

Annual Report

2015



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Chairman's message



The past year has been a turbulent one, dominated by the volatility of the markets in which we are active.

The change to the reimbursement system for non-sterile compounding in the United States had an impact on our operation in the United States, our profitability and also the company's financing. It was clear that a solution had to be found for this, to which end Fagron entered into intensive and constructive talks with its financiers. At the same time, exploratory talks were started in October 2015 with various parties that had expressed an interest in the possible acquisition of all outstanding Fagron shares. These talks did not ultimately result in a bid for all Fagron shares.

In December 2015, the Board of Directors decided to no longer give priority to a takeover process but to focus fully on the talks with the financing banks and a possible public or private capital increase. Prompted by this decision, CEO at the time Ger van Jeveren decided to resign and stepped down as managing director and CEO of Fagron with immediate effect.

The Board of Directors and employees are grateful to Mr. Van Jeveren for his inexhaustible commitment and dedication to Fagron. Mr. Van Jeveren founded Fagron in 1990 and thanks to a clear vision and strategy, it is now a world-class player currently active in 32 countries. After Mr. Van Jeveren's resignation, the Board of Directors unanimously decided to appoint Hans Stols, serving at that time as independent director of Fagron, as CEO of Fagron.

Although the cash flow expectations for our operation were strong, it became clear at the end of 2015 that a capital injection of 220 million euros would be required in order to be able to again operate within the covenants agreed on with our financiers in 2017. The exclusive negotiations with a cornerstone investor concerning Fagron's financing resulted in 2016 in a commitment from the cornerstone investor and five individual investors

for an amount of up to approximately 131 million euros. The difference between the 220 million euros required and the 131 million euros thus secured will be raised via a public capital increase by means of a shares issue with preferential subscription rights.

Despite the setbacks, Fagron saw its turnover increase in 2015 by 5.8 percent to 473 million euros. Although the change to the reimbursement system had a negative impact on the turnover and result of Fagron Essentials and the non-sterile FSPS activities in the United States, Fagron Specialty Pharma Services and Fagron Trademarks showed growth of 27.1 percent and 10.3 percent, respectively. These results and our reinforced financial position give us a strong foundation for the future. Fagron will continue with the development and distribution of innovative, profitable products.

I would like to thank everyone who contributed to the result in 2015 with their energy, devotion and expertise and who will continue to dedicate themselves to Fagron's future.

Robert Peek
Chairman of the Board of Directors

CEO's message



Fagron is specialized in the preparation of medication for special target groups. The special thing about this medication is that it can be tailored precisely to the needs of individual patients. As such, Fagron is able to meet a need worldwide. We work day in, day out to develop innovative solutions to help patients with their specific problems.

Fagron's turnover increased in 2015 by 5.8 percent to 473 million euros, while REBITDA decreased by 10.0 percent to 106.5 million euros. The past year was a difficult one for Fagron. Although total turnover increased, the year was characterized by a number of setbacks. In addition to further weakening of the Brazilian Real, the change to the reimbursement system for non-sterile compounding in the United States in particular had a negative impact on the result. As a consequence of this, Fagron had to recognize an impairment of 225.6 million euros on Bellevue Pharmacy and Freedom Pharmaceuticals in the United States. Our financing also required attention.

Fagron continues to develop well operationally. Fagron's turnover, measured at constant exchange rates, increased on all continents where Fagron is active, except in the United States. Hospitals are increasingly opting to outsource their sterile compounding to Fagron Specialty Pharma Services (FSPS). The FSPS activities in Europe, Colombia and South Africa and the sterile FSPS activities in the United States therefore showed strong growth in 2015. Fagron recently put its sterile compounding facility in Wichita into operation and has also started with the construction of the sterile compounding facility in Hoogeveen. It also consolidated its market leadership in pharmaceutical compounding with the acquisition of AnazaoHealth in the United States and ABC Chemicals in Belgium.

After revision of the forecasts for turnover and REBITDA as a result of the change to the reimbursement system for non-sterile compounding, a number of measures were taken to improve the profitability of the activities in the United States for the long term. In addition to a rigorous cost-saving program aimed at generating 10 million euros per year in savings, investments were made in a new sales team and new concepts and trademarks were introduced.

In order to continue our operation successfully, it was also important to get our financing back in order for the long term. The securing of a waiver from our financiers at the end of December 2015 gave us the time to talk with investors about a private and public capital injection. The term of the particular waiver has since been extended to June 30, 2016 and we are convinced that the proposal we will present to shareholders during the Extraordinary General Meeting of Shareholders on April 14, 2016 will be the solution to again create lasting shareholder value for the long term.

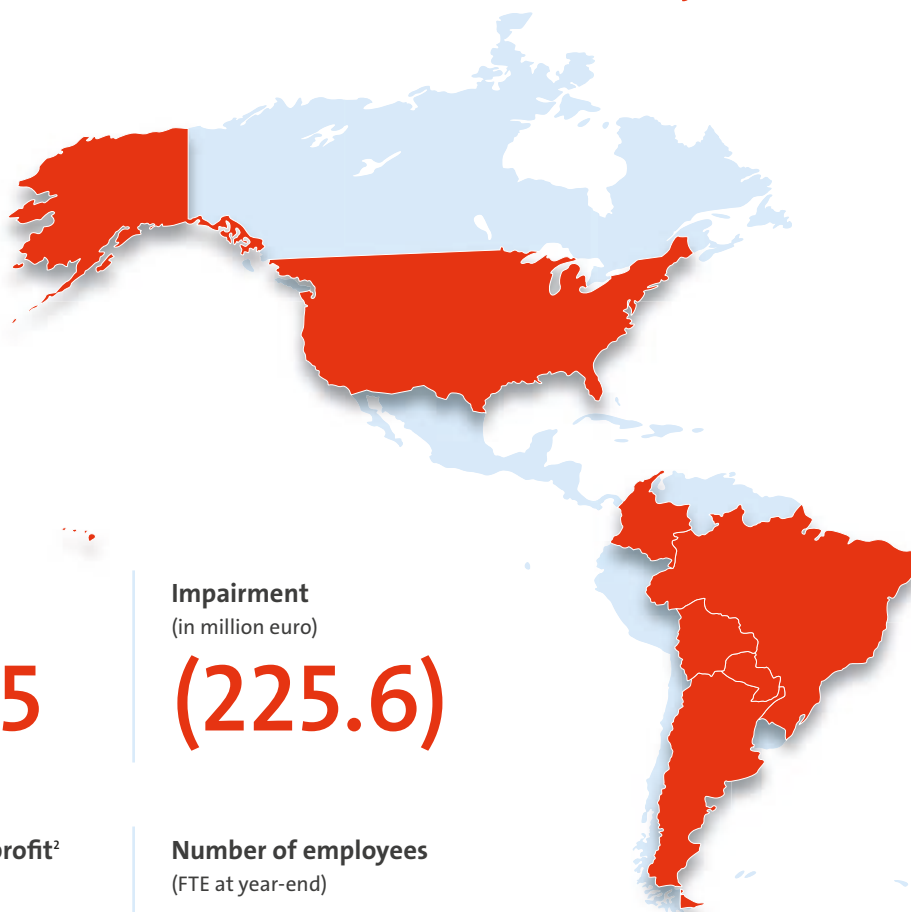
On behalf of the entire Board of Directors, I would like to thank all our employees for their dedication over the past year and I count on the fact that we will be able to work together with the same enthusiasm in 2016.

Hans Stols
Chief Executive Officer

Fagron at a glance



Fagron is global market leader in the growing market of pharmaceutical compounding and active in 32 countries in Europe, the Americas, the Middle East, Africa, Asia and the Pacific. Fagron products are sold to more than 200,000 customers in over 60 countries. Fagron NV has been listed on Euronext Brussels and Euronext Amsterdam since 5 October 2007 and is included in the BEL Mid-index and the Amsterdam Smallcap Index (ticker: FAGR).



Turnover
(in million euro)

473.0

REBITDA¹
(in million euro)

106.5

Impairment
(in million euro)

(225.6)

Net profit
(in million euro)

(202.3)

Recurrent net profit²
(in million euro)

44.2

Number of employees
(FTE at year-end)

2,184

¹ EBITDA before non-recurrent result.

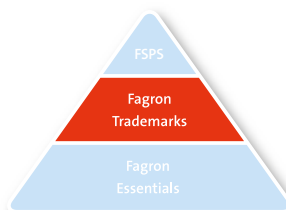
² Recurrent net profit is defined as net profit before non-recurring items and revaluation of financial derivatives, corrected for taxes.

