (in thousands)	23 633	
<b>Diluted earnings per share (in euro)</b>	<b>3.26</b>	<b>2.30</b>
<b>Earnings per share before non-recurring items</b>		
Profit attributable to equity holders of the Company	76 824	54 259
Non-recurring items, after tax *	(4 158)	12 065
Profit before non-recurring items attributable to equity holders of the Company	72 666	66 324
Weighted average number of ordinary shares (in thousands)	23 347	23 674
<b>Basic earnings per share before non-recurring items (in euro)</b>	<b>3.12</b>	<b>2.80</b>
<b>Diluted earnings per share before non-recurring items</b>		
Profit attributable to equity holders of the Company	76 824	54 259
Non-recurring items, after tax *	(4 158)	12 065
Profit before non-recurring items attributable to equity holders of the Company	72 666	66 324
Weighted average number of ordinary shares (in thousands)	23 347	23 674
Effect of warrants **	286	
<b>Diluted earnings per share (in euro) **</b>	<b>3.07</b>	<b>2.80</b>

In the calculation of the ratios based on the number of shares, the number of treasury shares is deducted from the total number of shares.

\* For 2008, the amount refers to the restructuring charges, included in the other operating expenses (cf. Note 5) and the non-recurring currency exchange differences (cf. Note 6), but after application of the effective tax rate, whereas the amount for 2009 refers to the restructuring costs and the profit realized on the sale of the participation in Arseus.

\*\* Taking into account the diluted impact of the outstanding warrants 'in the money'.

## 9. Intangible assets

(in thousand euro)	Goodwill	R&D	Conces- sions & patents	Brands	Soft- ware	Other	TOTAL
<b>Year ended 31 December 2008</b>							
Opening net book value	445 929	14 238	1 973	379 521	3 512	146	845 318
Exchange differences cost	(5 094)	(983)	(9)	(158)	(21)		(6 265)
Additions							
Internal development		4 918			555		5 473
Purchased from third parties		5 113	710	594	1 004	105	7 526
Through business combinations	33 435		106	1 371	30		34 942
Divestments and disposals	(37)	(946)	(132)	(45)	(2 215)		(3 375)
Adjustments of local accounting practices in conformity with consolidation policies			72	1 143	73	(61)	1 227
Currency exchange differences depreciations		626	8	14	15		663
Amortization charge							
Amortization of the year		(5 991)	(302)	(350)	(1 864)	(20)	(8 527)
Through business combinations			(91)	(284)	(11)		(386)
Amortizations of divestments and disposals		1 001	109		2 214		3 324
Application of consolidation policy for depreciation for local accounting practices			(880)		(73)		(953)
Net book value at end of the period	474 233	17 976	1 564	381 805	3 219	170	878 967
<b>Balance at 31 December 2008</b>							
Purchase value	474 233	34 613	6 124	392 057	9 389	195	916 611
Accumulated depreciations		(16 637)	(4 560)	(10 252)	(6 170)	(25)	(37 644)
Net book value	474 233	17 976	1 564	381 805	3 219	170	878 967

(in thousand euro)	Goodwill	R&D	Conces- sions & patents	Brands	Soft- ware	Other	TOTAL
<b>Balance at 31 December 2008</b>							
Purchase value	474 233	34 613	6 124	392 057	9 389	195	916 611
Accumulated depreciations		(16 637)	(4 560)	(10 252)	(6 170)	(25)	(37 644)
Net book value	474 233	17 976	1 564	381 805	3 219	170	878 967
<b>Year ended 31 December 2009</b>							
Opening net book value	474 233	17 976	1 564	381 805	3 219	170	878 967
Exchange differences cost	2 326	379	(4)	253	72		3 026
<b>Additions</b>							
Internal development		6 931			2 188		9 119
Purchased from third parties		4 885	1 893	6 431	923	217	14 349
Through business combinations	9 013		497	414			9 924
Disposals		(217)	(183)	(146)	(126)	(51)	(723)
Adjustments of local accounting practices in conformity with consolidation policies	1 069		693	(1 914)	1 835	(49)	1 634
Currency exchange differences depreciations		(298)	4	(24)	(54)		(372)
<b>Amortization charge</b>							
Amortization of the year		(6 034)	(335)	(125)	(2 076)	(46)	(8 616)
Through business combinations			(498)	(238)			(736)
Amortization of disposals		192	184	15	125		516
Application of consolidation policy for depreciation for local accounting practices			(488)		(1 281)		(1 769)
Net book value at the end of the period	486 641	23 814	3 327	386 471	4 825	241	905 319

## Goodwill

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

### Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified as the four business units of the Group, being Western Europe, Belgium, Emerging Markets and France.

A summary of the goodwill allocation per business unit is presented below (in million euro).

Business unit	2009	2008
Western Europe	163.992	162.204
Belgium	24.698	24.540
Emerging Markets	125.877	116.722
France	124.060	122.752
Corporate	48.014	48.014
Total	486.641	474.232

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections with a five-year forecast horizon based on detailed financial budgets approved by management for year one. For year two till five the budget figures of year one are extrapolated taking into account an internal growth rate and a budgeted gross margin. Besides these rates, the model includes a number of assumptions, such as the rate of perpetual growth and a pre-tax discount rate.

An overview of the key assumptions for the value-in-use calculations is stated below. Management determined gross margin and growth rates based on past performance and its expectations for the market development.

For the review of the parameters in the chart hereunder, the lower autonomous growth that has been achieved in 2009 both on group level as per cash-generating unit, has been taken into account, along with the assumption that the current recession will not be entirely over in the next period. As a consequence, we kept the 5 year average percentages at the 2009 level. On the other hand, the impact of the increasing economies of scale and group synergies has also been taken into account.

The value per cash-generating unit which is calculated in this manner, is compared with the net book value of the corresponding fixed assets. The recoverable amounts of the cash-generating units continue to exceed their net book value. As a result, no impairment of goodwill is required for 2009. For the cash-generating unit with the smallest difference at this level, the calculated recoverable amount still exceeds the net book value with 28.5 per cent.

	Autonomous 5 year-growth (%)		Perpetual growth rate (%)		Gross margin (%)		Discount rate (%)	
	2009	2008	2009	2008	2009	2008	2009	2008
Western Europe	2		2		65.90		10.10	
Belgium	2	3	2	2	25.45	28.36	10.2	10.65
Emerging Markets	4		2.5		70.25		10.36	
France	3	2	2	2	60.46	65.60	9.17	9.58
Northern Europe		4		2		75.54		10.64
Southern Europe		5		2		71.75		12.06
Rest of World		7		2.5		61.06		11.34
Total	2.8	4.2	2.1	2.1	53.4	57.3	10.40	10.87

## Brands

The net book value of all brands, including those with indefinite useful lives, are annually tested for impairment at the level of the CGU as defined above and using the methodology set out above.

For Star Brands and Key Brands, based on an analysis of all relevant factors, there is no foreseeable limit to the period of time over which these brands are expected to generate cash flows for the Company. These brands have been assigned indefinite useful lives. Experience learns that those brands can continuously appeal to new consumers, provided that a certain level of marketing support is maintained. The list of brands includes, for example, Poudres T.LeClerc, which is already marketed since 1881 and which has over the past years been introduced in new geographic markets.

The total book value of Star Brands and Key Brands totalled 386.471 million euro as per the end of 2009 (2008: 381.805 million euro).

In addition to the impairment testing, the indefinite life nature of the Star and Key Brands is reviewed annually. Not only strategic considerations are taken into account but also the evolution of the net recoverable amounts. The net book value for each of the aforementioned brands separately is compared to its' recoverable amount. The recoverable amount is determined as the higher of the value obtained based on:

- A discounted cash flow model, similar to the calculation of the goodwill impairment.
- A multiple method.

As far as the multiple method is concerned, the following multiples are applied, whereby the brand value equals the multiple times the annual sales of the related brand:

Brand	Multiple
Star	3
Key	2.5
Other	2

Review revealed that these multiples still correspond with the ratios that have been used for acquisitions of comparable brands over the past year.

