Europalaan 2, Utrecht
P.O. Box 2066
3500 GB Utrecht
The Netherlands

Corporate Communications
Telephone: +31(0)30 2821609
Fax: +31(0)30 2821660

Press release

Utrecht, 18 February 2009

4th quarter 2008: OPG reports operating result in line with outlook

Maximum focus on positioning in changing Dutch pharmacy market

Fourth quarter 2008 financial highlights

- **Sales** + 4% compared to fourth quarter 2007
  - Pharmacies Netherlands - 7%
  - Pharmacies International - 1%
  - Direct & Institutional + 25%
- **Operating result** € 16.8 million (-52%)
  - Pharmacies Netherlands € 5.8 million (- 70%)
  - Pharmacies International - € 0.7 million (> - 100%)
  - Direct & Institutional € 17.8 million (- 4%)
  - Other - € 6.1 million (- 56%)
- **Net result** - 90%, mainly due to lower operating result and higher effective tax burden

Fourth quarter 2008 operational highlights

- Maximum focus on **positioning in significantly changing pharmacy market** in the Netherlands:
  - roll-out Mediq Pharmacy chain virtually completed; nationwide marketing campaign launched;
  - reorganization on track; workforce reduced by 65 FTE;
  - adjustments to business model being prepared.
- Targets **restructuring plan in Poland** achieved but effect offset by currency effects, non-recurring costs and rising wage costs.
- Continuing **sales growth at Direct & Institutional**, chiefly due to acquisitions.
- **Economic crisis** affects OPG to a limited extent, mainly through slowing growth in Poland and the USA.
- Start of group-wide roll-out of **Mediq brand**.

Full-year 2008 financial highlights

- Sales and operating result of Pharmacies Netherlands under pressure after 1 June 2008 due to preference policy.
- Impairment of goodwill for Dutch pharmacies in second quarter of € 198.0 million (non cash).
- Full-year 2008 forecast issued with second quarter results achieved:
  - operating result of € 100.5 million (before the goodwill impairment in the second quarter and excluding non-operational items in the fourth quarter amounting to - € 5.4 million), as against expectation of € 95 million to € 100 million;
  - Sales + 10%; in line with expectations.
- The dividend proposal is € 0.30 per share (pay-out of 35%).
- As a result of refinancing (for Byram acquisition) the average maturity of credit facilities has been extended to 4.1 years.

X € 1,000,000

4th quarter 2008	4th quarter 2007	Increase/ decrease		2008	2007	Increase/ decrease
701.3	675.2	4%	Net sales	2,730.2	2,476.7	10%
16.8	35.2	- 52%	Operating result before impairment of goodwill	95.1	134.5	- 29%
-	-		Impairment of goodwill	- 198.0	-	
16.8	35.2	- 52%	Operating result	- 102.9	134.5	
2.4%	5.2%		Operating margin (before impairment of goodwill)	3.5%	5.4%	
2.3	24.0	- 90%	Net result before impairment of goodwill	50.6	93.0	- 46%
2.3	24.0	- 90%	Net result	- 127.9	93.0	> - 100%

Marc van Gelder, CEO: *"We firmly believe we are on the right track with our Mediq Pharmacy formula to be paid for supplemental care services. We are currently negotiating with healthcare insurers to achieve this. Given the pressure of the steep price declines for generic pharmaceuticals due to the preference policy, the importance of differentiated fees is continually growing for pharmacies. We are therefore fully focused on optimally adapting to the significantly changed market conditions, by further expanding our Mediq Pharmacy proposition on the one hand and by maximizing the efficiency of our business processes on the other.*

Poland again turned in organic growth above market average. Unfortunately, the positive effect of the restructuring programme was offset, mainly by currency effects, non-recurring costs and rising wage costs. Although our activities are less sensitive to economic fluctuations than many other sectors, the economic crisis has also affected us, albeit to a limited extent. Growth is slowing in those countries in particular where end users pay a substantial co-payment: the USA and Poland.

Sales at Direct & Institutional grew steadily; this segment therefore continues to be of great importance for the present and future of OPG. The underlying margin remained on par for all business units, except in the institutional market for medical supplies in the Netherlands and the direct market in Germany."

Outlook for 2009

- We expect **sales growth** of approximately 5% (at constant exchange rates).
- Although our sector is less sensitive to the economic conditions than many other sectors, we are currently unable, given the present economic climate in general and uncertainties in the Dutch pharmacy market in particular, to provide a forecast for **operating result**.
- Costs savings resulting from the reorganization at Pharmacies Netherlands are expected to reach € 9 million in 2009 and € 15 million on an annual basis from 2010.
- Costs savings resulting from the restructuring programme in Poland are expected to reach PLN 5 million to PLN 7 million.
- Refinancing will not be required in 2009.

Financial performance of OPG Group

X € 1,000,000

4th quarter 2008	4th quarter 2007	Increase/ decrease		2008	2007	Increase/ decrease
701.3	675.2	4%	Net sales	2,730.2	2,476.7	10%
16.8	35.2	- 52%	Operating result before impairment of goodwill	95.1	134.5	- 29%
-	-		Impairment of goodwill	- 198.0	-	
16.8	35.2	- 52%	Operating result	- 102.9	134.5	
- 5.3	- 3.2		Finance income and costs	- 16.1	- 10.5	
0.0	0.4		Result of associates	- 2.5	2.8	
- 8.4	- 7.8		Income tax expense	- 5.9	- 31.5	
3.1	24.6		Profit after income tax	- 127.5	95.3	
			Attributable to:			
2.3	24.0	- 90%	Shareholders **(Net result)**	- 127.9	93.0	> - 100%
0.8	0.6		Minority interests	0.4	2.3	

Net sales rose 4% in the past quarter. As in preceding quarters, sales at Direct & Institutional grew strongly (+ 25%). Sales declined 7% at Pharmacies Netherlands and 1% at Pharmacies International, partly due to the depreciation of the Polish zloty. Without this depreciation, sales growth at Pharmacies International would have reached 3%.

