

# Annual Report 2014



## Statement

We hereby certify that, to the best of our knowledge, the consolidated financial statements of Omega Pharma NV as of December 31, 2014, prepared in accordance with International Financial Reporting Standards (IFRS), 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

Barbara De Saedeleer, CFO

18 March 2015

# Business Review of the Full Year 2014

## Highlights

- Turnover grew 5% year on year, benefitting from the good results of the Top 20 brands and the Distributions. Turnover of Top 20 brands increased by 8% and represented 53% of consolidated turnover in 2014. Strong sales performance in France, Belgium, UK/Ireland, Spain, Italy and Portugal.
- Continued investments in top brands, as well as in optimizing the organization in selected countries.
- Gross margin as percentage of net sales increased to 55%.
- Profitability: improvement of all indicators (gross margin, operating profit margin, net margin, operating cash flow margin).
- Net debt remains safely within covenants.

## Key financial figures FY 2014

(in € million)	2014	2013	Year on Year Evolution
Consolidated Net Sales	1 275.9	1 213.4	+5%
Gross Margin	698.6	654.0	+7%
<i>As percentage of Net Sales</i>	<i>54.8%</i>	<i>53.9%</i>	
EBITDA (*)	265.3	231.2	+15%
<i>As percentage of Net Sales</i>	<i>20.8%</i>	<i>19.1%</i>	

(\*) EBITDA: operating result before non-recurring items, increased with depreciations and amortization

## Net Sales 2014

Consolidated net sales increased by 5%. On a like-for-like basis, the net sales of OTC products continued to grow over 10%. The turnover from the distribution of generics in Belgium represented 13% of 2014 consolidated net sales.

As a consequence of the strong euro, the currency conversion impact (mainly on Russian Ruble, Swedish Krona and Norwegian Krone, partly offset by British Pound) mounted to €-7.6 million on net sales compared to last year.

Brands acquired in 2014 are Ymea, Prevalin and the OCE-Bio brand range and contributed €12.8 million to the group net sales.

Top 20 brands like XLS, Abtei, Lactacyd, Solpadeine, Paranix, Paravet, ... generated €669.8 million net sales, i.e. 53% of the 2014 consolidated turnover of the Group. Thanks to the continuous focus and investments in these brands, their turnover grew with 8% versus 2013.

## Notes to the income statement

Expressed as a percentage of net sales, the gross margin grew from 54% in 2013 to 55% in 2014. This is the result of cost saving initiatives and an improved product mix - i.e. more sales contribution from high-margin products and brands, mainly those included in the Top 20 of the group, which had an average gross margin of 70%. Excluding the distribution of generics in Belgium –‘by definition’ characterised with a lower gross margin – the average gross margin for the group was approximately 62%.

Sales and Marketing expenses – including Advertising & Promotion (A&P) – increased by 5% to €364.0 million and represent 29% of net consolidated sales. The last few years, Omega Pharma has consistently allocated its A&P budget largely in support of its Top 20 brands. Approximately 33% of the 2014 consolidated A&P spent was allocated to TV advertising, which is generally considered to still be the most effective advertising instrument for OTC products.

In 2014, Distribution expenses decreased with 3% versus 2013 (compared with a sales growth of 5%). General administrative expenses, were at €60.2 million or 5% of net sales, and reflect the continuous investments in a future proof professional organization with more emphasis on R&D, regulatory, innovation, etc.

The above-described factors led to a recurring EBITDA of €265.3 million for 2014 (21% of sales), compared to €231.2 million for 2013 (19% of sales).

Non-recurring expenses amounted to €6.4 million and include the proceeds from divestments predominantly related to the earn-out received in respect of a financial interest that was sold in 2009. Other non-recurring expenses were largely defined by business restructuring and related provisions in the Netherlands, France, Germany, Luxembourg and Belgium.

Starting from the above-mentioned recurring EBITDA this led to an Operating Result (EBIT) of €198.0 million for 2014 (16% of net sales), compared to €137.7 million for 2013 (+44% YoY).

In 2014, the Financial Result amounted to €-47.7 million compared to €-48.2 million in 2013. This can be attributed to the lower interest rates on debt in 2014.

Income taxes were €26.9 million for 2014, implying a tax rate of 17.9%. In 2013, income taxes amounted to €19.8 million with a tax rate of 22.2%. The tax rate was positively impacted by exceptional income of divestments that was not subjected to tax.

This yielded a Result after income tax of €123.3 million versus €69.6 million in 2013.

## Notes to the balance sheet

On 31 December 2014, net debt amounted to €681.8 million (according to the methodology applied for the bank covenants). On 30 June 2014 and 31 December 2013, the net debt was respectively €617.6 million and €714.2 million. With this net debt level, Omega Pharma remains safely within the covenants agreed upon with its credit providers.

Working capital amounted on 31 December 2014 to €38.2 million, i.e. 3% of net sales. On 30 June 2014, the working capital reached a level of €96.2 million (8% of net sales) and at the end of the previous period (2013) this was €92.1 million (8% of net sales).

Intangible assets corresponded to an amount of €1,777.3 million versus €1,555.4 million at the end of 2013. This increase mainly refers to the acquisitions made in 2014: XLS Medical European rights, Ymea, Prevalin.

The increase under tangible assets refers to the investments in the production entities of the Group in buildings and installations and machinery.

Equity increased from €843.2 million to €905.7 million, principally as a result of the profit of the year.

The changes in Liabilities from €1,336.3 million to €1,438.5 million come from higher other payables linked to recent acquisitions, the interim dividend payable to Omega Pharma Invest NV, the higher trade payables and higher deferred income tax liabilities, compensated by the lower debt.

## Main events in 2014

- On *6 November 2014*, it was announced that Perrigo Company PLC and Omega Pharma NV have entered into a definitive agreement in which Perrigo has agreed to acquire Omega Pharma NV for €3.6 billion. The proposed transaction, which has been unanimously approved by the respective Board of Directors of Perrigo and Omega Pharma, is subject to the satisfaction of closing conditions, including customary regulatory approvals. The transaction is expected to close in the first quarter of calendar year 2015.

# CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement	8
Consolidated statement of comprehensive income	9
Consolidated balance sheet	10
Consolidated statement of changes in equity	11
Consolidated cash flow statement	12
Notes to the consolidated financial statements	13
1. General information	13
2. Summary of significant accounting policies	13
3. Risk management	27
4. Segment information	33
5. Income statement items	36
5.1. Turnover	36
5.2. Total net operating costs	36
5.3. Financial result	39
5.4. Income tax	39
6. Balance sheet items	40
6.1. Intangible assets	40
6.2. Property, plant and equipment	44
6.3. Financial assets and other non-current assets	45
6.4. Inventories	45
6.5. Trade and other receivables	46
6.6. Cash and cash equivalent	46
6.7. Equity	47
6.8. Provisions	47
6.9. Retirement benefit obligations	48
6.10. Taxes, remuneration and social security	52
6.11. Financial debts and derivative financial instruments	54
6.12. Other current payables	62
7. Miscellaneous items	63
7.1. Contingencies	63
7.2. Off balance sheet rights and obligations	63
7.3. Business combinations	64
7.4. List of consolidated companies	66
7.5. Significant events after balance sheet date	71
7.6. Related parties	71
7.7. Warrants - Share based payments	71
7.8. Dividend - Share based payments	72
7.9. Shareholders' structure	72
7.10. Information on the auditor's remuneration and related services	73
7.11. Changes in accounting policies	73
Statutory auditor's report	74

The notes form an integral part of the consolidated financial statements.

# Consolidated income statement

(in € thousand )	Note	2014	2013
Net Sales	5.1	1 275 929	1 213 386
Cost of goods sold	5.2	-577 335	-559 359
Gross Margin (**)		698 594	654 027
Distribution expenses	5.2	-67 704	-69 874
Sales and Marketing expenses	5.2	-364 008	-348 376
General Administrative expenses	5.2	-60 250	-59 077
Other operating income/expense, net	5.2.3	-2 259	3 059
<i>Non recurring income (*)</i>	5.2.3	26 354	158
<i>Non recurring expenses (*)</i>	5.2.3	-32 774	-42 235
Non recurring result (*)	5.2.3	-6 420	-42 077
Operating Profit		197 953	137 682
Finance income	5.3	3 461	4 363
Finance cost	5.3	-51 147	-52 595
Net Finance cost	5.3	-47 686	-48 232
Result before income tax		150 267	89 450
Income tax expense	5.4	-26 919	-19 844
Result after income tax		123 348	69 606
<i>Of which attributable to the shareholders of the parent company</i>		123 616	69 649
<i>Of which attributable to non-controlling interests</i>		-268	-43
<b>Additional information: connection to the operating result before interests, income tax, depreciations and amortization (EBITDA) (**)</b>			
Operating Profit (EBIT)		197 953	137 682
Depreciations and Amortization	5.2.2	60 949	51 446
EBITDA (**)		258 902	189 128

The notes on pages 13 to 73 are an integral part of these consolidated financial statements.

(\*) Non-recurring income and expenses are non-GAAP measures defined in summary of significant accounting policies (2.22) and further detailed in note 5.2.3

(\*\*) Gross margin and EBITDA are non-GAAP measures defined in the summary of significant accounting policies (2.22)



# Consolidated statement of comprehensive income

At 31 December 2014 (in € thousand)	Note	Fair value and other reserves	Cumulative translation adjustments	Retained earnings	Attributable to the shareholders of the parent company	Attributable to non-controlling interests	Total equity
Profit of the period				123 616	123 616	-268	123 348
Fair value gains/(losses) on cash flow hedges	6.11	-3 755			-3 755		-3 755
Fair value gains/(losses) on cash flow hedges - Tax effect	6.11	1 276			1 276		1 276
Actuarial gains/(losses)	6.9			-1 933	-1 933		-1 933
Actuarial gains/(losses) - Tax effect	6.9			836	836		836
Currency translation adjustments			-3 250		-3 250		-3 250
<b>Total recognized income for the period ended 31 December 2014</b>		<b>-2 479</b>	<b>-3 250</b>	<b>122 519</b>	<b>116 790</b>	<b>-268</b>	<b>116 522</b>

At 31 December 2013 (in € thousand)	Note	Fair value and other reserves	Cumulative translation adjustments	Retained earnings	Attributable to the shareholders of the parent company	Attributable to non-controlling interests	Total equity
Profit of the period				69 649	69 649	-43	69 606
Fair value gains/(losses) on cash flow hedges	6.11	2 714			2 714		2 714
Fair value gains/(losses) on cash flow hedges - Tax effect	6.11	-923			-923		-923
Actuarial gains/(losses)	6.9			-1 059	-1 059		-1 059
Actuarial gains/(losses) - Tax effect	6.9			301	301		301
Currency translation adjustments			87		87		87
<b>Total recognized income for the period ended 31 December 2013</b>		<b>1 791</b>	<b>87</b>	<b>68 891</b>	<b>70 769</b>	<b>-43</b>	<b>70 726</b>

The notes on pages 13 to 73 are an integral part of these consolidated financial statements.