For all strategic brands, the recoverable amount exceeds the net book value, which corroborates the indefinite useful life nature of the brands.

## 10. Property, plant and equipment

(in thousand euro)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leasing & other similar rights	Other tangible assets	Assets under construction	TOTAL
<b>Year ended 31 December 2008</b>							
Opening net book value	13 200	8 732	3 974	8 313	7 461	8 519	50 199
Currency exchange differences on the purchase cost	(2)	(112)	(439)	(15)	(12)		(580)
Investments							
Purchased from third parties	423	4 156	1 847	42	1 535	3 763	11 766
Through business combinations		293	122	78	38	22	553
Divestments and disposals	(233)	(5 725)	(3 006)	(19)	(777)	(137)	(9 897)
Adjustments of local accounting practices in conformity with consolidation policies	2 140	4 424	27	(17)	3 222	(11 859)	(2 063)
Currency exchange differences on depreciations	1	21	285	8	9		324
Depreciations							
Depreciations of the year	(745)	(2 468)	(1 739)	(440)	(4 266)		(9 658)
Depreciations of divestments and disposals	228	5 267	3 027	18	889		9 429
Application of consolidation policy for depreciation for local accounting practices		(116)	109	9	(1)		1
Net book value at end of the period	15 012	14 472	4 207	7 977	8 098	308	50 074
<b>Balance at 31 December 2008</b>							
Purchase value	22 470	29 513	9 615	12 763	22 446	337	97 144
Accumulated depreciations	(7 458)	(15 041)	(5 408)	(4 786)	(14 348)	(29)	(47 070)
Net book value	15 012	14 472	4 207	7 977	8 098	308	50 074

(in thousand euro)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leasing & other similar rights	Other tangible assets	Assets under construction	TOTAL
<b>Balance at 31 December 2008</b>							
Purchase value	22 470	29 513	9 615	12 763	22 446	337	97 144
Accumulated depreciations	(7 458)	(15 041)	(5 408)	(4 786)	(14 348)	(29)	(47 070)
Net book value	15 012	14 472	4 207	7 977	8 098	308	50 074
<b>Year ended 31 December 2009</b>							
Opening net book value	15 012	14 472	4 207	7 977	8 098	308	50 074
Currency exchange differences on the purchase cost		38	106	(11)	(4)	1	130
<b>Investments</b>							
Purchased from third parties	230	975	968	79	1 338	297	3 887
Through business combinations	729	374	66	118	486	20	1 793
Divestments and disposals	(1 226)	(6 979)	(1 441)	(4 225)	(3 181)		(17 052)
<b>Adjustments of local accounting practices in conformity with consolidation policies</b>							
	(11)	731	(2 000)		(77)	(304)	(1 661)
Currency exchange differences on depreciations		(9)	(68)	4	2		(71)
<b>Depreciations</b>							
Depreciations of the year	(687)	(2 661)	(1 308)	(426)	(4 268)		(9 350)
Depreciations of disposals	823	6 215	1 299	2 966	3 181		14 484
Application of consolidation policy for depreciation for local accounting practices	11	(542)	1 465		77	(1)	1 010
Net book value at end of the period	14 881	12 614	3 294	6 482	5 652	321	43 244

There are no liabilities secured on land and buildings.

## 11. Financial assets and other non current assets

(in thousand euro)	31.12.2009	31.12.2008
Cash guaranties	619	821
Financial assets available for sale	1 940	1 940
Investments included according to the equity method		44 527
Receivables with a maturity later than 1 year	7 732	
	10 291	47 288

None of the cash guaranties require impairment adjustments.

The investments included according to the equity method in 2008 (44.527 million euro) refer to the participation that the Group held in Arseus NV and represented 24 per cent of the equity of the Arseus Group as at 31 December 2008.

The participation was sold in October 2009. A surplus value of 15.4 million euro was realized.

The sale price of the participation was 60 million euro.

The price for the Arseus NV shares in this Transaction is 8 euro per share, plus an earn-out of up to 2.75 euro per share, payable when Waterland exits, depending on the future shareholder value created by Arseus NV.

The receivables with a maturity later than one year concern up to 7.5 million euro a deferred payment related to the sale of the Arseus participation.

## 12. Inventories

(in thousand euro)	31.12.2009	31.12.2008
Raw materials	8 719	8 578
Production supplies	6 618	10 758
Work in progress	1 462	1 070
Finished goods	16 117	16 373
Trade goods	76 878	86 152
Inventories	109 794	122 931

The decrease of the inventories mainly concerns the trade goods and the production supplies. This decrease is the result of a continued stock-optimization, mainly in France and Belgium. Also the sale of the production entity in Marseille led to a decrease of the inventories, strengthened by the high sales in the fourth quarter.

## 13. Trade and other receivables

(in thousand euro)	31.12.2009	31.12.2008
Trade receivables	171 845	210 103
Provision for impairment of receivables	(7 622)	(7 861)
<b>Trade receivables - net</b>	<b>164 223</b>	<b>202 242</b>
<b>Other receivables</b>		
VAT receivables	5 526	3 617
Income tax receivables	22 534	28 085
Other receivables	5 980	6 976
Deferred charges	17 284	16 962
<b>Total</b>	<b>215 547</b>	<b>257 883</b>

(in thousand euro)	Carrying amount	Of which neither impaired nor past due at 31.12.2009	Of which not impaired on the reporting date and past due in the following periods			
			less than 30 days	between 30 and 90 days	between 90 and 180 days	more than 180 days
Trade receivables as of 31.12.2009	164 223	131 709	14 730	9 686	5 441	2 657
Other receivables as of 31.12.2009	5 980	5 980				
Trade receivables as of 31.12.2008	202 242	170 482	18 363	4 220	4 762	4 414
Other receivables as of 31.12.2008	6 976	6 976				

## 14. Cash and cash equivalents

(in thousand euro)	31.12.2009	31.12.2008
Short term investments	102	5
Cash at bank and in hand	25 127	33 788
Cash and cash equivalents	25 229	33 793

The vast majority of cash and cash equivalents is cash at bank and in hand - i.e. current bank accounts of the companies in the Group.

## 15. Equity

The mutations of this balance sheet item are shown in the statement of changes in equity.

Here are some comments on the recognition of treasury shares in equity. During the exercise 2009 there were no transactions of own shares. In comparison: in the accounting period 2008, 1,596,456 shares were purchased at an average price of 29.88 euro per share and 55,000 of them were appropriated for an acquisition.

After cancellation of 2,000,000 treasury shares by the Extraordinary General Meeting of 9 June 2008, Omega Pharma held 879,994 treasury shares on 31 December 2008. So, the own shares are still in possession at 31 December 2009.

These shares are held as 'treasury shares' and in conformity with IFRS, they are deducted from the shareholders' equity, but do not have any impact on the income statement. They represented a total amount of 24.144 million euro on 31 December 2009, the same amount as at 31 December 2008.

More information about share-based payments (warrants, dividend) is included in the Notes 27 and 28.

## 16. Provisions

(in thousand euro)	Disputes	Others	TOTAL
<b>Balance at 31 December 2007</b>	<b>1 918</b>	<b>4 349</b>	<b>6 267</b>
Additions			
Through business combinations	893	96	989
Other*	2 225	721	2 946
Amounts used (appropriations)	(1 733)	(4 439)	(6 172)
Currency exchange differences		(143)	(143)
<b>Balance at 31 December 2008</b>	<b>3 303</b>	<b>584</b>	<b>3 887</b>
Additions			
Through business combinations		23	23
Other*	536	2 689	3 225
Amounts used (appropriations)	(774)	(1 886)	(2 660)
Currency exchange differences			
<b>Balance at 31 December 2009</b>	<b>3 065</b>	<b>1 410</b>	<b>4 475</b>

\* *Mainly related to commercial and social disputes. See also Note 4.*

## 17. Retirement benefit obligations

The amounts recognized in the balance sheet are determined as follows:

(in thousand euro)	31.12.2009	31.12.2008
Present value of funded obligations	27 381	27 287
Fair value of plan assets	(23 318)	(20 688)
Present value of unfunded obligations*	4 063	6 599
Unrecognized actuarial gains/(losses)	524	(452)
Liability in the balance sheet	4 587	6 147

\* Difference between the financed liabilities (payments by Omega Pharma) and the fair value of the assets included in the pension scheme.

