

ANNUAL REPORT 2007





CHIEF EXECUTIVE OFFICER'S REPORT

Norgine's strategy is based upon the premise that the European market will become ever more interlinked. Only a single integrated company, which considers Europe as its domestic market, can effectively manage the development, registration and launch of innovative new pharmaceutical products.

For the past twenty years, Norgine has been pursuing the mission of building just such a company. In addition to saving a fortune in strategic management consultant fees, the steadfast pursuit of this single vision over such a long period has provided an essential framework for the development of Norgine as a single European team.

Our strategic objectives encompass three core elements:

1. To be the European partner of choice by ensuring that Norgine continuously operates in all our markets at the highest standard of quality expected of the pharmaceutical industry and by ensuring that we always honour our ethical obligations towards patients as well as customers, physicians, corporate partners and other stakeholders.
2. Having built a unique pharmaceutical infrastructure across Europe, Norgine must leverage this investment by licensing in and acquiring new products to help improve patient care and sustain our sales growth.
3. Norgine has a pipeline of R&D projects which we seek to drive forward to create innovative products which we can sell through our European infrastructure and, where we own global rights, license out to partners in other major markets.

In 2007, Norgine progressed on all three fronts, most noticeably in the development of the integrated infrastructure across Europe. There can be no shortcuts on this journey. Although some companies have chosen

to buy local companies in order to expand in Europe, all too often this results in a patchwork of operations with disparate cultures selling different products to diverse target groups. A collection of local businesses with little in common but the corporate logo is not a foundation for future growth. Norgine has successfully avoided this pitfall by building a cohesive organisation the hard way, through organic growth.

Financial Results

In 2007, product sales increased by 18% to €222 million, the 21st consecutive year of double digit growth. While MOVICOL® remained the largest contributor to sales growth, MOVIPREP® also made a significant contribution as it was launched in the first European markets. In its first complete year of sales, following its launch in the USA in late 2006 through our partner, Salix Pharmaceuticals, MOVIPREP® became Norgine's third largest product and helped to extend Norgine's leadership position in the market for products which prepare the colon prior to cancer detection procedures. Non-product related revenue, which had been inflated in 2006 as a result of non-recurring revenue associated with the registration of MOVIPREP® in the USA, returned to more normal levels.

The profile of Norgine's expenditure continued to shift in 2007 in line with long-term trends. Our cost of sales declined as a percentage of sales because of increased efficiency due to growing volumes and the benefit of our consolidated global manufacturing and supply operation. SG&A costs remained steady as a percentage of sales. This masks two opposing effects. In our more established markets we are consistently able to reduce SG&A costs as a percentage of sales but this was countered by increased investment in our newer markets, such as Italy, Spain and Scandinavia and by non-recurring increases in IT costs as we implemented

a new global system. The former is necessary to build a consistent presence across Europe. The new IT system, which successfully went 'live' in our major entities in early 2008, is essential to better manage our growing multinational business. The expansion of our global quality assurance and drug safety infrastructure in order to anticipate ever higher standards also contributed to increased SG&A costs, but will, over the long run, provide Norgine with a competitive advantage.

For all too long, pharmacovigilance compliance among European companies has remained largely invisible to potential licensors but this is changing as a result of heightened regulatory scrutiny. In the immortal words of Warren Buffett, "You only find out who is swimming naked when the tide goes out." It is fairly evident that the tide is going out and Norgine is absolutely committed to remaining fully clothed! Not only is it the right thing to do but, in the long-term, it is essential for our business prospects.

Over the past 15 years, Norgine's operational business has consistently increased positive cash flow and enabled Norgine to strengthen our balance sheet at the same time as we accelerated investment in the development of new products. 2007 continued this trend and R&D costs increased at the unsustainable rate of 83%. R&D is possibly the most flagrant example of the advantages of being privately owned in this industry. Our publicly held counterparts, trying to massage reported profits to the levels expected by their analysts, would have been tempted to either postpone the initiation of a clinical trial or to find a way to capitalise some of the cost. We are tempted by neither option. If a project is worth pursuing, then we would like to progress it to market as quickly as possible. On the other hand, capitalising R&D costs only artificially increases taxable profits and taxes, and is contrary to the best long-term interests of the company. Whenever permitted by accounting standards, we prefer to expense our R&D costs even if we remain confident that, taken over the full development cycle of the full portfolio of projects, our efforts will produce a significant return on the investment.

Net income was assisted by an improved distribution of our pre-tax profits leading to a significantly reduced effective tax rate. In common with too many European companies, in previous years we had suffered from tax losses in some jurisdictions which could not be netted for tax purposes against our profits elsewhere. As a result we had accumulated excess tax loss carry forwards which we were able to use in 2007.