Fagron Specialty Pharma Services



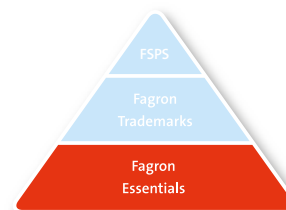
187,894,090 euro
Turnover

Fagron Trademarks

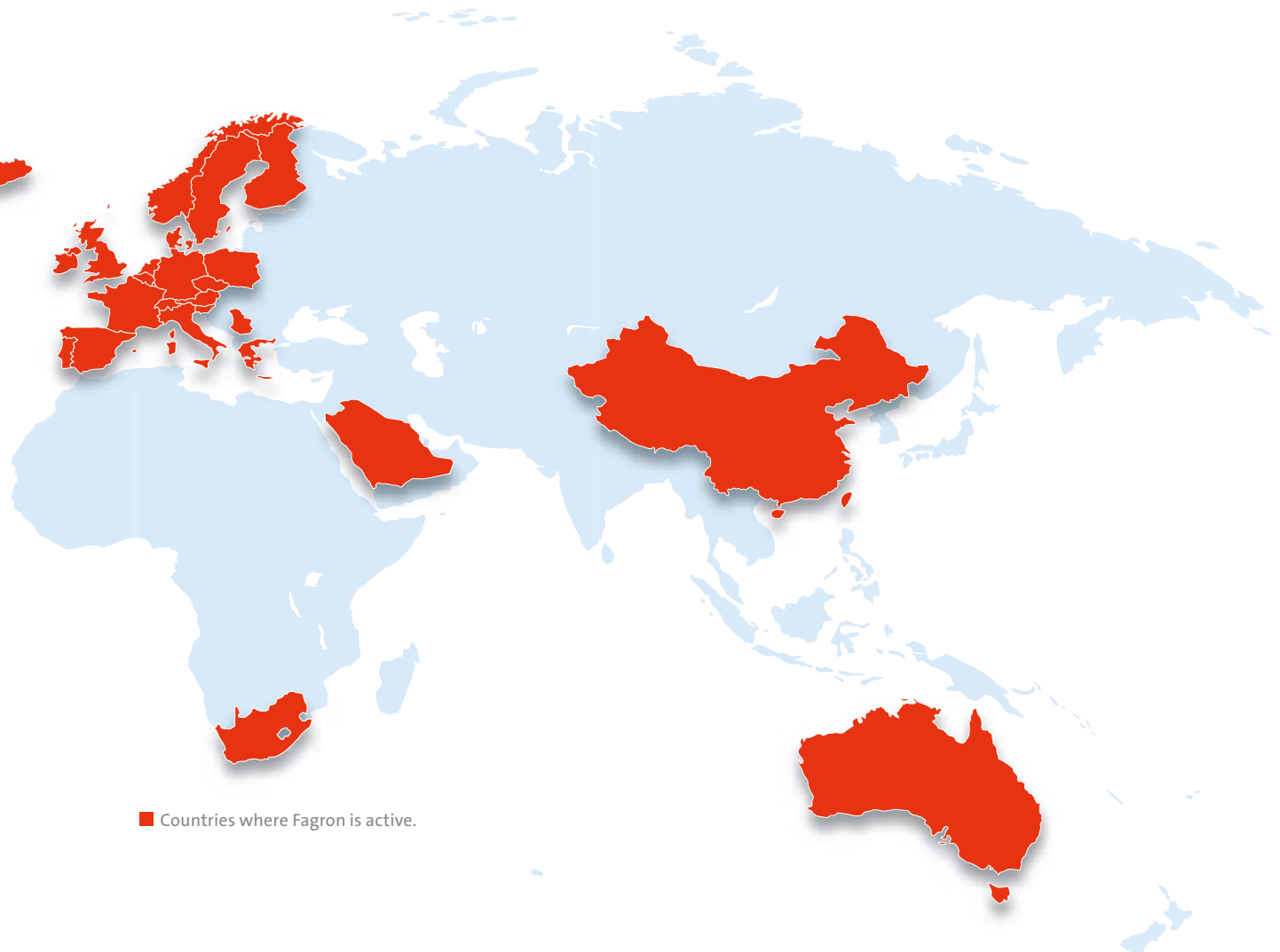


50,343,090 euro
Turnover

Fagron Essentials



225,212,076 euro
Turnover

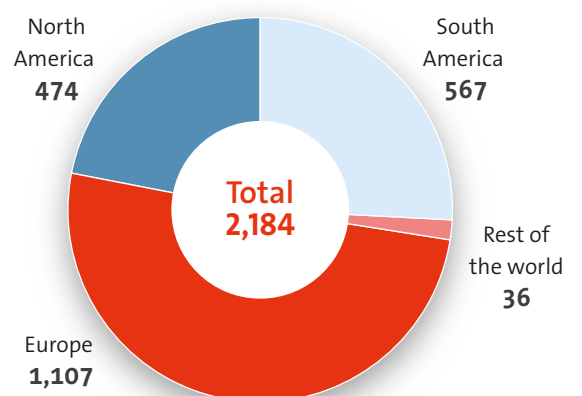


In 2015 more than

2.5 million

prescriptions were compounded by
Fagron Specialty Pharma Services

Number of FTEs (at year-end 2015)



Strategy

Strategic analysis by the Fagron Board of Directors resulted in the sale of the dental, medical and ICT activities. The sale of the Healthcare Specialties and Healthcare Solutions divisions were finalized in respectively 2014 and March 2015 (and the sale of the Corilus division in March 2015).

These events have transformed Fagron into a pharmaceutical R&D company that develops and supplies innovative solutions to pharmacies and hospitals, and the name Arseus was changed to Fagron in January 2015. Since 2015, Fagron comprises two activities: Fagron and HL Technology. Fagron is the global market leader in pharmaceutical compounding, and HL Technology develops and introduces innovative precision components and instruments for the dental and medical orthopedic industries.

Pharmaceutical compounding is the process of preparing medication in the pharmacy upon a doctor's prescription. Fagron's strategy is fully focused on optimizing and innovating pharmaceutical compounding, in order to respond to the needs of the different patients with the aim of making individualized patient care available. This highlights (hospital) pharmacists' unique skill: compounding medication. Fagron develops and provides innovative tailor-made pharmaceutical formulations, solutions and concepts that enable pharmacists to fulfil the specific needs and individual wishes of patients.

Commercial medication is often based on a one-size-fits-all approach. If a patient is allergic to a particular ingredient, requires an alternative form of dosage or needs access to medication that is not commercially available, tailor-made medication is required. Compounding enables a prescriber to prescribe alternative dosage forms and dosage strengths, resulting in lesser side effects which enhances a patient's compliance to treatment and improves the result of treatment. Compounded medication

allows prescribers to provide patients with customized, alternative treatment options.

Worldwide, there is an increased focus on lifestyle indications such as alopecia, which are often cash based. These trends contribute to higher healthcare consumption per person and a constant increase in expenditure for healthcare. Fagron's successful strategy of optimizing and innovating pharmaceutical compounding, quality and solution oriented thinking, its unique business model and the investments in innovation resulted in the fact that Fagron is currently global market leader and active in 32 countries in Europe, the Americas, the Middle East, Africa, Asia and the Pacific.

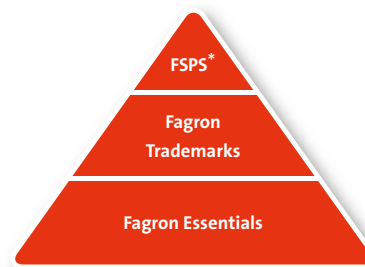
Guaranteeing the quality, accessibility and affordability of healthcare demands innovation. Fagron is continually investing in innovative solutions to improve healthcare efficiency.

As most of the pharmaceutical raw materials (Fagron Essentials) are produced in China and India, Fagron has a central purchasing, quality control, sample testing and audit office in Shanghai, China. Therefore it can be in close contact with its vendors and producers, and the office performs audits, supplier qualifications, and other functions.

In addition to the Fagron Essentials, Fagron also develops the Fagron Trademarks which are innovative concepts that respond to the specific and individual wishes of compounding pharmacies and patients all over the world. Fagron's global quality system aims to provide not only the highest quality throughout the entire supply chain of the innovative vehicles but also supports these concepts with quality data such as independent stability and compatibility studies.

Fagron's unique business model

Fagron's business model, as presented below, consists of Fagron Specialty Pharma Services, Fagron Trademarks and Fagron Essentials.



* Fagron Specialty Pharma Services.

Fagron focusses its scientific pharmaceutical R&D business on optimizing and innovating personalized pharmaceutical care. Fagron provides Fagron Specialty Pharma Services, Fagron Trademarks and Fagron Essentials to pharmacies, clinics and hospitals in 32 countries worldwide.

Fagron Specialty Pharma Services (FSPS)

FSPS provides customized medication that is prepared in 23 sterile and non-sterile compounding facilities in Europe, the US, Colombia and South Africa. Sterile medication can be compounded from sterile (sterile-to-sterile) or non-sterile medication (non-sterile to sterile). Medication can be manufactured as ready-to-use (which means that the medication must be adjusted before it can be administered to the patient) or as ready-to-administer (which means that the medication can be administered to the patient without further adjustment). FSPS produces customized medication, often using the raw materials supplied by Fagron Essentials and the delivery vehicles supplied by Fagron Trademarks.



Mortar and pestle, used by pharmacists for pharmaceutical compounding.

Fagron Trademarks

Fagron Trademarks are innovative concepts, vehicles and formulations, developed by Fagron's research and development team, often in close cooperation with prescribers, pharmacies and universities.

Fagron Essentials

Fagron Essentials are pharmaceutical raw materials, supplies and equipment for pharmacists to perform their own compounding.

R&D

Innovation is an essential element of the Fagron's strategy. Fagron has more than 200 pharmacists and 20 researchers working to continually develop innovative concepts and solutions to meet the growing need for tailor-made medication worldwide. Fagron's research and development strategy is focused on working with patients, prescribers and pharmacists to understand which customizations are required in which markets. Fagron's research and development team will then develop, produce and test the

product. While most of the Fagron's research and development resource is for Fagron Trademarks, some research and development resource is used to build product records, validate compounding, cleaning procedures and develop final analyses of products.

Buy-and-build strategy

Fagron's goal is to realize sustainable growth by further strengthening its leading position via an active buy-and-build strategy and healthy organic growth.

Fagron wants to play a leading role in the consolidation of the growing niche market for pharmaceutical compounding. Because of its track record and the quality of the organization, Fagron can integrate acquisitions quickly and smoothly, while retaining the expertise acquired and at the same time realizing synergy benefits in the short term.

In 2015 Fagron invested in the construction of a new sterile GMP 503B compounding facility in Wichita

(Kansas, the United States) and in an antibiotics compounding facility in Hoogetveen (the Netherlands). Fagron also consolidated its market leadership in pharmaceutical compounding with the acquisition of AnazaoHealth in the United States and ABC Chemicals in Belgium. As part of its buy-and-build strategy, Fagron also focuses on cooperation with businesses and universities worldwide.

Fagron plans to introduce Fagron Trademarks at an accelerated pace in 2016 in regions where it is not yet active, such as Asia and the Middle East. Fagron will be working with local distributors to do this.