All defined benefit plans are final salary pension plans. The amounts pertaining to post employment medical plans are included in the liability but are not significant. There are no informal constructive obligations.

The assets comprise reserves of qualifying insurance policies and are not part of the Group's own financial instruments.

The amounts recognized in the income statement are as follows:

(in thousand euro)	31.12.2009	31.12.2008
Current service cost	1 144	1 477
Interest cost on obligation	1 434	1 327
Expected return on plan assets	(956)	(992)
Net actuarial (gains)/losses recognized during the year	(1 220)	938
of which included in changes in provisions for retirement benefit obligations	(1 559)	(2 066)
of which included in other employment costs	1 961	4 816

Movements in net liability:

(in thousand euro)	31.12.2009	31.12.2008
<b>Net liability in the balance sheet at 1 January</b>	<b>6 147</b>	<b>8 369</b>
Expense	1 622	2 561
Pensions paid directly from pension reserve	(59)	(59)
Contributions (benefits - effective payments related to retirement benefit obligations)	(1 903)	(3 277)
Actuary movements	(1 220)	(1 447)
<b>Net liability in the balance sheet at 31 December</b>	<b>4 587</b>	<b>6 147</b>

The Group has various defined benefit pension plans. The most important plans are in the Netherlands, Germany, Ireland and France.

(in thousand euro)	Nether-lands	Germany	Ireland	France	TOTAL	% of total liabilities
Net liability in the balance sheet at						
31.12.2008	1 630	308	1 391	1 797	5 126	80,90
31.12.2009	1 549	259		1 685	3 493	76,15

The principal actuarial assumptions used were as follows:

The weighted average discount rate for 2008 amounted to 5.94 per cent and for 2009 to 6.05 per cent.

The weighted expected return on plan assets was 5.08 per cent for 2008 and 4.08 per cent for 2009.

The weighted expected general salary increase was 2.96 per cent for 2008 and 2.50 per cent for 2009.

The plan assets are mainly invested in shares (60 per cent) and bonds, for which the effective return was 13 per cent in 2009.

## 18. Taxes, remuneration and social security

(in thousand euro)	31.12.2009	31.12.2008
Current income tax liabilities	27 227	19 814
Other current tax and VAT payables	7 849	7 393
Remuneration and social security payables	13 761	13 762
Taxes, remuneration and social security	48 837	40 969

## Deferred tax liabilities

(in thousand euro)	Discrepancy with tax depreciation	Undistributed earnings	Financial instruments	Other	Reclass	TOTAL def. tax liabilities
<b>Balance at 31 December 2007</b>	<b>70 414</b>	<b>2 792</b>	<b>1 591</b>	<b>0</b>	<b>(6 738)</b>	<b>68 059</b>
Result	1 778		754	3 116		5 648
Charged to equity						
Acquisition of subsidiary						
Transfers					(4 373)	(4 373)
Exchange rate differences	(283)			(6)		(289)
<b>Balance at 31 December 2008</b>	<b>71 909</b>	<b>2 792</b>	<b>2 345</b>	<b>3 110</b>	<b>(11 111)</b>	<b>69 045</b>
Result	2 422		(2 345)	(268)		(191)
Charged to equity						
Acquisition of subsidiary						
Transfers					2 985	2 985
Exchange rate differences	81			26		107
<b>Balance at 31 December 2009</b>	<b>74 412</b>	<b>2 792</b>	<b>0</b>	<b>2 868</b>	<b>(8 126)</b>	<b>71 946</b>

The Reclass column in the charts for Deferred tax liabilities and Deferred tax assets features identical amounts as they refer to 'netting' of assets and liabilities included by local entities.

This reclassifications refer to 'offsets' as meant in IAS 12 §71.

## Deferred tax assets

(in thousand euro)	Difference in depreciation rates	Employee benefits	Provisions	Tax losses	Financial instruments	Other	Reclass	TOTAL deferred tax assets
<b>Balance at 31 December 2007</b>	<b>1 934</b>	<b>2 056</b>	<b>7 406</b>	<b>21 736</b>		<b>(10)</b>	<b>(6 738)</b>	<b>26 384</b>
Result	(275)	(1 206)	(6 014)	10 199		29		2 733
Charged to equity								
Acquisition of subsidiary			1 716	36				1 752
Reclass							(4 373)	(4 373)
Exchange rate differences	37		(215)					(178)
<b>Balance at 31 December 2008</b>	<b>1 696</b>	<b>850</b>	<b>2 893</b>	<b>31 971</b>		<b>19</b>	<b>(11 111)</b>	<b>26 318</b>
Result	(1 109)	27	(1 319)	(127)		(19)		(2 547)
Charged to equity					1 146			1 146
Acquisition of subsidiary			1 086					1 086
Reclass							2 985	2 985
Exchange rate differences	(18)		16					(2)
<b>Balance at 31 December 2009</b>	<b>569</b>	<b>877</b>	<b>2 676</b>	<b>31 844</b>	<b>1 146</b>	<b>0</b>	<b>(8 126)</b>	<b>28 986</b>

## 19. Financial debts and derivative financial instruments

### Composition according to duration

(in thousand euro)	31.12.2009	31.12.2008
Non current	288 464	360 220
Financial lease liabilities	4 737	5 210
<i>of which with a maturity later than 1 year and no later than 5 years</i>	2 762	2 461
<i>of which with a maturity later than 5 years</i>	1 975	2 749
Bank borrowings	253 656	339 585
<i>of which with a maturity later than 1 year and no later than 5 years</i>	245 663	289 265
<i>of which with a maturity later than 5 years</i>	7 993	50 320
Derivative financial instruments	30 071	15 425
Current	19 085	106 904
Financial lease liabilities	633	575
Bank borrowings	565	39 470
Bank overdrafts	17 887	61 805
Derivative financial instruments		5 054
Total	307 549	467 124

## Bank borrowings

Carrying amount (in thousand euro)	31.12.2009		31.12.2008	
	Amount	Effective interest rate	Amount	Effective interest rate
<b>Non current bank borrowings</b>				
Syndicated loan	79 177	2.31%	148 502	5.45%
French loan	14 000	2.02%	26 000	5.34%
US Private Placement	186 840	4.98%	186 385	5.21%
Fair value of the hedged part of the US Private Placement	(26 698)		(22 006)	
Other	337		704	
<b>Total non current bank borrowings</b>	<b>253 656</b>		<b>339 585</b>	
<i>of which euro denominated</i>	<i>93 514</i>		<i>175 206</i>	
<i>of which US dollar denominated</i>	<i>160 142</i>		<i>164 379</i>	
<b>Current bank borrowings</b>				
US Private Placement, in US dollar			44 679	5.56%
Fair value of the hedged part of the US Private Placement			(5 375)	
Other	565		166	
<b>Total current bank borrowings</b>	<b>565</b>		<b>39 470</b>	
<i>of which euro denominated</i>	<i>565</i>		<i>166</i>	
<i>of which US dollar denominated</i>			<i>39 304</i>	
<b>Total non current and current bank borrowings</b>	<b>254 221</b>		<b>379 055</b>	

Note: bank overdrafts are not included in the chart above.

As demonstrated in the chart above, the debt financing of the Group consists of two major bank borrowings: (1) a syndicated loan and (2) a private placement in the US.

(1) The syndicated loan was closed end-2006. This revolving credit facility initially provided for a total of 600 million euro credit lines. Because of the relatively limited use of the available credit lines, this total has been reduced upon request of Omega Pharma to 450 million euro in the course of 2007.

