



**PRESS RELEASE**  
**Consolidated results for the first semester of 2005**

**Key figures S1/2005**

| in €x 1,000                  | SE 1 /2005 | SE 1/2004  | % change |
|------------------------------|------------|------------|----------|
| Revenue                      | 491,403    | 386,366    | 27 %     |
| REBITDA                      | 75,358     | 57,314     | 31 %     |
| DA                           | 9,816      | 6,308      | 56 %     |
| REBIT                        | 65,542     | 51,006     | 28 %     |
| Non-recurring items          | - 7,642    | - 5,608    |          |
| EBITDA                       | 67,716     | 51,706     | 31 %     |
| EBIT                         | 57,901     | 45,398     | 28 %     |
| Financial result             | - 11,527   | - 4,828    |          |
| EBT                          | 46,374     | 40,570     | 14 %     |
| Tax expenses                 | 8,887      | 10,433     |          |
| Net profit                   | 37,487     | 30,137     | 24 %     |
| Net current profit           | 43,665     | 34,303     | 27 %     |
| Current cash flow            | 53,480     | 40,611     | 32 %     |
| Number of shares             | 26,884,570 | 27,439,401 |          |
| Basic earnings per share     | 1.39       | 1.10       | 26 %     |
| Current cash flow per share  | 1.99       | 1.48       | 34 %     |
| Net current profit per share | 1.62       | 1.25       | 30 %     |

**Comments**

• Turnover

In the first half of 2005 Omega Pharma generated a turnover of €491 mio (+ 27 % compared to S1/2004; internal growth amounted to 9.3 %).

The strongest growth was achieved by Omega Europe (+ 92 %), but also the Belgian OTC-activities continue to achieve a substantial growth (+ 28 %).

The Star Brands, the European brands of the Omega Pharma group, grew by 41 %; the best results were recorded by Paranix, Restiva, Wartner and Davitamon.

• Profitability

Thanks to the cost-cutting project 'Vitamin O' the current EBITDA margin shows, after 2 years of decrease in margin, an upward change in the 2<sup>nd</sup> quarter (from 15.4 % to 16.5 %).

In the first semester the net current profit per share thus increased by 30 % to €1.62 per share. Positive peaks of profitability (recurring EBITDA) were Omega Europe and OmegaSoft, which achieved more than 20 %. On the other hand, Omega France and Omega Medical were below 10 %. In the first semester 2005 Omega Pharma realised an operating cash flow of €47 mio, due to a strict monitoring of working capital.

• Prospects

The prognoses for 2005 (€950 mio turnover, €150 mio current EBITDA and €3.50 net current profit per share) are maintained.

**Auditor's report**

The unqualified limited review opinion of our auditor is appended to the consolidated financial statement for the first half of 2005, as published on our website [www.omega-pharma.be](http://www.omega-pharma.be)

**For more information and comments** : [www.omega-pharma.be](http://www.omega-pharma.be)

## Comments to the half year figures

### **I. Key figures S1/2005**

| in €x 1,000                               | SE 1 /2005 | SE 1/2004 <sup>1</sup> | % change |
|---|------------|------------------------|----------|
| Revenue                                   | 491,403    | 386,366                | 27 %     |
| REBITDA <sup>2</sup>                      | 75,358     | 57,314                 | 31 %     |
| DA  | 9,816      | 6,308                  | 56 %     |
| REBIT <sup>3</sup>                        | 65,542     | 51,006                 | 28 %     |
| Non-recurring items                       | - 7,642    | - 5,608                |          |
| EBITDA <sup>4</sup>                       | 67,716     | 51,706                 | 31 %     |
| EBIT <sup>5</sup>                         | 57,901     | 45,398                 | 28 %     |
| Financial result                          | - 11,527   | - 4,828                |          |
| EBT <sup>6</sup>                          | 46,374     | 40,570                 | 14 %     |
| Tax expenses                              | 8,887      | 10,433                 |          |
| Net profit                                | 37,487     | 30,137                 | 24 %     |
| Net current profit                        | 43,665     | 34,303                 | 27 %     |
| Current cash flow <sup>7</sup>            | 53,480     | 40,611                 | 32 %     |
| Number of shares <sup>8</sup>             | 26,884,570 | 27,439,401             |          |
| Basic earnings per share                  | 1.39       | 1.10                   | 26 %     |
| Current cash flow per share               | 1.99       | 1.48                   | 34 %     |
| Net current profit per share <sup>9</sup> | 1.62       | 1.25                   | 30 %     |