Key figures

Results (x 1,000 euros)	2015	2014 ¹	2013 ² revised	2013	2012 ³ revised	2012	2011
Turnover	472,996	447,056	342,711	386,119	337,500	547,020	492,330
REBITDA ⁴	106,546	118,450	79,094	97,950	75,837	87,405	72,928
EBITDA	98,845	113,361	75,231	88,043	67,454	75,305	60,788
Impairment	(225,564)						
EBIT	(150,338)	94,336	66,318	73,909	53,788	58,064	46,257
Net profit	(202,283)	43,190	41,824	43,783	50,886	43,821	28,140
Recurrent net profit ⁵	44,249	46,688	44,330	45,818	54,123	49,356	31,496
Gross margin	65.4%	64.5%	56.8%	59.7%	56.0%	49.6%	49.2%
REBITDA margin	22.5%	26.5%	23.1%	25.4%	22.5%	16.0%	14.8%
EBITDA margin	20.9%	25.4%	22.0%	22.8%	20.0%	13.8%	12.3%

Balance sheet (x 1,000 euros)	2015	2014	2013	2012 ⁶ revised	2012	2011
Balance sheet total	689,381	973,752	804,693	748,894	748,894	680,232
Equity	(64,772)	156,948	155,168	245,186	245,384	220,452
Operational working capital ⁷	38,298	44,078	32,977	51,315	51,315	58,405
Net operational capex ⁸	22,052	12,492	15,800	19,480	19,480	17,330
Net financial debt ⁹	523,846	448,663	289,181	233,117	233,117	188,557
Net financial debt / annualized REBITDA	-	3.18	2.61	2.64	2.64	2.48
Average number of shares	31,303,765	30,758,685	30,646,532	30,519,821	30,519,821	30,082,477

Cash flow statement (x 1,000 euros)	2015	2014	2013	2012	2011
Cash flow from operating activities	73,311	101,696	63,078	67,744	72,147
Cash flow from investing activities	(46,276)	(193,785)	(63,533)	(84,868)	(62,353)
Cash flow from financing activities	(61,460)	64,990	66,525	23,827	10,467
Net cash flow for the period	(34,426)	(27,099)	66,069	6,702	20,260

Data per share (euros)	2015	2014	2013	2012	2011
Net profit ¹⁰	(6.47)	1.41	1.36	1.67	0.94
Recurrent net profit	1.41	1.52	1.45	1.77	1.05
Dividend	-	1.00	0.72	0.60	0.50
Closing price (year-end)	7.06	34.72	27.64	15.50	11.03
Market capitalization ¹¹	226,709,499	1,091,296,819	866,745,015	484,816,967	344,322,274

Personnel	2015	2014	2013	2012	2011
FTEs as at December 31 ¹²	2,184	2,143	1,600	1,698	2,229

¹ 2014 results are on the basis of continuing operations.

² 2013 results are on the basis of continuing operations. The 2013 income statement has been revised for application of IFRS 5.

³ 2012 results are on the basis of continuing operations. The 2012 income statement has been revised for application of IFRS 5 and IAS 19 Revised.

⁴ EBITDA before corporate costs and non-recurrent result from continuing operations. In 2014 and 2015, REBITDA refers to EBITDA after corporate costs and before non-recurrent result.

⁵ Recurrent net profit is defined as net profit before non-recurring items and the revaluation of financial derivatives, corrected for taxes.

⁶ The opening balance sheet and closing balance sheet for 2012 have been revised for the application of IAS 19 Revised.

⁷ Operational working capital is the sum of stock and trade receivables, less trade payables.

⁸ Net operational capex is defined as intangible assets and property, plant and equipment that have been acquired or produced (excluding acquisitions), less assets sold.

⁹ Net financial debt is the sum of non-current and current financial liabilities, less cash and cash equivalents (excluding financial instruments).

¹⁰ The 2014, 2013 and 2012 net profit is on the basis of continuing operations.

¹¹ Market capitalization is calculated by multiplying the number of shares outstanding at year-end by the closing price of the share on December 31.

¹² 2014, 2013 and 2012 are on the basis of continuing operations.



Fagron Group



Fagron Group

- Turnover increased by 5.8% (3.7% at constant exchange rates) to 473.0 million euros
- Organic turnover growth amounted to -1.0% (-2.9% at constant exchange rates)
- REBITDA¹ decreased by 10.0% to 106.5 million euros; REBITDA margin of 22.5%

Fagron (x 1,000 euros)	2015	2014	Change
Turnover	472,996	447,056	5.8%
REBITDA ¹	106,546	118,450	(10.0%)
REBITDA margin	22.5%	26.5%	(4.0%)
FTEs	2,184	2,143	1.9%

Fagron's turnover increased by 5.8% in 2015 (3.7% at constant exchange rates), to 473.0 million euros. Organic turnover growth amounted to -1.0% (-2.9% at constant exchange rates). REBITDA decreased by 10.0% to 106.5 million euros. REBITDA as a percentage of turnover decreased to 22.5%.

Fagron's turnover, measured at constant exchange rates, developed positively in 2015 on all continents where Fagron is active, except in the United States. Hospitals are increasingly opting to outsource their sterile compounding to Fagron Specialty Pharma Services (FSPS). The FSPS activities in Europe, Colombia and South Africa and the sterile FSPS activities in the United States therefore showed strong growth in 2015. The decision in May 2015 to change the reimbursement system for non-sterile compounding had a negative impact on the turnover from, and profitability of the sale of pharmaceutical raw materials (Fagron Essentials) and of non-sterile compounding (FSPS) in the United States. As a consequence of this, Fagron had to recognize an impairment of 225.6 million euros on Bellevue Pharmacy and Freedom Pharmaceuticals as of the end of December 2015.

Management actions

Fagron took the following steps to cushion the negative impact of the changed market circumstances in the United States:

- In the second half of 2015, Fagron started a cost-saving program aimed at structurally reducing costs by 10 million euros per year. The cost-saving program resulted in a 9.5% decrease in the number of FTEs to 2,184 in 2015, corrected for acquisitions. The effects of this will mainly be visible in 2016.
- As of January 1, 2016, the US sales team's priority is:
 - To optimally utilize the capacity that became available in Wichita in March 2016 with the opening of the new sterile GMP compounding facility.
 - The direct sale of Fagron Trademarks (such as SyrSpend®, Pentravan® and Fagron Advanced Derma) to hospitals.

Indications of interest

At the beginning of October 2015, Fagron received a number of indications of interest in the form of non-binding bids relating to a possible acquisition of Fagron. In mid-December 2015, the Board of Directors decided to no longer give priority to a takeover

¹ EBITDA before non-recurrent result.

process and to focus fully on its talks with the financing banks and a possible public or private capital increase.

Appointment of Hans Stols as CEO of Fagron

In December 2015, Mr. Van Jeveren decided to resign and stepped down as managing director and CEO of Fagron with immediate effect. As of December 12, 2015, the Board of Directors appointed Hans Stols, independent director of Fagron, as CEO of Fagron.

Financing

The change to the reimbursement system for non-sterile compounding in the United States had a major impact on Fagron's results and as such on the company's financing as well. Once the precise impact on REBITDA, and by extension on the net financial debt/REBITDA ratio, became clear, Fagron started talks with its financing banks about a waiver and a possible public or private capital increase. The constructive discussions with the financing banks resulted in a waiver in relation to the covenants until the end of March 2016. At the end of March 2016 this

waiver was extended to the end of June 2016.

At the beginning of March 2016, Fagron announced that it had successfully concluded the negotiations with a cornerstone investor and five individual investors concerning a private capital increase in combination with a public capital increase of in total 220 million euros, subject to the approval of the Extraordinary General Meeting of Shareholders of Fagron. The capital increase is divided into two tranches. The first tranche of the capital increase will be effected through a private placement with a cornerstone investor (WPEF VI Holdco III BE B.V., a holding company of which the shares are (in) directly held by Waterland Private Equity Fund VI CV and Baltisse NV) and five individual investors (Alychlo NV (an investment company controlled by Marc Coucke), Carmignac Gestion SA and Carmignac Portfolio SICAV (together 'Carmignac'), Midlin N.V. (Bart Versluys and Hans Stols) for an amount of up to approximately 131 million euros. The second tranche of the capital increase will be effected by means of a public capital increase through a rights issue with preferential subscription rights for an amount equal to the difference between 220 million

euros and the amount of the first tranche of the capital increase.

WPEF VI Holdco III BE B.V. ('WPEF') and the five individual investors (Alychlo NV, Carmignac, Midlin N.V., Bart Versluys and Hans Stols) have entered into commitments with Fagron to, subject to certain conditions, subscribe to the first tranche of the capital increase for an amount of up to approximately 131 million euros and (insofar as WPEF and the first four investors are concerned) to exercise their preferential subscription rights in the second tranche of the capital increase. WPEF has furthermore committed, under certain conditions, to purchase and exercise all preferential subscription rights unexercised in the second tranche (assuming that Alychlo NV, Carmignac, Midlin N.V. and Bart Versluys have exercised their preferential subscription rights in accordance with their respective commitments). The commitment by WPEF is subject to, amongst other conditions, the obtaining of the applicable antitrust clearances, the absence of material negative changes that concern or affect the Fagron Group, the sale or closing of Bellevue Pharmacy, and the reaching of an agreement with the financing banks



Sterile fluids for pharmaceutical compounding.



FSPS-compounding facility in Bornem (Belgium).



and the US noteholders with regard to an amendment to the existing financing arrangements. Alychlo NV, Carmignac, Midlin N.V., Bart Versluys and Hans Stols have committed to invest in the first tranche provided that WPEF invests in the first tranche.

The subscription price for the first tranche will be equal to the average closing price of Fagron shares on Euronext Brussels during the 30 calendar days immediately prior to the

date of the shareholders meeting approving the capital increase, provided that such average does not exceed 5.50 euros per share. If WPEF invests in the first tranche, the subscription price for the public capital increase (second tranche) will be equal to 90% of the subscription price for the first tranche.

With the proposed capital increase of 220 million euros, in combination with Fagron's strong cash flow, Fagron is expected to be able to again operate

within the covenants agreed with its financiers in 2017. Fagron is in talks with its financiers about an amendment to the existing financing arrangements. The Extraordinary General Meeting of Shareholders, which must approve the capital increase, is scheduled for April 14, 2016. If the quorum required by law to validly deliberate and vote is not reached at this meeting, a second Extraordinary General Meeting of Shareholders will take place on May 4, 2016.



Fagron Academy

An integral part of Fagron's marketing strategy is to provide information to prescribers and pharmacists about pharmaceutical compounding via Fagron Academies in all countries in which it operates. Fagron Academy organizes courses and training programs to increase and improve prescribers' and pharmacists' knowledge and skills in relation to pharmaceutical compounding. Fagron believes that it offers the most extensive training and educational opportunities for, among other things, pharmaceutical compounding techniques, the use of materials, various administration methods and quality and safety procedures.



