

Turnover grew 16.6% to € 243.8 million REBITDA margin increased to 26.9% of turnover Focus on Specialty Pharma Services and Trademarks

Key points for the first six months of 2015:

- Turnover increased 16.6% to € 243.8 million
- Strong organic turnover growth at Fagron Specialty Pharma Services and Fagron Trademarks
- Gross margin increased 21.3% to € 161.3 million
- REBITDA² increased 17.9% to € 65.6 million or 26.9% of turnover
- Refinement of strategy:
 - Focus on Fagron Specialty Pharma Services and Fagron Trademarks
 - Optimization of product portfolio and production process at Fagron Essentials
 - Organizational alignment with refined strategy

Ger van Jeveren, CEO of Fagron: “We once again achieved a solid result in the first six months of 2015. REBITDA increased by 17.9% to € 65.6 million with turnover growth of 16.6%. The organic turnover growth of 25.4% at Fagron Specialty Pharma Services and of 12.7% at Fagron Trademarks was impressive. The turnover of Fagron Essentials decreased 2.4% in the first six months of 2015. This decrease was due to the phasing out of non-strategic, low-margin products combined with declining sales of pharmaceutical raw materials as the result of a change in the reimbursement system in the United States.

In the second quarter of 2015, the Board of Directors and the Executive Committee further refined Fagron’s strategy. The starting points in this were Fagron’s unique positioning, its ambitions, and the enormous growth potential of Fagron Specialty Pharma Services and Fagron Trademarks. The market for Fagron Specialty Pharma Services in the United States has a size of approximately US\$ 8 billion, of which 85% is still realized in hospitals. This rapidly growing market is driven by increasingly stricter legislation and regulations which are prompting more and more hospitals to outsource their sterile compounding to parties like Fagron. In Europe and South America we see a situation similar to that in the United States. In June and July 2015, we implemented changes in our organization that enable us to make maximum use of the enormous growth potential of Fagron Specialty Pharma Services and Fagron Trademarks.

We are very confident for the future, also thanks to our intensified focus on Fagron Specialty Pharma Services and Fagron Trademarks. We confirm our outlook for 2015 and expect to realize turnover of at least € 500 million³, with a REBITDA⁴ margin of 26%.”

¹ This press release was sent out by Fagron NV and Fagron BV

² EBITDA before non-recurrent result

³ Based on constant exchange rates (EUR/USD 1.250 and EUR/BRL 3.100)

⁴ EBITDA before non-recurrent result

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Refinement of Fagron's strategy

With the sale of the Healthcare Solutions, Healthcare Specialties and Corilus divisions, Fagron has transformed into a scientific pharmaceutical R&D company that is focused on the worldwide optimization and innovation of customized pharmaceutical care to broaden the prescriber's therapeutic scope, with the aim of fulfilling the worldwide growing need for customized medication and improving patients' quality of life.

Fagron is active in the following segments of Specialty Pharma:

- **Fagron Specialty Pharma Services:** Customized medication that is prepared in Fagron's 22 sterile, nuclear and non-sterile compounding facilities in Europe, North America, South America and South Africa.
- **Fagron Trademarks:** Innovative concepts, vehicles and formulations for specialty pharma that are developed by Fagron's R&D team, often in close cooperation with prescribers, pharmacies and universities.
- **Fagron Essentials:** Pharmaceutical raw materials, equipment and supplies that pharmacists need in order to be able to prepare medication in the pharmacy.

In the second quarter of 2015, the Board of Directors and the Executive Committee further refined Fagron's strategy. The starting points in this were Fagron's unique positioning, its ambitions and the strong growth potential of Fagron Specialty Pharma Services and Fagron Trademarks.