### **II. Key figures 2<sup>nd</sup> quarter 2005**

| in €x 1,000                     | Q2 /2005   | Q2/2004 <sup>1</sup> | % change |
|---------------------------------|------------|----------------------|----------|
| Revenue                         | 265,202    | 209,262              | 27 %     |
| REBITDA <sup>2</sup>            | 43,656     | 32,196               | 36 %     |
| DA                              | 4,569      | 3,399                | 34 %     |
| REBIT <sup>3</sup>              | 39,087     | 28,797               | 36 %     |
| Non-recurring items             | - 3,560    | - 5,044              |          |
| EBITDA <sup>4</sup>             | 40,096     | 27,152               | 48 %     |
| EBIT <sup>5</sup>               | 35,528     | 23,753               | 50 %     |
| Financial result                | - 6,245    | - 2,561              |          |
| EBT <sup>6</sup>                | 29,283     | 21,192               | 38 %     |
| Tax expenses                    | 4,879      | 5,607                |          |
| Net profit                      | 24,404     | 15,585               | 57 %     |
| Net current profit              | 27,570     | 18,908               | 46 %     |
| Current cash flow <sup>7</sup>  | 32,139     | 22,307               | 44 %     |
| Number of shares <sup>8</sup>   | 26,750,348 | 27,439,401           |          |
| Basic earnings per share        | 0.91       | 0.57                 | 60 %     |
| Current cash flow per share     | 1.20       | 0.81                 | 48 %     |
| Net current cash flow per share | 1.03       | 0.69                 | 49 %     |

<sup>1</sup> Figures for 2004 have been adjusted to take into consideration the transition to IFRS (see note to the financial statements).

<sup>2</sup> REBITDA : REBIT before depreciation and amortisation

<sup>3</sup> REBIT : recurrent earnings before interest and taxes : recurrent operating results

<sup>4</sup> EBITDA : operating results before depreciation and amortisation

<sup>5</sup> EBIT : operating results

<sup>6</sup> EBT : earnings before taxes

<sup>7</sup> Current cash flow : net current profit plus depreciation and amortisation

<sup>8</sup> Calculated on the basis of the weighted average number of shares after deduction of own shares.

<sup>9</sup> The total number of additional shares by dilution via warrants to be exercised, amounts to 576,343, by which the net current profit per diluted share amounts to €1.59 for the 1<sup>st</sup> semester.

### III. Comments to the key figures

- Sales in the first half of 2005 amounted to €491.4 million, a rise by 27 % as compared to the same period of last year. Internal growth was 9.3 %.
- The sales split per Business Unit is as follows:

|               | H1/2004 | H1/2005 | % change |
|---------------|---------|---------|----------|
| Omega Belgium | 74.9    | 95.6    | + 28 %   |
| Omega France  | 96.5    | 96.0    | - 1 %    |
| Omega Europe  | 82.8    | 158.6   | + 92 %   |
| Fagron Group  | 42.7    | 49.1    | + 15 %   |
| OmegaSoft     | 12.1    | 13.3    | + 10 %   |
| Omega Dental  | 50.1    | 49.2    | - 2 %    |
| Omega Medical | 27.2    | 29.6    | + 9 %    |
| TOTAL         | 386.4   | 491.4   | + 27.2 % |