# Consolidated Balance Sheet

(in € thousand)	Note	31 December 2014	31 December 2013
<b>Non-current assets</b>		<b>1 917 753</b>	<b>1 689 977</b>
Intangible assets	6.1	1 777 273	1 555 423
<i>Of which consolidation goodwill</i>		<i>622 839</i>	<i>580 594</i>
Property, plant and equipment	6.2	85 193	79 665
Financial assets	6.3	0	1 940
Deferred income tax assets	6.10	53 342	41 315
Other non-current assets	6.3	1 945	11 634
<b>Current assets</b>		<b>426 442</b>	<b>489 544</b>
Inventories	6.4	181 866	191 613
Trade receivables	6.5	172 122	210 223
Other current assets	6.5	35 960	44 584
<i>Of which income tax assets</i>		<i>4 556</i>	<i>3 389</i>
Cash and cash equivalents	6.6	36 494	43 124
Assets held for sale		0	0
<b>TOTAL ASSETS</b>		<b>2 344 195</b>	<b>2 179 521</b>
<b>EQUITY</b>	6.7	<b>905 687</b>	<b>843 239</b>
Share capital and share premium		557 706	557 706
Retained earnings		477 735	409 216
Treasury shares		-118 730	-118 730
Fair value and other reserves		-7 881	-5 402
Cumulative translation adjustments		-2 739	511
Equity attributable to the shareholders of the parent company		906 091	843 301
Equity attributable to non-controlling interests		-404	-62
<b>LIABILITIES</b>		<b>1 438 508</b>	<b>1 336 282</b>
<b>Non-current liabilities</b>		<b>873 756</b>	<b>845 592</b>
Provisions	6.8	1 776	1 754
Pension obligations	6.9	15 767	14 013
Deferred income tax liabilities	6.10	123 842	106 246
Retail Bond	6.11	300 000	300 000
Borrowings (non-current Financial liabilities)	6.11	417 471	410 586
Other non-current liabilities	6.11	1 125	1 072
Derivative financial instruments	6.11	13 775	11 921
<b>Current liabilities</b>		<b>564 752</b>	<b>490 690</b>
Borrowings (current Financial liabilities)	6.11	1 478	41 045
Trade payables	6.11	315 804	309 707
Taxes, remuneration and social security	6.10	51 162	48 558
Other current payables	6.12	196 308	87 803
Derivative financial instruments	6.11	0	3 577
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 344 195</b>	<b>2 179 521</b>

The notes on pages 13 to 73 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

IFRS (in € thousand)	Note	Number of shares	Share capital and share premium	Treasury shares	Fair value & other reserves	Cumulative translation adjustments	Retained earnings	Attributable to share- holders of parent company	Attribut- able to non- controlling interests	Total equity
Amount 31 December 2012 (restated)		25 919 507	557 706	-118 730	-7 193	424	390 325	822 532	-138	822 394
Total comprehensive income for the period ended 31 Dec. 2013				0	1 791	87	68 891	70 769	-43	70 726
Treasury shares	7.9									
Dividend on treasury shares	7.8									
Dividend	7.8						-50 000	-50 000		-50 000
Non-controlling interests									119	119
Amount 31 December 2013		25 919 507	557 706	-118 730	-5 402	511	409 216	843 301	-62	843 239
Total comprehensive income for the period ended 31 Dec. 2014				0	-2 479	-3 250	122 519	116 790	-268	116 522
Treasury shares	7.9									
Dividend on treasury shares	7.8									
Dividend	7.8						-54 000	-54 000		-54 000
Non-controlling interests									-74	-74
Amount 31 December 2014		25 919 507	557 706	-118 730	-7 881	-2 739	477 735	906 091	-404	905 687

The notes on pages 13 to 73 are an integral part of these consolidated financial statements.

# Consolidated cash flow statement

(in € thousand)	Notes	2014	2013
Profit before income tax	5.4	150 267	89 450
Taxes paid		-24 464	-12 020
Adjustments for operational non-cash items		40 019	60 548
Adjustments for interests and financial non-cash items		37 694	35 941
Gross cash flow from operating activities		203 516	173 919
Changes in operating working capital		53 944	5 206
Changes in working capital related to changes in scope and other		-7 815	-14 769
Total cash flow from operating activities		249 645	164 356
Proceeds from divestments in existing and former holdings		36 954	0
Capital expenditure		-156 745	-88 569
Disposals of investment goods		2 236	1 835
Cash and cash equivalents from acquisitions		4 683	17
Investments in existing shareholdings (post payments) and in new holdings	7.3	-42 549	-5 162
Dividends received		0	0
Total cash flow from investing activities		-155 421	-91 879
Proceeds from the issue of share capital		0	0
Purchases of own shares		0	0
Dividend distribution		-25 194	-9
Proceeds from borrowings	6.11	4 851	25
Repayment of borrowings	6.11	-45 626	-32 580
Interests received	5.3	3 801	3 814
Interests paid	5.3	-38 273	-38 654
Total cash flow from financing activities		-100 441	-67 404
Net increase/decrease of cash flows for the period		-6 217	5 073
Cash and cash equivalents - start of the period	6.6	43 124	39 878
Gains or losses on currency exchange on liquid assets		-413	-1 827
Cash and cash equivalents - end of the period	6.6	36 494	43 124
Total net cash flow of the period		-6 217	5 073

The notes on pages 13 to 73 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

## 1. General information

Omega Pharma NV (the ‘Company’) and its subsidiaries (together the ‘Group’) are vendors of high-added-value products and services to pharmacies and other medical sectors. The Group has activities in close to 40 countries.

The Company is a limited liability company, making 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 were listed on the regulated market Euronext Brussels until 3 February 2012.

These consolidated financial statements have been approved for issue by the board of directors on 18 March 2015.

## 2. 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.

### 2.1 Basis of preparation

The consolidated financial statements of the 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.

The new standards, amendments to standards and interpretations listed below reflect the EU endorsement status as of 31 December 2014.

The following amendment to standard is mandatory for the first time for the financial year beginning 1 January 2014:

- IAS 27 Revised ‘Separate financial statements’, effective for annual periods beginning on or after 1 January 2014. The revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 28 Revised 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2014. The revised standard now includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- IFRS 10 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2014. The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements.
- IFRS 11 'Joint arrangements', effective for annual periods beginning on or after 1 January 2014. The new standard focuses on the rights and obligations rather than the legal form. Proportional consolidation is no longer allowed.
- IFRS 12 'Disclosure of interests in other entities', effective for annual periods beginning on or after 1 January 2014. This is a new standard on disclosure requirements for all forms of interests in other entities.
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements' and IFRS 12 'Disclosure of interests in other entities'. The amendments clarify the transition guidance in IFRS 10, and provide additional transition relief (for example by limiting the requirement to provide adjusted comparative information to only the preceding comparative period or, for disclosures related to unconsolidated structured entities, removing the requirement to present comparative information for periods before IFRS 12 is first applied). These amendments will be effective for annual periods beginning on or after 1 January 2014 which is aligned with the effective date of IFRS 10, 11 and 12.
- Amendments to IAS 32 'Offsetting financial assets and financial liabilities', effective for annual periods beginning on or after 1 January 2014. The amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.
- Amendments to IAS 36 'Impairment of assets', effective for annual periods beginning on or after 1 January 2014. The IASB made consequential amendments to the disclosure requirements of IAS 36 when it issued IFRS 13. One of the amendments was drafted more widely than intended. This limited scope amendment corrects this and introduces additional disclosures about fair value measurements when there has been impairment or a reversal of impairment.
- Amendments to IAS 39 'Financial instruments: Recognition and measurement', effective for annual periods beginning on or after 1 January 2014. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. Similar relief will be included in IFRS 9 'Financial instruments'.
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 27 'Separate financial statements' for investment entities. Effective for annual periods beginning on or after 1 January 2014. The amendments give an exemption to entities that meet an 'investment entity' definition and which display certain characteristics to account for its subsidiaries at fair value.

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

- IFRIC 21 'Levies', effective for annual periods beginning on or after 17 June 2014. IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.
- 'Annual improvements (2010-2012 cycle)' with minor amendments to eight standards, effective for annual periods beginning on or after 1 February 2015. The amendments relate to IFRS 2 'Definition of vesting condition', IFRS 3 'Accounting for contingent consideration in a business combination', IFRS 8 'Aggregation of operating segments', 'IFRS 8 'Reconciliation of the total of the reportable segments' assets to the entity's assets', IFRS 13 'Short-term receivables and payables', IAS 7 'Interest paid that is capitalised', IAS 16/IAS 38 'Revaluation method—proportionate restatement of accumulated depreciation' and IAS 24 'Key management personnel'.
- 'Annual improvements (2011-2013 cycle)' in response to four issues addressed during the 2011-2013 cycle, effective for annual periods beginning on or after 1 January 2015. The amendments include IFRS 1 'Meaning of effective IFRSs', IFRS 3 'Scope exceptions for joint ventures', IFRS 13 'Scope of paragraph 52 (portfolio exception)' and IAS 40 'Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property'.
- Amendment to IAS 19 'Defined benefit plans', effective for annual periods beginning on or after 1 February 2015. The amendment seeks clarification for the accounting of employee contributions set out in the formal terms of a defined benefit plan.

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

- 'Annual Improvements (2012-2014 cycle)' with amendments to 4 standards, effective for annual periods beginning on or after 1 January 2016. The amendments include IFRS 5, 'Non-current assets held for sale and discontinued operations', IAS 19, 'Employee benefits', IFRS 7, 'Financial instruments: disclosures' and IAS 34, 'Interim financial reporting'.
- Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' on depreciation and amortisation, effective for annual periods beginning on or after 1 January 2016. In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- Amendment to IAS 16 'Property, plant and equipment' and IAS 41 'Agriculture' on bearer plants, effective for annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing.
- Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation, effective for annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to IAS 27 'Separate financial statements' on the equity method, effective for annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- IFRS 15 'Revenue from contracts with customers'. The IASB and FASB have jointly issued a converged standard on the recognition of revenue from contracts with customers. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2017, subject to EU endorsement.
- IFRS 9 'Financial instruments', effective for annual periods beginning on or after 1 January 2018. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.
- Amendment to IFRS 9 'financial instruments' on general hedge accounting, effective for annual periods beginning on or after 1 January 2018. The amendment incorporates the new general hedge accounting model which will allow reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. These amendments also impact IAS 39 and introduce new disclosure requirements for hedge accounting, thereby impacting IFRS 7, irrespective of the fact whether hedge accounting requirements under IFRS 9 or IAS 39 are used.
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 28, 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2016. These narrow-scope amendments introduce clarifications to the requirements when accounting for investment entities.



- Amendments to IAS 1 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2016. The amendments to IAS 1 are part of the initiative of the IASB to improve presentation and disclosure in financial reports and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

## 2.2 Consolidation

### Subsidiaries

Subsidiaries are all entities for which the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Foreign currency translation

Items included in the financial statements 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 euro, 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'.

The currency rates for the main foreign currencies used as per 31 December are:

Currency (in €)	31 December 2014		31 December 2013	
	End of month rate	Average rate	End of month rate	Average rate
CHF	1.202000	1.214474	1.225400	1.231065
CZK	27.704000	27.516575	27.377000	25.979626
DKK	7.446500	7.454660	7.458900	7.457830
GBP	0.781200	0.806208	0.836300	0.849243
NOK	9.032500	8.356350	8.375400	7.810244
PLN	4.278100	4.183054	4.146800	4.197010
SEK	9.413100	9.097134	8.864800	8.655026

## 2.3 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 financial result. Refer to note 2.10 for hedge accounting.

## 2.4 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 %
Buildings 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.