Operating result declined by € 18.4 million. Operating result of Pharmacies Netherlands decreased by € 13.8 million, chiefly due to the pressure of price declines for generic pharmaceuticals owing to the preference policy of insurers (for a discussion of the preference policy see annex 2).
Operating result at Pharmacies International declined by € 1.8 million. Restructuring benefits were offset by non-recurring items and currency effects. Operating result at Direct & Institutional declined by € 0.7 million. Contributions from acquisitions were more than offset by margin pressure in Germany and in the institutional market for medical supplies in the Netherlands, as well as non-recurring income in the fourth quarter of 2007. Operating result for Other was € 2.2 million lower, mainly due to decline of the price of Anzag shares.

Net **finance income and costs** was up € 2.1 million from the fourth quarter of 2007 due to a higher average net debt position owing to acquisitions (€ 1.1 million) and a number of non-recurring items (€ 1.0 million).

Taxation in the fourth quarter was higher due to an addition to the provisions of € 4.0 million arising from a risk relating to corporate income tax. On the other hand the operating result was lower.

Reconciliation of result

As shown in the following table, both the net result and the operating result excluding non-operational items developed more favourably than the reported results. The main cause is the loss on our interest in Anzag.

X € 1,000,000

4th quarter 2008	4th quarter 2007	Increase/ decrease		2008	2007	Increase/ decrease
16.8	35.2	- 52%	Operating result	- 102.9	134.5	> - 100%
			Less:			
-	-		Impairment of goodwill (Pharmacies Netherlands)	- 198.0	-	
-	-		Sales of property (Pharmacies Netherlands)	0.6	1.5	
0.3	-		Sales of property (Pharmacies International)	3.9	1.9	
-	-		Provision for ACP Pharma claim (Pharmacies International)	-	- 2.3	
- 0.4	-		Movement in pension provision (Pharmacies International)	- 0.4	-	
- 5.3	0.3		Result of Anzag (Other)	- 11.3	1.4	
22.2	34.9	- 36%	Adjusted operating result	102.3	132.0	- 23%
2.3	24.0	- 90%	Net result	- 127.9	93.0	> - 100%
			Less:			
- 5.4	0.3		Above adjustments after corporate income tax	- 183.3	1.2	
-	-		Disposal of associates *	-	1.1	
-	-		Impairment of goodwill of associates	- 3.1	-	
7.7	23.7	- 68%	Adjusted net result	58.5	90.7	- 35%

* Gain on disposal of two associates (pharmacies) in which we held a minority interest (Pharmacies Netherlands)

Cash flow statement

X € 1,000,000

4th quarter 2008	4th quarter 2007	Increase/ decrease		2008	2007	Increase/ decrease
34.3	56.3	- 39%	Cash flow from operating activities	91.6	110.3	- 17%
- 17.8	- 27.3	35%	Cash flow from investing activities	- 146.3	- 107.4	- 36%
32.5	10.3	> 100%	Cash flow from financing activities	74.9	- 8.9	> 100%
49.0	39.3	25%	Net cash flow	20.2	- 6.0	> 100%

Cash flow from operating activities was € 34.3 million, € 22.0 million lower than in the same period a year earlier. Of that change of € 22.0 million, € 12.4 million was attributable to a lower operational result and € 9.6 million to a lower reduction in working capital than in the fourth quarter of 2007.

The cash outflow for investing activities was € 17.8 million. At € 13.1 million, additions to property, plant and equipment were € 0.4 million lower than a year ago. These investments related to primary healthcare centres, the roll-out of the Mediq Pharmacy formula and ICT at Pharmacies Netherlands, as well as new distribution centres in the Netherlands and Norway at Direct & Institutional. Acquisitions in the fourth quarter totalled € 11.4 million, and included the completion of the acquisition of three pharmacies in Utrecht initiated before the announcement of the preference policy. The cash outflow was partly compensated by proceeds from divestments and repayments of loans by suppliers.

The cash flow from financing activities was € 32.5 million and, as in the fourth quarter of 2007, was generated wholly by borrowings drawn.

The credit facility entered into in September has a term of 5 years, as a result of which the weighted average maturity of all credit facilities available to OPG is 4.1 years. At 31 December 2008, the net debt / EBITDA ratio was 2.3 and the interest cover was 7.6, compared to 2.3 and 8.9 respectively at the end of the third quarter. Both ratios comfortably meet the covenants set in the credit agreements of a minimum interest cover of 5.0 and a maximum debt ratio of 3.5.

Financial performance by segment

Pharmacies

X € 1,000,000

4th quarter 2008	4th quarter 2007	Increase/ decrease		2008	2007	Increase/ decrease
490.3	515.6	- 5%	Net sales	1,962.3	1,926.1	2%
5.1	20.6	- 75%	Operating result before impairment of goodwill	39.6	77.0	- 49%
-	-		Impairment of goodwill	- 198.0	-	
5.1	20.6	- 75%	Operating result	- 158.4	77.0	> - 100%

Pharmacies Netherlands

- Sales and margin under pressure due to price declines for generic pharmaceuticals owing to preference policy and transition agreement.
- Operating result also down due to higher costs relating to increased marketing efforts, the buyout of rental obligations in connection with the closure of a distribution centre and a lower contribution from Stichting Samenwerking Apothekers OPG.
- Roll-out of Mediq Pharmacy chain in the Netherlands virtually completed; nationwide marketing campaign under way.
- Reorganization on track.

X € 1,000,000

4th quarter 2008	4th quarter 2007	Increase/ decrease		2008	2007	Increase/ decrease
226.7	241.9	- 6%	Wholesaling sales	880.5	926.6	- 5%
165.0	168.9	- 2%	Pharmacies sales	628.5	642.2	- 2%
- 109.1	- 105.7		Eliminations *	- 416.1	- 400.8	
282.6	305.1	- 7%	Net sales	1,092.9	1,168.0	- 6%
5.8	19.6	- 70%	Operating result **	32.7	73.9	- 56%
2.1%	6.4%		Operating margin **	3.0%	6.3%	
10.8	30.8		Cash flow from operating activities	39.6	48.9	
8.0	10.4		Capital expenditure	26.6	22.5	
9.0	1.0		Acquisitions	12.5	13.3	
- 10.1	2.9		Economic profit	- 33.7	6.7	

* Relates to supplies by wholesaling to Group-owned pharmacies
** Excluding impairment of goodwill

As in the past few quarters, sales growth at our pharmacies matched the market. Due to an increase in the number of prescription items by 3% and a price decrease of around 5%, sales declined by 2% on balance. Our market share remained unchanged.