(2) The US Private Placement was closed in 2004, when the Group raised 285 million US dollar. This placement is hedged for currency exchange differences and interest fluctuations between the US dollar and the euro. On the moment that these agreements were committed, the nominal principal amount was 231.519 million euro. This amount remains unchanged. After the reimbursement of the first note of the US Private Placement loan to the amount of 44.7 million euro, the nominal principal amount is 186.84 million euro.

Because of the hedges related to the US Private Placement, the corresponding derivative financial instruments are also included in the chart above. Further comments can be found hereunder.

### Recognition of the hedges related to the US Private Placement in the accounts

The US Private Placement consisted originally of four 'Notes' which correspond with an equal number of installments (bullet tranches): 55 million US dollar in 2009, 160 million US dollar in 2011, 50 million US dollar in 2014 and 20 million US dollar in 2016. The first note was reimbursed in July 2009.

Currency and interest rate risks are covered per individual tranche by cross currency swaps from US dollar fixed interest rates to euro fixed interest rates:

- 100 per cent hedge of the currency risk in respect of all capital installments and interest payments
- 90 per cent hedge of the interest risk.

The Group entered also into two cross currency swaps from US dollar fixed interest rate to euro floating interest rate, of which one swap is still remaining at end 2009.

As already mentioned, the nominal principal amount was 231.519 million euro on the contract date, the amount of the loan remaining at end of December 2009 is 186.84 million euro.

These hedges are reflected in the following overview:

US Private Placement Notes	Maturity date	Amount covered by swaps from US dollar <i>fixed</i> interest rate to euro <i>fixed</i> interest rate	Amount covered by swaps from US dollar <i>fixed</i> interest rate to euro <i>floating</i> interest rate
160 million USD	28 July 2011	135 million USD	25 million USD
50 million USD	28 July 2014	50 million USD	
20 million USD	28 July 2016	20 million USD	
230 million USD		205 million USD	25 million USD

The swap from US dollar fixed interest rate to euro fixed interest rate (third column) is qualified as cash flow hedge, while the swap from US dollar fixed interest rate to euro floating interest rate is qualified as fair value hedge.

For cash flow hedges, the effective part of the changes in fair value of the derivative financial instrument is recognized in equity on the balance sheet.

For fair value hedges, both the fair value of the swap as the changes in fair value of the hedged amounts resulting from changes in currency rates and risk free interest rate is recognized in the income statement.

This is also reflected in the following overview:

Hedges	Type	related to	Recognition in the accounts at the level of
Hedges by swaps from US dollar <i>fixed</i> interest rate to euro <i>fixed</i> interest rate	Cash flow hedge	a) The fair value of the swap b) The effective part of the changes in fair value of the derivative financial instrument	a) Derivative financial instruments on the balance sheet b) Equity on the balance sheet
Hedges by swaps from US dollar <i>fixed</i> interest rate to euro <i>floating</i> interest rate	Fair value hedge	a) The fair value of the swap b) The change in fair value of the hedged amounts	a) Derivative financial instruments on the balance sheet b) Financial expense in the income statement

The swaps themselves are recognized as derivative financial instruments on the balance sheets. Initially, they are recognized at the fair value at the date when the derivative contract was committed.

On each closing date, they are revalued at the fair value of that moment.

The fair value of the interest swaps is calculated as the present value of estimated future cash flows. The fair value of the currency swaps is determined using forward exchange market rates at the balance sheet dates.

The fair value of these instruments reflects the estimated amounts that the Group would receive on maturity date - when settling favorable contracts - or that the Group would have to pay - when terminating unfavorable contracts.

The balance sheet item 'Non-current derivative financial instruments', with an amount of 30.071 million euro thus refers to the fair value of the swaps. This amount concerns for 27.525 million euro the swaps for the US Private Placement. The remaining 2.546 million euro concerns other interest swaps in 2009 (see further).

The fair value is not only determined for the swaps, but also for the hedged amounts - i.e. some Notes of the US Private Placement. The fair value of these Notes is, along with the non-hedged bank borrowings, included in the balance sheet item 'Non-current interest bearing financial liabilities' which amount to 258.332 million euro. Within this total amount, the US Private Placement Notes represent 186.840 million euro.

The fair value effect of both swaps and Notes combined amounts to 0.826 million euro. The effect of deferred taxes is not taken into account for these amounts.

The effect of the revaluation of both the underlying borrowing and the outstanding swaps, and taking the effect of deferred taxes into account, amounts to 0.545 million euro. This amount can be split into a gross amount of 0.826 million euro and -0.281 million euro for the deferred tax impact.

### Hedge of the syndicated loan

During the year 2009, two more interest swaps were closed for the hedging of the interest risk on the syndicated loan. It concerns two swaps for the amounts of 50 and 15 million euro, from a variable interest rate to a fixed interest rate. These are cash flow hedges. The effective part of the changes in fair value of the derivative financial instrument is recognized in equity on the balance sheet.

The fair value effect of the outstanding swaps, and taking into account the effect of deferred taxes, amounts to 1.681 million euro (gross amount of 2.546 million euro and -0.865 million euro for the deferred tax impact).

The effect of the revaluation is specified in the following chart.

(in thousand euro)	Liabilities
Balance at 31 December 2007	(3 090)
Fair value hedges	(1 106)
<i>of which: gross amount, non current</i>	(1 355)
<i>of which: gross amount, current</i>	(321)
<i>of which: deferred tax effect</i>	570
Cash flow hedges	(359)
<i>of which: gross amount</i>	(543)
<i>of which: deferred tax effect</i>	184
Balance at 31 December 2008	(4 555)
Fair value hedges	831
<i>of which: gross amount, non current</i>	1 259
<i>of which: deferred tax effect</i>	(428)
Cash flow hedges	5 950
<i>of which: gross amount US Private Placement</i>	6 468
<i>of which: gross amount Syndicated loan</i>	2 546
<i>of which: deferred tax effect</i>	(3 064)
Balance at 31 December 2009	2 226

## Additional disclosures on financial instruments

(in thousand euro)	Category in accord. with IAS 39	Carrying amount 31.12 2008	Amounts recognized in the balance sheet according to IAS 39				Amounts recognized in balance sheet according to IAS 17	Fair value 31.12 2008
			Amor-tized cost	Cost	Fair value recog-nized in equity	Fair value recogn. in profit or loss		
Available-for-sale financial assets	AfS	1 940		1 940			n.a.	
Other non current assets	LaR	820	820				820	
Trade receivables	LaR	202 242	202 242				202 242	
Other receivables	LaR	6 976	6 976				6 976	
Cash and cash equivalents	LaR	33 793	33 793				33 793	
Finance lease liabilities	n.a.	5 785				5 785	4 865	
Bank borrowings	FLAC	468 814	468 814				438 945	
Derivative financial liabilities (hedge accounting)	n.a.	(6 902)			(5 039)	(1 863)	(6 902)	
Trade payables	FLAC	200 930	200 930				200 930	
Other non interest bearing liabilities	FLAC	16 102	16 102				16 102	
of which: aggregated by category in accordance with IAS 39								
Available for sale	AfS	1 940		1 940			n.a.	
Held to maturity	HtM							
Loans and receivables	LaR	243 831	243 831				243 831	
Financial liabilities at amortized cost	FLAC	685 846	685 846				655 977	

### Legend:

AfS	Available for Sale
LaR	Liabilities and Receivables
FLAC	Financial Liabilities at Amortized Cost
HtM	Hold to Maturity
n.a.	not applicable