## 2.5 Assets held for sale

Assets for which the carrying amount will be recovered principally through a sale rather than through continued use, will be classified as held-for sale, whenever the conditions under IFRS 5 are met. They are measured at the lower of their carrying amount and fair value less costs to sell.

## 2.6 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

Brands, licenses, patents, software and other Intangible assets are capitalized at cost. The aforementioned intangible assets are amortized on a straight-line basis over their estimated useful life, ranging from 3 to 20 years.

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 commercialization.

## 2.7 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).

## 2.8 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.

## 2.9 Financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. 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.

## 2.10 Derivative Financial assets, financial liabilities and hedging activities

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

- (1) hedges of the fair value of recognized assets or liabilities or 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).

Gain or losses upon re-measurement are recognised in the income statement for fair value hedges and other comprehensive income for cash flow hedges and net investment hedges.

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.

## 2.11 Lease - 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.

## 2.12 Leases - Finance leases

Leases of property, plant and equipment for which 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.

## 2.13 Inventories

Raw materials, consumables and goods for resale are valued at acquisition value using the FIFO method or net realizable 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 and related production overhead.

## 2.14 Trade receivables

Trade receivables are valued at fair value on initial recognition and subsequently at amortized cost. 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. The amount of the allowance is the difference between the carrying amount and the present value of estimated cash flows, including the proceeds of credit insurance contracts, discounted at the effective interest rate.

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 (1) the rights to receive cash flows from the trade receivables have expired and (2) the Group has transferred substantially all risks and rewards related to receivables.

## 2.15 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.

## 2.16 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.

## 2.17 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.

## 2.18 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. Since the new standard IAS 19 R is mandatory as from 2013, the liability was restated for the closing at end 2011 and 2012. The liability increased resp. with 1.370 million euro in 2011, and an extra 0.074 million euro in 2012. 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.

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.



## 2.19 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.

In line with paragraph 46 of IAS 12 'Income taxes', management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This evaluation is made for tax periods open for audit by the competent authorities.

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.

## 2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue arising from the sale of goods is recognized when an entity has transferred the significant risks and rewards of the ownership of the goods to the buyer. Usually this occurs when the legal title is transferred to the buyer and when collectability of the related receivable is probable. Revenue from the sale of services is recognized in the accounting period in which the services are rendered.

Commissions received by the Company when acting as a principal or as an agent in a distribution agreement are recognized as revenue from rendering services.

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

## 2.21 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.

## 2.22 Non-GAAP measures

Gross margin is defined as total net sales minus the cost of goods sold.

EBITDA is defined as earnings before net finance cost, income taxes, depreciations and amortization. These non-GAAP measures have been included in the financial statements since management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity.

For the same reason as stated above for EBITDA, management has disclosed non-recurring expenses and revenue. Non-recurring expenses and revenue are defined as those items that are considered by management to be non-recurring or unusual because of their nature.

The non-recurring expenses relate to:

- acquisition costs;
- restructuring costs;
- factory or site closure costs;
- business restructuring costs;
- cost associated with the termination of distribution agreements.

The non-recurring revenue relate to:

- sale of long term receivable (Arseus shares);
- sale of long term financial investments.

## 3. Financial Risk Management

In conformity with IFRS 7, the following chapter gives a description of the principal financial risks and uncertainties to which the activities of the Group and the Company are exposed. (Note: in this document, the “Company” refers to Omega Pharma NV; the “Group” refers to Omega Pharma NV and each of its subsidiaries, for the avoidance of doubt including Omega Pharma NV).

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.

### Fair value risk

Cf. note 6.11 (page 54 and following).

### Hedging risk

The Group operates its business mainly in eurozone countries and to a lesser extent in the United Kingdom, the Nordic countries, Ukraine and Russia. The results of its operations and the financial position of each of its entities outside the eurozone are accounted for in the relevant local currency. The Group has a hedging strategy in place to cover such exchange rate fluctuations. In addition, a portion of the Group debt is denominated in U.S. dollars and/or a floating interest rate applies. As a result, the Group is exposed to currency risks arising from fluctuations in the value of the U.S. dollar against the euro and interest rate fluctuations. The Group has entered into agreements to hedge these risks. While it regularly monitors its currency and interest rate exposure, no guarantee can be given that the risk management system covers all risks completely or in a sufficient way and that adverse currency or interest rate movements can be excluded.

### 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.

If the euro had strengthened (weakened) 10 per cent against the US dollar at 31 December 2014, the hedging reserve in shareholders’ equity would have been €0.1 million lower (€0.1 million higher) - 2013: €0.3 million lower (€0.3 million 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 6.11 (p. 54 and following).

Some of the Group’s activities are denominated in other currencies than the euro - mainly in the United Kingdom, the Scandinavian countries, and Russia. 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 €0.5 million (€-0.5 million), while shareholders’ equity would be impacted by €2.9 million

(€-2.9 million). If the euro had gained (lost) 10 per cent against the Swedish crown, this would have impacted profit or loss by €-0.9 million (€0.9 million), while shareholders' equity would be impacted by €-1.4 million euro (€1.4 million). If the euro had gained (lost) 10 per cent against the Russian rouble, this would have impacted profit or loss by €-0.07 million (€0.07 million), while shareholders' equity would be impacted by €0.5 million euro (€-0.5 million).

Also in countries like Ukraine, where the operating income of the Group in 2014 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. The Group entered into several interest rate swaps in respect of the syndicated loan. 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 points higher (lower) during 2014, profit or loss would have been €0.7 million lower (higher), in 2013 this was €0.4 million. A change of 100 base points on interest rates would have impacted the hedging reserve in shareholders' equity by €6.5 million (2013: €1.5 million).

## US private placement hedges

Cf. note 6.11 (page 54 and following).

## Financial debt

Omega Pharma NV and its subsidiaries have a substantial outstanding financial debt. As at 31 December 2014, total outstanding consolidated debt of the Group amounted to €718.9 million (cf. calculation at the next page. Note: this differs slightly from the methodology applied to calculate the net debt for the bank covenants, as reflected on page 5 of this document).

Over the years, the Group 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, although the recession during the previous years has revealed that respecting bank covenants can become more difficult in a downturn economy. Since it cannot be entirely excluded that the recovering economy may be negatively affected by external (e.g. geopolitical) factors, this situation may reoccur and may even coincide with the maturing of the Company's debt. In such a situation, a new financing facility may prove to be more difficult to obtain, or may invoke higher financial charges.

## 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 2014 and 2013 were as follows:

(in € thousand)	31 December 2014	31 December 2013
Total borrowings	718 948	751 631
Derivative financial instruments related to borrowings	13 775	15 498
Less : cash and cash equivalents and current financial assets	-36 494	-43 124
<b>Net financial debt</b>	<b>696 229</b>	<b>724 005</b>
Total equity	905 687	843 239
Gearing ratio	77%	86%

For the amount of net financial debt calculated according to the methodology applied for the bank covenants, see page 5 of this document.

## Liquidity risk

Liquidity risk is the risk that the Group would not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have always sufficient liquidity to meet its liabilities when due and to that end, Group treasury monitors rolling forecasts of the Group's liquidity requirements. In addition, the Group ensures to maintain sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on its borrowing facilities.

At the balance sheet date, the Group had the following sources of liquidity available:

- Cash and cash equivalents : €36.5 million euro (note 6.6)
- Undrawn committed borrowing facilities in excess of €300 million

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 December 2014 (in € thousand)	Earliest contractual maturity (undiscounted)		
	< 1 year	1 to 5 year	> 5 year
Finance lease liabilities	772	1 346	0
Retail Bond	14 100	340 200	0
Bank borrowings	10 976	311 435	162 573
Bank overdrafts	220		
Trade and other payables	564 406		
<b>Total liabilities</b>	<b>590 474</b>	<b>652 981</b>	<b>162 573</b>

31 December 2013 (in € thousand)	Earliest contractual maturity (undiscounted)		
	< 1 year	1 to 5 year	> 5 year
Finance lease liabilities	748	2 081	0
Retail Bond	14 100	228 300	126 000
Bank borrowings	46 158	318 663	162 573
Bank overdrafts	11 615		
Trade and other payables	447 147		
<b>Total liabilities</b>	<b>519 768</b>	<b>549 044</b>	<b>288 573</b>

Similar as above, the below table analyses the Group's derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. All derivative financial instruments are settled on a net basis.

(in € thousand)	Earliest contractual maturity (undiscounted)		
	< 1 year	1 to 5 year	> 5 year
Derivatives :			
As per 31 December 2014	500	13 697	0
As per 31 December 2013	3 188	11 921	0

## Credit risk

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations causing a financial loss to the Group. Trade receivables are subject to a policy of active risk management, which focuses on the assessment of country risk, credit availability, on-going credit evaluation and account monitoring procedures.

The exposure of other financial assets to credit risk is controlled by setting a policy for limiting credit exposure to high quality counterparties, regular reviews of credit ratings, and setting defined limits for each individual counterparty. The criteria set by Group Treasury for their investment policy are based on generally considered high quality long term credit ratings.

The Group has several financial instruments, see note 6.11 for more information on these instruments. The maximum exposure to credit risk is best represented by its carrying amount, as a consequence further disclosure in accordance with IFRS is not required.

## 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.

Trade receivables are relatively well spread over all reporting segments. Trade receivables for individual countries reflect the traditionally applicable payment terms in the corresponding countries, as far as they are in conformity with market practices.

## Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### A. Estimated impairment of goodwill and brands

The Group tests each year whether goodwill and brands have suffered any impairment. These calculations require the use of estimates which can be found in note 6.1.

### B. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. (See note 5.4)

### C. Fair value of derivatives

The fair value of the derivatives is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period combined with a discounted cash flow analysis. More information on the used assumptions can be found in note 6.11.

### D. Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include a.o. the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. For more information on the used discount rate and other assumptions we refer to note 6.9.



## 4. Segment information

The segments of these activities are identified following their geographical location. The segment reporting only consists of the geographical segments. 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. The different segments are all subject to the same accounting policies. The intercompany purchases are based upon effective invoicing and are in line with the transfer pricing policy of the Group which is designed to be at arms' length.