- For the first semester 2005, the gross margin was 52.2 %. In the first half of 2004 it was 50 %. This increase is due to a better product mix and the raised gross margin on the group's own products.
- The current EBITDA rose by 31 % to €75.4 million. The REBITDA margin consequently rose from 14.8 % in the first half of 2004 to 15.3 % in the first half of 2005. This is due to the implementation of the Vitamin O Project, a cost control and improved efficiency scheme.
- The non-recurring items include the restructuring costs of the Vitamin O Project.
- The building of the customer-focused structures, which have turned Omega Pharma in 17 European countries into a major OTC player, caused a significant rise in underlying costs; it resulted in a fall in the profitability of Omega Pharma between 2002 and 2004. The Vitamin O Project helped the various organisations to achieve higher efficiency, with an ensuing turnaround in the second quarter of 2005 and a rise in profitability from 15.4 % to 16.5 %.
- The financial result increased to €11.5 million, mainly because of the cost of loans incurred to effect the acquisitions in 2004 and the repurchase of own shares.
- The depreciation and amortisation on consolidation differences, amounting to €18.7 million under Belgian GAAP in the first half of 2004, are no longer recognised under IFRS, so the net profit is now much higher. In the first half of 2004 the net profit amounted to €15 million under Belgian GAAP and €30 million under IFRS; it has now risen to €37.5 million in the first half of 2005.
- Net current profit, which does not take into account non-recurring items, rose by 27 % to €43.7 million. The rise was 5 % in the first quarter and 46 % in the second quarter.
- The average number of shares fell to 26.9 million as a result of the programme to repurchase own shares. Currently, Omega Pharma owns over 2 million of its own shares.
- Net current profit per share rose by 30 % to €1.62 per share.
- Sales of the Star Brands, Omega Pharma's European OTC brands, rose by 41 % to €72.8 million in the first half of 2005. Also the Key brands grew by 35 %. The best results were recorded by Paranix (anti-lice), Restiva (hair conditioning), Wartner (wart treatment), Davitamon (vitamins), Bodysol (body care) and Clément-Thékan (veterinary products).
- The working capital (stock + accounts receivable – accounts payable) fell from €191 million at 30/06/2004 to €187 million at 30/06/2005, despite the strong sales growth. This increased working capital control is one of the elements leading to a positive operational cashflow in the first half of 2005, amounting to €47.5 million.



- In the first half of 2005, the capex amounted to 2.9 % of sales, more than the usual 2 %, because of investments in warehouses, hardware, installations and machinery, mainly to support the integration of the OTC brands acquired from Pfizer in 2004.

#### IV. Comments by Business Unit <sup>10</sup>

|               | REBITDA<br>S1/2005 | in % of turnover |
|---------------|--------------------|------------------|
| Omega Belgium | 12.2               | 12.8 %           |
| Omega France  | 9.5                | 9.9 %            |
| Omega Europe  | 36.4               | 23.0 %           |
| Fagron Group  | 9.0                | 18.3 %           |
| OmegaSoft     | 3.6                | 27.1 %           |
| Omega Dental  | 6.0                | 12.2 %           |
| Omega Medical | 1.0                | 3.4 %            |

- In the first half of 2005, Omega Belgium posted a current EBITDA of €12.2 million. The strong sales growth in the first half, combined with strict cost control, thus generated a 12,8% margin, despite the lower return on generics.
- Omega France posted a REBITDA of €9.5 million, or a profitability of just under 10 %. Due to the fact that the headcount decreased with 80 persons (13 % of the staff) during the first semester in France, the costs decreased enormously. Omega France is expecting a gradual increase of the profitability to the average group level.
- Omega Europe once again posted a high profitability: €36.4 million REBITDA, or a 23 % margin. All countries where Omega Europe is represented (the Netherlands, Germany, Spain, Great-Britain, Ireland, Scandinavia, Italy, Portugal, Greece, Sweden and Austria) contributed to this result.  
A high gross margin, strict cost efficiency and successful synergetic product launches underpin the profitability achieved.
- Fagron group, active in B2B to pharmacies in Belgium, the Netherlands, Germany and Spain, achieved a REBITDA of €9 million, generating an 18.3 % margin, thanks to several transnational synergies.
- OmegaSoft (the group's medical IT division) achieved a REBITDA of €3.6 million, or a 27 % margin. Investments in rest homes and in linking various medical sectors are OmegaSoft's future-oriented strategy.
- Omega Dental (the group's dental activities) achieved a REBITDA of €6 million, in spite of the intensity of the strategic brainstorm.
- Omega Medical (B2B activities for the benefit of rest homes and hospitals) achieved a REBITDA of €1 million. This 3.4 % margin should be raised through a change in management and improved efficiency.