(in thousand euro)	Category in accord. with IAS 39	Carrying amount 31.12 2009	Amounts recognized in the balance sheet according to IAS 39				Amounts recognized in balance sheet according to IAS 17	Fair value 31.12 2009
			Amor-tized cost	Cost	Fair value recog-nized in equity	Fair value recogn. in profit or loss		
Available-for-sale financial assets	AfS	1 940		1 940			n.a.	
Other non current assets	LaR	8 352	8 352				10 205	
Trade receivables	LaR	164 223	164 223				164 223	
Other receivables	LaR	5 978	5 978				5 978	
Cash and cash equivalents	LaR	25 228	25 228				25 228	
Finance lease liabilities	n.a.	5 370				5 370	4 443	
Bank borrowings	FLAC	298 805	298 805				276 878	
Derivative financial liabilities (hedge accounting)	n.a.	3 373			7 771	602	3 373	
Trade payables	FLAC	215 732	215 732				215 732	
Other non interest bearing liabilities	FLAC	16 498	16 498				16 498	
of which: aggregated by category in accordance with IAS 39								
Available for sale	AfS	1 940		1 940			n.a.	
Held to maturity	HtM							
Loans and receivables	LaR	203 781	203 781				205 634	
Financial liabilities at amortized cost	FLAC	531 035	531 035				509 108	

## Finance leases

### Assets

The property, plant and equipment include the following amounts where the Group is a lessee under a finance lease:

(in thousand euro)	31.12.2009	31.12.2008
Cost - capitalized finance leases	8 959	12 990
Accumulated depreciation	(2 477)	(5 013)
Net amount of assets in leasing	6 482	7 977

The net amount of the finance leases concern following investments:

(in thousand euro)	31.12.2009	31.12.2008
Land	32	528
Buildings	6 208	7 346
Installations, machinery and equipment	8	10
Furniture and vehicles	234	93
Net amount of assets in leasing	6 482	7 977

## Liabilities

Finance lease liabilities - minimum lease payments:

(in thousand euro)	31.12.2009	31.12.2008
Not later than 1 year	750	723
Later than 1 year and not later than 5 years	2 862	2 890
Later than 5 years	2 037	2 872
Total minimum lease payments	5 649	6 485
Future finance charges on finance leases	(279)	(700)
Present value of finance lease liabilities	5 370	5 785

The present value of finance lease liabilities is as follows:

(in thousand euro)	31.12.2009	31.12.2008
Not later than 1 year	633	575
Later than 1 year and not later than 5 years	2 762	2 461
Later than 5 years	1 975	2 749
Present value of finance lease liabilities	5 370	5 785

## Operating leases

The operating leases concern mainly buildings, warehouses and company cars.

The non-cancelable operating leases are payable as follows:

(in thousand euro)	31.12.2009	31.12.2008
Not later than 1 year	10 040	9 863
Later than 1 year and not later than 5 years	20 938	22 398
Later than 5 years	6 601	6 580
Operating leases - minimum lease payments	37 579	38 841

## 20. Other current payables

(in thousand euro)	31.12.2009	31.12.2008
Other payables	16 498	16 110
Accrued expenses	8 311	12 521
Other current payables	24 809	28 631

## 21. Contingencies

Omega Pharma NV has a number of disputes with the Belgian tax authorities.

A first dispute concerns the taxability of the 1998 warrants plan, which relates to the period 2000 to 2006. The tax authorities take the position that the warrants are taxable when they are exercised and has taxed the Company with respect to alleged gifts. The tax authorities demand payment of 9.9 (million) euro. The Company's management does not accept the tax authorities' arguments and has appealed. The latest trend in judge-made law supports the Company's arguments. The last exercises under the warrant plan of 1998 took place in 2008. For the years 2007 and 2008, no corrections were received yet.

The second dispute relates to the deductibility of interest paid to the Group's Luxembourg financing vehicle in the financial years 2002 to 2005. The tax authorities have rejected this deduction in full and demand payment of 10.1 (million) euro. The arguments of the tax authorities are not based on judge-made law and were rejected in an appeal. Since mid-2006, no further interest payments have been made to the Luxembourg financing vehicle.

## 22. Off balance sheet rights and obligations

### Collateral

1. The amount of 2.119 million euro may be analysed as follows:

Omega Pharma France SAS	
Mortgage registration	366
Registered pledge on working capital	<u>1 753</u>
	2 119

Since all concerned bank borrowings are reimbursed, release of covenant will be asked in 2010.

2. The bank loans of Omega Pharma SAS (France) are backed up by a Letter of Intent to the value of 60 (million) euro by Omega Pharma NV.

3. Omega Pharma NV has signed a liability statement on behalf of a number of subsidiaries in the Netherlands, Ireland, Italy and Germany, i.e.:

Bional International BV	Wartner Europe BV
Bional Nederland BV	Chefaro Ireland Ltd
Chefaro Nederland BV	Omega Teknika Ltd
Damianus BV	Chefaro Pharma Italia SrL
Omega Pharma Holding Nederland BV	Deutsche Chefaro GmbH
Samenwerkende Apothekers Nederland BV	Paracelsia Pharma GmbH

## 23. Business combinations

In the course of the accounting period 2009, Omega Pharma has acquired a number of relatively small companies in various countries. No parts of the acquired companies have been sold. These acquisitions are recognized as business combinations. The companies concerned and their respective date of inclusion in the consolidation circle can be found in Note 24.

(in thousand euro)	Book value	Fair value adjustments	Fair value
<b>Non current assets</b>	<b>1 040</b>	<b>375</b>	<b>1 415</b>
Intangible assets		1	1
Property, plant and equipment	1 036		1 036
Other non current assets	4		4
Deferred tax assets		374	374
<b>Current assets</b>	<b>2 866</b>	<b>(147)</b>	<b>2 719</b>
Cash and cash equivalents	159		159
Other current assets	2 707	(147)	2 560
<b>Non current liabilities</b>	<b>401</b>		<b>401</b>
Deferred tax liabilities			
Other non current liabilities	401		401
<b>Current liabilities</b>	<b>2 397</b>	<b>1 241</b>	<b>3 638</b>
<b>Net assets acquired</b>	<b>1 108</b>	<b>(1 013)</b>	<b>95</b>
Goodwill			6 076
<b>Total consideration</b>			<b>6 171</b>

The purchase price allocation and the goodwill calculation were done, in conformity with IFRS 3, on a preliminary basis and may still be modified within twelve months following the acquisition date.

The goodwill of the acquisitions represents the value of their respective sales organization and sales structure, which allow the Group to quickly penetrate the corresponding markets through the distribution of its existing brands.

## 24. List of consolidated companies

Following companies are consolidated according to the global consolidation method:

ACO Hud AB Box 622 - 194 26 Upplands Väsby (Sweden)	100 %
ACO Hud Nordic AB Box 622 - 194 26 Upplands Väsby (Sweden)	100 %
ACO Hud Norge AS Okern Bus 95 - NO-0509 Oslo (Norway)	100 %
ACO Pharma OY Gardsbrinken 1A - FI02240 Esbo (Finland)	100 %
AdriaMedic SA ** Zare Ouest - 4384 Ehlerange (Luxembourg)	100 %
Adriatic BST d.o.o. ** Verovškova ulica 55 - 1000 Ljubljana (Slovenia)	100 %
Adriatic Distribution d.o.o. ** Pančevački Put 36/B - 11210 Belgrade (Serbia)	100 %
Aktif Kozmetik Ticaret Ltd. STI Şerif Ali Mah. Emin Sok 15, Y. Dudullu Ümraniye - 34000 Istanbul (Turkey)	100 %
Altermed Corporation d.o.o. Put M. Makovina 3 - Zagreb (Croatia)	100 %
Altermed Corporation SA Hnevotínská 56 - 779 00 Olomouc (Czech Republic)	100 %
Altermed Slovakia s.r.o. Kysucka 3 - Zilina 01001 (Slovakia)	100 %
Auragen Pty Ltd Units # 48, 49, 50 and 51, N°7, Narabang Way, Belrose NSW 2085 (Australia)	100 %
Aurios Pty Ltd Units # 48, 49, 50 and 51, N°7, Narabang Way, Belrose NSW 2085 (Australia)	100 %
Auropharm Europe BV Prins Bernhardplein 200 - 1097 JB Amsterdam (the Netherlands)	100 %
Aurora Pharmaceuticals Pty Ltd Units # 48, 49, 50 and 51, N°7, Narabang Way, Belrose NSW 2085 (Australia)	100 %
Aurora Pharmaceuticals Ltd 183 Grenada Street - Arataki Tauranga 3116 (New-Zealand)	100 %
Belgian Cycling Company NV Venecoweg 26 - 9810 Nazareth (Belgium)	100 %
Bional France SARL Avenue de Lossburg 470 - 69480 Anse (France)	100 %
Bional International BV Tolhusleane 11-15 - 8401 GA Gorredijk (the Netherlands)	100 %