In an age where credit shortages have dominated the headlines, we are grateful that our banking partners remained willing to support our growth plans even if we did not make use of their facilities during the year. While we ended 2007 with no net debt, our increased borrowing capacity will certainly be used to acquire product rights in the future.

Challenges and Future Prospects

Although 2007 was, on the whole, another successful year, the pharmaceutical industry in Europe is not without its challenges.

As has become all too common, the pharmaceutical industry has once again been buffeted by short-sighted policies seeking headline savings at the cost of patient care and real long-term increases in healthcare expenses. This year, the most notable example was the decision by the British government to prematurely terminate the pharmaceutical pricing mechanism which had been put in place precisely to provide the industry with necessary long-term stability. As of the date of this letter, the future in the UK remains uncertain and, consequently, we have had to put certain investment plans on hold. Nevertheless, we remain confident that flexible companies like Norgine, with a smaller overhead structure, can adapt to whatever emerges. The shocks experienced in individual markets also highlight the importance of building a business which is not overly reliant on a single country.

For the second consecutive year, Norgine has had to divert resources to combating the sale of unregistered medicinal products masquerading as medical devices. We are disappointed that it has fallen upon us as a private party to enforce regulations which are there to protect public health and even more disappointed to see supposedly reputable pharmaceutical companies knowingly distort the law in order to sell these products outside of the appropriate regulatory framework. Nevertheless we are committed to continue this fight because we believe that patient safety would be substantially endangered if this abuse of the law was accepted as a precedent for the future.

In spite of these threats to our business, we expect to make continued progress on all three of our major strategic objectives during 2008. We expect both MOVICOL® and MOVIPREP® to continue to grow strongly in 2008 and plan to launch at least one new product during the year, although, for competitive reasons, we have not publicly announced details about this product.

As ever, Norgine's success remains entirely dependent upon attracting and retaining a fantastic group of employees. While our recruitment has certainly been helped by the general malaise among the Big Pharma companies, we know that we cannot take this for granted and must constantly strive to improve our working environment.

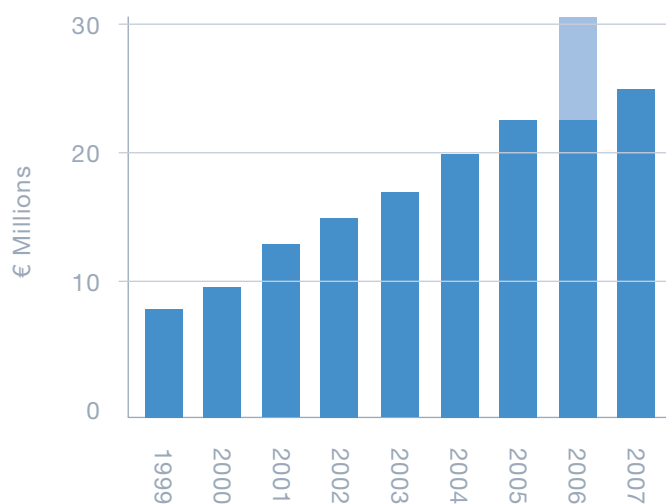
However, thanks to our team of committed employees, we are better placed than ever to deliver our long term strategic goals and to remain the pre-eminent European Specialty Pharmaceutical Company.



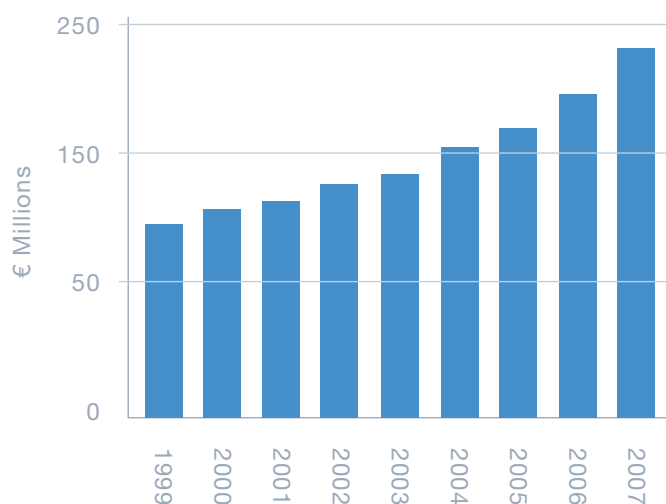
INCOME STATEMENT

	2007	€000	2006	€000	
Net Turnover	222,074		188,030		+18%
Other Revenue	3,698		16,439		-78%
Cost of Sales	73,676		71,328		+3%
Gross Margin	152,096		133,141		+14%
Sales, General & Admin Costs	114,292		97,843		+17%
Research & Development Costs	19,183		10,467		+83%
Earnings before Interest & Taxes	18,621		24,831		-25%
Net Financing Cost	1,197		1,135		+5%
Tax Expense	3,936		10,152		-61%
Net Income	13,488		13,544		0%
EBITDA (€ Millions)	24,5		30,6		-21%