Fagron Compounding Matters

Fagron Compounding Matters is a worldwide initiative that provides pharmacists and prescribers with a broad range of specific formulations linked to the indications for which they can be prescribed. Compounding Matters is a science-based selection of formulations for tailor-made medication to meet the needs of individual patients. Prescribers can search this free database for formulations and print out the tailor-made recipes. For pharmacists, Compounding Matters provides tailor-made formulations in addition to the required pharmaceutical compounding methods and protocols.



Fagron Bookstore

In the Fagron Bookstore, pharmacists can purchase professional literature selected by Fagron on preparing tailor-made medication. This initiative helps pharmacists expand their knowledge on pharmaceutical compounding and also enables them to inform their colleagues about compounding solutions.



Fagron Specialty Pharma Services



Fagron Specialty Pharma Services

- Turnover increased by 27.1% (17.8% at constant exchange rates) to 187.9 million euros
- Organic turnover growth of 7.0% (-0.8% at constant exchange rates)
- REBITDA² decreased by 5.2% to 41.1 million euros; REBITDA margin of 21.9%
- Strong turnover growth in Europe, Colombia and South Africa and in the sterile activities in the United States
- Changed reimbursement system in the United States had a negative impact on the non-sterile FSPS activities
- Acquisition of AnazaoHealth in the United States

(x 1,000 euros)	2015	2014	Change
Turnover	187,894	147,780	27.1%
REBITDA ²	41,110	43,343	(5.2%)
REBITDA margin	21.9%	29.3%	(7.4%)

The turnover of Fagron Specialty Pharma Services (FSPS) increased by 27.1% in 2015 (17.8% at constant exchange rates), to 187.9 million euros. Organic turnover growth amounted to 7.0% (-0.8% at constant exchange rates). REBITDA decreased in 2015 by 5.2% to 41.1 million euros, or 21.9% of turnover.

Fagron's FSPS activities in Europe, Colombia and South Africa and the sterile FSPS activities in the United States showed strong turnover growth in 2015. The turnover of Bellevue Pharmacy in the United States decreased by 24.6% in 2015 (-37.0% at constant exchange rates) because of the change to the reimbursement system for non-sterile compounding in the United States.

² EBITDA before non-recurrent result.



Elastomer pump



Fagron Aseptic Pack



Filled injection syringes

Fagron Specialty Pharma Services offers a complete range of ready-to-use sterile, non-sterile and nuclear medications. FSPS prepares tailor-made medication to meet the specific requirements of the patient. FSPS compounding takes place both on individual patient basis and on a larger scale. The 23 sterile and non-sterile FSPS locations in Europe, the United States, Colombia and South Africa supply compounded medication primarily to pharmacies and hospitals. FSPS not only offers hospitals and local pharmacies a cost-effective solution, but also limits the risk for these customers, while increasing the total quality of the care for patients. Examples of sterile preparations include IV bags, ampules, injection vials, TPN, cytostatics, prefilled syringes, prefilled cassettes and elastomer pumps. Examples of non-sterile preparations are tablets, capsules, liquids, cremes/ointments and suspensions.

It is becoming increasingly difficult for hospitals worldwide to satisfy the ever more stringent legislation and regulations and more demanding

quality requirements for the production of sterile medications. General awareness of quality in the preparation of medications has also increased significantly over the past few years. In the quest for better quality, hospitals are increasingly opting to outsource their sterile compounding to Fagron Specialty Pharma Services.

In 2015 Fagron invested in the construction of a new sterile GMP 503B-registered compounding facility in Wichita (Kansas, the United States) and in an antibiotics facility in Hoogeveen (the Netherlands). The new compounding facility in Wichita supplied the first products to its customers in March 2016. The new antibiotics facility is expected to be able to satisfy the needs of the Dutch market at the beginning of June 2016. The construction of a new sterile GMP compounding facility in Johannesburg (South Africa) is also on the agenda for 2016. This compounding facility is expected to become operational in the fourth quarter of 2016.

JCB Laboratories

JCB Laboratories is an FDA-registered 503B compounding facility located in Wichita (Kansas, the United States). JCB Laboratories is spread across two locations which are approximately 20 kilometers from each other. The first facility has been in use since 2012. The second was built in 2015 and, after concluding the validation processes, supplied the first products to its customers in March 2016.

JCB Laboratories is specialized in sterile medications which are not commercially available because they were pulled from the market for economic reasons or were never registered. The portfolio of JCB Laboratories covers both the aseptic admixture of sterile medication and the high-risk sterile compounding of medications. JCB Laboratories supplies its products to surgical outpatient clinics, hospitals, primary care practices and dialysis centers and is specialized in ophthalmologic pain medication and medication shortages.



Fagron's new FDA-registered 503B compounding facility in Wichita, the United States.



Fagron's new FDA-registered 503B compounding facility in Wichita, the United States.

JCB Laboratories traditionally focuses on sterile medication for outpatient centers, dialysis clinics and hospitals. Because JCB Laboratories was one of the few compounding facilities that could make sterile medication from non-sterile raw materials, this provided a headstart on the competition.

JCB Laboratories has made use of the opportunities offered within the Drug Quality and Security Act (DQSA) and

the current medication shortages. In the new 5,000 m² facility with 1,200 m² of clean rooms, JCB Laboratories has access to automated sterile filling systems, which are ahead of the competition. This will not only significantly boost production, but also minimize the risk of micro-biological contamination. The new facility has access to its own micro-biological and chemical validation and quality control.

The automated filling system enables JCB Laboratories to do the following:

- Fully automated washing of vials, removal of endogens, filling and sealing of vials, at a rate of 1,400 vials per hour.
- Fully automated filling of sterile syringes with a capacity of 1,500 syringes per hour.
- Fully automated filling of dropper bottles with a capacity of 2,400 dropper bottles per hour.



Process flow at Fagron Specialty Pharma Services in Bornem, Belgium.



AnazaoHealth

In May 2015 Fagron announced the acquisition of AnazaoHealth, based in Tampa and Las Vegas. AnazaoHealth is a leading FDA-registered 503B compounding facility in the area of nuclear, pain and intrathecal medication. Nuclear medication can consist of radioactive capsules, injections or seeds and is used for, among other things, the diagnosis and treatment of cancer. AnazaoHealth satisfies USP 797 (high-risk medication). AnazaoHealth has also been extensively visited and validated by various regulatory organizations, including the FDA, Department of

Transportation, Transportation and Security Agency, Nuclear Regulatory Commission, Florida State Department of Health, Bureau of Radiation Control, Board of Pharmacy, Division of Business and Professional Regulations and the Florida Environmental Protection Agency.

AnazaoHealth was the first nuclear pharmacy permitted to supply radiopharmaceuticals and other sterile intravenous medication in all 50 states of the United States. AnazaoHealth is also authorized to send medication by mail in the United States. AnazaoHealth's products are compounded on the instructions of

hospitals and specialized surgical clinics and therefore fall outside the scope of the reimbursement policy.



Freeze-dried radiopharmaceutical kits for imaging

- HMPAO/ECD (brain perfusion)
- DMSA/DTPA (kidney)
- MAA (lung)

Nuclear medical diagnostic test

- Sincalide (gall bladder stimulus) (non-radiopharmaceutical)



Diagnostic products

- I-123 MIBG (tumor-nerve system)
- I-123 capsule (thyroid)
- Indium oxine (labeling of white blood cells)
- RBC kits (non-radiopharmaceutical) (shortages)



Brachytherapy

- Treatment of cancer by placing radioactive seeds at the location of the tumor
- ISO 13485 accredited



Fagron Trademarks



Fagron Trademarks

- Turnover increased by 10.3% (16.1% at constant exchange rates) to 50.3 million euros
- REBITDA³ increased by 8.5% to 15.6 million euros; REBITDA margin of 31.1%
- Worldwide roll-out of EPIfactor® and the Alopecia concept as part of Fagron Advanced Derma
- Well-filled pipeline of global and local innovations which will be brought to market in 2016

(x 1,000 euros)	2015	2014	Change
Turnover	50,343	45,652	10.3%
REBITDA ³	15,639	14,414	8.5%
REBITDA margin	31.1%	31.6%	(0.5%)

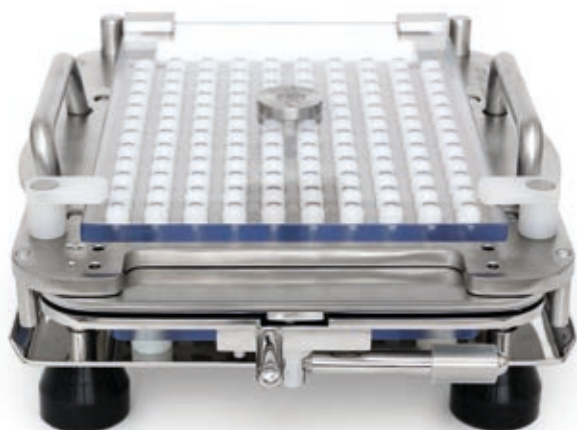
The turnover of Fagron Trademarks increased by 10.3% in 2015 (16.1% at constant exchange rates), to 50.3 million euros. REBITDA increased in 2015 by 8.5% to 15.6 million euros, or 31.1% of turnover.

Innovation is the driving force behind the steady growth of Fagron Trademarks. In close cooperation with pharmacists, physicians and universities, locally and globally, new and innovative products and concepts are developed to satisfy the growing need for individualized patient care.

In addition to the successful global Fagron Trademarks, such as SyrSpend® SF, Pentravan® and CapsiCards® System, a start was made in 2015 on the worldwide roll-out of EPIfactor® and the Alopecia concept as part of Fagron Advanced Derma.

Fagron sees strong growth potential in Fagron Trademarks. Thanks to 20 dedicated researchers, more than 200 pharmacists, vast experience, the most advanced technologies and the close cooperation with other innovators, Fagron R&D is a leading player on the worldwide compounding market.

³ EBITDA before non-recurrent result.



CapsiCards®



Pentravan®



Fagron Advanced Derma

Fagron's R&D teams are based on three continents. Together they develop innovative vehicles, formulations and compounding instructions, supported with compatibility and stability data, based on the specific needs of patients, prescribers and pharmacists. Examples of these include innovative bases and administration systems developed by Fagron, such as cremes, ointments and transdermal vehicles (which administer medicines through the skin) and user-friendly ready-made kits. Because Fagron Trademarks are not newly developed medications, no lengthy registration procedure is required. Fagron Trademarks can therefore be put on the market much sooner than new medicines. Although it is not required to do so, Fagron has its Fagron Trademarks produced under GMP (Good Manufacturing Practice) in order to be assured of the highest quality and to distinguish itself from the competition.