At 31 December 2014, the Group is organized into four business segments:

1. Omega Pharma Western Europe: activities in Western Europe, excluding Austria, Belgium and 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 2014 are as follows:

(in € thousand)	Belgium	France	Western Europe	Emerging Markets	Unallocated	TOTAL
Total turnover	334 902	231 293	833 526	189 470	0	1 589 191
Inter segment turnover	-32 566	-6 294	-244 513	-29 889	0	-313 262
Turnover	302 336	224 999	589 013	159 581	0	1 275 929
Operating profit/segment result	29 856	47 965	103 949	19 308	-3 125	197 953
Financial result						-47 686
Result of the period for companies recognized according to the equity method						0
Result of continuing operations before income tax						150 267
Income tax						-26 919
Net income from continuing operations						123 348
Share of non-controlling interests						268
Net result of the period - share of the Group						123 616

Other segment items included in the 2014 income statement are:

(in € thousand)	Belgium	France	Western Europe	Emerging Markets	Unallocated	TOTAL
Depreciations and amortization	5 779	7 720	23 833	5 874	16 771	59 977
Write-down on inventories	692	184	50	368	-8	1 286
Write-down on receivables	-151	-219	79	-23	0	-314
Increase/(decrease) in provisions	-42	205	-743	23	-790	-1 347

The segment results for the year ended 31 December 2013 are as follows:

(in € thousand)	Belgium	France	Western Europe	Emerging Markets	Unallocated	TOTAL
Total turnover	308 832	217 438	784 956	222 213	0	1 533 439
Inter segment turnover	-21 142	-4 980	-250 373	-43 558	0	-320 053
Turnover	287 690	212 458	534 583	178 655	0	1 213 386
Operating profit/segment result	32 602	33 846	67 753	28 876	-25 395	137 682
Financial result						-48 232
Result of the period for companies recognized according to the equity method						0
Result of continuing operations before income tax						89 450
Income tax						-19 844
Net income from continuing operations						69 606
Share of non-controlling interests						43
Net result of the period - share of the Group						69 649

Other segment items included in the 2013 income statement are:

(in € thousand)	Belgium	France	Western Europe	Emerging Markets	Unallocated	TOTAL
Depreciations and amortization	4 295	7 338	20 035	5 072	13 951	50 691
Write-down on inventories	-70	1 655	-444	-530	0	611
Write-down on receivables	-149	168	22	103	0	144
Increase/(decrease) in provisions	-214	-219	-587	47	0	-973

The segment assets and liabilities at 31 December 2014 and capital expenditure for the year then ended are as follows:

(in € thousand)	Belgium	France	Western Europe	Emerging Markets	Unallocated	TOTAL
Non-current assets	66 953	176 756	548 306	285 333	840 405	1 917 753
Current assets	35 329	45 499	216 077	102 275	27 262	426 442
Total assets	102 282	222 255	764 383	387 608	867 667	2 344 195
Non-current liabilities	4 541	15 557	71 973	31 338	750 348	873 757
Current liabilities	147 741	53 156	147 435	42 723	173 696	564 751
Capital expenditure	18 236	8 354	38 048	20 654	206 243	291 535

The segment assets and liabilities at 31 December 2013 and capital expenditure for the year then ended are as follows:

(in € thousand)	Belgium	France	Western Europe	Emerging Markets	Unallocated	TOTAL
Non-current assets	48 900	177 428	522 123	269 365	672 161	1 689 977
Current assets	82 612	72 769	237 753	107 846	-11 436	489 544
Total assets	131 512	250 197	759 876	377 211	660 725	2 179 521
Non-current liabilities	3 817	14 451	68 280	30 827	728 217	845 592
Current liabilities	128 408	68 923	163 666	22 037	107 656	490 690
Capital expenditure	6 145	7 737	27 171	6 138	51 918	99 109

## 5. Income statement items

### 5.1 Turnover

(in € thousand)	2014	2013
Sale of goods	1 232 334	1 161 334
Rendering services	43 595	52 052
Turnover	1 275 929	1 213 386

Almost 53 per cent of the total turnover is generated by the Group's Top 20 brands, while generics represent 13 per cent.

Turnover realized from rendering services includes the commissions received by the Company when acting as a principal in the framework of a distribution agreement.

### 5.2 Total net operating costs

(in € thousand)	Note	2014	2013
Trade goods		542 808	526 724
Services and other goods		341 858	338 597
Employee benefit expenses		124 229	120 555
Depreciations	5.2.2	59 978	50 692
Changes in write-downs of inventory and trade receivables	5.2.2	972	755
Changes in provisions	5.2.2	-1 347	-973
Other operating expenses/(income)	5.2.3	9 477	39 354
Total net operating costs		1 077 975	1 075 704
Operating result (EBIT)		197 954	137 682

#### 5.2.1 Employee benefit expenses

(in € thousand)	2014	2013
Wages and salaries	77 605	76 390
Social security costs	24 572	23 806
Pension costs - defined benefit plans	1 876	1 700
Pension costs - defined contribution plans	2 332	2 005
Other employment costs (commissions, premiums, travel, ...)	17 844	16 654
Employee benefit expenses	124 229	120 555

Full-time equivalents rounded at one unit	31 December 2014	31 December 2013
Belgium, including corporate services	430	385
France	568	569
Other Western European countries		
Cyprus	0	1
Denmark	1	1
Germany	249	237
Finland	13	13
Greece	57	57
Ireland	14	16
Italy	78	67
Luxembourg	15	17
The Netherlands	47	54
Norway	19	14
Portugal	35	33
Spain	114	115
United Kingdom	99	67
Sweden	80	70
Switzerland	26	24
Emerging Markets		
Argentina	11	9
Australia	17	14
Hungary	17	13
India	4	4
Latvia	11	14
Ukraine	1	1
Austria	193	241
Poland	63	59
Romania	41	63
Russia	118	127
Serbia	9	8
Slovenia	9	9
Slovakia	8	10
South Africa	7	7
Czech Republic	31	36
Turkey	65	49
<b>Total</b>	<b>2 450</b>	<b>2 404</b>

## 5.2.2 Depreciations, amortization and changes in provisions

(in € thousand)	2014	2013
Depreciations and amortization	59 978	50 691
Write-down on inventories	1 286	611
Write-down on receivables	-314	144
Increase / (decrease) in provisions for current liabilities	-1 570	-1 581
Increase / (decrease) in provisions for pension liabilities	223	608
Depreciation, amortization and changes in provisions	59 603	50 473

Amortization of intangible assets amounted to €37.5 million, an increase with €5.3 million compared to 2013. The depreciations of tangible assets increased from €18.6 million in 2013 to €22.5 million in 2014.

## 5.2.3 Other operating expenses/(income)

(in € thousand)	2014	2013
Loss (gain) on disposal of fixed assets	1 846	-668
State and property taxes	2 572	2 420
Bad debts	606	291
Indemnification from insurance	-86	-26
Other expenses (income)	-1 881	-4 739
Other operating expenses/(income) - recurring	3 057	-2 722
Non-recurring revenue	-26 354	-158
Restructuring costs	31 593	42 115
Provision for restructuring	1 181	121
Other operating expenses/(income) - non-recurring	6 420	42 078
Total other operating expenses/(income)	9 477	39 356

Restructuring charges and related provisions amounted to €6.4 million for 2014, compared to €42.1 million in 2013. Included are the proceeds from divestments predominantly related to the capital gain on the Arseus shares (sold in 2009). Other non-recurring expenses were largely defined by business restructuring charges and related provisions in the Netherlands, France, Germany, Luxembourg and Belgium.

## 5.3 Financial result

(in € thousand)	2014	2013
Financial income	3 462	4 363
Financial expenses	-11 401	-9 964
Interest expenses	-34 539	-35 416
Foreign exchange differences	-5 208	-7 215
Financial result	-47 686	-48 232

The financial result is slightly improved to €-47.7 million. This can be attributed to the lower interest rates on debt in 2014.

## 5.4 Income tax

(in € thousand)	2014	2013
Current tax expenses	25.695	16 398
Deferred tax	1 224	3 446
Total tax charge	26 919	19 844

Income taxes amount to €26.9 million for 2014, implying a tax rate of 17.9 per cent (2013: 22.2 per cent). This decrease is mainly due to the tax exempt of the capital gain on the Arseus shares.

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)	2014	2013
Result excluding associates	150 267	89 450
Tax calculated at weighted average statutory tax rate	45 746	23 903
Income not subject to tax	-10 271	-6 833
Expenses not deductible for tax purposes	2 005	2 295
Tax losses for which no deferred income tax asset was recognized	409	1 554
Other	-10 970	-1 075
Tax charge	26 919	19 844

The reduction in tax charge comprised in the section 'other' predominantly the tax exempt capital gains on the transfer of shares in Arseus and Clear2Pay.

## 6. Balance sheet items

### 6.1 Intangible assets

(in € thousand)	Goodwill	R&D	Conces- sions & patents	Brands	Software	Other	TOTAL
Year ended at 31 December 2013							
Opening net book value	570 402	53 068	26 687	856 866	9 361	772	1 517 156
Exchange differences cost	-1 522	-271	-25	-535	-153		-2 506
Additions							
Internal development		19 521			2 397		21 918
Purchased from third parties	571	11 545	3 909	779	4 190	344	21 338
Through business combinations	4 098	8	4	25 956			30 066
Disposals		-806	-1 261	-61	-161		-2 289
Transfers between accounts and adjustments	7 045	15	1 021	-7 986	145	-104	136
Currency exchange differences depreciations		258	24	55	113		450
Amortization charge							
Amortization of the year		-14 696	-12 126	-734	-4 599	-68	-32 223
Through business combinations		-8	-2				-10
Amortization of disposals		806	412	8	161		1 387
Transfers between accounts and adjustments			-7		7		0
Net book value at the end of the period	580 594	69 440	18 636	874 348	11 461	944	1 555 423
Year ended at 31 December 2014							
Opening net book value	580 594	69 440	18 636	874 348	11 461	944	1 555 423
Exchange differences cost	573	-416	-12	-245	-208	-1	-309
Additions							
Internal development		25 345			3 814		29 159
Purchased from third parties	0	11 380	1 247	140 800	4 252	728	158 407
Through business combinations	40 999	0	2 117	31 183	8		74 307
Disposals		-4 605	-226	-2 375	-943	-20	-8 169
Transfers between accounts and adjustments	673	485	-49		-11	-641	457
Currency exchange differences depreciations		416	17	25	171		629
Amortization charge							
Amortization of the year		-19 490	-11 215	-932	-5 836	-63	-37 536
Through business combinations			-1 235	-357			-1 592
Amortization of disposals		4 558	211	481	912		6 162
Transfers between accounts and adjustments		-384	59		215	445	335
Net book value at the end of the period	622 839	86 729	9 550	1 042 928	13 835	1 392	1 777 273

The amounts of R&D related expenses charged to the income statement are not significant. No titles to assets are restricted or pledged.



## 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.

Business Unit (in € thousand)	2014	2013
Western Europe	236 897	231 105
Belgium	31 711	26 141
Emerging Markets	143 430	128 436
France	131 409	131 617
Corporate	79 392	63 295
<b>Total</b>	<b>622 839</b>	<b>580 594</b>

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 at the bottom of this page. Management determined gross margin and growth rates based on past performance and its expectations for the market development.

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 2014.

The test includes a sensitivity analysis on key assumptions used, among them the pre-tax discount rate, free cash flow and long term growth percentage. Should any of the individual less favourable assumptions be used, this would not lead to an impairment of goodwill: pre-tax discount rate of 11.6%, free cash flow of 90% of the projections of free cash flows used for the calculation of the impairment test, and a long term growth of 1%.

For the cash-generating unit with the smallest difference at this level, the calculated recoverable amount still exceeds the net book value. No reasonably possible changes in a key assumption on which management has based its determination of the units' recoverable amount would cause the units' carrying amount to exceed its recoverable amount.

	Autonomous 5 year-growth (%)		Perpetual growth rate (%)		Gross margin (%)		Discount rate (%)	
	2014	2013	2014	2013	2014	2013	2014	2013
Belgium	2	2	2	2	26.63	26.41	8.7	9.0
France	3	3	2	2	63.30	59.42	7.7	8.0
Western Europe	2	2	2	2	68.21	66.28	8.9	9.2
Emerging Markets	8	8	2.5	2.5	75.12	74.18	8.7	9.0
Total	3.2	3.2	2.1	2.1	58.15	56.59	8.9	9.2

## 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 as in the goodwill impairment exercise. The following key assumptions are used:

- Perpetual growth: range between 2% to 3%
- Discount rate: 8.9%

A sensitivity analysis is also performed on key assumptions used for the impairment test on the brands with indefinite useful lives, among them the pre-tax discount rate, free cash flow and long term growth percentage. Should any of this following individual less favourable assumptions be used, this would not lead to an impairment of the brands with indefinite useful lives: pre-tax discount rate of 11.6%, free cash flow of 90% of the projections of free cash flows used for the calculation of the impairment test, and a long term growth of 1%.