- Strategic focus on Fagron Specialty Pharma Services. The market for Fagron Specialty Pharma Services in the United States has a size of approximately US\$ 8 billion, of which 85% is still realized in hospitals. This rapidly growing market is driven by increasingly stricter legislation and regulations which are prompting more and more hospitals to outsource their sterile compounding to parties like Fagron. In Europe and South America we see a situation similar to that in the United States. The growth in Fagron Specialty Pharma Services will be further accelerated by acquisitions, primarily in Europe, North America and South America. Fagron Specialty Pharma Services is expected to generate more than 50% of Fagron's turnover in 2016.
- Strategic focus on Fagron Trademarks. Fagron sees strong growth potential in this segment. Thanks to 45 dedicated researchers, more than 300 pharmacists, in-depth experience, the most advanced technologies and the close cooperation with other innovators, Fagron R&D is a leading player in specialty pharma. In the coming years Fagron will make major investments to further strengthen the already well-filled pipeline of innovations. The existing Trademarks will also be introduced at an accelerated pace in the regions where Fagron is not itself yet active, such as Asia and the Middle East.
- At Fagron Essentials a project was started during the second quarter of 2015 to optimize the product portfolio and production process. Non-strategic, low-margin products, usually with a low turnover ratio, are being phased out in 2015. Although this will have a negative impact on the turnover in the short term, the impact on profitability as a percentage of turnover and on the required working capital will be substantial.

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Income Statement (x 1,000 euro)	HY1 2015	HY1 2014	Change
Net turnover	243,768	209,149	+16.6%
Gross margin	161,262	132,945	+21.3%
As % of net turnover	66.2%	63.6%	
Operating costs	-95,627	-77,275	+23.7%
As % of net turnover	39.2%	36.9%	
EBITDA before non-recurrent result	65,635	55,670	+17.9%
As % of net turnover	26.9%	26.6%	
Non-recurrent result	-2,518	-2,516	+0.1%
EBITDA	63,117	53,154	+18.7%
As % of net turnover	25.9%	25.4%	
Depreciation and amortization	-11,677	-7,166	+63.0%
EBIT	51,440	45,988	+11.9%
Financial result, excluding revaluation of financial derivatives	-14,800	-10,023	+47.7%
Revaluation of financial derivatives	495	-613	-180.8%
Profit before taxes	37,135	35,352	+5.0%
Taxes	-12,120	-10,864	+11.6%
Net profit	25,015	24,488	+2.2%
Result from discontinued operations	2,582	-17,879	-114.4%
Recurrent net profit ⁵	26,072	26,575	-1.9%
Net profit per share from continued operations (€)	0.80	0.80	0.0%
Recurrent net profit per share (€)	0.84	0.87	-3.4%
Average number of shares	30,909,841	30,604,868	+1.0%

Balance sheet (x 1,000 euro)	30-06-2015	31-12-2014
Intangible non-current assets	644,903	575,252
Property, plant and equipment	63,562	59,969
Deferred tax assets	18,400	22,363
Other non-current assets	5,757	5,065
Operational working capital	52,237	44,078
Other working capital	-129,046	-139,744
Equity	171,646	156,948
Provisions	12,692	14,944
Financial instruments	2,367	2,862
Deferred tax liabilities	13,533	6,162
Net financial debt	455,574	448,663

⁵ Recurrent net profit is defined as profit before non-recurrent costs and the revaluation of financial derivatives, after taxes based on the effective tax rate of the group.

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Income statement

The **consolidated turnover** in the first six months of 2015 amounted to € 243.8 million, an increase of 16.6% compared to the first six months of 2014. Organic turnover growth amounted to 8.5%. The turnover development per segment is set out in more detail in the section 'Key figures per segment'.

(x 1,000 euro)	HY1 2015	HY1 2014	Total growth	Total growth CER	Org. growth	Org. growth CER
Fagron	238,268	204,131	+16.7%	+10.7%	+8.4%	+2.8%
HL Technology	5,500	5,018	+9.6%	-5.2%	+9.6%	-5.2%
Fagron Group	243,768	209,149	+16.6%	+10.3%	+8.5%	+2.6%

CER = Constant Exchange Rates

The **gross margin** increased by 21.3% to € 161.3 million. The gross margin as a percentage of turnover increased by 2.6 percentage points to 66.2%. This increase was caused by the strong organic growth of Fagron Specialty Pharma Services and Fagron Trademarks and by the optimization of the product portfolio of Fagron Essentials.