*Included in the consolidation scope:*

\* as of 01.07.09

\*\* as of 01.10.09

\*\*\* as of 01.01.09

Bional Nederland BV Tolhusleane 11-15 - 8401 GA Gorredijk (the Netherlands)	100 %
Biover NV Monnikenwerve 109 - 8000 Brugge (Belgium)	100 %
Bittner Pharma LLC * Novinskiy Boulevard 31 - 12342 Moscow (Russia)	100 %
Carecom International SA Akara Building - 24 De Castro Street Wickhams Cay I - Road Town Tortola (British Virgin Islands)	100 %
Chefaro Ireland Ltd Farnham Drive - Finglas Road - Dublin 11 (Ireland)	100 %
Chefaro Nederland BV Keileweg 8 - 3029 BS Rotterdam (the Netherlands)	100 %
Chefaro Pharma Italia SRL Viale Castello della Magliana 18 - 00148 Rome (Italy)	100 %
Chefaro Portuguesa Lda Edificio Neopark - Av. Tomás Ribeiro 43 - PT-2795-574 Carnaxide (Portugal)	100 %
Chefaro UK Ltd Hamilton House 4th floor - Mabledon Place, Bloomsburg WC1H 9 88 London (United Kingdom)	100 %
Cinetic Laboratories Argentina SA Av. Triunvirato 2736 - City of Buenos Aires (Argentina)	100 %
Cosmea ACO AS Slotsmarken 18 - DK-2980 Hörsholm (Denmark)	100 %
Cosmediet - Biotechnie SAS Avenue de Lossburg 470 - 69480 Anse (France)	100 %
Damianus BV Keileweg 8 - 3029 BS Rotterdam (the Netherlands)	100 %
Deutsche Chefaro GmbH Im Wirrigen 25 - 45731 Waltrop (Germany)	100 %
EMA SARL Rue André Gide 20, BP 80 - 92321 Châtillon (France)	100 %
Fischem Kozmetik Urunleri Ve Sanayi Ticaret Ltd Şerif Ali Mah. Emin Sok 15, Y. Dudullu Ümraniye - 34000 Istanbul (Turkey)	100 %
Herbs Trading GmbH Hauptplatz 9 - 9300 St. Veit an der Glan (Oostenrijk)	100 %
Hidra IC VE Dis Ticaret Ltd. STI Şerif Ali Mah. Emin Sok 15, Y. Dudullu Ümraniye - 34000 Istanbul (Turkey)	100 %
Hipocrate 2000 SRL SC 6A Prahova Street, sector 1 - Bucharest (Romania)	100 %
Hipocrate Distribution Grup SRL SC 14A Targu Neamt, sector 6 - Bucharest (Romania)	100 %
Hud SA Zare Ouest - 4384 Ehlerange (Luxembourg)	100 %
Interdelta SA Route André Piller 21 - 1762 Givisiez (Switzerland)	81.2 %

Jaïco RDP NV *** Nijverheidslaan 1545 - 3660 Opglabbeek (Belgium)	100 %
JLR Pharma SA Au Village 107 - 1745 Lentigny (Switzerland)	100 %
JRO Pharma NV Monnikenwerve 109 - 8000 Brugge (Belgium)	100 %
La Beauté International SARL Rue André Gide 20, BP 80 - 92321 Châtillon (France)	100 %
Laboratoires Omega Pharma France SAS Rue André Gide 20, BP 80 - 92321 Châtillon (France)	100 %
Medgenix Benelux NV Vliegveld 21 - 8560 Wevelgem (Belgium)	100 %
Modi Omega Pharma (India) Private Limited 1400 Modi Tower - 98 Nehru Place - New Delhi - 110019 (India)	100 %
Omega Alpharm Cyprus Ltd Kennedy Avenue - 1st floor - Office 108 12-14 - 1087 Lefkosia (Nicosia) (Cyprus)	100 %
Omega Pharma GmbH Reisnerstrasse 55-57 - 1030 Vienna (Austria)	100 %
Omega Pharma SAS Rue André Gide 20, BP 80 - 92321 Châtillon (France)	100 %
Omega Pharma Australia Pty Ltd Units # 48, 49, 50 and 51, N° 7, Narabang Way, Belrose NSW 2085 (Australia)	100 %
Omega Pharma Baltics SIA Karla Ulmana gatva 119 - Marupe - Marupes district - LV-2167 (Latvia)	100 %
Omega Pharma Belgium NV Venecoweg 26 - 9810 Nazareth (Belgium)	100 %
Omega Pharma Capital NV Venecoweg 26 - 9810 Nazareth (Belgium)	100 %
Omega Pharma España SA Plaza Javier Cugat, 2 - Edificio D - Planta primera - 08174 Sant Cugat del Vallés (Spain)	100 %
Omega Pharma Hellas SA 19 km of Athens - Lamia Nat. Road - 14671 Nea Erythraia (Greece)	100 %
Omega Pharma Holding Nederland BV Keileweg 8 - 3029 BS Rotterdam (the Netherlands)	100 %
Omega Pharma Hungary Kft. Ady Endre utca 19.III/312 - 1024 Budapest (Hungary)	90.00 %
Omega Pharma International NV Venecoweg 26 - 9810 Nazareth (Belgium)	100 %
Omega Pharma Luxembourg SARL Zare Ouest - 4384 Ehlerange (Luxembourg)	100 %
Omega Pharma Poland Sp.z.o.o. Dabrowskiego 2477 -249 - 93 232 Lodz (Poland)	100 %
Omega Pharma Singapore Pte Ltd 100 Jalan Sultan - # 09-06 Sultan Plaza - Singapore 199001 (Singapore)	100 %

Omega Teknika Ltd	100 %
Farnham Drive - Finglas Road - Dublin 11 (Ireland)	
Paracelcia Pharma GmbH	100 %
Im Wirrigen 25 - 45731 Waltrop (Germany)	
Pharmasales Pty Ltd	100 %
Units # 48, 49, 50 and 51, N°7, Narabang Way, Belrose NSW 2085 (Australia)	
Prisfar Produtos Farmaceuticos SA	100 %
Rua Antero de Quental 629 - 4200-068 Porto (Portugal)	
Promedent SARL	100 %
Zare Ouest - 4384 Ehlerange (Luxembourg)	
Richard Bittner AG	100 %
Reisnerstrasse 55-57 - 103 Wenen (Austria)	
Rubicon Healthcare Holdings Pty Ltd	100 %
Units # 48, 49, 50 and 51, N°7, Narabang Way, Belrose NSW 2085 (Australia)	
Samenwerkende Apothekers Nederland BV	100 %
Tinbergenlaan 1 - 3401 MT IJsselstein (the Netherlands)	
Via Natura NV	100 %
Ondernemersstraat 4 - 2500 Lier (Belgium)	
Wartner Europe BV	100 %
Keileweg 8 - 3029 BS Rotterdam (the Netherlands)	
The Arseus Group was consolidated according to the equity method until 30.09.2009	
Arseus NV	24 %
Textielstraat 24 - 8790 Waregem (Belgium)	

Following companies have been removed from the consolidation circle in the course of 2009:

CTC Medical AB (merged with ACO Hud AB from 1 January 2009)  
Omega Pharma UK Ltd (dissolved in 2009)  
Pharmavit Europe NV (merged with Similia NV from 1 January 2009)  
Visiphar BV (former Vivox BV - dissolved in 2009)

## 25. Significant events after balance sheet date

Up to today, no events have arisen that should be mentioned as significant events after balance sheet date.