For corporate star brands and local 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 €1,011.9 million as per the end of 2014 (2013: €843.4 million).

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 years.

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

## 6.2 Property, plant and equipment

(in € thousand)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leasing & other similar rights	Other tangible items	Assets under construction	TOTAL
Year ended at 31 December 2013							
Opening net book value	23 100	23 521	3 210	5 520	15 923	1 105	72 379
Currency exchange differences on the purchase cost	-17	-92	-127	-3	-75	-2	-315
Investments							
Purchased from third parties	478	2 695	1 226	25	17 368	3 128	24 920
Through business combinations		17					17
Divestments and disposals	-78	-700	-617	-81	-3 974	-2	-5 452
Transfers between accounts and adjustments	*3 421	1 405	128		-543	-1 677	2 734
Currency exchange differences on depreciations	1	55	81	2	49		188
Depreciations							
Depreciations of the year	-1 492	-4 571	-1 184	-363	-11 087		-18 698
Through business combinations							
Depreciations of disposals	37	557	584	78	3 953		5 209
Transfers between accounts and adjustments	*-1 757		-109		549		-1 317
Net book value at the end of the period	23 693	22 887	3 192	5 178	22 163	2 552	79 665
Year ended at 31 December 2014							
Opening net book value	23 693	22 887	3 192	5 178	22 163	2 552	79 665
Currency exchange differences on the purchase cost	18	-22	-60	-4	10	-2	-60
Investments							
Purchased from third parties	1 144	2 095	1 382	1	22 479	2 572	26 673
Through business combinations		15	154	80	2		251
Divestments and disposals	-3 928	-1 264	-1 969	-392	-227	-511	-8 291
Transfers between accounts and adjustments	1 217	600	-202	-67	-45	-2 084	-581
Currency exchange differences on depreciations	-2	30	49	2	-5		74
Depreciations							
Depreciations of the year	-1 525	-4 637	-1 326	-370	-14 607		-22 465
Through business combinations							
Depreciations of disposals	2 994	1 102	1 946	381	124		6 547
Transfers between accounts and adjustments	5	114	242	34	-15		380
Net book value at the end of the period	23 616	20 920	3 408	4 843	29 879	2 527	85 193

\*The adjustments reflect for €3.1 million purchase value and €1.6 million accumulated depreciations, the transfer of the building out of assets held for sale in 2013

No titles to assets are restricted or pledged.

## 6.3 Financial assets and other non-current assets

(in € thousand)	31 December 2014	31 December 2013
Cash guarantees	1 508	1 485
Receivables with a maturity later than 1 year	437	10 149
Other non-current assets	1 945	11 634
Financial assets available for sale	0	1 940
<b>Total</b>	<b>1 945</b>	<b>13 574</b>

None of the cash guarantees require impairment adjustments.

The receivables with a maturity later than one year related to the sale of the Arseus participation (€9.9 million at end of 2013) was paid in 2014.

The financial assets available for sale were sold in 2014 and a gain of €3.5 million was realized.

## 6.4 Inventories

(in € thousand)	31 December 2014	31 December 2013
Raw materials	10 988	11 430
Production supplies	10 227	9 550
Work in progress	7 424	5 599
Finished goods	11 858	15 175
Trade goods	141 369	149 859
<b>Inventories</b>	<b>181 866</b>	<b>191 613</b>

Finished goods refer to goods manufactured by the Group, whereas trade goods refer to goods purchased from third parties. No inventories are encumbered by restrictions or pledges.

## 6.5 Trade and other receivables

(in € thousand)	31 December 2014	31 December 2013
Trade receivables	188 625	228 146
Provision for impairment of receivables	-16 503	-17 924
Trade receivables - net	172 122	210 222
VAT receivables	8 464	11 098
Income tax receivables	4 556	3 389
Other current assets	11 776	14 203
Deferred charges	11 164	15 894
Other receivables	35 960	44 584
<b>Total</b>	<b>208 082</b>	<b>254 806</b>

(in € thousand)	Carrying amount	Of which neither impaired nor past due at 31 December	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 150 days	more than 150 days
Trade receivables as of 31 December 2014	172 122	138 744	24 430	4 062	2 979	1 907
Other receivables as of 31 December 2014	11 776	11 776				
Trade receivables as of 31 December 2013	210 222	178 248	14 427	7 761	4 250	5 436
Other receivables as of 31 December 2013	14 203	14 203				

## 6.6 Cash and cash equivalents

(in € thousand)	31 December 2014	31 December 2013
Short term investments	1 969	3 208
Cash at bank and in hand	34 525	39 916
<b>Cash and cash equivalents</b>	<b>36 494</b>	<b>43 124</b>

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.

The cash at bank is well spread since it is held on accounts at different banks in different countries, with a positive overall rating.

## 6.7 Equity

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

In 2014, equity increased from €843.2 million to €905.7 million. The increase was the net result of principally the profit of the year, and an interim dividend of €54 million to Omega Pharma Invest NV. On the balance sheet, €20,073,910.32 is recognized as Share Capital and the remaining €537,631,752.26 as Share Premium. The retained earnings of the Company as per 31 December 2014 amount to €477.735 million which is the result of the accumulated profits and the actuarial gains and losses recognized directly into comprehensive income (see ‘consolidated statement of comprehensive income’).

On 31 December 2014 the Company had 3,618,639 treasury shares (same quantity as in 2013). All shares issued by the Company are fully paid. The shareholders’ structure is detailed in note 7.9.

On 31 December 2014, the board of directors was still entitled to increase the capital, in the framework of the authorized capital, by a maximum amount of €12,860,546.21.

## 6.8 Provisions

(in € thousand)	Disputes	Others	TOTAL
Balance at 31 December 2012	767	2 371	3 138
Additions through business combinations	-	-	-
Other additions	51	785	836
Amounts used	-655	-1 565	-2 220
Currency exchange differences	-	-	-
Balance at 31 December 2013	163	1 591	1 754
Additions through business combinations	-	-	-
Other additions	327	1 541	1 868
Amounts used	-181	-1 665	-1 846
Currency exchange differences	-	-	-
Balance at 31 December 2014	309	1 467	1 776

The other provisions concern provisions for restructuring in several entities of the group, principally in Belgium, the Netherlands and Austria.

## 6.9 Retirement benefit obligations

### 6.9.1. Defined benefit plans

As from 2013, the IAS 19 Revised ‘Employee benefits’ became effective. As a consequence, the provision for pension was restated for the years ending 31 December 2011 and 31 December 2012. For Omega Pharma Group, the most important modification was the elimination of the ‘corridor’ method for defined benefit plans, i.e. all actuarial gains and losses are recognized immediately through other comprehensive income so that the net deficit (asset) is shown in the balance sheet. The effect of the restatement of the provision for pension was also reported directly in other comprehensive income (net of taxes).

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

(in € thousand)	31 December 2014	31 December 2013	31 December 2012 (restated)
Present value of funded obligations	56 030	39 831	37 624
Fair value of plan assets	-40 263	-25 818	-25 202
Liability in the balance sheet - Restated	15 767	14 013	12 422
Liability in the balance sheet - as previously reported*	15 767	14 013	7 992

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

The Group operates defined benefit pension plans mainly in the Netherlands, Germany, France and Norway under broadly similar regulatory frameworks. All defined benefit plans are final salary pension plans which provide to members in the form of a guaranteed level of pension payment at the end of their career. The level of benefits provided depends on the members’ length of service and their salary in the final years leading up to retirement. 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 movement in the defined benefit obligation and plan assets over the year is as follows:

(in € thousand)	Present value of obligation	Fair value of plan assets	Total
At 1 January 2013	37 624	-25 202	12 422
Profit and loss			
Current service cost	1 754	0	1 754
Interest expense/(income)	1 437	-1 092	345
Past service cost and gains and losses on settlements	-399	0	-399
Impact on profit and loss	2 792	-1 092	1 700
Remeasurements			
Return on plan assets, excl. amounts included in the interest expense/(income)	0	0	0
Actuarial (gain)/loss	-202	1 261	1 059
Change in asset ceiling, excl. amounts in interest expense	0	0	0
Impact of remeasurements on other comprehensive income	-202	1 261	1 059
Exchange differences	0	0	0
Acquired through business combinations	0	0	0
Contributions			
Employers	0	-1 168	-1 168
Plan participants			
Payments from plans			
Benefit payments	-383	383	0
Settlements			0
At 31 December 2013	39 831	-25 818	14 013
Profit and loss			
Current service cost	2 189	0	2 189
Interest expense/(income)	1 444	-1 142	302
Past service cost and gains and losses on settlements	-615	0	-615
Impact on profit and loss	3 018	-1 142	1 876
Remeasurements			
Return on plan assets, excl. amounts included in the interest expense/(income)		-11 094	-11 094
Actuarial (gain)/loss	14 340	-1 313	13 027
Change in asset ceiling, excl. amounts in interest expense			
Impact of remeasurements on other comprehensive income	14 340	-12 407	1 933
Exchange differences	-27	4	-23
Acquired through business combinations	30		30
Contributions			
Employers	-11	-1 063	-1 074
Plan participants			
Administrative expenses		56	56
Payments from plans			
Benefit payments	-1 053	771	-282
Settlements	-762		-762
At 31 December 2014	55 366	-39 599	15 767

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

Net liability in the balance sheet at 31 December (in € thousand)	Netherlands	Germany	France	Norway	TOTAL	% of total liabilities
2014	943	8 087	5 509	256	14 795	93.84%
2013	3 886	5 265	3 292	0	12 443	88.80%

The significant actuarial assumptions are as follows:

Assumption	2014				2013		
	Netherlands	Germany	France	Norway	Netherlands	Germany	France
Discount rate	2.30%	2.40%	1.80%	3.00%	3.90%	3.60%	3.25%
Inflation	1.80%	2.00%	2.00%	3.25%	2.00%	2.00%	2.00%
Salary growth rate	2.30%	3.00%	2.00%	3.00%	2.50%	3.00%	2.00%
Pension growth rate	0.50%	1.50%	3.00%	0.10%	0.60%	1.50%	3.00%

The principal assumption is the discount rate. The sensitivity of the defined benefit obligation to an increase/decrease of the discount rate with 0.50% is a decrease of the obligation of 11% in case of an increase of the discount rate, and an increase of the obligation of 13% in case of a decrease of the discount rate. The sensitivity analysis is based on a change in the discount rate only while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability within the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous period.

Assumptions regarding the future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

Through its defined benefit pension plans the Group is exposed to a number of risks, the most significant of which are detailed below:

- **Asset volatility:** the plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. All the plans described above hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.
- **Changes in bond yield:** a decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
- **Inflation risk:** all the plans described above are linked to inflation and higher inflation will lead to higher liabilities.
- **Life expectancy:** all the plans described above are to provide benefits for the life of a member, so increase in life expectancy will result in an increase in the plans' liabilities.

The weighted average duration of the defined benefit obligation is about 20.6 years.