The **operating costs** as a percentage of turnover increased by 2.3 percentage points to 39.2% of turnover.

The **EBITDA before non-recurrent result** increased 17.9% to € 65.6 million. This represented 26.9% of turnover.

The **non-recurrent result** remained virtually unchanged and amounted to -€ 2.5 million.

EBITDA increased by 18.7% in the first six months of 2015, to € 63.1 million. The operational margin (EBITDA as a percentage of turnover) increased from 25.4% in the first six months of 2014 to 25.9% in the first six months of 2015.

Depreciation and amortization amounted to -€ 11.7 million, compared to -€ 7.2 in the first six months of 2014. Part of this increase (€ 2.7 million) was attributable to the depreciation of intangible non-current assets as the result of the allocation of part of the acquisition sum for acquired companies.

EBIT amounted to € 51.4 million, an increase of 11.9% compared to the first six months of 2014.

The **financial result excluding the revaluation of the financial derivatives** amounted to -€ 14.8 million. The increase compared to the first six months of 2014 was due to an increase in the net financial debt and higher exchange rate differences.

The **revaluation of the financial derivatives** amounted to € 0.5 million. This positive revaluation was the result of an upward trend in the interest rate. This interest rate hedge does not qualify for hedge accounting according to IAS 39. As a non-cash item, it has been deducted from the financial result and is shown separately in the income statement.

The **effective tax rate** as a percentage of profit before taxes was 32.6%, primarily because of the high tax rate in the United States.

The **net profit** amounted to € 25.0 million in the first six months of 2015. The net profit per share amounted to € 0.80.

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Balance sheet

The main changes at balance sheet level can be summarized as follows.

The **intangible non-current assets** increased by € 69.7 million to € 644.9 million. This increase was mainly due to the recognition of goodwill resulting from the acquisition of US-based AnazaoHealth and due to the higher US dollar exchange rate.

Property, plant and equipment increased by € 3.6 million to € 63.6 million. This increase was due to the takeover of assets as part of acquisitions and the construction of new compounding facilities in the Netherlands and the United States.

Operational working capital increased by 18.5% in the first six months of 2015, to € 52.2 million. The operational working capital as a percentage of turnover was 10.2%.

The **net financial debt** increased by 1.5% in the first six months of 2015, to € 455.6 million. At the end of June 2015 the net financial debt/annualised REBITDA ratio was 3.21, in compliance with the covenant under the credit facility, which sets a maximum ratio of 3.25.

Net operational capex amounted to € 11.0 million (4.5% of the turnover). Capex includes investments in R&D and investments in new compounding facilities in the Netherlands and the United States.

Key figures per segment

Fagron

(x 1,000 euro)	HY1 2015	HY1 2014	Change
Turnover	238,268	204,131	+16.7%
REBITDA ⁶	64,552	54,881	+17.6%
REBITDA margin	27.1%	26.9%	

Fagron's turnover increased 16.7% in the first six months of 2015 (10.7% at constant exchange rates), to € 238.3 million. Organic turnover growth amounted to 8.4% (2.8% at constant exchange rates). REBITDA increased by 17.6% to € 64.6 million. REBITDA as a percentage of turnover increased to 27.1%.

Fagron Specialty Pharma Services

(x 1,000 euro)	HY1 2015	HY1 2014	Change
Turnover	92,167	57,354	+60.7%
REBITDA ⁷	25,653	16,133	+59.0%
REBITDA margin	27.8%	28.1%	

Fagron Specialty Pharma Services showed strong turnover growth of 60.7% (47.2% at constant exchange rates). The turnover increased from € 57.4 million in the first six months of 2014 to € 92.2 million in the first six months of 2015. Organic turnover growth amounted to 25.4% (14.8% at constant exchange rates). REBITDA increased by 59.0% in the first six months of 2015, to € 25.7 million.