Sales and the market share for wholesaling were under pressure from continuing competition on price. Compared with the preceding quarter, our market share was unchanged.

Operating result decreased by € 13.8 million. To a large extent this was caused by a decline in the gross margin due to the preference policy, the transition agreement and the suspension of the clawback (with an aggregate effect on the operating result of - € 8.8 million). In addition, selling costs were higher due to more extensive marketing efforts and to costs for the buyout of rental obligations for a distribution centre. In addition, the contribution we received from Stichting Samenwerking Apothekers OPG for the roll-out of the Mediq Pharmacy formula in the fourth quarter of 2007 was substantially higher than in the fourth quarter of 2008 (effect on operating result of - € 3.8 million).

We launched a nationwide media campaign at the start of 2009, including commercials on television, with the purpose of significantly increasing the brand recognition and preference for the Mediq Pharmacy brand.

The investments comprised continuing investments in the roll-out of the Mediq pharmacy formula, primary healthcare centres and ICT.

The number of pharmacies rose from 225 to 231 in the fourth quarter. We completed the acquisition of three pharmacies in Utrecht for which commitments were entered into before the preference policy became known. In addition, three new pharmacies were opened in the fourth quarter in a primary healthcare centre and we acquired a majority interest in a pharmacy, bringing the total number of pharmacies at 31 December 2008 to 231 (of which 222 consolidated). In the fourth quarter, 34 pharmacies were rebranded to the Mediq Pharmacy formula, bringing the total to 192 at 31 December 2008.

Pharmacies International

- Organic growth of our Polish pharmacies above market average.
- Roll-out of Mediq Pharmacy formula has gathered momentum.
- Targets for restructuring programme for Poland achieved (€ 1.5 million in 2008).
- Operating result lower due to non-recurring costs, increase in personnel costs and a lower exchange rate of the zloty due to the economic crisis.

X € 1,000,000

4th quarter 2008	4th quarter 2007	Increase/ decrease		2008	2007	Increase/ decrease
131.8	134.4	- 2%	Wholesaling sales Poland	571.7	474.3	21%
59.9	61.0	- 2%	Wholesaling sales Belgium	237.6	233.9	2%
38.1	36.0	6%	Pharmacy sales Poland	153.5	121.9	26%
2.0	1.1	82%	Pharmacy sales Belgium	7.2	1.6	> 100%
- 24.1	- 21.9		Eliminations *	- 100.6	- 72.8	
207.7	210.6	- 1%	Net sales	869.4	758.9	15%
- 0.7	1.1	> - 100%	Operating result	6.9	3.1	> 100%
- 0.3%	0.5%		Operating margin	0.8%	0.4%	
4.6	- 2.1		Cash flow from operating activities	2.7	- 8.8	
1.0	1.2		Capital expenditure	3.0	3.4	
2.3	4.6		Acquisitions	5.2	19.4	
- 5.8	- 4.0		Economic profit	- 15.2	- 16.1	

* Relates to supplies by wholesaling to Group-owned pharmacies

Wholesaling sales were lower than in the 2007 comparative quarter, mainly as a result of the depreciation of the zloty in the fourth quarter of 2008. At constant exchange rates, segment sales would have grown 3%. Sales growth in our Polish pharmacies of 7% continued to outpace market growth of 5%. Organic sales growth of our wholesaling activities in Poland was 3% in local currency. The flatter growth in Poland compared to preceding quarters was partly due to the economic crisis.

Our restructuring programme is continuing unabated; the savings targeted for the year under review were attained. In the fourth quarter however the positive effects were offset by the continuing tightness of the Polish labour market, which led to rising personnel costs. In addition we were faced, at our Polish wholesaling activities in particular, with various non-recurring costs of € 1.1 million in total. These include a charge for buying out contractual obligations relating to the construction of a new distribution centre. Owing to the economic crisis the zloty depreciated comparatively steeply versus the euro in the past quarter. Purchasing contracts concluded in euros consequently led to lower gross profit.

This risk was largely hedged by the use of forward exchange contracts. Gains realised on these forward exchange contracts are reported under finance income and therefore not included in operating profit.

As in the preceding quarter, clear progress was achieved in rolling out the Mediq Pharmacy formula in Poland. In the past quarter, 23 pharmacies were converted to Mediq Pharmacies, bringing their total to 51.

Direct & Institutional

- Continuing strong sales growth, particularly under the influence of acquisitions and organic growth in Denmark.
- Economic situation leading to slowing growth, especially in the USA.
- Price pressure in Germany from healthcare insurers.

x € 1,000,000

4th quarter 2008	4th quarter 2007	Increase/ decrease		2008	2007	Increase/ decrease
64.7	63.8	1%	Direct sales in the Netherlands	249.0	233.5	7%
63.4	27.4	> 100%	Direct sales outside the Netherlands	211.6	81.2	> 100%
68.0	61.6	10%	Institutional sales in the Netherlands	254.8	229.1	11%
20.8	20.4	2%	Institutional sales outside the Netherlands	78.8	57.3	38%
- 2.6	- 2.3		Eliminations	- 10.8	- 8.0	
214.3	170.8	25%	Net sales	783.4	593.1	32%
17.8	18.5	- 4%	Operating result (EBIT)	68.3	60.8	12%
19.1	19.5	- 2%	Operating result excl. amortisation (EBITA)	73.3	63.7	15%
8.3%	10.8%		Operating margin (EBIT)	8.7%	10.3%	
8.9%	11.4%		Operating margin (EBITA)	9.4%	10.7%	
15.3	16.1		Cash flow from operating activities	56.6	67.6	
3.6	1.9		Capital expenditure	13.3	6.1	
0.1	10.8		Acquisitions	100.8	52.3	
11.5	15.1		Economic profit	46.6	48.4	

* Relates to intercompany sales between 'institutional' and 'direct'.