## 26. Related parties

Related parties refer to the members of the Executive Committee, the non-executive members of the Board of Directors and to Arseus NV, in which the Company held a 24 per cent participation until October 2009.

### Members of the Executive Committee and non-executive members of the Board of Directors

Gross remuneration* (in units of euro)	Base component	Variable component	Total
Executive Committee members, including the CEO	2 336 333	344 250	2 680 583
Non-executive members of the Board of Directors	150 000		150 000
<b>Total</b>	<b>2 486 333</b>	<b>344 250</b>	<b>2 830 583</b>

\* The total amount equals the full cost to the Company. No social security expenses nor retirement benefit expenses are due by the Company.

In the course of 2009, a total of 10,000 warrants have been granted to the members of the Executive Committee and no warrants have been granted to the non-executive members of the Board of Directors.

In the event of any requests for resignation of a member of the Executive Committee, a settlement will be applied that corresponds in most cases with the fixed remuneration component for one year. No other settlements are in place.

More detailed information is included in this publication in the chapter 'Corporate Governance Statement' under the sub-heading 'Remuneration report'.

### Arseus NV

The table below includes the related party transactions between the Company and Arseus NV up to and including September 2009:

(in thousand euro)	2009	2008
<b>Sale of goods and services</b>	<b>245</b>	<b>223</b>
Sale of goods to Arseus companies	210	145
Sale of services to Arseus companies	35	78
<b>Purchase of goods and services</b>	<b>124</b>	<b>205</b>
Purchase of goods from Arseus companies	115	189
Purchase of services from Arseus companies	9	16

## 27. Warrants - share-based payments

Currently Omega Pharma has one warrant plan which still includes exercisable warrants. For each warrant that is exercised one new share with one voting right is being issued.

### Overview of the warrant plans of Omega Pharma NV

Approved on	Approved by	For the benefit of	Status
1 April 2003	Board of Directors	Employees, service providers and important third parties of Omega Pharma and/or its subsidiaries	31,500 new warrants granted in 2009.

### Vesting of warrants

Target	Exercisable as from	In annual instalments of
Employees	Four years after the grant date	25%
Important third parties and service providers	Four years after the grant date	25%

The average vesting period is about five to nine years. The condition for vesting/exercising the warrants is, for employees, that they are still in service, and for important third parties and service providers, that the relationship with the Company is not terminated.

### Granting, exercising and potential future exercising of warrants

	2009		2008	
	Number	Average exercise price in euro	Number	Average exercise price in euro
Outstanding on 1 January	335 305	31.88	228 004	38.76
Granted	31 500	26.99	196 750	25.66
Expired (a) and forfeited (b)	(32 375)	33.63	(67 994)	39.49
Exercised (c)	0	0	(21 455)	24.12
Outstanding on 31 December	334 430	31.25	335 305	31.88

(a) As a consequence of not being exercised with the scheduled annual instalments.

(b) As a consequence of leaving service (employees) or termination of the relationship with the Company (other warrant holders).

(c) By issuing an equal number of new shares Omega Pharma: cf. the effectively exercised warrants in the scheme hereunder.

## Exercise scheme for 2008 and 2009

Expiry date of the warrants	2009		2008		Effectively exercised warrants
	Exercise price per warrant	Number of warrants per instalment	Exercise price per warrant	Number of warrants per instalment	
January 2009			39.19	16 950	0
June 2009			34.84	40 824	0
June 2010	34.68	61 179	34.71	21 930	
June 2011	46.09	19 488	46.07	19 863	
June 2012	30.83	61 051	30.56	64 419	
June 2013	30.11	65 566	30.27	61 060	
June 2014	30.11	65 573	30.27	61 067	
June 2015	25.86	53 698	25.66	49 192	
June 2016	26.99	7 875			
	31.25	334 430	31.88	335 305	0

On 31 December 2009, a total of 334,430 warrants were exercisable at an average exercise price of 31.25 euro per share, while that day the closing price of the share Omega Pharma amounted to 35.15 euro.

This means that, for the moment 314,942 warrants are exercisable ('in the money').

If, hypothetically, all warrants would be exercised, the total number of voting rights would amount to 24,542,245 (24,227,303 + 314,942).

The most recent situation regarding the number of shares and the number of warrants is made available on the corporate website, in the Investor Center, under the header Info for Shareholders.

## Warrant holders in the Board of Directors and the Executive Committee

See page 49.

## Recognition of the warrant cost in the balance sheet

The fair value of the warrants is recognized in the balance sheet under Equity, spread over the vesting period (cf. the consolidated statement of changes in equity).

The fair value of the warrants is determined as follows:

- As the warrant plans 1 and 2 were granted prior to 7 November 2002, IFRS 2 does not require a specific calculation of the fair value.
- The fair value of the warrants of Warrant plan 3 granted until 2008 are determined using the Black-Scholes valuation model. The main components used in the model, are the share price at grant date, the exercise price shown above, the standard deviation of the expected share price returns (with volatility set at 40 per cent and the expected dividend yield at 0.50 per cent), the option life disclosed above, and the annual risk-free interest rate (5 per cent). In the Black-Scholes valuation model, these components form the basis for calculating the present value of the share ex-dividend and the exercise price. In this manner, which is also used often for the valuation of tradable call options, the fair value of the warrants is being determined.  
The warrants granted as from 2008 are valued according to the binominal model.

## Recognition of the warrant cost in the income statement

The warrant cost is recognized in the income statement under Other employee benefit expenses.

For the calculation of this cost, the fair value of the warrants at grant date is spread over the period until the final vesting of the warrants.

For 2009, this cost amounted to 25,026 euro compared to 68,057 euro in 2008.

## 28. Dividend - share-based payments

The dividend for the period 2008 (0.60 euro gross per share) was paid in 2009 and amounted to a total of 14.536 million euro. The dividend for the period 2007 (0.50 euro gross per share) was paid in 2008 and amounted to a total of 13.104 million euro. For 2009, a dividend of 0.80 euro gross per share will be proposed to the Annual Meeting of 2010. This represents a total dividend of 19.382 million euro, payable in 2010 and not reflected in this financial statement.

The dividends on treasury shares are not suspended and paid out to Omega Pharma NV.

## 29. Information on the Auditor's remuneration and related services

The Statutory Auditor is PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, represented by Peter Van den Eynde.

	(in duizend euro)
<b>Audit fee for the Group audit 2009</b>	
Omega Pharma Group	694
Audit fee for PricewaterhouseCoopers Bedrijfsrevisoren	238
Audit fee for parties related to PricewaterhouseCoopers Bedrijfsrevisoren	456
<b>Additional services rendered by the Auditor to the Group</b>	
Other engagements linked to the Auditor's mandate	6
Tax advisory services	0
Other services	0
<b>Additional services rendered by parties related to the Auditor to the Group</b>	
Other engagements linked to the Auditor's mandate	0
Tax advisory services	26
Other services	23

The Audit Committee of Omega Pharma NV confirmed in its meetings of 9 December 2009 and 25 August 2009 that the above-listed additional services do not impair the independence of the Statutory Auditor.

# Statutory Auditor's report to the General Shareholders' Meeting on the consolidated accounts of the company Omega Pharma NV as of and for the year ended 31 December 2009

As required by law and the Company's articles of association, we report to you in the context of our appointment as the company's statutory auditor. This report includes our opinion on the consolidated accounts and the required additional information.

## Unqualified opinion on the consolidated accounts

We have audited the consolidated accounts of Omega Pharma NV and its subsidiaries (the 'Group') as of and for the year ended 31 December 2009, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated balance sheet as of 31 December 2009, the consolidated income statement, consolidated statement of comprehensive income of the period, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The total of the consolidated balance sheet amounts to EUR (000) 1.338.452 and the consolidated statement of income shows a profit for the year, group share, of EUR (000) 76.824.