As part of the basis (such as a fluid administration method or transdermal basis), Fagron provides pharmacists with all the information required, including formulations and compounding protocols, to prepare medications responsibly using Fagron Trademarks. The stability and compatibility studies are carried out by independent, GMP, Good Laboratory Practice (GLP) and ISO-certified laboratories, which have been audited by Fagron.

Fagron Advanced Derma and alopecia

Fagron Advanced Derma (FAD) is a complete range of base cremes for all sorts of skin indications. Seven out of ten compounded medications are used in dermatology.^[1,2]

The choice of vehicle is extremely important in dermatology; it is 60-70% responsible for the effectiveness of the product.^[3] Fagron believes that Fagron Advanced Derma is the worldwide standard for advanced individual dermatological care because it provides solutions that are based on the latest scientific knowledge in the field of dermatology.

The Fagron Advanced Derma product line consists of particularly compatible vehicles which, combined with compounding instructions and stability studies, provide prescribers and pharmacists with a tailor-made solution that is entirely geared to the patient's indication and skin type. The Fagron Advanced Derma vehicles contain no harmful, obsolete or controversial ingredients, thus avoiding any skin irritation, side effects or oversensitivity. Fagron's careful ingredient selection has resulted in base cremes which can also be safely used by babies, children, pregnant women and the elderly.^[4-13]

Alopecia (hair loss, for example on the scalp or in the eyelashes or eyebrows) is an important focus area for Fagron Advanced Derma. Fagron Advanced Derma's vehicles, combined with medications, have proven extremely successful in treating alopecia. The Espumil™ foam base with minoxidil is supplied with all the necessary documentation and packaging material to be able to prepare stable medication for scalp treatment. The combination of Seraqua® and latanoprost provides an innovative hydrophilic serum base which is extremely suitable for the treatment of alopecia in eyelashes or eyebrows.



Seraqua®



Fagron eyelid applicator, used in treating alopecia.



Omeprazole in SyrSpend® SF Alka Kit

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 large pharmaceutical companies recently validated and approved SyrSpend® SF for worldwide use in clinical studies with both adults and children. The first clinical studies using SyrSpend® SF started at the beginning of 2016.

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. ^[14-38]

Following on the success of the Omeprazole in SyrSpend® SF Alka Kit, in 2015 Fagron introduced new, user-friendly and ready-made kits for the most commonly prescribed medicines. The kits contain the SyrSpend® SF vehicle, the correct quantity of the particular medicine and all the other materials required to produce and administer the suspension. As such the kit offers maximum preparation efficiency and patient safety.

Fagron has commissioned various independent laboratories to investigate the compatibility of SyrSpend® SF with more than 100 of the most commonly used medicines. These data can be used by pharmacists and other customers to substantiate the stability in SyrSpend® SF. Fagron believes that SyrSpend® SF has the largest scientific stability database in the world. This makes SyrSpend® SF the ideal vehicle for the compounding and administering of liquid oral medication for any type of patient.

SyrSpend® SF has a unique range of products, including the PH4 powder for reconstitution and Alka – the only ready-to-use vehicle available on the market that can be used for medicines that disintegrate under the influence of an acidic environment. All research results are currently being published in various independent, international, peer-reviewed pharmaceutical journals.

In addition to the Fagron Trademarks already enjoying global success, such as SyrSpend®, Fagron Advanced Derma, CapsiCards® and PentraVan®, Fagron has a well-filled and growing pipeline of innovations which will be brought to market in the coming years.





Fagron Essentials



Fagron Essentials

- Turnover decreased by 8.1% (-6.8% at constant exchange rates) to 225.2 million euros
- Organic turnover growth of -9.1% (-7.9% at constant exchange rates)
- REBITDA⁴ decreased by 19.0% to 48.6 million euros; REBITDA margin of 21.6%
- Changed reimbursement system in the United States resulted in a decrease in the sales of pharmaceutical raw materials
- Acquisition of ABC Chemicals in Belgium

(x 1,000 euros)	2015	2014	Change
Turnover	225,212	245,047	(8.1%)
REBITDA ⁴	48,604	59,991	(19.0%)
REBITDA margin	21.6%	24.5%	(2.9%)

The turnover of Fagron Essentials decreased by 8.1% (-6.8% at constant exchange rates) to 225.2 million euros in 2015. Organic turnover growth amounted to -9.1% (-7.9% at constant exchange rates). REBITDA decreased in 2015 by 19.0% to 48.6 million euros, or 21.6% of turnover.

The decision in May 2015 to change the reimbursement system for non-sterile compounding in the United States prompted a decline in the sale of pharmaceutical raw materials. This decline had particularly a major

⁴ EBITDA before non-recurrent result.





impact on the turnover and profitability of Freedom Pharmaceuticals in the United States.

In July 2015, Fagron further consolidated its market leadership in the sale of pharmaceutical raw materials with the acquisition of Belgian ABC Chemicals. ABC Chemicals realized turnover of approximately 6 million euros on an annual basis in 2015, with an EBITDA margin comparable to that of the Fagron Group.

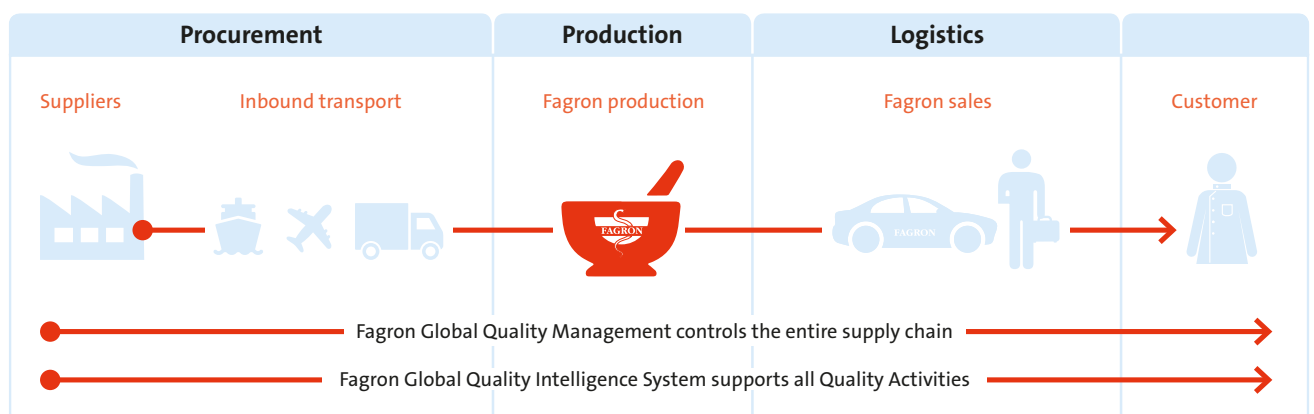
Fagron Essentials are all the pharmaceutical raw materials, equipment and supplies that pharmacists need in order to be able to prepare medication in the pharmacy. In all countries in which Fagron is active, high-quality pharmaceutical raw materials are offered to hospitals, pharmacies and to the pharmaceutical industry.



Fagron's product range includes over 2,500 pharmaceutical raw materials bought in bulk from selected and qualified manufacturers who comply with strict quality requirements. Examples of pharmaceutical raw materials offered by Fagron include amino acids, antibiotics, corticosteroids, excipients, hormones, opiates, vitamins and alcohol. All raw materials purchased must go through an acceptance and quality check according to the most recent pharmacopoeia or other applicable international guidelines. In Fagron's more than 100 GMP clean rooms, the pharmaceutical raw materials are

conditioned in approximately 6,500 different packaging forms that are sold to pharmacies and hospitals under the Fagron brand name.

Examples of equipment and consumables include scales, mortars and pestles, ointment mills, packaging equipment and packaging materials (bottles, vials, strips, boxes, labels).





HL Technology



HL Technology

- Turnover increased by 11.3% (-2.1% at constant exchange rates) to 9.5 million euros.
- REBITDA⁵ increased by 70.2% to 1.2 million euros; REBITDA margin of 12.5%.

(x 1,000 euros)	2015	2014	Change
Turnover	9,547	8,577	11.3%
REBITDA ⁵	1,193	701	70.2%
REBITDA margin	12.5%	8.2%	4.3%
FTEs	61	67	(9.0%)



Hader Click small. A torque limiter to tighten implants in joints



EASY

HL Technology develops and produces innovative precision components for the dental and medical orthopedic industry. The turnover of HL Technology, based in La Chaux-de-Fonds (Switzerland), increased by 11.3% in 2015 (-2.1% at constant exchange rates), to 9.5 million euros. REBITDA increased in 2015 by 70.2% to 1.2 million euros.

Colonsay

In 2014 HL Technology developed a device for pain treatment using neurostimulation. After successful completion of the registration process for bringing the product to market as a medical device, HL Technology appointed a distributor in 2015, which put Colonsay on the market.

Innovations

HL Technology developed two new types of torque wrenches in 2015: EASY for the orthopedic market and OMEGA for the dental market.

EASY is a sterile torque wrench for single use. This not only eliminates the costs and risks entailed by the requirement of traceability for product type and batch, but also the need for trained personnel to correctly clean the torque wrenches. The risks of any micro-biological contaminations or defective or incomplete surgical kits are consequently avoided.

OMEGA is the newest generation of universal torque wrenches for the dental market. This innovation is used to tighten the means of affixing dental implants. OMEGA is compatible with all brands of dental implants.

These products are currently being further developed and tested and are expected to be introduced on the market at the end of 2016 or the beginning of 2017.

⁵ EBITDA before non-recurrent result.

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Information about the Fagron share



Information about the Fagron share

Stock market quotation

The Fagron share is listed on Euronext Brussels and Amsterdam. The share is included in the BEL MID index and the Amsterdam Smallcap Index (AScX). Options on ordinary Fagron shares are traded on Euronext Derivatives Brussels, Euronext's derivatives market. These American-style options expire on the third Friday of the contract month and have an initial option life of 1, 2, 3, 6, 9 and 12 months. Each option represents 100 Fagron shares and is cleared by LCH.Clearnet SA.