Sales rose 25% in the past quarter, driven by both acquisitions (21%) and organic growth (4%).

Organic sales growth was achieved across all parts of our business, particularly in Denmark and in supplies of pharmaceuticals in the Dutch institutional market, except for direct deliveries in home healthcare settings in Germany, which suffered from increased price pressure from healthcare insurers.

Most of the sales growth from acquisitions was achieved in the USA, although as a result of the economic situation this growth was to some extent lower than expected.

The operating margin (EBITA) was 8.9%, or 2.5 percentage points lower than in the same period of the previous year. As in previous periods, the sales mix was subject to changes as recent acquisitions achieve a lower operating margin than the segment average. Secondly, organic sales growth of business units with traditionally lower margins than the segment average was stronger than that of business units with a higher margin. This related mainly to supplies of pharmaceuticals in the Dutch institutional market. Thirdly, there was increasing pressure on margins in the institutional market for medical supplies in the Netherlands and the market for direct deliveries in home healthcare settings in Germany. Lastly, the comparative period included non-recurring income of € 1.3 million.

Other

X € 1,000,000

4th quarter 2008	4th quarter 2007	Increase/ decrease		2008	2007	Increase/ decrease
-	-		Net sales	-	0.5	
- 6.1	- 3.9	- 56%	Operating result	- 12.8	- 3.3	> - 100%
0.6	-		Capital expenditure	1.7	0.1	

Income on activities not allocated to segments is reported under 'Other'. The operating result declined by € 2.2 million, mainly reflecting a € 5.3 million decrease attributable to the price of Anzag's shares. This was offset to some extent by lower personnel costs, partly due to the effect of a non-recurring charge in the fourth quarter of last year and lower bonuses.

Pensions

The Stichting OPG Pensioenfonds drew up a recovery plan in mid-December as the coverage ratio of the fund was well below the 105% threshold set by the Dutch Central Bank. The plan includes a non-recurring contribution by OPG Group of € 5 million in 2008, supplemented by € 7.5 million in total over a period of three years (2009-2011). We expect a negative impact of some € 3 million on our operating result in 2009.

Dividend

The proposed **dividend** is € 0.30 per share, compared to € 0.54 for 2007. The 2008 dividend is 44% lower, which is in line with the decrease of the net result excluding the goodwill impairment. It represents a payout of 35%, which is in line with our target. An amount of € 0.17 per share of the dividend has already been distributed as interim dividend.

Change in the composition of the Supervisory Board

Mr van Bakel has decided to resign as supervisory board member per March 1, 2009. The reason for this is the closer alliance being pursued between OPG and the independent pharmacy customers of OPG Groothandel, which could lead to a conflict of interest for Mr Van Bakel, as a customer of OPG Groothandel. Mr Huibers will also retire, by rotation, at the end of his second term of office.

Following the departure of Mr van Bakel and Mr Huibers the Supervisory Board will comprise the following five members: Mr van Duyne (Chairman) and Mr Visser, Mr van den Goorbergh, Mr De Moor and Mr Stuge.

Conference call

A press conference will be held today at 9.30 a.m. in the Okura Hotel, Griffioen Room
Ferdinand Bolstraat 333, Amsterdam.
At 12 noon on the same day, a meeting for investment analysts will be held in the same location. This meeting can followed live via a video webcast on www.opggroup.com. The PowerPoint presentation given during the meeting can be downloaded from the website.
A conference call for investors will be hosted at 3.00 p.m., + 31 70 304 33 71. The replay of the call will subsequently be available for one week, + 31 70 315 43 00, access code 16 42 58 #

Financial calendar

The results for the first quarter of 2009 will be published on 28 April 2009 at 8.00 a.m. (Central European Time).

For more information, please contact

Catrien van Buttingha Wichers, Director Corporate Communications
Telephone: +31(0)30 282 16 09
Mobile: +31(0)6 5339 3665
E-mail: c.v.buttingha@groep.opg.nl
www.opggroup.com

OPG Group is a retail and distribution company for pharmaceuticals and medical supplies. The Group is active in three channels: operating pharmacies and wholesaling (*Pharmacies*), providing medical supplies for home healthcare and related services (*Direct*), and marketing and distributing pharmaceuticals and medical supplies to hospitals and nursing homes (*Institutional*). OPG focuses on the consumer, supplying products through whatever channel the consumer wishes.

As well as being the market leader in the Netherlands, OPG has operations in Poland, the United States, Belgium, Germany, Denmark, Norway, Hungary and Switzerland. The company employs approximately 7,700 people, about 3,500 of whom work outside the Netherlands.
It was incorporated in 1899 and has been listed on Euronext Amsterdam since 1992.

Annex 1: Highlights of 2008 results

In 2008 the **group's** sales grew by 10%, of which 7% was achieved by acquisitions and 3% by organic growth. The major contribution to sales growth came from the segment Direct & Institutional. At Pharmacies International, we achieved higher sales in our pharmacies as well as in our wholesaling activities. Sales at Pharmacies Netherlands suffered from price decreases for generic pharmaceuticals.

Operating result excluding the goodwill impairment for our Dutch pharmacies was € 95.1 million, down 29%. This decline was attributable to the price decreases at Pharmacies Netherlands referred to above, particularly under the influence of the preference policy.

Sales of **Pharmacies Netherlands** declined 6% due to very steep price decreases of generic pharmaceuticals, the transition agreement and especially the preference policy. On an organic basis, sales at our pharmacies fell by 3.4%, which is in line with the market. Our market share remained level at 14%. Our wholesaling sales fell slightly faster than the market average. Our market share consequently edged down by 1 percentage point to 24% due to a limited loss of customers.

The extreme price decrease for generic pharmaceuticals led to a goodwill impairment for pharmacies of € 201.4 million in the second quarter of 2008, of which € 3.4 million related to associates (no impact on operating result).