### 6.9.2. Defined contribution plans

In the several Belgian companies, the Group has pension plans in the context of a group insurance. Those pension plans are defined contribution plans, but due to the Belgian legislation, the employer is obliged to guarantee a minimum return on the contributions. This guarantee is no longer fully insured and therefore, these defined contribution plans are defined benefit plans in the narrow interpretation of IAS19 R rules. Omega Pharma obtained in 2013 an actuarial calculation of the retirement benefits, and also about the pre-retirement death benefits.

Based on these calculations, Omega Pharma decided not to include any provision in their balance sheet, since the impact was considered as not material.

## 6.10 Taxes, remuneration and social security

(in € thousand)	31 December 2014	31 December 2013
Current income tax liabilities	17 701	20 603
Other current tax and VAT payables	12 074	8 700
Remuneration and social security payables	21 387	19 255
<b>Taxes, remuneration and social security</b>	<b>51 162</b>	<b>48 558</b>

For current income tax receivables, see note 5.4.

### Deferred tax liabilities

(in € thousand)	Discrepancy with tax depreciation	Undistributed earnings	Financial instruments	Other	Reclass	TOTAL deferred tax liabilities
Balance at 31 December 2012	99 706	1 319	0	6 643	-8 233	99 435
Result	6 931	0	132	1 161		8 224
Charged to equity						0
Acquisition of subsidiary	1 786					1 786
Transfers					-3 092	-3 092
Exchange rate differences	-99			-8		-107
Balance at 31 December 2013	108 324	1 319	132	7 796	-11 325	106 246
Result	7 329	137	-276	991		8 181
Charged to equity						0
Acquisition of subsidiary	7 672					7 672
Transfers					1 760	1 760
Exchange rate differences	-18			1		-17
Balance at 31 December 2014	123 307	1 456	-144	8 788	-9 565	123 842

The total amount of €123.8 million as per 31 December 2014 contains for €16.6 million liabilities on less than one year (2013: €13.5 million). The remaining amount of €107.2 million expires on more than one year.

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)	Difference in depreciation rates	Employee benefits	Provisions	Tax losses	Financ. Instruments	Other	Reclass	TOTAL deferred tax assets
Balance at 31 December 2012 (restated)	-3 225	3 338	2 747	41 298	4 412	0	-8 233	40 337
Result	-2 743	326	-2 051	8 275				3 807
Charged to equity					-936			-936
Acquisition of subsidiary			1 136					1 136
Transfers							-3 092	-3 092
Exchange rate differences	74		-11	0	0			63
Balance at 31 December 2013	-5 894	3 664	1 821	49 573	3 476	0	-11 325	41 315
Result	-3 375	699	694	10 283				8 301
Charged to equity					1 276			1 276
Acquisition of subsidiary			642					642
Transfers							1 760	1 760
Exchange rate differences	48		1	0	0			49
Balance at 31 December 2014	-9 221	4 363	3 158	59 856	4 752	0	-9 565	53 343

The total amount of €53.3 million as per 31 December 2014 contains for €0.3 million receivables on less than one year (2013: €0.1 million). The remaining amount of €53.0 million expires on more than one year.

## 6.11 Financial debts and derivative financial instruments

### Composition according to duration

(in € thousand)	31 December 2014	31 December 2013
<b>Non-current</b>	<b>732 371</b>	<b>723 579</b>
Financial lease liabilities	1 346	2 081
<i>Of which with a maturity later than 1 year and no later than 5 years</i>	<i>1 346</i>	<i>2 081</i>
<i>Of which with a maturity later than 5 years</i>	<i>0</i>	<i>0</i>
Retail Bond	300 000	300 000
<i>Of which with a maturity later than 1 year and no later than 5 years</i>	<i>300 000</i>	<i>180 000</i>
<i>Of which with a maturity later than 5 years</i>	<i>0</i>	<i>120 000</i>
Bank borrowings	416 125	408 505
<i>Of which with a maturity later than 1 year and no later than 5 years</i>	<i>281 110</i>	<i>273 498</i>
<i>Of which with a maturity later than 5 years</i>	<i>135 015</i>	<i>135 007</i>
Derivative financial instruments	13 775	11 921
Other amounts payable	1 125	1 072
<b>Current</b>	<b>1 478</b>	<b>44 622</b>
Financial lease liabilities	772	748
Bank borrowings	479	28 673
Bank overdrafts	220	11 617
Derivative financial instruments	0	3 577
Other amounts payable	7	7
<b>Total</b>	<b>733 849</b>	<b>768 201</b>

With this net debt level, Omega Pharma remains safely within the covenants agreed upon with its credit providers which stipulate that the net debt level should not surpass a multiple on annualized EBITDA :

Credit facility	Net debt/ Annualized EBITDA
USPP	3.25
Syndication loan	3.50

## Bank Borrowings

(in € thousand)	31 December 2014		31 December 2013	
	Amount	Effective interest rate	Amount	Effective interest rate
<b>Non-current bank borrowings</b>				
Syndicated loan	264 590	1.16 %	258 891	1.12 %
French loan	0	-	0	-
US private placement 2004	16 233	6.19 %	16 228	6.01 %
US private placement 2011	134 976	5.11 %	134 967	5.11 %
Fair value of the hedged part of the US private placement	206		-1 757	
Other	120		176	
<b>Total non-current borrowings</b>	<b>416 125</b>		<b>408 505</b>	
<i>of which euro denominated</i>	<i>399 685</i>		<i>394 034</i>	
<i>of which US dollar denominated</i>	<i>16 440</i>		<i>14 471</i>	
<b>Current bank borrowings</b>				
Syndicated loan	-		-	
US private placement 2004	0		32 481	6.19%
Fair value of the hedged part of the US private placement	0		-3 904	
Other	283		11 719	
<b>Total current bank borrowings</b>	<b>283</b>		<b>40 296</b>	
<i>of which euro denominated</i>	<i>283</i>		<i>11 719</i>	
<i>of which US dollar denominated</i>	<i>0</i>		<i>28 577</i>	
<b>Total non-current and current borrowings</b>	<b>416 408</b>		<b>448 801</b>	

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

As demonstrated in the table above, the debt financing of the Group consists of four major borrowings: (1) a syndicated loan facility, (2) a US private placement in 2004, (3) a US private placement in 2011 and (4) a retail bond (partly due in 2017 and 2019).

- (1) Omega Pharma renewed the syndicated loan agreement in 2011 for a total amount of €525 million with maturity after 5 years. On 31 December 2014, the credit lines in use represented an amount of €265 million (i.e. €264.6 million, as mentioned in the table above, increased with the costs incurred upon closing the syndicated loan).
- (2) The first US private placement was closed in 2004, for an amount of \$285 million. This US private placement is hedged for currency exchange differences and interest fluctuations between the US dollar and the euro. This results in a nominal principal amount of €231.5 million, which remains unchanged. In 2009, a first instalment of the US private placement for €44.7 million was reimbursed, a second instalment of €130 million in July 2011, in 2012, an additional €8.1 was reimbursed and a third instalment of €32.5 million was reimbursed in July 2014. The current nominal amount is €16.2 million. Because of the hedges related to the US private placement, the corresponding derivative financial instruments are also included in the table above. Further comments can be found hereunder.

- (3) In July 2011, a new US private placement was closed for an amount of €135 million for the renewal of the second instalment. It concerns a loan in euro for which no hedging was necessary.
- (4) In April 2012, Omega Pharma made a public offer in Belgium and the Grand-Duchy of Luxembourg for two series of retail bonds. The fixed rate for the bonds due 2017 is 4.500%, and 5.000% for the bonds due 2019. The total issue amount was €300 million of which €180 million for the 5 year bond and €120 million for the 7 year bond. The issue date was 23 May 2012. The bonds are listed on the Luxembourg Stock Exchange.

#### *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 instalments (bullet tranches): \$55 million in 2009, \$160 million in 2011, \$50 million in 2014 and \$20 million in 2016. The first note was reimbursed in July 2009 and the second note of \$160 million in July 2011. The third note, originally due in 2014, was partly (\$10 million) repaid in 2012 and the remaining amount on due date in July 2014 (\$40 million).

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.

These hedges are reflected in the first table below.

The swap from US dollar fixed interest rate to euro fixed interest rate (third column) is qualified as cash flow 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.

This is also reflected in the table at the very bottom of this page.

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 revaluated 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 favourable contracts – or that the Group would have to pay – when terminating unfavourable contracts.

The fair value of the swaps is referred to in the balance sheet item : non-current derivative financial instruments for an amount of €13.8 million: €-0.1 million for the US private placement and €13.9 million for the other interest swaps in 2014.



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	
\$20 million	28 July 2016	\$20 million	-

Hedges	Type	Recognition in the accounts 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	<ul style="list-style-type: none"> <li>a) the fair value of the swap</li> <li>b) the effective part of the changes in fair value of the derivative Financial instrument</li> </ul>	<ul style="list-style-type: none"> <li>a) derivative financial instruments on the balance sheet</li> <li>b) equity on the balance sheet</li> </ul>

#### Hedge of the syndicated loan

Beside the hedges related to the US private placement, more interest swaps were closed for the hedging of the interest risk on the syndicated loan. As per 31 December 2014, there were swaps for a total amount of €195.0 million. All swaps cover a variable interest rate into a fixed interest rate. The effective part of the changes in fair value of the derivative financial instrument is recognized in equity on the balance sheet.

(in € thousand)	Liabilities
Balance at 31 December 2012	8 569
Fair value hedges	-285
<i>of which : gross amount, non-current</i>	-
<i>of which : gross amount, current</i>	-432
<i>of which : deferred tax effect</i>	147
Cash flow hedges	-1 791
<i>of which : gross amount US Private Placement, non-current</i>	-376
<i>of which : gross amount US Private Placement, current</i>	62
<i>of which : gross amount syndicated loan, non-current</i>	-2 400
<i>of which : gross amount syndicated loan, current</i>	-
<i>of which : deferred tax effect</i>	923
Balance at 31 December 2013	6 493
Fair value hedges	535
<i>of which : gross amount, non-current</i>	-
<i>of which : gross amount, current</i>	811
<i>of which : deferred tax effect</i>	-276
Cash flow hedges	2478
<i>of which : gross amount US Private Placement, non-current</i>	-176
<i>of which : gross amount US Private Placement, current</i>	-62
<i>of which : gross amount syndicated loan, non-current</i>	3 992
<i>of which : gross amount syndicated loan, current</i>	-
<i>of which : deferred tax effect</i>	-1 276
Balance at 31 December 2014	9 506

## Additional disclosures on Financial instruments

2014		Amounts recognized in the balance sheet according to IAS 39						
(in € thousand)	Category in accord. with IAS 39	Carrying amount 31.12.2014	Amortized cost	Cost	Fair value gecogn. in equity	Fair value recogn. in profit or loss	Amounts recognized in balance sheet according to IAS 17	Fair value at 31.12.2014
Other non-current assets	LaR	1 945	1 945					1 945
Trade receivables	LaR	172 122	172 122					172 122
Other receivables	LaR	11 775	11 775					11 775
Cash and cash equivalents	LaR	36 494	36 494					36 494
Finance lease liabilities	n.a.	2 118					2 118	1 906
Retail Bond	FLAC	300 000	322 191					322 191
Bank borrowings	FLAC	418 088	445 761					445 761
Derivative financial liabilities (hedge accounting)	n.v.t.	14 404			14 404			14 404
Trade payables	FLAC	315 804	315 804					315 804
Other non interest bearing liabilities	FLAC	174 496	174 496					174 496
Of which : aggregated by category in accordance with IAS 39								
Held to maturity	HtM							
Loans and receivables	LaR	222 336	222 336					222 336
Financial liabilities at amortized cost	FLAC	1 208 388	1 258 252					2 258 252

### Legend:

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

IFRS 7 requires the disclosure of the fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which uses inputs which have a significant effect on the recorded fair value are not based on observable market data.