EBITDA



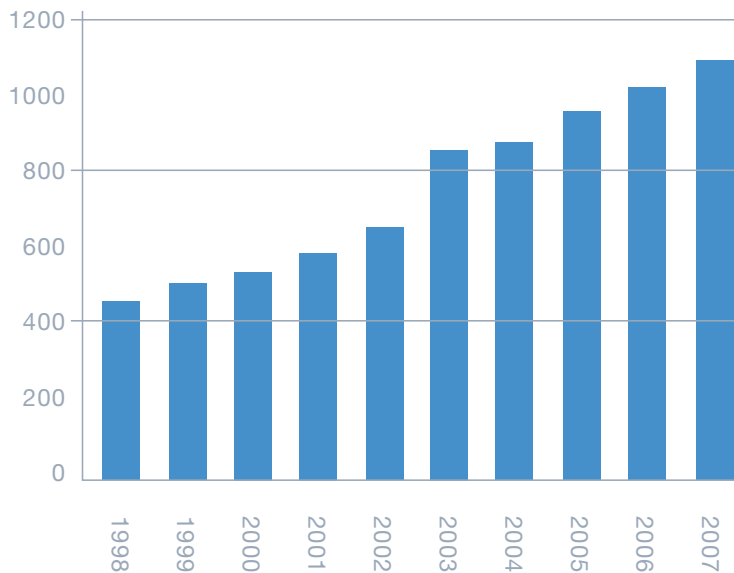
SALES GROWTH



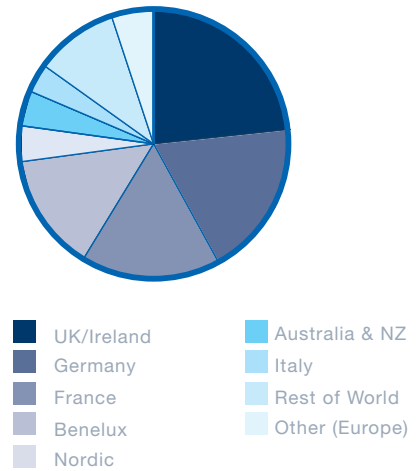
BALANCE SHEET

	2007	€000	2006	€000
Assets				
Current Assets				
Cash & Equivalents		11,373		12,020
Stocks		20,166		18,005
Receivables		41,831		34,097
Total Current Assets		73,370		64,122
Fixed Assets				
Tangible Fixed Assets		41,267		42,506
Intangible Fixed Assets		1,609		1,662
Financial Fixed Assets		1,257		2,214
Total Fixed Assets		44,133		46,382
Total Assets		117,503		110,504
Liabilities and Equity				
Current Liabilities		41,153		39,303
Long-Term Liabilities and Provisions		9,252		17,069
Shareholders' Equity		67,098		54,132
Total Liabilities & Equity		117,503		110,504

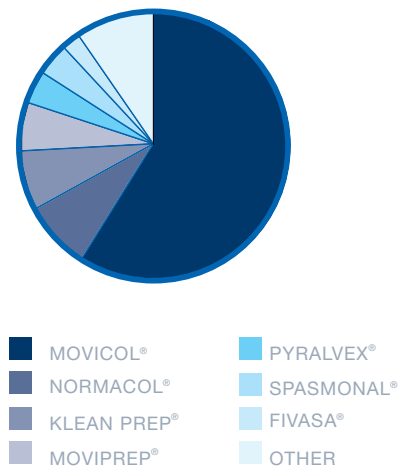
EMPLOYEE NUMBERS



SALES DISTRIBUTION



PRODUCT SALES



HIGHLIGHTS OF 2007

- Sales of €222 million, an increase of 18% over 2006, the 21st consecutive year of double-digit growth
- Launch of MOVIPREP® in major European markets and sales growth in the US
- MOVICOL® continues as the leading Rx laxative
- Completion and implementation of key projects and One Norgine

R&D MILESTONES

- Go ahead for a new Technical Development facility in Hengoed to support R&D activities
- Submission of a product licence application for MOVICOL® line extension
- NRL972, an *in vivo* liver function test, preparing to enter Phase III in Europe
- Several other compounds progressing through clinical development