Operating result excluding the goodwill impairment fell by 56%, chiefly due to the very strong price pressure referred to above. The preference policy led to an adverse impact on the operating result of some € 28 million. The transition agreement resulted in a further adverse effect of € 13 million. In addition there were non-recurring costs for chain development, ICT and marketing efforts relating to the Mediq Pharmacy formula roll-out. The reorganization initiated in the second quarter of 2008 is on track. The temporary suspension of the clawback led to a gain of € 9 million.

Sales at **Pharmacies International** rose 15%. All businesses contributed to this. Of this growth, 6% was generated by the appreciation of the zloty and 2% by acquisitions. The remaining organic sales growth of 7% was achieved primarily at our Polish pharmacies. Their organic sales growth of 8% outpaced market growth of just below 7%. Sales growth at our Polish wholesaling activities likewise outstripped the market. Sales of our Polish activities therefore improved markedly over 2007, when our pharmacies reported negative organic growth.

Operating result increased by € 3.8 million. Both 2007 and 2008 included several non-operational items, excluding which operating result would have been roughly level.

The implementation of the restructuring programme in Poland is on track. The expectation expressed on publication of the full-year figures for 2007 of a positive contribution of € 1.0 million to € 1.5 million to operating result was achieved. The positive contribution of the restructuring programme was offset however by rising personnel costs. The higher labour productivity we achieved in both wholesaling and pharmacies enabled us to some extent to parry the increase in personnel costs. The operating results achieved in wholesaling and in pharmacies in Belgium were both higher than in 2007. In our pharmacies we achieved not only a higher result due to acquisitions but also strong organic growth. A strong focus on costs and prioritizing profitability above sales led to improved results at our Belgian wholesaler.

The sales growth at **Direct & Institutional** of 32% was driven by both organic growth (6%) and acquisitions (26%). Most of the growth from acquisitions related to sales achieved outside the Netherlands. In the past year the share of sales achieved abroad reached 37% of the segment total, compared to 23% a year ago. Organic growth was achieved across all our businesses within the segment, especially in direct deliveries in home healthcare settings in the Netherlands and Denmark and supplies of pharmaceuticals in the Dutch institutional market.

Growth from acquisitions resulted from the acquisition of Byram Healthcare as of 25 March 2008, but also from expansion of our existing platforms in Denmark, Norway, Germany and the Netherlands. In addition, acquisitions completed in 2007 made their first full-year contributions, the largest of which came from our Danish company Mediq Danmark, acquired in June 2007 and formerly known as Kirudan.

Operating result advanced 12%. The operating margin (EBITA) was 9.4%, or 1.3 percentage points lower than in the comparative year. As in previous years, the sales mix was subject to changes as recent acquisitions achieve a lower operating margin than the segment average. Secondly, organic sales growth of business units with traditionally lower margins than the segment average was stronger than that of business units with a higher margin. This related mainly to supplies of pharmaceuticals in the Dutch institutional market. Thirdly, there was increasing pressure on margins in the institutional market for medical supplies in the Netherlands and the direct market in Germany

In 2008 we started establishing an international purchasing agency for medical supplies. Central purchasing allows us to leverage our volumes; the target for the full-year 2008 of $ 5 million has been achieved. This mitigated price pressure. All business units in the segment benefited from this, enabling us to improve our market positions.

Other

Other reported an operating loss of € 12.8 million, a decline of € 9.5 million compared to 2007.
The result from our equity interest in Anzag from dividends received and realised share price changes was a loss of € 11.4 million, down € 12.8 million. By contrast, corporate costs not allocated to segments were lower, due in part to a lower accrual for bonuses.

Annex 2: Glossary – Dutch pharmacy market regulations

Pharmacy income in the Netherlands

The income of a Dutch pharmacy has three components:

- income from a standard fee for supplying a prescription pharmaceutical: the dispensing fee;
- income from sales of pharmaceuticals and medical supplies included in the statutory insured package and medical supplies included in the Assistance Regulation (*Regeling hulpmiddelen*);
- income from the sale of products not included in the statutory insured package, other products and self-care pharmaceuticals.

Dispensing fee

Firstly, Dutch pharmacies receive income from dispensing fees. They may charge the customer or the customer's healthcare insurance company a fee for each prescription pharmaceutical. Before 1 July 2008 a fixed fee applied of € 6.00 per prescription item. Since that date a fixed basic fee plus, sometimes, a supplementary fee (for example for weekend dispensing or magistral preparation) applies. These are maximum amounts set by the government. The average fee was virtually unchanged at € 6.10. The pharmacy's entitlement to the dispensing fee is defined by the Healthcare Market Regulation Act (*Wet Marktordening Gezondheidszorg* - WMG*)*.

With effect from 1 January 2009 the dispensing fee has been set at an average of € 7.28. If the pharmacy and healthcare insurer have entered into a contract with each other, a maximum dispensing fee of € 7.94 may be applied. See also the section 'Developments 2008-2009: dispensing fee in 2009'.

Income from sales of pharmaceuticals and medical supplies

Secondly, pharmacies earn income from sales of pharmaceuticals and medical supplies. The amount is determined by the volume of products the pharmacy sells and the prices of those products. The way prices are set in the Netherlands is complex and differs for pharmaceuticals and supplies.

Pharmaceutical prices (extramural)

Pharmacies are faced with list prices for prescription pharmaceuticals. These are the official registered prices for pharmaceuticals in the Netherlands set by the pharmaceutical industry. They are capped by the Pharmaceuticals Price Act (Wet op de geneesmiddelenprijzen (WGP), under which the government re-sets the maximum price ('WGP price') for pharmaceuticals every six months. A pharmaceutical may not be offered or sold on the Dutch market for more than this price. The maximum is derived from the prices of pharmaceuticals in neighbouring countries. Dutch prices are in line with the average of prices of similar pharmaceuticals in Germany, Belgium, France and the United Kingdom. When setting the list price, the industry also takes into account the reimbursement limit that the government sets for pharmaceuticals under the pharmaceuticals reimbursement system. A healthcare insurance company will not reimburse more than this price for the pharmaceutical. The reimbursement limit for a pharmaceutical is the average of the list prices for a cluster of similar pharmaceuticals on a given reference date. Most pharmaceuticals are, however, priced below the reimbursement limit, and accordingly hardly any additional payments are made by insurees (only 0.5% of aggregate pharmaceuticals spending). Pharmaceuticals spending is largely financed from nominal premiums paid by insurees (50%) and income-related contributions by employers (50%).