The company's board of directors is responsible for the preparation of the consolidated accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by the 'Institut des Reviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren'. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement.

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts.

The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to the preparation and fair presentation of the consolidated accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the consolidated accounts taken as a whole. Finally, we have obtained from the board of directors and Group officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated accounts give a true and fair view of the Group's net worth and financial position as of 31 December 2009 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

## Additional information

The Company's board of directors is responsible for the preparation and content of the management report on the consolidated accounts.

Our responsibility is to include in our report the following additional information, which does not have any effect on our opinion on the consolidated accounts:

- The management report on the consolidated accounts deals with the information required by the law and is consistent with the consolidated accounts. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the companies included in the consolidation, the state of their affairs, their forecast development or the significant influence of certain events on their future development. Nevertheless, we can confirm that the information provided is not in obvious contradiction with the information we have acquired in the context of our appointment.

Antwerp, 1 April 2010

The statutory auditor  
PricewaterhouseCoopers Reviseurs Bedrijfsrevisoren BCVBA  
represented by

Peter Van den Eynde  
Bedrijfsrevisor

# De viktigaste ingredienserna är dem vi har valt bort.

Hemligheten i bra hudvårdsprodukter kan sammanfattas i ett ord: compositan. Det är blandningen som avgör hur bra slutprodukten blir. Få råvaror, noga utvalda och rätt sammansatta, är lika med kvalitativ composita. Varje ingrediens som vi väljer bort minskar risken för oönskade reaktioner. ACO står för Apotekens Composita. I namnet finns 70-års kunskap, förvärvad genom forskning och produktutveckling i egna laboratorium. För dig betyder det skonsamma produkter som din hud mår bra av.



**ACO**

APOTEKENS COMPOSITA

## Statutory financial statement

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# Omega Pharma NV

## stand-alone condensed income statement

(in thousand euro)	2009	2008
<b>OPERATING INCOME</b>	<b>12 687</b>	<b>16 828</b>
Turnover	12 396	16 815
Other operating income	291	13
<b>OPERATING CHARGES</b>	<b>13 747</b>	<b>15 338</b>
Goods for resale, raw materials and consumables	72	135
Services and other goods	9 540	11 058
Remuneration, social security and pensions	3 032	3 175
Amounts written off	791	831
Other operating charges	312	138
<b>OPERATING PROFIT</b>	<b>(1 060)</b>	<b>1 490</b>
<b>FINANCIAL RESULT</b>	<b>(930)</b>	<b>743</b>
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXES</b>	<b>(1 990)</b>	<b>2 233</b>
<b>EXCEPTIONAL RESULT</b>	<b>(13 186)</b>	<b>(853)</b>
<b>PROFIT FOR THE FINANCIAL YEAR BEFORE TAXES</b>	<b>(15 176)</b>	<b>1 380</b>
<b>RESULT TAXES</b>	<b>(31)</b>	<b>(31)</b>
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>	<b>(15 207)</b>	<b>1 349</b>

# Omega Pharma NV

## stand-alone condensed balance sheet

(in thousand euro)	2009	2008
<b>FIXED ASSETS</b>	<b>1 087 922</b>	<b>1 144 348</b>
Formation expenses	1 124	1 954
Intangible fixed assets	2 192	2 506
Tangible fixed assets	1 089	1 121
Investments	1 083 517	1 138 767
<b>CURRENT ASSETS</b>	<b>91 753</b>	<b>145 482</b>
Debtors due after one year	7 553	
Debtors due within one year	55 293	117 075
Investments	24 095	24 095
Cash at bank and in hand	2 296	1 943
Deferred charges and accrued income	2 516	2 369
<b>TOTAL ASSETS</b>	<b>1 179 675</b>	<b>1 289 830</b>
<b>CAPITAL AND RESERVES</b>	<b>659 721</b>	<b>694 310</b>
Capital	16 465	16 465
Share premiums	350 376	350 376
Legal reserve	1 646	1 646
Not available reserve	24 095	24 095
Profit carried forward	267 139	301 728
<b>CREDITORS</b>	<b>519 954</b>	<b>595 520</b>
Creditors due after one year	266 840	336 840
Creditors due within one year	248 170	251 277
Accrued charges and deferred income	4 944	7 403
<b>TOTAL LIABILITIES</b>	<b>1 179 675</b>	<b>1 289 830</b>

## Appropriation of profits Omega Pharma NV

(in thousand euro)	2009	2008
<b>Profits to be appropriated</b>	<b>286 521</b>	<b>362 494</b>
Profits for the year to be appropriated	(15 207)	1 349
Profit carried forward from the previous financial year	301 728	361 145
<b>Transfers to capital and reserves</b>		<b>(46 230)</b>
To statutory reserves		1
To other reserves		46 229
<b>Result to be carried forward</b>	<b>267 139</b>	<b>(301 728)</b>
Profit to be carried forward	267 139	301 728
<b>Profit to be distributed as dividends</b>	<b>(19 382)</b>	<b>(14 536)</b>
Dividend	19 382	14 536

### Accounting policies

The accounting policies used for the statutory financial statements of Omega Pharma NV are the same as previous year. These accounting policies are in line with the Royal Decree of 30 January 2001 of the implementation of the Belgian Company Code.

### Statutory annual accounts of Omega Pharma NV

In accordance with Article 105 of the Belgian Company Code, this annual report includes an abbreviated version of the statutory annual accounts of Omega Pharma NV. The annual report and the Auditor's report have been filed and are also available for consultation at the registered office.

The Auditor has issued an unqualified opinion on the statutory annual accounts of Omega Pharma NV for the financial year 2009 as well as for the previous year.

## Alphabetic terminology list

In addition to the terms that are defined in IFRS, this annual brochure also includes other financial terminology. These 'alternative performance indicators' are defined below. The IFRS terminology is set in *italics*.

<b>EBIT:</b>	"Earnings Before Interests and Taxes", <i>Results of operating activities</i>
<b>EBITDA:</b>	"Earnings Before Interests, Taxes, Depreciations and Amortizations", <i>Results of operating activities</i> increased with <i>depreciations and amortizations</i> before non-recurring items and after corporate cost
<b>EBT:</b>	"Earnings Before Taxes", <i>Results of operating activities</i> after net <i>finance cost</i>
<b>Financial result:</b>	<i>Net finance cost</i> , result of <i>financial income</i> and <i>financial charges</i>
<b>Gearing ratio:</b>	Net financial debt as a percentage of total Equity
<b>Gross margin:</b>	Revenue reduced with <i>Trade goods, raw materials and consumables</i> and also adjusted for <i>Changes in inventories</i> , expressed as a percentage of <i>Revenue</i>
<b>Net capex:</b>	Net capital expenditures, <i>Investments</i> and <i>produced assets</i> reduced with <i>sales of investment goods</i> and investments goods that are taken out of service
<b>Net financial debt:</b>	The sum of <i>current and non-current Borrowings</i> and <i>Derivative financial instruments</i> reduced with <i>Cash and cash equivalents</i>
<b>Net profit:</b>	<i>Profit or loss</i> , consolidated result
<b>Non-recurring items:</b>	Exceptional charges that are not-related to the ordinary operations
<b>Net turnover:</b>	<i>Revenue</i>
<b>Operating cash flow:</b>	EBITDA - "Earnings Before Interests, Taxes, Depreciations and Amortizations", <i>Results of operating activities</i> increased with <i>depreciations and amortizations</i> before non-recurring items and after corporate cost
<b>Operating result:</b>	<i>Results of operating activities</i> , EBIT ("Earnings Before Interests and Taxes")
<b>Recurring net profit:</b>	<i>Profit or loss</i> corrected for all non-recurring items
<b>Working capital:</b>	<i>Inventories + Trade receivables - Trade payables</i>



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