<sup>10</sup> comment on sales is to be found in the sales flash of 15/07/2005.



## V. **Prospects**<sup>11</sup>

In the first half of 2005 the Omega Pharma group created an internal growth of 9.3 %, thanks to the dynamism and synergies of the organisation built in the preceding years.

Thanks to the Vitamin O Project, cost control, improved efficiency and raised margins were prioritised.

As a result margins rose again in the second quarter of 2005, after two years of decreasing profitability.

We expect that internal growth will be lower in the second half than in the first half, and that the profit-improving effects of Vitamin O will continue.

Consequently, we expect that the annual forecasts (€950 million in sales, €150 million recurring EBITDA and €3.50 net current profit per share) will be achieved.

## VI. **Financial calendar**

- Thursday 13 October 2005 (post-Exchange) : sales flash Q3
- Thursday 24 November 2005 (post-Exchange) : results Q3
- Friday 25 November 2005 (2 p.m.) : analyst meeting

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<sup>11</sup> Disclaimer: This press release contains forward-looking information, which is based on current internal estimates and expectations, as well as market expectations. Forward-looking statements contain inherent risks and apply exclusively on the date on which they are made. The actual results may differ substantially from those included in the forward-looking statements.



**VII. REPORT ON LIMITED REVIEW OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED 30 JUNE 2005**

- 1 We have reviewed the accompanying condensed consolidated balance sheet of Omega Pharma NV and its subsidiaries ('the Group') as of 30 June 2005 and the related condensed consolidated statements of income, condensed cash flows and statement of changes in shareholders' equity for the six months then ended. This condensed consolidated financial information is the responsibility of Omega Pharma NV's Management. Our responsibility is to issue a report on this condensed consolidated financial information based on our review.
- 2 We conducted our review according to the standards of the "Instituut der Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises". These Standards require that we plan and perform the review to obtain moderate assurance about whether the condensed consolidated financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
- 3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements have not been properly prepared, in all material respects, in accordance with the basis of preparation included in Note 1 to these statements.
- 4 We draw attention to the basis of preparation in Note 1 to the condensed consolidated financial statements which indicates that the IFRS standards and IFRIC interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

8 September 2005

Statutory Auditor  
PricewaterhouseCoopers Réviseurs d'Entreprises/Bedrijfsrevisoren  
Represented by

Peter Van den Eynde  
Bedrijfsrevisor

Peter Opsomer  
Bedrijfsrevisor

**VIII. Annexes**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FIRST HALF 2005**

Condensed consolidated income statement

| (€ thousands)  | 1st half 2005  | 1st half 2004  |
|--|----------------|----------------|
| <b>Operating income</b>  | <b>500.261</b> | <b>397.258</b> |
| Turnover   | 491.403        | 386.366        |
| Other operating revenues   | 8.858          | 10.892         |
| <b>Operating charges</b>   | <b>442.360</b> | <b>351.860</b> |
| Trade goods  | 234.480        | 194.304        |
| Services and other goods   | 113.205        | 80.930         |
| Employee benefit expenses  | 76.811         | 62.229         |
| Depreciations, amortisations and changes in provisions for liabilities | 6.017          | 5.668          |
| Other operating expenses   | 11.847         | 8.729          |
| <b>Operating result</b>  | <b>57.901</b>  | <b>45.398</b>  |
| <b>Financial result</b>  | <b>-11.527</b> | <b>-4.828</b>  |
| <b>PROFIT (LOSS) BEFORE INCOME TAX</b>                                 | <b>46.373</b>  | <b>40.570</b>  |
| <b>Income tax</b>  | <b>-8.887</b>  | <b>-10.433</b> |
| <b>PROFIT (LOSS) OF THE PERIOD</b>                                     | <b>37.486</b>  | <b>30.137</b>  |
| Basic earnings per share   | 1,39           | 1,1            |