The turnover growth was mainly driven by strongly increased demand for compounded medication in Europe, North America, South America and South Africa. The sterile activities of JCB/Fagron in the United States grew by no less than 94.1% in the first six months of 2015 (58.0% at constant exchange rates). Fagron is investing substantially in the sterile segment in Europe and in the United States in order to satisfy the growing demand from hospitals to outsource sterile compounding to Fagron Specialty Pharma Services. The antibiotics

⁶ EBITDA before non-recurrent result

⁷ EBITDA before non-recurrent result

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compounding facility under construction in Hoogeveen (the Netherlands) will be fully operational in October 2015. The new 5,000 m² sterile cGMP and FDA 503B-registered compounding facility in Wichita (Kansas, US) will be fully operational in November 2015.

In April 2015, Fagron signed an agreement for the acquisition of AnazaoHealth, based in Tampa and Las Vegas. AnazaoHealth is a leading cGMP and FDA 503B-registered compounding facility in the United States specialized in nuclear, pain and intrathecal compounding. AnazaoHealth's products are compounded on the instructions of hospitals and specialized surgical clinics and therefore fall outside the scope of the reimbursement policy. The acquisition of AnazaoHealth was completed in July 2015. Additional information on the acquisition of AnazaoHealth can be found in the press releases of 11 May and 30 June 2015.

Fagron Specialty Pharma Services represented 38.7% of Fagron's total turnover in the first six months of 2015, compared to 28.1% in the first six months of 2014. In 2016, Fagron Specialty Pharma Services is expected to generate more than 50% of Fagron's total turnover.

Fagron Trademarks

(x 1,000 euro)	HY1 2015	HY1 2014	Change
Turnover	25,551	22,678	+12.7%
REBITDA ⁸	9,109	7,109	+28.1%
REBITDA margin	35.6%	31.3%	

The turnover of Fagron Trademarks grew organically by 12.7% in the first six months of 2015 (11.0% at constant exchange rates), to € 25.6 million. REBITDA increased by 28.1% in the first six months of 2015, to € 9.1 million. Innovation is the driving force behind the growth of Fagron Trademarks. Fagron's R&D team of 45 researchers and more than 300 pharmacists works closely with pharmacists, physicians and universities worldwide to develop new and innovative solutions to fulfil the strong growing demand for customized pharmaceutical patient care.

Strong increase in demand worldwide for SyrSpend® SF

Fagron has noticed a growing demand from hospitals, pharmacies and the pharmaceutical industry for ready-made, safe and liquid oral administration methods. Two big pharmaceutical companies recently validated and approved SyrSpend® SF for worldwide use in clinical studies with both adults and children. The first patient studies using SyrSpend® SF will start at the beginning of 2016. Fagron has signed a contract with TKSD Pharmaceutical Co Limited for the exclusive distribution of SyrSpend® SF in Hong Kong and Macau. The first SyrSpend® SF will be supplied to hospitals in Hong Kong and Macau in August 2015.

SyrSpend® SF was developed in-house by Fagron's R&D department. SyrSpend® SF uses an innovative, patented active suspension technology that guarantees accuracy and consistency during dosing. SyrSpend® SF also contains only ingredients designated by the WHO, EMEA and FDA as safe for use in children and newborns. The largest independently conducted stability study worldwide showed that SyrSpend® SF is compatible with virtually all medicines. All in all this makes SyrSpend® SF the ideal vehicle for the compounding of oral administrations for all patients.

⁸ EBITDA before non-recurrent result

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Fagron Essentials

(x 1,000 euro)	HY1 2015	HY1 2014	Change
Turnover	120,549	124,098	-2.9%
REBITDA ⁹	29,791	31,639	-5.8%
REBITDA margin	24.7%	25.5%	

The turnover of Fagron Essentials decreased 2.9% in the first six months of 2015 (-6.2% at constant exchange rates), to € 120.5 million. Organic turnover growth amounted to -2.4% (-5.8% at constant exchange rates).