As of December 31, 2015, the market capitalization of Fagron amounted to 226.7 million euros, a 79.2% decrease compared to the value as of December 31, 2014. As of December 31, 2015, 32,111,827 shares and 225,000 bonds with a nominal value of 1,000 euros per bond were in circulation.

Development in number of outstanding shares

On December 31, 2014, the number of voting securities with rights in Fagron was 31,431,360. On June 5, 2015, Fagron issued 12,301 new shares as a result of the exercise of warrants. On June 29, 2015, Fagron issued 224,133 new shares for the payment for AnazaoHealth in the United States. On August 4, 2015, Fagron issued 444,033 shares as payment of the earn-out related to the acquisition of Bellevue Pharmacy in the

United States. On December 31, 2015, the number of securities with voting rights was 32,111,827. The total number of voting rights (denominator) is 32,111,827. The authorized capital amounts to 329,066,194.56 euros.

Shares

ISIN code: BE0003874915

Euronext: FAGR

Bonds

ISIN code: BE0002180462

Euronext: FAG17

Options

ISIN code: BE0003874915

Euronext Derivatives Brussels: RCU

Shareholder structure

Fagron received notifications of shareholding pursuant to the Belgian Law of 2 May 2007 concerning the disclosure of major shareholdings in listed companies. The table below shows the shareholder structure as of March 31, 2016.

Article 11 of Fagron's Articles of Association stipulates that shareholdings must be disclosed as soon as a threshold of 3%, 5% and multiples of 5% has been exceeded.

	Number of shares	% of effective voting rights
Alychlo NV / Marc Coucke	1,709,601	5.32%
Carmignac Gestion	1,492,006	4.65%
Visium Asset Management	1,184,181	3.69%

Dividend

Fagron's Board of Directors will propose to the General Meeting of Shareholders on May 9 that no dividend will be paid out for the 2015 financial year and that the priority will be given to lowering the financial debt and strengthening Fagron's balance sheet.

Investor Relations Policy

Fagron attaches substantial value to good, open and timely communication with its investors, analysts and others with (financial) interests in the company with the aim of informing them as effectively and as promptly as possible about prevailing policies and developments in the company. Fagron

actively seeks to engage in dialogue with existing and potential investors, as well as with analysts that follow the company's share. This annual report is one of those forms of communication. All other relevant information, such as the annual and half-year figures, trading updates, press releases and background information, is available at investors.fagron.com.

Investors and potential investors, analysts, journalists and other interested parties are invited to direct questions to:

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Financial calendar

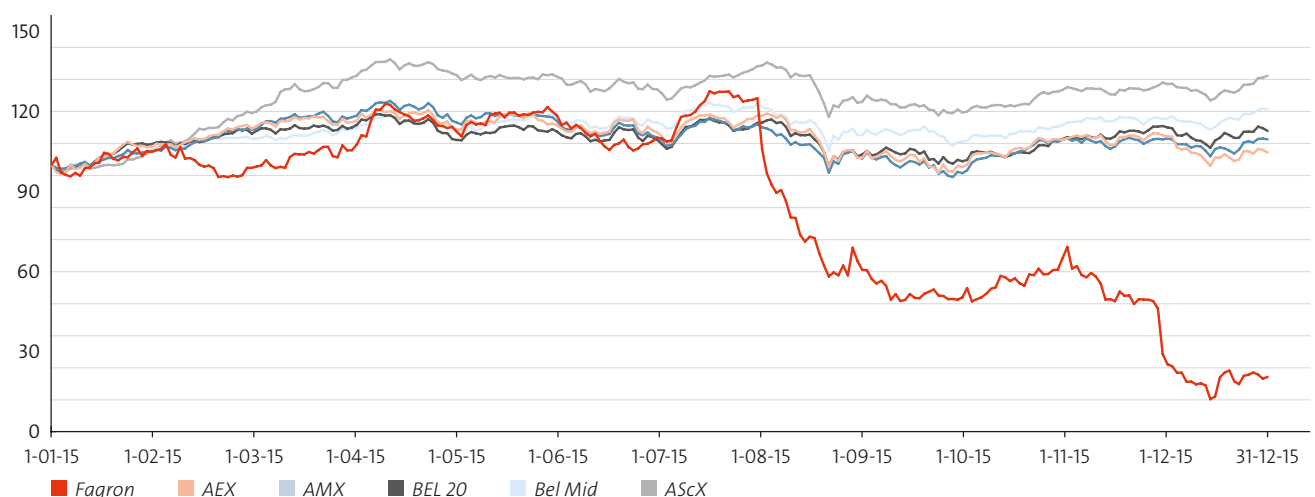
April 12*	Trading update, first quarter 2016
April 14	Extraordinary General Meeting of Shareholders
May 4**	Second Extraordinary General Meeting of Shareholders
May 9	Annual General Meeting of Shareholders
August 5*	Half-year figures 2016
October 12*	Trading update, third quarter 2016

* Results and trading updates are published at 7:00 CET.

** The Second Extraordinary General Meeting of Shareholders will take place if the quorum required by law to validly deliberate and vote is not reached at the meeting on April 14.

Trading	2015	2014	2013	2012	2011
Highest share price	43.92	44.98	27.90	15.50	12.90
Lowest share price	3.70	24.63	15.50	10.39	8.91
Closing price at the end of the financial year	7.06	34.72	27.64	15.50	11.03
Highest day volume	5,759,396	705,581	494,244	210,164	282,010
Lowest day volume	8,792	13,635	5,575	2,007	2,919
Average day volume	328,233	99,032	66,121	29,428	38,633
Dividend		1.00	0.72	0.60	0.50
Dividend yield at closing price		2.9%	2.6%	3.9%	4.5%
Market capitalization at the end of the financial year	226,709,499	1,091,296,819	866,745,015	484,816,967	344,322,274

Performance of Fagron and the indices in 2015





Report of the Board of Directors



Report of the Board of Directors on the consolidated financial statements

Consolidated income statement

The consolidated operating income increased by 6.9% from 450.409 million euros in 2014 to 481.664 million euros in 2015. The consolidated net turnover represented 98.2% of the operating income and increased by 5.8%, from 447.056 million euros in 2014 to 472.996 million euros in 2015.

Fagron's activities are subdivided into the following segments:

- Fagron Specialty Pharma Services (FSPS) refers to all personalized medication that is prepared in Fagron's 23 sterile and non-sterile compounding facilities in Europe, the United States, Colombia and South Africa.
- Fagron Trademarks (FTM) encompasses the innovative concepts, vehicles and formulations developed by Fagron's R&D team, often in close cooperation with prescribers, pharmacies and universities.
- Fagron Essentials (FE) refers to all pharmaceutical raw materials, equipment and supplies that pharmacists need in order to be able to prepare medication in the pharmacy.
- HL Technology develops and produces innovative precision components and orthopedic tools for dental and medical professionals.

Fagron's turnover, measured at constant exchange rates, developed positively in 2015 on all continents where Fagron is active, except in the United States. Hospitals are increasingly opting to outsource their sterile compounding to Fagron Specialty Pharma Services. The FSPS activities in Europe, Colombia and South Africa and the sterile FSPS activities in the United States therefore showed strong growth in 2015, while Fagron Essentials and the non-sterile FSPS activities in the United States realized a decrease in turnover. This decrease was caused by a change

to the reimbursement system for non-sterile compounding in the United States.

The turnover of Fagron Specialty Pharma Services increased by 27.1% in 2015 (17.8% at constant exchange rates), to 187.9 million euros. Organic turnover growth amounted to 7.0% (-0.8% at constant exchange rates). REBITDA decreased in 2015 by 5.2% to 41.1 million euros, or 21.9% of turnover.

Fagron's FSPS activities in Europe, Colombia and South Africa and Fagron's sterile FSPS activities in the United States showed strong turnover growth in 2015. The turnover of Bellevue Pharmacy in the United States decreased by 24.6% in 2015 (-37.0% at constant exchange rates) because of the change to the reimbursement system for non-sterile compounding.

In 2015 Fagron invested in the construction of a new sterile GMP 503B-registered compounding facility in Wichita (Kansas, the United States) and in an antibiotics facility in Hoogeveen (the Netherlands). In May 2015 Fagron acquired US-based AnazaoHealth. AnazaoHealth is a cGMP and FDA 503B-registered compounding facility specialized in nuclear medicine, pain medication and intrathecal administration methods.

The turnover of Fagron Trademarks increased by 10.3% in 2015 (16.1% at constant exchange rates), to 50.3 million euros. REBITDA increased in 2015 by 8.5% to 15.6 million euros, or 31.1% of turnover.

Innovation is the driving force behind the steady growth of Fagron Trademarks. In close cooperation with pharmacists, prescribers and universities, locally and globally, new and innovative products and concepts are developed to satisfy the growing need for individualized patient care.

In addition to the successful global Fagron Trademarks, such as SyrSpend® SF, Pentravan® and CapsiCards® System, a start was made during the second half of 2015 on the worldwide roll-out of EPIfactor® and the Alopecia concept as part of Fagron Advanced Derma.

The turnover of Fagron Essentials decreased by 8.1% (-6.8% at constant exchange rates) to 225.2 million euros in 2015. Organic turnover growth amounted to -9.1% (-7.9% at constant exchange rates). REBITDA decreased in 2015 by 19.0% to 48.6 million euros, or 21.6% of turnover.

The decision in May 2015 to change the reimbursement system for non-sterile compounding in the United States prompted a decline in the sale of pharmaceutical raw materials. This decline had a major impact mainly on the turnover and profitability of Freedom Pharmaceuticals.

In July 2015, Fagron acquired Belgian ABC Chemicals. ABC Chemicals is a supplier of pharmaceutical raw materials to pharmacies in Belgium.

HL Technology, the segment focused on the development, production and introduction of innovative precision components and orthopedic tools for the dental and medical industry, achieved turnover of 9.5 million euros in 2015, an increase of 11.3% (-2.1% at constant exchange rates) compared to 2014. REBITDA increased by 70.2% from 0.7 million euros in 2014 to 1.2 million euros in 2015.