## Condensed consolidated balance sheet

| (€thousands)                            | 30/06/2005       | 31/12/2004       |
|---|------------------|------------------|
| <b>Non current assets</b>               | <b>781.885</b>   | <b>769.944</b>   |
| Intangible assets                       | 720.265          | 712.119          |
| Property, plant and equipment           | 53.434           | 52.363           |
| Financial assets                        | 5.436            | 5.462            |
| Deferred income taxes                   | 2.749            | 0                |
| Other non-current assets                | 599              | 601              |
| <b>Current assets</b>                   | <b>485.809</b>   | <b>451.700</b>   |
| Inventories                             | 162.167          | 162.044          |
| Trade receivables                       | 221.185          | 199.728          |
| Other current assets                    | 63.608           | 57.190           |
| Cash and cash equivalents               | 38.849           | 32.738           |
| <b>TOTAL ASSETS</b>                     | <b>1.267.694</b> | <b>1.221.644</b> |
| <b>EQUITY</b>                           | <b>457.213</b>   | <b>447.560</b>   |
| Share capital and share premium         | 355.238          | 354.787          |
| Retained earnings                       | 165.046          | 134.205          |
| Treasury shares                         | -58.283          | -41.347          |
| Fair value and other reserves           | -5.071           | 361              |
| Cumulatieve translation adjustment      | 283              | -446             |
| <b>LIABILITIES</b>                      | <b>810.481</b>   | <b>774.084</b>   |
| <b>Non current liabilities</b>          | <b>495.092</b>   | <b>491.042</b>   |
| Provisions                              | 18.344           | 21.714           |
| Deferred tax liabilities                | 25.321           | 25.325           |
| Borrowings                              | 447.890          | 443.938          |
| Other non-current liabilities           | 119              | 66               |
| Derivative financial instruments        | 3.418            |                  |
| <b>Current liabilities</b>              | <b>315.389</b>   | <b>283.042</b>   |
| Borrowings                              | 36.772           | 29.611           |
| Trade payables                          | 195.960          | 175.782          |
| Taxes, remuneration and social security | 53.043           | 44.592           |
| Other current payables                  | 29.614           | 33.056           |
| <b>TOTAL EQUITY AND LIABILITIES</b>     | <b>1.267.694</b> | <b>1.221.644</b> |

(on 5 September 2005, Omega Pharma 's Board of Directors authorized these financial statements for issue)