Pharmacies are faced with list prices in both selling and purchasing. The list price of a pharmaceutical is the pharmacy's reference price for sales and for reimbursement by the healthcare insurance company. In practice, the retail price (pharmacy selling price) is at or very close to the reference price. The pharmacy also has to take the list price into account when purchasing, as it is generally the price at which the wholesaler sells the pharmaceutical to the pharmacy. In practice, however, a pharmacy may pay less than the list price as the wholesaler sometimes pays part of its margin as an incentive to its customer, the pharmacy. This creates a profit margin for the pharmacy on sales of pharmaceuticals. This sales margin narrowed strongly in 2008 on around 50% of generic pharmaceuticals owing to the preference policy. See also the section 'Developments 2008-2009: 'preference policy'.

From the 1990s, pharmacies have been able to negotiate higher margins from the pharmaceutical industry via their wholesaler, as the volume of generic pharmaceuticals has increased as patents expired. Generics have always offered higher margins than patented pharmaceuticals. Since the late 1990s, the government has clawed back the pharmacies' profit margin. The standard clawback is 6.82% of the list price of pharmaceuticals up to a maximum of € 6.80 per item. The clawback was temporarily suspended during the second half of 2008 by a court decision. The clawback has been reinstated with effect from 1 January 2009 and the suspended clawback from the second half of 2008 will be settled retroactively by a temporary increase of the percentage to 8.53% during 2009 and 2010.

Since 2004, the Dutch government and the pharmacists' umbrella organisation (KNMP), the umbrella organisations of the generic pharmaceuticals industry (Bogin and Nefarma), the healthcare insurance companies (ZN) have concluded multi-party agreements to limit growth in pharmaceuticals spending. The last such agreement was concluded in the latter part of 2007 and related to a price reduction of 10% on generic pharmaceuticals in 2008. During the term of this agreement, known as the Transition agreement 2008-2009, a transition was to be effected to a system of decentral negotiations between pharmacies and healthcare insurers. See also the section 'Developments 2008-2009: 'preference policy'.

Provision of supplies

Pharmacies (and healthcare insurance companies) also face list prices for supplies. The industry also sets these prices as official asking prices but, unlike the pharmaceutical industry, the supplies industry is not subject to maximum permitted prices. Nor are there statutory maximum reimbursement amounts for supplies, although there are usage norms that may vary between healthcare insurance companies. Consequently, pharmacies are not subject to governmental price regulation in the medical supplies market. The price reimbursed to the pharmacy is normally the list price plus a margin and is set by negotiation with the healthcare insurance company.

Income from sales of other products

Thirdly, pharmacies receive income from sales of self-care pharmaceuticals and other OTC products. These may, but do not have to, carry list prices set by the industry in the form of recommended pharmacy prices. Pricing of these products is not regulated. They are accordingly not part of the basic range under the Healthcare Insurance System Act. Insurees may be entitled to reimbursement under voluntary supplementary healthcare insurance.

Developments 2008-2009

Pharmaceuticals preference policy

Healthcare insurers have a statutory entitlement to designate specific pharmaceuticals labels, within a group of pharmaceuticals with the same active agent and mode of administration, which are eligible for reimbursement. This policy seeks to stimulate price competition between manufacturers.

Insurees will only continue to be entitled to pharmaceuticals brands that have not been designated as preferred if there is a demonstrable medical necessity.

Joint preference policy

With effect from 1 January 2008, healthcare insurers jointly representing around 70% of the insuree market have operated a joint preference policy for three groups of pharmaceuticals: simvastatine, pravastatine and omeprazol. Under the Transition agreement, they are not permitted to extend this preference policy to new groups of pharmaceuticals.

The joint preference policy of these healthcare insurers operates as follows:

- For each active agent with the same method of ingestion and strength, the healthcare insurers designate one or more preferred medication labels if there is a price difference of 5% or more between the brands.
- The cheapest brand of medication is then designated as preferred product, together with all other brands of this medication within a range capped at 5% above the price of the cheapest label. Products outside that range are not eligible for reimbursement.
- The designation of preferred medication brands is valid for a period of six months in each instance.

Individual preference policy

In addition to the joint preference policy, healthcare insurers can apply an individual preference policy, under which they can also individually designate other groups of pharmaceuticals than the pharmaceuticals covered by the joint preference policy. This individual preference policy operates in the same way as the joint preference policy. There can be differences between healthcare insurers in terms of the range and designation period applied, however. The aforesaid healthcare insurers have applied this individual preference policy since July 2008. This has led to extreme pressure on prices, resulting in price declines of more than 80%. The purchasing margin on generic pharmaceuticals, for many years the chief source of income for pharmacies, has declined very steeply as a result.

Dispensing fee in 2009

The fee for dispensing a prescription pharmaceutical has been set at an average of € 7.28. If the pharmacy and the healthcare insurer have entered into a contract with each other, the fee per prescription can be diverged from to a maximum of up to € 7.94. Examples are fees for specific forms of healthcare provision, such as polypharmacy projects (supporting patients using several medicines), medication and health checks. In addition, healthcare insurers will want to agree further arrangements on prices for pharmaceuticals.

The Dutch Healthcare Authority based its pricing levels on its report from early November on the level of pharmacy practice costs and purchasing bonuses enjoyed by pharmacies in 2007 and the extrapolation to 2009 from this. The results of a further examination of the actual consequences of the preference policy will be available from around 1 May. It may be decided on that basis to adjust the level of the dispensing fee.

Free pricing for pharmaceutical healthcare

The government intends to introduce full free pricing for pharmaceutical healthcare from 2011 at the latest.