The consolidated gross margin (the difference between turnover on the one hand and trade goods, raw and auxiliary materials on the other) amounted to 309,512 million euros in 2015. This represented 65.4% of the turnover, compared to a gross margin of 64.5% in 2014.

The total operating expenses, defined as services and various goods, employee benefit expenses and other operating expenses minus other operating income, amounted to 209.985 million euros, an increase of 20.1% compared to 2014. The cost coverage, defined as operating expenses versus gross margin, was 68.0% in 2015.

Depreciation and amortization increased by 24.1% from 19.025 million euros in 2014 to 23.620 million euros in 2015. As a result of the change to the reimbursement system for non-sterile compounding in the United States and the consequences this had for the profitability of both Bellevue Pharmacy and Freedom Pharmaceuticals, Fagron recognized an impairment of 225.564 million euros in 2015.

The operating result amounted to -150.338 million euros in 2015. EBIT before impairment amounted to 75.2 million euros, a decrease of 20.3% compared to 2014.

The financial result amounted to -44.991 million euros compared to -24.484 million euros in 2014. The increase compared to 2014 was due to, among other things, an increase in the net financial debt, higher exchange rate differences, fees related to the waiver received on December 31, 2015, and the consequence of revaluing the financial debt from long term to short term.

The financial derivatives were subject to a positive revaluation of 0.866 million euros in 2015. 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.

This brought the profit before taxes to -195.329 million euros, a decrease of 265.181 million euros compared to 2014. This decrease was largely due to the impairment. The effective tax rate as a percentage of the profit before taxes

and before impairment was 23.0%. Tax decreased in 2015 to 6.954 million euros, from 26.663 million euros in 2014. This was mainly the result of the decreased profitability of the activities in the United States.

Because of the impairment, the net profit from continuing operations amounted to -202.283 million euros in 2015.

Consolidated balance sheet

The consolidated balance sheet total decreased by 29.2% from 973.752 million euros in 2014 to 689.381 million euros in 2015.

Assets

Total non-current assets amounted to 501.535 million euros, a decrease of 161.114 million euros compared to 2014.

Intangible assets decreased by 164.651 million euros to a total of 410.601 million euros. The decrease in the intangible assets was mainly due to the impairment on Bellevue Pharmacy and Freedom Pharmaceuticals. This was counterbalanced by the recognition of goodwill and other intangible assets as a result of the acquisitions of AnazaoHealth in the United States, ABC Chemicals in Belgium and a few smaller acquisitions.

Property, plant and equipment increased by 11.164 million euros to 71.133 million euros. 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.

The net operational capital expenditures amounted to 22.052 million euros, representing 4.7% of the 2015 turnover. The net operational capital expenditures included investments in R&D and automation and the investment in the new

compounding facilities in the United States and Europe.

The financial assets, consisting of financial assets held for sale and other non-current assets, amounted to 5.859 million euros in 2015, an increase of 0.795 million euros compared to 2014.

Deferred tax assets represented a value of 13.942 million euros.

Total current assets amounted to 187.846 million euros in 2015 compared to 228.114 million euros in 2014, a decrease of 40.268 million euros. The key changes were the increase in inventories by 2.070 million euros (+3.2%), the decrease in trade receivables by 2.247 million euros (-6.2%), the decrease in the other receivables by 7.012 million euros (-38.9%) and the decrease in cash and cash equivalents by 33.078 million euros (-30.5%).

Equity and liabilities

Total equity amounted to -64.772 million euros. This represented a decrease of 221.720 million euros in comparison to 2014. This decrease in the equity was mainly caused by the net loss of 202.283 million euros in 2015, payment of dividend to the shareholders (31.156 million euros) and the result on treasury shares (3.380 million euros). A capital increase (26.101 million euros), share-based payments (9.216 million euros) and the purchase of treasury shares (4.792 million euros) had a positive impact on equity.

Total liabilities decreased from 816.804 million euros in 2014 to 754.154 million euros in 2015. This represented a decrease of 62.650 million euros.

Provisions increased by 7.096 million euros to 15.987 million euros. The acquisition balance sheet of Bellevue Pharmacy included a provision of 10 million US dollars for costs arising from an investigation started by the US government into the pricing of

pharmaceutical compounding products in the period prior to the acquisition of Pharmacy Services Inc.

The investigation relates to the sector as a whole.

Pension obligations in 2015 amounted to 5.146 million euros, a decrease of 0.907 million euros in comparison to 2014.

Deferred tax liabilities relate to, among other things, temporary differences between reporting and fiscal accounting at the local entities. These amounted to 1.519 million euros in 2015 compared to 6.162 million euros in 2014.

Non-current interest-bearing financial liabilities (long-term borrowings) amounted to 4.411 million euros in 2015, a decrease of 547.093 million euros compared to 2014. Current interest-bearing financial liabilities (short-term borrowings) amounted to 594.908 million euros in 2015, an increase of 589.198 million euros compared to 2014. These changes were caused by the revaluation of the financial liabilities from long-term to short-term.

As of December 31, 2015, net financial debt (total current and non-current interest-bearing financial liabilities plus other long-term liabilities less cash and cash equivalents) amounted to 523.846 million euros, compared to 448.663 million euros at year-end 2014. At the end of December 2015, Fagron received a waiver from its financiers concerning the financial covenants for the revolving credit facility and the US private placement. This waiver had a term until the end of March 2016. At the end of March this waiver was extended to the end of June 2016. During this period, Fagron will not be required to fulfil the financial covenants that apply to the loans.

Current trade payables were 5.603 million euros higher than in 2014, amounting to 63.043 million euros.

Current income, taxes, remuneration and social security amounted to 25.282 million euros, a decrease of 13.386 million euros in comparison to 2014.

Other (current) payables amounted to 41.859 million euros in 2015, versus 119.120 million euros in 2014.

Consolidated cash flow statement

The consolidated cash flow statement starts with the profit before taxes of -195.329 million euros.

From this amount, the outgoing cash flows before taxes are deducted, being 19.413 million euros. This amount includes all taxes effectively paid during 2015. Then the elements from operating activities not having a cash flow effect or not directly related to operating activities are reintroduced. This represented a total of 286.232 million euros. This amount is made up of the impairment, other depreciation and amortization on tangible and intangible assets, interest paid and changes in provisions and deferred taxes. The next step is to set off the changes in working capital in the cash flow statement (positive effect of 1.820 million euros). The total cash flow from operating activities amounted to 73.311 million euros, a decrease of 27.9% in comparison to 101.696 million euros in 2014.

Total cash flows from investing activities produced an outflow of 46.276 million euros relating to capital expenditures in the amount of 22.052 million euros and payments for existing shareholdings (subsequent payments) and new holdings in the amount of 96.674 million euros. This was counterbalanced by an inflow of 72.450 million euros in amounts received for business activities sold.

The total of cash flows from financing activities represented an outflow of 61.460 million euros. The new borrowings resulted in an inflow of 100.289 million euros. The outflow of

cash flows consisted of: payment of interest on loans and other financial elements such as financial discounts of 30.985 million euros, a dividend payment of 31.366 million euros, and repayment on loans of 100.917 million euros.

Total cash and cash equivalents decreased by 34.426 million euros: from 108.552 million euros at the start of the reporting period to 75.474 million euros at the end of the reporting period.

The difference of -1.349 million euros between the changes in cash and cash equivalents of -34.426 million euros and the decrease in the cash and cash equivalents of 33.078 million euros was caused by exchange rate differences.

Significant events after balance sheet date

See Note 33 to the financial annual report for significant events after balance sheet date.

Description of risk management

See Note 3 as included in the Notes to the consolidated financial statements.



Corporate Governance Statement



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Application of the Belgian Corporate Governance Code

Fagron NV (the 'Company') adheres to the Belgian Corporate Governance Code 2009 as reference code. This code is available at the website www.corporategovernancecommittee.be in the section 'Code 2009'. Fagron adheres to the 'comply-or-explain' principle. Fagron believes that for the 2015 financial year, it satisfies all principles and provisions from the Belgian Corporate Governance Code 2009, with one exception: no independent internal audit function was set up. The Audit Committee found that there was no need to set up an independent internal audit function for 2015.

Composition of the Board of Directors

As of December 12, 2015, Mr. Van Jeveren resigned as member of the Board of Directors, member of the Executive Committee and CEO of the Company. Mr. Stols, at that time

independent director, was appointed CEO as of December 12, 2015. As a consequence of this, his membership on the Audit Committee and Nomination and Remuneration Committee also ended as of that date.

As of December 12, 2015, Ms. Van Woerkom was appointed member of the Audit Committee and Nomination and Remuneration Committee. Ms. Van Woerkom chairs the Nomination and Remuneration Committee. Mr. Vandewalle chairs the Audit Committee.

The current terms of Mr. Peeters and Ms. Van Woerkom end after the General Meeting in 2019.

The current terms of Mr. Peek, Mr. Stols and Mr. Vandewalle end after the General Meeting in 2018.

Composition of the Board of Directors

Composition at the time this annual report was prepared

	Term of the position	Independent director	Nomination and Remuneration Committee	Audit Committee
Gerardus van Jeveren	Term ended: December 12, 2015			
Jan Peeters	4 years			
Robert Peek (Chairman)	4 years	●	●	●
Johannes (Hans) Stols	4 years	[●]	[●]	[●]
Luc Vandewalle	4 years	●	●	●
Nathalie van Woerkom	4 years	●	(●)	(●)

- [●] Mr. Stols was appointed CEO and executive director as of December 12, 2015. As a consequence of this, his membership on the Audit Committee and Nomination and Remuneration Committee also ended as of that date.
- (●) As of December 12, 2015, Ms. Van Woerkom was appointed Chairman of the Nomination and Remuneration Committee and member of the Audit Committee.

Composition of the Executive Committee

Mr. Van Jeveren resigned as of December 12, 2015. Mr. Stols was appointed member of the Executive Committee as of December 12, 2015. Mr. Jackson's term was ended by mutual agreement as of February 4, 2016.