## Consolidated statements of changes of shareholder's equity

|   | Attributable to equity holders of the Company |                 |                               |                                    |                   | Total equity |
|---|---|-----------------|-------------------------------|------------------------------------|-------------------|--------------|
|   | Share capital and share premium               | Treasury shares | Fair value and other reserves | Cumulative translation adjustments | Retained earnings |              |
| <b>Balance at 1 January 2004</b>              | 353.422                                       | -12.368         | -64                           | 2                                  | 70.415            | 411.407      |
| Currency translation adjustments              |   |                 |                               | 1.240                              |                   | 1.240        |
| Profit for the period                         |   |                 |                               |                                    | 30.137            | 30.137       |
| Capital increases                             | 473   |                 |                               |                                    |                   | 473          |
| Employee share option scheme                  |   |                 | 217                           |                                    |                   | 217          |
| Treasury shares                               |   | -1.943          |                               |                                    | 2.283             | 340          |
| Dividend                                      |   |                 |                               |                                    | -5.054            | -5.054       |
| <b>Balance at 30 June 2004</b>                | 353.895                                       | -14.311         | 153                           | 1.242                              | 97.781            | 438.760      |
| <b>Balance at 1 July 2004</b>                 | 353.895                                       | -14.311         | 153                           | 1.242                              | 97.781            | 438.760      |
| Currency translation adjustments              |   |                 |                               | -1.688                             |                   | -1.688       |
| Profit for the period                         |   |                 |                               |                                    | 25.570            | 25.570       |
| Capital increases                             | 892   |                 |                               |                                    |                   | 892          |
| Employee share option scheme:                 |   |                 | 208                           |                                    |                   | 208          |
| Treasury shares                               |   | -27.036         |                               |                                    | 10.854            | -16.182      |
| Dividend                                      |   |                 |                               |                                    |                   | 0            |
| <b>Balance at 31 December 2004</b>            | 354.787                                       | -41.347         | 361                           | -446                               | 134.205           | 447.560      |
| Adoption of IAS 32 and IAS 39 (see note 4)    |   |                 | -3.300                        |                                    | 131               | -3.169       |
| <b>Balance at 1 January 2005</b>              | 354.787                                       | -41.347         | -2.939                        | -446                               | 134.336           | 444.391      |
| Fair value gains/(losses) on cash flow hedges |   |                 | -2.345                        |                                    |                   | -2.345       |
| Currency translation adjustments              |   |                 |                               | 729                                |                   | 729          |
| Profit for the period                         |   |                 |                               |                                    | 37.486            | 37.486       |
| Capital increases                             | 451   |                 |                               |                                    |                   | 451          |
| Employee share option scheme:                 |   |                 | 213                           |                                    |                   | 213          |
| Treasury shares                               |   | -16.936         |                               |                                    |                   | -16.936      |
| Dividend                                      |   |                 |                               |                                    | -6.776            | -6.776       |
| <b>Balance at 30 June 2005</b>                | 355.238                                       | -58.283         | -5.071                        | 283                                | 165.046           | 457.213      |



## Condensed consolidated cash flow statement

| (€thousands)  | 1st half 2005  | 1st half 2004   |
|---|----------------|-----------------|
| Profit for the financial year   | 37.486         | 30.137          |
| Adjustments for non-cash items  | 13.075         | 8.349           |
| Changes in working capital  | -3.050         | -55.545         |
| <b>Total cashflow from operating activities</b>                           | <b>47.511</b>  | <b>-17.059</b>  |
| Capital expenditure   | -14.612        | -152.103        |
| Disposals   | 307            | 5.402           |
| Investments in existing shareholdings (post payments) and in new holdings | -5.824         | -29.024         |
| <b>Total cashflow from investing activities</b>                           | <b>-20.129</b> | <b>-175.725</b> |
| Capital increases in cash   | 451            | 473             |
| Repurchasing shares   | -16.936        | -1.943          |
| Dividend distribution   | -4.639         | -4.068          |
| Change in debt  | 6.310          | 191.538         |
| Interest received (paid)  | -6.605         | -4.828          |
| <b>Total cashflow from financing activities</b>                           | <b>-21.419</b> | <b>181.172</b>  |
| <b>Total net cashflow of the period</b>                                   | <b>5.963</b>   | <b>-11.612</b>  |
| Cash and cash equivalents - start of the year                             | 32.738         | 33.266          |
| Gains or losses on exchange on liquid assets                              | -148           | -141            |
| Cash and cash equivalents - end of the year                               | 38.849         | 21.795          |
| <b>Change in cash and cash equivalents</b>                                | <b>5.963</b>   | <b>-11.612</b>  |



## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

### **Note 1. Basis of preparation**

In accordance with the applicable EU Regulations, the Group is required to present its annual consolidated financial statements as from 1 January 2005 in accordance with the International Financial Reporting Standards as endorsed by the European Union ('EU-IFRS'). In preparing this preliminary interim financial information management has used its best knowledge of the expected standards and interpretations, facts and circumstances, and accounting policies that will be applied when the Group prepares its first set of financial statements in accordance with EU-IFRS as of 31 December 2005. A summary of the significant accounting policies is included in Note 2 to the Financial Statements.