All financial instruments measured at fair value are level 2, both this year and last year.

2013		Amounts recognized in the balance sheet according to IAS 39						
(in € thousand)	Category in accord. with IAS 39	Carrying amount 31.12.2013	Amortized cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss	Amounts recognized in balance sheet according to IAS 17	Fair value at 31.12.2013
Available-for-sale financial assets	AfS	1 940		1 940				n.a.
Other non-current assets	LaR	11 634	11 634					11 634
Trade receivables	LaR	210 223	210 223					210 223
Other receivables	LaR	14 202	14 202					14 202
Cash and cash equivalents	LaR	43 124	43 124					43 124
Finance lease liabilities	n.a.	2 829					2 829	2 263
Retail Bond	FLAC	300 000	327 514					327 514
Bank borrowings	FLAC	456 283	482 035					482 035
Derivative financial liabilities (hedge accounting)	n.v.t.	9 837			9 837			9 837
Trade payables	FLAC	309 707	309 707					309 707
Other non interest bearing liabilities	FLAC	64 998	64 998					64 998
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	279 183	279 183					279 183
Financial liabilities at amortized cost	FLAC	1 130 988	1 184 254					1 184 254

## Finance leases

### *Assets*

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

(in € thousand)	31 December 2014	31 December 2013
Cost - capitalized finance leases	8 651	8 952
Accumulated depreciation	-3 807	-3 774
Net amount of assets in leasing	4 844	5 178

The net amount of the finance leases concern following investments :

(in € thousand)	31 December 2014	31 December 2013
Land	32	32
Buildings	4 715	5 013
Plant, machinery and equipment	24	5
Furniture and vehicles	73	128
Net amount of assets in leasing	4 844	5 178

### *Liabilities*

Finance lease liabilities - minimum lease payments:

(in € thousand)	31 December 2014	31 December 2013
Not later than 1 year	862	881
Later than 1 year and not later than 5 years	1 430	2 264
Later than 5 years	0	0
Total minimum lease payments	2 292	3 145
Future finance charges on finance leases	-174	-316
Present value of finance lease liabilities	2 118	2 829

The present value of finance lease liabilities is as follows:

(in € thousand)	31 December 2014	31 December 2013
Not later than 1 year	772	748
Later than 1 year and not later than 5 years	1 346	2 081
Later than 5 years	0	0
Present value of finance lease liabilities	2 118	2 829

## Operating leases

The operating leases concern mainly buildings, warehouses and company cars.  
The non-cancellable operating leases are payable as follows:

(in € thousand)	31 December 2014	31 December 2013
Not later than 1 year	12 762	10 622
Later than 1 year and not later than 5 years	34 531	31 292
Later than 5 years	9 294	11 616
Operating leases - minimum lease payments	56 587	53 530

## 6.12 Other current payables

(in € thousand)	31 December 2014	31 December 2013
Other payables	95 693	15 005
Accrued charges	21 805	22 798
Dividend payable	78 810	50 000
Other current payables	196 308	87 803

Other current payables include amongst others payables related to acquisitions completed in this and previous periods.

## 7. Miscellaneous items

### 7.1 Contingencies

There are no pending disputes with tax authorities in 2014.

### 7.2 Off balance sheet rights and obligations

- The bank loans of Omega Pharma SAS (France) are backed up by a Letter of Intent to the value of €60 million by Omega Pharma NV.
- Omega Pharma NV has signed a liability statement on behalf of a number of subsidiaries in the Netherlands, Ireland, United Kingdom, Austria, Italy, Greece and Germany, i.e.:

Herbs Trading GmbH  
Chefaro Ireland Ltd  
Chefaro Pharma Italia SrL  
Omega Pharma Hellas SA  
Omega Pharma Deutschland GmbH  
Paracelsia Pharma GmbH  
Omega Pharma Manufacturing GmbH & Co KG  
Omega Pharma Ltd

- In addition a number of items have been entered into the ordinary course of business (such as factoring).

## 7.3 Business combinations

In 2014, Omega Pharma acquired a number of companies:

- Ymea BV, a Dutch company and owner of the Ymea brand (consolidated as of 1 April 2014)
- OCE-Bio BVBA and OCE-Bio Nederland BV, focused on health retail in pharmacies in Belgium and the Netherlands (consolidated as of 1 January 2014 – included in ‘others’ in table below)
- Despharma Kft and Despharma BV (consolidated as of 1 July 2014)
- Uçkan Medikal Sanayi Ve Ticaret Anonim Sirketi and Primeks Dis Ticaret Anonim Sirketi (consolidated as of 1 December 2014 – included in ‘others’ in table below)
- A few small companies with minor impact on the balance sheet.

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

Overview of business combinations:

(in € thousand)	Ymea BV			Despharma Kft and Despharma BV		
	Book value	Fair value adjustments	Fair value	Book value	Fair value adjustments	Fair value
Non-current assets	2	30 706	30 708	142	0	142
Intangible assets	0	30 686	30 686	140	0	140
Property, plant and equipment	2	0	2	2	0	2
Other non-current assets	0	0	0	0	0	0
Deferred tax assets	0	20	20	0	0	0
Current assets	3 953	-2 371	1 582	2 002	0	2 002
Cash and cash equivalents	1 608	0	1 608	187	0	187
Other current assets	2 345	-2 371	-26	1 815	0	1 815
Non-current liabilities	0	7 672	7 672	0	0	0
Deferred tax liabilities	0	7 672	7 672	0	0	0
Other non-current liabilities	0	0	0	0	0	0
Current liabilities	3 239	80	3 319	129	170	299
Net assets acquired	716	20 583	21 299	2 015	-170	1 845
Goodwill			10 103			5 994
Total consideration			31 402			7 839



Overview of business combinations (continued):

(in € thousand)	OCE-Bio BVBA and OCE-Bio Nederland BV			Uçkan Medikal Sanayi Ve and Primeks Dis			Others		
	Book value	Fair value adjust- ments	Book value	Book value	Fair value adjust- ments	Book value	Book value	Fair value adjust- ments	Fair value
Non-current assets	1 528	225	1 753	4	0	4	43	0	43
Intangible assets	889	-35	854	4	0	4	0	0	0
Property, plant and equipment	245	0	245	0	0	0	0	0	0
Other non-current assets	394	0	394	0	0	0	0	0	0
Deferred tax assets	0	260	260	0	0	0	0	0	0
Current assets	3 706	-80	3 626	6 436	0	6 436	176	0	176
Cash and cash equivalents	110	0	110	2 688	0	2 688	125	0	125
Other current assets	3 596	-80	3 516	3 748	0	3 748	51	0	51
Non-current liabilities	206	0	206	0	0	0	0	0	0
Deferred tax liabilities	0	0	0	0	0	0	0	0	0
Other non-current liabilities	206	0	206	0	0	0	0	0	0
Current liabilities	3 252	672	3 924	1 466	0	1 466	85	0	85
Net assets acquired	1 776	-527	1 249	4 974	0	4 974	134	0	134
Goodwill			6 912			13 354			5 558
Total consideration			8 161			18 328			5 692

(in € thousand)	Total 2014			TOTAL 2013		
	Book value	Fair value adjust- ments	Fair value	Book value	Fair value adjust- ments	Fair value
Non-current assets	1 719	30 931	32 650	26 249	2 029	28 278
Intangible assets	1 076	30 651	31 727	26 249	2 029	28 278
Property, plant and equipment	249	0	249	0	0	0
Other non-current assets	394	0	394	0	0	0
Deferred tax assets	0	280	280	0	0	0
Current assets	16 273	-2 451	13 822	0	0	0
Cash and cash equivalents	4 718	0	4 718	0	0	0
Other current assets	11 555	-2 451	9 104	0	0	0
Non-current liabilities	206	7 672	7 878	0	0	0
Deferred tax liabilities	0	7 672	7 672	0	0	0
Other non-current liabilities	206	0	206	0	0	0
Current liabilities	8 171	922	9 093	0	0	0
Net assets acquired	9 615	19 886	29 501	26 249	2 029	28 278
Goodwill			41 921			1 778
Total consideration			71 422			30 056

## 7.4 List of consolidated companies

Following companies are consolidated according to the global consolidation method:

Abtei Omega Pharma GmbH Abtei 1 - 37696 Marienmünster (Germany)	100 %
ACO Hud Nordic AB Box 622 - 194 26 Upplands Väsby (Sweden)	100 %
ACO Hud Norge AS Økern Bus 95 - NO-0509 Oslo (Norway)	100 %
ACO Pharma OY Gårdsbrinken 1A - FI02240 Esbo (Finland)	100 %
AdriaMedic SA Zare Ouest 19 - 4384 Ehlerange (Luxembourg)	100 %
Adriatic BST d.o.o. Verovškova ulica 55 - 1000 Ljubljana (Slovenia)	100 %
Adriatic Distribution Beograd d.o.o. Ljubostinjska 2/C5 - 1100 Belgrado (Serbia)	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 %
Aurora Pharmaceuticals Ltd Units # 48, 49, 50 and 51, N°7, Narabang Way, Belrose NSW 2085 (Australia)	100 %
Belgian Cycling Company NV Venecoweg 26 - 9810 Nazareth (Belgium)	100 %
Bional Nederland BV Kralingseweg 201 - 3062 CE Rotterdam (The Netherlands)	100 %
Biover NV Venecoweg 26 - 9810 Nazareth (Belgium)	100 %
Bioxydiet SARL Avenue de Lossburg 470 - 69480 Anse (France)	100 %
Bittner Pharma LLC Business Center 'Novosushevskiy' - 127018 Moskou (Russia)	100 %
Chefaro Ireland Ltd Northwood Office Park, the Crescent building, first floor, block A Dublin 9 (Ireland)	100 %

Chefaro Pharma Italia SRL Viale Castello della Magliana 18 - 00148 Roma (Italy)	100 %
Cinetic Laboratories Argentina SA Av. Triunverato 2736 - City of Buenos Aires (Argentina)	100 %
Cosmediet - Biotechnie SAS Avenue de Lossburg 470 - 69480 Anse (France)	100 %
Damianus BV Kralingseweg 201 - 3062 CE Rotterdam (The Netherlands)	100 %
Despharma Kft. Madarász u. 47-49 - 1138 Budapest (Hungary)	100 %
Etixx NV Venecoweg 26 - 9810 Nazareth (Belgium)	100 %
Herbs Trading GmbH Ossiacher Straße 7 - 9560 Feldkirchen (Austria)	100 %
Hipocrate 2000 SRL SC 6A Prahova Street, sector 1 - Bucharest (Romania)	100 %
Hud SA Zare Ouest 19 - 4384 Ehlerange (Luxembourg)	100 %
Insect Repellents BV Kralingseweg 201 - 3062 CE Rotterdam ( The Netherlands)	100 %
Interdelta SA Route André Piller 21 - 1762 Givisiez (Switzerland)	82.35 %
Jaïco RDP NV Nijverheidslaan 1545 - 3660 Opglabbeek (Belgium)	100 %
JLR Pharma SA Route André Piller 21 - 1762 Givisiez (Switzerland)	100 %
Laboratoire de la Mer SAS ZAC de la Madeleine - Avenue du Général Patton - 35400 Saint Malo (France)	100 %
Laboratoires Omega Pharma France SAS Rue André Gide 20, BP 80 - 92320 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)	50 %
OCE-Bio BVBA Nijverheidsstraat 96 - 2160 Wommelgem (Belgium)	100 %