CONSOLIDATED INCOME STATEMENT

4th quarter 2008	4th quarter 2007	X € 1,000,000	2008	2007
701.3	675.2	Net sales	**2,730,2**	2.476,7
557.3	540.6	Cost of sales	**2,187.0**	1,981.8
144.0	134.6	**Gross profit**	**543.2**	494.8
- 7.4	5.0	**Other income**	**1.4**	16.3
72.3	67.6	Personnel costs	**278.4**	240.3
7.2	6.2	Depreciation and amortisation	**27.2**	20.8
0.3	-	Impairment of goodwill	**198.3**	-
40.0	30.7	Other operating expenses	**143.7**	115.6
119.8	104.4	**Total operating expenses**	**647.5**	376.6
16.8	35.2	**Operating result**	**- 102.9**	134.5
0.5	0.2	Finance income	**0.9**	1.1
- 5.8	- 3.4	Finance costs	**- 17.1**	- 11.6
0.0	0.4	Results of associates	**- 2.5**	2.8
11.5	32.4	**Profit before income tax**	**- 121.6**	126.8
- 8.4	- 7.8	Income tax expense	**- 5.9**	- 31.5
3.1	24.6	**Profit after income tax**	**- 127.5**	95.3
		Attributable to:		
2.3	24.0	Shareholders **(Net result)**	**- 127.9**	93.0
0.8	0.6	Minority interests	**0.4**	2.3
3.1	24.6	Total	**- 127.5**	95.3
		X € 1		
0.04	0.41	Net earnings per share	**- 2.19**	1.59
0.03	0.40	Diluted net earnings per share *	**- 2.19**	1.55

* Dilution is not applicable in a situation with a negative net result.

CONSOLIDATED BALANCE SHEET

X € 1,000,000	31 December 2008	31 December 2007
Non-current assets		
Property, plant and equipment	**131.9**	117.9
Investment property	**2.6**	1.3
Goodwill	**301.0**	407.6
Other intangible assets	**37.8**	27.4
Investments in associates	**7.0**	11.6
Deferred tax	**22.0**	31.3
Receivables	**8.7**	11.2
Financial assets at fair value through profit or loss	**13.5**	25.7
	524.6	634.0
Current assets		
Inventories	**224.2**	211.0
Trade receivables	**304.4**	278.9
Corporate income tax	**1.8**	4.4
Other receivables	**32.9**	30.7
Derivative financial instruments	**0.1**	-
Cash and cash equivalents	**28.4**	11.9
	591.7	536.9
Non-current assets held for sale	**0.8**	1.3
	592.5	538.2
Total assets	**1,117.1**	1,172.2
Equity		
Share capital	**105.9**	102.8
Reserves	**259.0**	458.4
Total	**364.9**	561.3
Minority interests	**14.1**	17.0
Total equity	**379.0**	578.3
Non-current liabilities		
Borrowings	**280.1**	164.6
Derivative financial instruments	**7.9**	4.5
Deferred tax	**12.2**	19.3
Retirement benefit obligations	**17.8**	2.0
Other provisions	**3.9**	1.2
	321.8	191.6
Current liabilities		
Credit institutions	**25.4**	24.0
Borrowings due within one year	**1.7**	1.3
Derivative financial instruments	**0.9**	0.3
Trade payables and other current liabilities	**364.1**	342.0
Corporate income tax	**6.4**	22.7
Other taxes and social security charges	**12.1**	7.8
Other provisions	**5.6**	4.2
	416.2	402.3
Total equity and liabilities	**1,117.1**	1,172.2
Net debt	**282.7**	184.7

CONSOLIDATED CASH FLOW STATEMENT

4th quarter 2008	4th quarter 2007	X € 1,000,000	2008	2007
11.6	32.4	Profit before income tax	**- 121.6**	126.8
5.3	3.2	Finance income and costs	**16.1**	10.5
- 0.1	- 0.4	Results of associates	**2.5**	- 2.8
5.0	2.2	Depreciation of non-current assets	**18.3**	14.9
0.3	-	Impairment of fixed assets	**198.3**	-
2.3	3.9	Amortisation of intangible assets	**8.9**	5.9
0.1	0.2	Profit on sale of non-current assets	**- 3.5**	- 3.1
5.3	- 0.3	Profit on investments	**11.3**	- 1.4
0.2	- 1.5	Movements in provisions	**- 3.9**	- 8.6
- 23.7	- 9.7	Movements in inventories	**- 16.6**	0.2
- 5.4	- 5.2	Movements in current receivables	**- 20.2**	- 9.4
36.4	44.3	Movements in current liabilities	**26.6**	5.6
37.3	**69.1**	**Operating cash flow**	**116.2**	138.6
- 5.2	- 3.3	Finance costs paid	**- 16.3**	- 11.5
2.2	- 9.5	Tax paid on operating result	**- 8.3**	- 16.8
34.3	**56.3**	**Cash flow from operating activities**	**91.6**	110.3
- 13.1	- 13.5	Additions to non-current assets	**- 44.6**	- 32.1
- 11.4	- 15.0	Acquisitions less cash and cash equivalents	**- 118.4**	- 85.0
0.8	0.0	Finance income received	**0.6**	0.9
0.0	- 0.2	Dividends received	**2.3**	1.0
1.5	0.1	Disposals of non-current assets	**8.5**	5.5
0.1	- 0.6	Loans granted	**- 3.4**	- 4.6
1.9	2.9	Payments received on loans	**5.8**	7.2
2.3	- 0.9	Other movements in non-current assets	**2.1**	0.2
0.1	- 0.3	Tax paid on investing activities	**0.8**	- 0.3
- 17.8	- 27.3	**Cash flow from investing activities**	**- 146.3**	- 107.2
0.0	0.0	Proceeds from share issues	**3.1**	2.7
0.0	1.0	Treasury shares	**- 9.2**	- 16.2
0.0	0.0	Dividends paid	**- 31.6**	- 31.1
32.2	20.0	Proceeds from borrowings	**114.0**	40.5
0.1	- 9.6	Repayments of borrowings	**- 1.1**	- 6.1
0.2	- 1.1	Movements in minority shareholders	**- 0.3**	1.3
32.5	10.3	**Cash flow from financing activities**	**74.9**	- 8.9
49.0	39.3	**Net cash flow**	**20.2**	-6.0
		Reconciliation with the balance sheet		
49.0	39.3	Net cash flow	**20.2**	- 6.0
2.6	- 0.3	Foreign exchange differences in net short-term debt	**- 5.1**	- 1.0
51.6	39.0	**Sub-total**	**15.1**	- 7.0
		Net short-term debt at beginning of period:		
		Cash and cash equivalents	**11.9**	21.3
		Credit institutions	**24.0**	26.4
			12.1	5.1
		Net short-term debt at end of period:		
		Cash and cash equivalents	**28.4**	11.9
		Credit institutions	**25.4**	24.0
			- 3.0	12.1