As a result, although this financial information is based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, this may change. For example, IFRS standards and IFRIC interpretations are subject to ongoing review and possible amendment or interpretative guidance and therefore are still subject to change. Therefore, until the company prepares its first set of financial statements in accordance with accounting standards adopted for use in the EU, the possibility cannot be excluded that the accompanying financial information may have to be adjusted.

As a result of applying EU-IFRS as from 1 January 2005, also comparative figures for 2004 have been adjusted to take into consideration the effect of the transition to EU-IFRS.

As permitted, the Group has chosen not to adopt IAS 34 "Interim financial statements" in preparing its 2005 interim statements.



Note 2. Reconciliation of equity as of 1 January 2004, 30 June 2004 and 31 December 2004 and Reconciliation of net income for the six month periods ended 30 June 2004 and 31 December 2004.

|   | Consolidated equity as of 01.01.2004 | Net consolidated result for first half 2004 | Changes in equity first half 2004 (1) | Consolidated equity as of 30.06.2004 | Net consolidated result for the second half 2004 (1) | Changes in equity second half 2004 | Consolidated equity as of 31.12.2004 |
|---|--------------------------------------|---|---------------------------------------|--------------------------------------|--|------------------------------------|--------------------------------------|
| Under Belgian GAAP  | 422.571                              | 15.162                                      | 1.726                                 | 439.459                              | 11.216   | -7.561                             | 443.114                              |
| Research and development - net of tax                       | -6.132                               | -1.282                                      |                                       | -7.414                               | -1.848   |                                    | -9.262                               |
| Amortisation of goodwill - net of tax                       | 0                                    | 18.679                                      |                                       | 18.679                               | 20.909   |                                    | 39.588                               |
| Intangible assets with indefinite useful lives - net of tax | 3.971                                | 1.761                                       |                                       | 5.732                                | 4.910  |                                    | 10.642                               |
| Depreciation of fixed assets - net of tax                   | 1.329                                | -104  |                                       | 1.225                                | 139  |                                    | 1.364                                |
| Accounting for leases - net of tax                          | 6                                    | 4   |                                       | 10                                   | -39  |                                    | -29                                  |
| Accounting for employee benefits - net of tax               | -4.480                               | -42   |                                       | -4.522                               | -35  |                                    | -4.557                               |
| Accounting for costs of capital increases - net of tax      | -440                                 | 102   |                                       | -338                                 | -886   |                                    | -1.224                               |
| Accounting for provisions - net of tax                      | 237                                  | 0   |                                       | 237                                  | 39   |                                    | 276                                  |
| Capital grants  | -169                                 |   |                                       | -169                                 | 0  |                                    | -169                                 |
| Tax losses carried forward                                  | 3.374                                | -86   |                                       | 3.288                                | -629   |                                    | 2.659                                |
| Accounting for own shares                                   | -12.368                              | -2.286                                      | 336                                   | -14.318                              | -8.107   | -16.193                            | -38.618                              |
| Share-based payments  | 0                                    | -208  | 208                                   | 0                                    | -208   | 208                                | 0                                    |
| Proposed dividend distribution                              | 5.054                                |   | -5.054                                | 0                                    | 0  | 6.776                              | 6.776                                |
| Deferred tax on undistributed earnings                      | -1.546                               | -309  |                                       | -1.855                               | 109  |                                    | -1.746                               |
| Restructuring provision - net of tax                        |                                      | -1.254                                      |                                       | -1.254                               | 0  |                                    | -1.254                               |
| Under EU-IFRS   | 411.407                              | 30.137                                      | -2.784                                | 438.760                              | 25.570   | -16.770                            | 447.560                              |

(1) The other changes in equity are detailed in the Consolidated Statement of changes in shareholders' equity.