OCE-Bio Nederland BV De Gagelrijzen 146 - 4711 PS Sint-Willebrord (The Netherlands)	100 %
Omega ACO AS Slotsmarken 18 - DK-2980 Hörsholm (Denmark)	100 %
Omega Alpharm Cyprus Ltd Agiou Mamandos Office 52, Office 103 - 2230 Lakatamia (Cyprus)	100 %
OmegaLabs Pty Ltd Wedgewood Office Park Muswell Road South 3 - Gauteng (South Africa)	51 %
Omega Pharma A.S. Dražni 253/7 - 627 00 Brno (Czech Republic)	100 %
Omega Pharma Australia Pty Ltd Units # 48, 49, 50 and 51, N°7, Narabang Way, Belrose NSW 2085 (Australia)	100 %
Omega Pharma Austria Healthcare GmbH Rennweg 17 - 1030 Vienna (Austria)	100 %
Omega Pharma Baltics SIA Karla Ulmana gatve 119 - Marupe - Mārupes 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 Deutschland GmbH Bentzstraße 25 - 71083 Herrenberg (Germany)	100 %
Omega Pharma España SA Plaza Javier Cugat, 2 - Edificio D - Planta Primera - 08174 Sant Cugat del Vallés (Spain)	100 %
Omega Pharma GmbH Reisnerstrasse 55-57 - 1030 Vienna (Austria)	100 %
Omega Pharma Hellas SA 19 km of Athens - Lamia Nat. Road - 14671 Nea Erythraia (Greece)	100 %
Omega Pharma Holding Nederland BV Kralingseweg 201 - 3062 CE Rotterdam (The Netherlands)	100 %
Omega Pharma Hungary Kft. Madarász u. 47-49 - 1138 Budapest (Hungary)	100 %
Omega Pharma Innovation and Development NV Venecoweg 26 - 9810 Nazareth (Belgium)	100 %

Omega Pharma International NV Venecoweg 26 - 9810 Nazareth (Belgium)	100 %
Omega Pharma Ireland Ltd. Sàrl Sir John Rogerson's Quay 70 - Dublin 2 (Ireland)	100 %
Omega Pharma Kişisel Bakım Ürünleri Sanayi ve Ticaret Ltd. Şirketi Merdiventöy Mah. Bora Sok. No 1A, Ofis Blok Kat.5 Göztepe - 34732 Kadıköy/Istanbul (Turkey)	100 %
Omega Pharma Ltd Vauxhall Bridge Road 32 - SW1V 2SA London (United Kingdom)	100 %
Omega Pharma Luxembourg SARL Zare Ouest 19 - 4384 Ehlerange (Luxembourg)	100 %
Omega Pharma Manufacturing GmbH & Co. KG Benzstraße 25 - 71083 Herrenberg (Germany)	100 %
Omega Pharma Manufacturing Verwaltungs GmbH Benzstraße 25 - 71083 Herrenberg (Germany)	100 %
Omega Pharma Nederland BV Kralingseweg 201 - 3062 CE Rotterdam (The Netherlands)	100 %
Omega Pharma New Zealand Ltd 183 Grenada Street - Arataki Tauranga 3116 (New-Zealand)	100 %
Omega Pharma Nordic AB (formerly ACO Hud AB) Box 7009 - 164 07 Kista (Sweden)	100 %
Omega Pharma Poland Sp.z.o.o. BTD Office Center, 4th Floor, Al. Niepodleglosci 19 - 02-653 Warszawa (Poland)	100 %
Omega Pharma Portuguesa Lda Edificio Neopark - Av. Tomás Ribeiro 43 - 2795-574 Carnaxide (Portugal)	100 %
Omega Pharma Singapore Pte Ltd 26 Eng Hoon Street - Singapore 169776 (Singapore)	100 %
Omega Pharma SAS Rue André Gide 20, BP 80 - 92321 Châtillon (France)	100 %
Omega Pharma s.r.o. (Slovakia) Tomasikova 26 - 821 01 Bratislava (Slovakia)	100 %
Omega Pharma Trading NV Venecoweg 26 - 9810 Nazareth (Belgium)	100 %
Omega Pharma Ukraine LLC 9 Borispolskaya str., Kiev City 02099 (Ukraine)	100 %

Omega Teknika Ltd Northwood Office Park, the Crescent building, first floor, block A Dublin 9 (Ireland)	100 %
Paracelsia Pharma GmbH Lighthouse - Derendorfer Allee 6 - 40476 Dusseldorf (Germany)	100 %
Pharmasales Pty Ltd Units # 48, 49, 50 and 51, N°7, Narabang Way, Belrose NSW 2085 (Australia)	100 %
Promedent SA Zare Ouest 19 - 4384 Ehlerange (Luxembourg)	100 %
Richard Bittner AG Reisnerstrasse 55-57 - 1030 Vienna (Austria)	100 %
Rubicon Healthcare Holdings Pty Ltd Units # 48, 49, 50 and 51, N°7, Narabang Way, Belrose NSW 2085 (Australia)	100 %
Samenwerkende Apothekers Nederland BV Kralingseweg 201 - 3062 CE Rotterdam (The Netherlands)	100 %
The Learning Pharmacy Ltd Vauxhall Bridge Road 32 - SW1V 2SA London (United Kingdom)	100 %
Verelibron Srl Viale Castello della Magliana 18 - 00148 Rome (Italy)	100 %
ViaNatura NV Venecoweg 26 - 9810 Nazareth (Belgium)	100 %
Wartner Europe BV Kralingseweg 201 - 3062 CE Rotterdam (The Netherlands)	100 %
Ymea BV Kralingseweg 201 - 3062 CE Rotterdam (The Netherlands)	100 %

Following companies have been removed from the consolidation circle in the course of 2014:

- Despharma BV (acquired in 2014 and merged with Despharma Kft.)
- SeaZen BVBA (acquired in 2014 and merged with OCE-Bio BVBA)
- Uçkan medical Sanayi Ve Ticaret Anonim Sirketi and Primeks Dis Ticaret Anonim Sirketi (acquired in 2014 and merged with Omega Pharma Kişisel Bakım Ürünleri Sanayi ve Ticaret Ltd. Şirketi)

## 7.5 Significant events after balance sheet date

There are no significant events after balance sheet date.

## 7.6 Related parties

Related parties refer to the members of the executive committee and the non-executive members of the board of directors. In 2014, a total amount of 2.4 million has been paid to related parties, of which €2.3 million to members of the executive committee and €0.1 million to non-executive members of the board of directors. In 2013, the total amount paid to related parties was €2.6 million (€2.5 million to members of the executive committee and €0.1 million to non-executive members of the board of directors). The amounts mentioned cover both base and variable remuneration components as well as resignation compensations, and equal the total cost to the Company. No social security expenses nor retirement benefit expenses are due by the Company.

In the course of 2014 and 2013, no warrants have been granted to the members of the executive committee nor 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.

There are no other related parties except members of the executive committee and non-executive members of the board of directors.

## 7.7 Warrants - Share based payments

As per 31 December 2014 and 2013, there are no warrants outstanding.

## 7.8 Dividend - Share-based payments

For 2013, an interim dividend of €50.0 million was adjudged.

For 2014, there was decided to pay an interim dividend of a total amount of €54.0 million.

The board of directors will propose to the annual shareholders' meeting of 28 April 2015 to pay out a dividend of €45 million over the period 2014.

## 7.9 Shareholders' structure

The shareholders' structure as per 31 December 2014 was as follows:

Situation at 31 December 2014	Number of shares	Percentage of the total
Omega Pharma Invest NV	25 919 506	87.75%
Omega Pharma International NV	1	0.00%
Omega Pharma NV (treasury shares)	3 618 639	12.25%
Total controlled by Omega Pharma Invest NV	29 538 146	100.00%
Total number of outstanding shares and voting rights	29 538 146	100.00%

Marc Coucke is the principal shareholder, the chairman of the board of directors and managing director of Alychlo NV. Alychlo NV is the main shareholder of Omega Pharma Invest (previously named Couckinvest NV). Holdco I BE NV is a major shareholder of Omega Pharma Invest NV. Omega Pharma Invest NV holds a direct controlling participation in Omega Pharma NV. On 1 September 2011, Omega Pharma Invest NV, Alychlo NV and Holdco I BE NV have closed an agreement of acting in concert concerning Omega Pharma Invest NV. 61.6 per cent of the shares of Holdco I BE NV are owned by Holdco I BE B.V., a private company under Dutch law with statutory address 1097 JB Amsterdam, Prins Bernhardplein 200 Amsterdam (The Netherlands). All shares of Holdco I BE B.V. are held by Waterland Private Equity Fund V C.V., a partnership with limited liability under Dutch law with statutory address Nieuwe 's Gravelandseweg 17, 1405 HK Bussum (The Netherlands). Waterland Private Equity Fund V C.V. is an investment fund managed by Waterland Private Equity Investments B.V.. 38.4 per cent of the shares of Holdco I BE NV are owned by Hao Investments S.a.r.l., a limited company under Luxembourg law with the sole purpose to invest in Holdco I BE NV. The shares of Hao Investments S.a.r.l. are held by a number of investment funds advised or managed by Hamilton Lane Advisors LLC, HarbourVest Partners LLC en StepStone Group LLC, three American advisors and managers of private equity investments.



## 7.10 Information on the auditor's remuneration and related services

The statutory auditor is PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, represented by Peter Opsomer.

(in €)	
<b>Audit fee for the Group audit 2013</b>	
Omega Pharma Group	758 690
Audit fee for PricewaterhouseCoopers Bedrijfsrevisoren	284 840
Audit fee for parties related to PricewaterhouseCoopers Bedrijfsrevisoren	473 850
<b>Additional services rendered by the Auditor to the Group</b>	
Other engagements to the Auditor's mandate	253 462
Tax advisory services	
Other services	
<b>Additional services rendered by parties related to the Auditor to the Group</b>	
Other engagements linked to the Auditor's mandate	55 925
Tax advisory services	60 984
Other services	280 124

The audit committee of Omega Pharma NV confirmed that the above-listed additional services do not impair the independence of the statutory auditor.

## 7.11 Changes in accounting policies

No changes in accounting policies occurred in 2014.

# Statutory auditor's report

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 2014

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In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statements. The consolidated financial statements comprise the consolidated balance sheet as of 31 December 2014, 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.

## Report on the consolidated financial statements - Unqualified opinion

We have audited the consolidated financial statements of Omega Pharma NV ("the Company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated balance sheet amounts to EUR'000 2,344,195 and the consolidated income statement shows a profit for the year, group share, of EUR'000 123,616.

### *Board of directors' responsibility for the preparation of the consolidated financial statements*

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determine, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Statutory auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An

audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Unqualified Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2014 and of its consolidated financial performance and its consolidated 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.

#### Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Ghent, 28 March 2015

The Statutory Auditor  
PwC Bedrijfsrevisoren BCVBA  
Represented by

Peter Opsomer\*  
Statutory auditor

\*Peter Opsomer BVBA  
Board Member, represented by its fixed representative,  
Peter Opsomer

**Omega Pharma Corporate n.v.**

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