SEGMENT REPORTING - NUMBERS PER SEGMENT

Operating segments	PHARMACIES *						DIRECT & INSTITUTIONAL		OTHER		ELIMINATIONS		CONSOLIDATED	
	Pharmacies Netherlands		Pharmacies International		Pharmacies total									
X € 1,000,000	Q4 2008	Q4 2007	Q4 2008	Q4 2007	Q4 2008	Q4 2007	Q4 2008	Q4 2007	Q4 2008	Q4 2007	Q4 2008	Q4 2007	Q4 2008	Q4 2007
Net sales, third parties	282.3	297.5	207.5	210.2	489.7	507.7	211.5	167.5	-	0.1			701.3	675.3
Net sales, intercompany	0.3	7.6	0.2	0.4	0.6	7.9	2.8	3.3	-	-	- 3.4	- 11.2	-	-
Total net sales	282.6	305.1	207.7	210.6	490.3	515.6	214.3	170.8	-	0.1	- 3.4	- 11.2	701.3	675.3
Cost of sales plus operating expenses	- 276.8	- 285.5	- 208.4	- 209.6	- 485.2	- 495.0	- 196.5	- 152.3	- 6.1	- 4.0	3.4	11.2	- 684.5	- 640.1
Operating result	5.8	19.6	- 0.7	1.0	5.1	20.6	17.8	18.5	- 6.1	- 3.9	0.0	0.0	16.8	35.2
Finance income and costs													- 5.3	- 3.2
Results of associates	0.0	0.5	0.0	-0.2	0.0	0.4	0.0	0.0	0.0	0.0			0.0	0.4
Profit before income tax													11.5	32.4
Income tax expense													8.4	7.9
Profit after income tax													3.1	24.5
Attributable to:														
Shareholders (Net result)													2.3	24.0
Minority interests													0.8	0.5
Total													3.1	24.5
Operating margin	2.1%	6.4%	- 0.3%	0.5%	1.0%	4.0%	8.3%	10.8%					2.4%	5.2%
Capital employed	346.4	548.3	110.4	123.8	456.8	672.1	233.2	118.0	4.3	9.1	11.8	- 11.4	706.1	787.8
Total assets	622.7	705.8	246.5	264.1	644.4	872.5	383.4	256.7	896.2	843.3	- 806.9	- 800.3	1,117.1	1,172.2
- Of which income tax	12.6	38.8	1.9	1.4	14.5	40.2	11.1	1.7	15.2	13.2	- 17.0	- 19.4	23.8	35.7
Total liabilities	615.5	609.1	163.7	178.5	779.1	787.5	335.3	211.7	398.0	383.0	- 774.4	- 788.3	738.0	593.9
- Of which income tax	11.8	29.9	3.5	2.2	15.3	32.1	14.3	10.6	6.0	18.7	-17.0	- 19.4	18.6	42.0
Total investments in associates	6.6	11.1	0.3	0.3	6.9	11.5	-	-	0.2	0.1	-	-	7.1	11.6
Acquisitions	9.0	1.0	2.3	4.6	11.3	5.6	0.1	10.8	-	-	-	-	11.4	16.4
Additions to non-current assets	8.0	10.4	1.0	1.2	9.0	11.5	3.6	1.9	0.6	0.1	-	-	13.1	13.5
Amortisation of intangible assets	0.6	0.5	0.1	0.1	0.6	0.6	1.6	1.1	0.0	0.1	-	-	2.2	1.8
Depreciation of property, plant and equipment	2.9	2.8	0.7	0.6	3.6	3.5	1.0	0.7	0.3	0.1	-	-	4.9	4.3

* Eliminations between Pharmacies Netherlands and Pharmacies International are not reported separately.

SEGMENT REPORTING - NUMBERS PER COUNTRY

	NETHERLANDS		POLAND		BELGIUM		GERMANY		DENMARK		UNITED STATES		OTHER		CONSOLIDATED	
X € 1,000,000	**Q4 2008**	Q4 2007	**Q4 2008**	Q4 2007	**Q4 2008**	Q4 2007	**Q4 2008**	Q4 2007	**Q4 2008**	Q4 2007	**Q4 2008**	Q4 2007	**Q4 2008**	Q4 2007	**Q4 2008**	Q4 2007
Net sales	**408.7**	416.5	**147.0**	149.3	**61.8**	62.1	**18.1**	17.6	**22.8**	15.0	**28.1**	-	**14.7**	14.8	**701.3**	675.3
Capital employed	**383.3**	537.9	**93.1**	108.9	**17.3**	15.0	**44.7**	69.9	**41.4**	37.6	**104.2**	-	**22.1**	18.5	**706.1**	787.8
Total assets	**505.0**	668.3	**193.4**	213.3	**68.7**	69.1	**108.4**	108.6	**60.6**	50.2	**118.1**	-	**62.9**	62.7	**1,117.1**	1,172.2
Acquisitions	**9.1**	11.2	**2.3**	0.9	**-**	0.3	**-**	0.3	**-**	0.2	**-**	-	**-**	-	**11.4**	16.3
Additions to non-current assets	**9.7**	11.2	**1.2**	0.9	**0.2**	0.2	**0.1**	0.3	**0.2**	0.5	**0.3**	-	**1.4**	0.4	**13.1**	13.5