At Fagron Essentials, the project to optimize the product portfolio and production process was started during the second quarter of 2015. Non-strategic, low-margin products, usually with a low turnover ratio, are being phased out in 2015. Although this will have a negative impact on the turnover, the impact on profitability as a percentage of turnover and on the required working capital will be substantial.

HL Technology

(x 1,000 euro)	HY1 2015	HY1 2014	Change
Turnover	5,500	5,018	+9.6%
REBITDA ¹⁰	1,082	788	+37.4%
REBITDA margin	19.7%	15.7%	

HL Technology, the division focused on developing and introducing innovative precision components for the dental and orthopaedic industry, achieved turnover of € 5.5 million in the first six months of 2015, an increase of 9.6% (-5.2% at constant exchange rates) compared to the first six months of 2014. REBITDA increased 37.4% to € 1.1 million. HL Technology has a well-filled order book thanks to the constant introduction of innovative products.

Outlook¹¹

Based on the current portfolio, Fagron expects turnover of at least € 500 million¹² in 2015 with a REBITDA¹³ margin of 26%.

Development of treasury shares and increase in share capital

On 30 June 2015, Fagron held 341,854 treasury shares. On 5 August 2015, Fagron will grant 14,094 treasury shares to the current management (former owners) of Freedom as part of the payment of the earn-out related to the acquisition of Freedom Pharmaceuticals (acquired in the second quarter of 2013). After granting the 14,094 treasury shares, Fagron NV will hold 327,760 treasury shares on 5 August.

On 5 August 2015, Fagron will increase the share capital by issuing 444,033 new shares within the authorized capital. The new shares will be used for the payment of the earn-out related to the acquisition of Pharmacy Services (acquired in the first quarter of 2014) in the United States. The 444,033 shares will be granted to the current management (former owners) of Pharmacy Services. After these shares have been granted, the management of Pharmacy Services will hold 1.38% of the share capital of Fagron NV. From 5 August 2015, the number of Fagron shares with voting rights will equal 32,111,827. The total number of voting rights (denominator) will be 32,111,827 as of 5 August. The share capital will be € 329,066,194.56 as of 5 August.

⁹ EBITDA before non-recurrent result

¹⁰ EBITDA before non-recurrent result

¹¹ This press release contains data related to the future based on the current internal estimates and forecasts in addition to market forecasts. The forward-looking statements contain inherent risks and are only applicable on the date on which they are issued. There may be substantial differences between the actual results and the results cited in the forward-looking statements.

¹² Based on constant exchange rates (EUR/USD 1.250 and EUR/BRL 3.100)

¹³ EBITDA before non-recurrent result

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Conference call

Ger van Jeveren (CEO) and Jan Peeters (CFO) will provide further details on the results for the first six months of 2015 today in a conference call. The conference call starts at 09:30 CET. From 5-10 minutes before the start, you can call in using the numbers and confirmation code below:

The Netherlands: +31 20 716 8251
Belgium/Europe: +32 2 400 1972
North America: +1 646 254 3373
Confirmation code: 1609060

From 10:30 CET, the conference call can be heard on:

The Netherlands: +31 20 708 5013
Belgium/Europe: +32 2 789 7487
North America: +1 347 366 9565
Code to listen to the call: 1609060

From 5 August the conference call may be listened to or downloaded from the corporate website of Fagron (<http://investors.fagron.com/>).

Financial calendar 2015

The trading update on the third quarter of 2015 will be published at 07:00 CET on 9 October.

In the event of differences between the English translation and the Dutch original of this press release, the latter prevails.

Profile of Fagron

Fagron is a scientific pharmaceutical R&D company that is focused on optimizing and innovating customized pharmaceutical care. Fagron provides Fagron Specialty Pharma Services, Fagron Trademarks and Fagron Essentials to pharmacies, clinics and hospitals in 32 countries worldwide.

The Belgian company Fagron NV is located in Waregem and is listed on Euronext Brussels and Euronext Amsterdam. The operational activities of Fagron are driven by the Dutch company Fagron BV. The head office of Fagron BV is located in Rotterdam.

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