For explanations on the above mentioned impact of the transition to EU-IFRS on the group's equity, we refer to the annual report of 2004 (see website).

We note that some of the amounts indicated above were modified compared to the amounts published in the annual report of 2004. The modifications were made after pursued analysis and more detailed calculations of the effects of the transition. We note that the principles adopted for the transition towards EU-IFRS were not modified.



### Note 3. Summary of significant accounting policies

#### Consolidation criteria

The consolidated financial statements are produced from the accounts of the parent company and its subsidiaries, as drawn up at June 30, 2005. Subsidiaries are those over which the parent company exercises control. Control is understood here as the parent company being in a position to determine, directly or indirectly, the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The consolidation is undertaken on a full consolidation basis, after the necessary eliminations.

The full consolidation method consists of taking over in full the assets, liabilities, expenses and income of the consolidated enterprises. We refer to the annual report of 2004 for more details pertaining to the scope of the consolidation. The scope as per 30 June 2005 has not changed significantly compared to the scope as per 31 December 2004.

#### Translation of foreign currency

The individual subsidiaries' accounts are converted into EUR on the basis of the exchange rate as at the end of the financial year to which the balance-sheet figures relate, and on the basis of the average rate of exchange for the financial year to which the profit and loss account relates. Gains or losses realized as a result of the use of the average rate for the results and the year-end closing rate for the balance sheet, are recognized in the equity as "Cumulative translation adjustment". Gains or losses realized as a result of conversions and exchange differences relating to transactions during the financial year are accounted for in the income statement.

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### Intangible assets

Intangible fixed assets other than those acquired from third parties are only entered on the asset side of the balance sheet at their production cost, provided this is not higher than the economic value or than the future yield from this asset for the company.

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

The costs of brands with a definite useful life and other intangible assets are capitalized and amortized on a straight line basis over a period of 2 to 5 years.

#### Property, plant and equipment

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

|                                   |                    |
|-----------------------------------|--------------------|
| - Buildings:                      | 3 % - 4 %          |
| - Building purchase costs:        | 25 %               |
| - 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.

Assets acquired under leasing arrangements are depreciated over the economical life time.



#### Inventories

Raw materials, consumables and goods for resale are valued at acquisition value using the FIFO method or market value 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.

#### Trade receivables

Debtors are valued at cost. Outstanding and doubtful debtors are written down as appropriate if there is uncertainty regarding all or part of the payment on the due date.

#### Cash and cash equivalents

Cash and cash equivalents are valued at acquisition value. Devaluations are made when the realization value on the balance sheet date is lower than the acquisition value.

#### 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.

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

#### Provisions for liabilities and charges

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

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

#### 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.

#### Income taxes

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

Deferred income taxes are recorded according to the "liability" method. This method is applied to all temporary differences between the tax base of an item and the reporting base, for both assets and liabilities. The calculation is based on the tax rates that are applicable at the closing date. According to this calculation method, the Group is also required to account for deferred taxes relating to the difference between the fair value of the net acquired assets and their tax base resulting from acquisitions, if any.

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



### Recognition of income

Sales of goods are recognized when a Group entity has delivered products to the customer; the customer has accepted the products; and collectibility of the related receivables is reasonably assured. Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

### Note 4. Adoption of IAS32/39

As permitted under EU-IFRS, the Group has adopted IAS 32/29 as from 1 January 2005. As of that date, the Group already had financial instruments. The group uses derivative financial instruments only to cover the interest and exchange rate risk connected to existing borrowings. The group policy does not allow the speculative use of derivative financial instruments.

The exchange rate and interest risks connected to the US Private Placement were covered per individual tranche as follows:

- 100 % coverage of the exchange rate risk with respect to all capital instalments and interest payments
- 75 % coverage of the interest variability

The impact of adopting IAS 32/39 was recorded in equity (please refer to the consolidated statement of changes in shareholders' equity)

#### 4.1. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

#### 4.2. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designed and qualify as cash flow hedges are recognised in equity.