Composition of the Executive Committee

Composition at the time this annual report was prepared

Name and position	Term of the position
Gerardus van Jeveren - Chairman and Chief Executive Officer	Term ended
Johannes (Hans) Stols – Chairman and Chief Executive Officer	4 years
Jan Peeters – Chief Financial Officer	4 years
René Clavaux – Chief Information Officer	4 years
Michaël Hillaert – Area General Manager of Fagron Belgium, France, Germany, Scandinavia, Poland and Czech Republic	4 years
Jake Jackson – President of Fagron North America	Term ended
Karin de Jong – Group Controller	4 years
Rafael Padilla – Area General Manager of Fagron South America, Italy and Iberica	4 years
Constantijn van Rietschoten – Chief Marketing Officer/Area General Manager Australia, Greece, United Kingdom and South Africa	4 years

As of December 12, 2015, the following person was appointed member of the Executive Committee with a term of four years:

Name	Nationality	Position	Information
Johannes (Hans) Stols (1959)	Dutch	Chief Executive Officer	Johannes (Hans) Stols held various positions in the Government Audit Department (Rijksaccountantsdienst), ABN-AMRO Bank NV and Stada Arzneimittel AG. Until 2006, he was Chief Operational Officer and a member of the board of directors of Stada Arzneimittel AG, and was founding member of the board of many Stada subsidiaries. In addition, he chaired the European Generic Medicine Association, the Euro Specialities Association and the Netherlands Cystic Fibrosis Foundation. Mr. Stols was independent director of Fagron NV (originally: Arseus NV) since 2007. Mr. Stols is currently CEO of Fagron NV.

Abbreviated curricula vitae

Below are summarized the curricula vitae of the members of the most important management bodies or their permanent representatives.



Gerardus van Jeveren (1960): Chief Executive Officer

– term ended as of December 12, 2015

Gerardus van Jeveren was Chief Executive Officer of Fagron until December 12, 2015. Mr. Van Jeveren was the founder and main shareholder of Fagron Farmaceuticals BV, which was acquired by Omega Pharma in 2000. Prior to the formation of Fagron he held various positions in sales and marketing, including commercial manager at Pharbita Generics, a subsidiary of Medicopharma NV. Following the acquisition of Fagron by Omega Pharma, Mr. Van Jeveren was appointed country manager at Omega Pharma, responsible for the Netherlands and Germany. In 2003, he was appointed business unit manager at Fagron, responsible for the Netherlands, Belgium, Germany and Spain, and in 2006 he was appointed CEO of Arseus, now Fagron. Mr. Van Jeveren followed the South-West Netherlands teacher training program in Delft.



Johannes (Hans) Stols (1959): Chief Executive Officer

– from December 12, 2015

Johannes (Hans) Stols held various positions in the Government Audit Department (Rijksaccountantsdienst), ABN-AMRO Bank NV and Stada Arzneimittel AG. Until 2006, he was Chief Operational Officer and a member of the board of directors of Stada Arzneimittel AG, and was founding member of the board of many Stada subsidiaries. In addition, he chaired the European Generic Medicine Association, the Euro Specialities Association and the Netherlands Cystic Fibrosis Foundation. Mr. Stols was independent director of Fagron NV (originally: Arseus NV) since 2007. Mr. Stols has been CEO of Fagron NV with effect from December 12, 2015.



Jan Peeters (1966): Chief Financial Officer

Jan Peeters is Chief Financial Officer of Fagron. Mr. Peeters joined Omega Pharma as Chief Financial Officer in 1993, after working for three years as a business analyst at Exxon Chemical International. Mr. Peeters served as CFO of Omega Pharma for eight years, during which Omega Pharma was successfully floated. In 2001, Mr. Peeters was appointed Deputy Chief Executive Officer at Omega Pharma, a position he held until November 7, 2006. In 2005, he was appointed business unit manager of Omega Pharma's dental division and was assigned global responsibility for the split of Arseus from Omega Pharma. In 2006, he was appointed CFO of Arseus, now Fagron. Mr. Peeters obtained a master's degree in Applied Economics from the University of Antwerp and a postgraduate diploma in Management from the Vlerick Management School.



Robert Peek (1945)

Robert Peek is a graduate of the Hogere Textielschool in Enschede, the Nederlandse Economische Hogeschool in Rotterdam and the Hochschule für Wirtschaft und Sozialwissenschaften in Sankt Gallen, Switzerland. In 1973, he joined Organon International, part of the pharmaceutical division of Akzo Nobel. After holding various positions, including director of Organon Greece, Organon Venezuela and regional manager South America, he became manager Marketing Services, responsible for the global marketing policy. In 1988, he moved to OPG Groep NV (now Mediq NV), where he joined the board of directors on July 1, 1989. From January 2001, he became responsible on the board of directors for all operational activities of the group companies (COO), followed by his appointment as chairman of the board of directors (CEO) on March 1, 2003, the position he held until his retirement at the end of 2005.



Luc Vandewalle (1944)

Luc Vandewalle obtained a master's degree in Applied Economics from Ghent University. He was appointed to the board and the executive committee of BBL in December 1992. He chaired the bank's executive committee from January 1, 2000 to June 30, 2007. From July 1, 2007 to May 9, 2011, Mr. Vandewalle was the chairman of the board of directors of ING Belgium. From May 9, 2011 to May 12, 2014, Mr. Vandewalle was a member of ING's supervisory board. Mr. Vandewalle is currently chairman of VZW CAW Stimulans, chairman of the West Flanders Regional Fund of the King Boudewijn Foundation and chairman of the VZW Waak (sheltered workshops). Mr. Vandewalle is also a member of the board of directors at various other listed and non-listed companies.



Nathalie van Woerkom (1970)

Nathalie van Woerkom is currently a (lawyer and) partner at AKD lawyers and civil-law notaries in Rotterdam in the business law practice group, after having worked at Buruma Maris and Andersen Legal. She has vast experience in general company law, mergers and acquisitions and shareholder agreements. Ms. Van Woerkom is also a member of a number of professional associations. She graduated in law from Erasmus University Rotterdam and also holds an MBA from the Rotterdam School of Management.

Board of Directors

The composition and functioning of the Board of Directors of Fagron satisfies all provisions of the Belgian Corporate Governance Code 2009. The Company's Board of Directors consists of at least five and no more than eleven members, who do not necessarily have to be shareholders. The Board of Directors is composed of executive, non-executive and independent directors.

Appointment of the members of the Board of Directors

Non-executive directors must hold at least half of the seats on the Board of Directors, and at least three directors must be independent, within the meaning of Article 526ter of the Belgian Companies Code. Executive and non-executive directors are appointed by a meeting of shareholders for a renewable term of up to maximum four years. If a seat becomes available on the board before the end of the term, the remaining directors have the right to temporarily appoint a new director to fill that position until the shareholders decide to appoint a new director at the next meeting of shareholders. This matter must be included in the agenda for the next meeting of shareholders. There is no age limit for directors.

Function and role of the Board of Directors

The Board of Directors established its internal regulations as part of the preparation of the Corporate Governance Charter. In addition to those things it is legally obliged to do, the Board of Directors is in particular responsible for: determining the strategy, the risk profile, the values and the main policy lines, ensuring that the necessary financial and human resources are available to achieve the objectives, supervising and assessing the financial and operational performance and development of the operating results of the group, approving the framework for internal control and risk management, structuring the Executive Committee,

establishing its powers and obligations and evaluating its performance, supervising the quality and completeness of financial announcements as well as the integrity and prompt publication of the financial statements and other substantive financial and non-financial information, determining the corporate governance structure and supervising compliance with the provisions of the Corporate Governance Code, installing specialized Committees, establishing their internal regulations and assessing their effectiveness, promoting an effective dialogue with the shareholders and potential shareholders, approving contracts for the appointment of the CEO and other members of the Executive Committee, selecting the Statutory Auditor on the nomination of the Audit Committee and supervising his performance, and supervising the internal audit function if an independent internal audit function is established.

The Corporate Governance Charter and the internal regulations of the Board of Directors can be found on the corporate website (www.fagron.com) in the section entitled 'Corporate Governance'.

Specialized Committees within the Board of Directors

These Committees have an advisory role. They assist the Board of Directors in specific circumstances which they thoroughly monitor and for which they submit recommendations to the Board of Directors. The ultimate decision making lies with the Board of Directors. The composition, powers and functioning of the Committees are described in their respective internal regulations, which are available at the corporate website (www.fagron.com) in the section entitled 'Corporate Governance'. The Committees report to the Board of Directors after every meeting.

Audit Committee

The composition of the Audit Committee complies with all provisions of the Belgian Corporate Governance Code 2009.

All members of the Audit Committee have sufficient bookkeeping and auditing experience. The Audit Committee is the primary point of contact for the internal audit function (if an internal audit function was set up) and the Statutory Auditor. Without prejudice to the statutory duties of the Board of Directors, the Audit Committee is responsible for developing an audit program that covers all activities of the Company in the long term, and is, in particular, responsible for:

1. determining the internal financial reporting to the Board of Directors;
2. monitoring the financial reporting process;
3. monitoring the effectiveness of the Company's internal control and risk management systems;
4. monitoring the internal audits and their effectiveness;
5. monitoring the statutory audit of the financial statements and the consolidated financial statements, including follow-up to questions and recommendations formulated by the Statutory Auditor;
6. assessing and monitoring the independence of the Statutory Auditor, taking particular note of additional services provided to the Company.

Following internal talks, the Audit Committee found that there was no need to set up an independent internal audit function for 2015.

Nomination and Remuneration Committee

The Board of Directors decided in 2010 to merge the Nomination Committee and the Remuneration Committee. The composition of the Nomination and Remuneration Committee complies with all provisions of the Belgian Corporate Governance Code 2009.

The members have the necessary expertise in the area of remuneration policy.

The main duties with regard to nominations are drawing up the appointment procedures for the members of the Board of Directors and members of the Executive Committee, nominating suitable candidates for vacant directorships, formulating proposals for reappointments, evaluating and making recommendations on the composition of the Board of Directors and its Committees, offering advice on proposals concerning the appointment or dismissal of directors and members of the Executive Committee, and evaluating potential candidates for a position on the Executive Committee.

The main duties with regard to remuneration consist of:

1. preparing, assessing and making proposals to the Board of Directors concerning the remuneration policy to be implemented regarding the directors, the members of the Executive Committee, the other executives as referred to in the last subsection of Article 96 §3 of the Belgian Companies Code and the persons responsible for the daily management, and, where applicable, concerning the ensuing proposals to be presented to the shareholders by the Board of Directors;
2. preparing, assessing and making proposals to the Board of Directors concerning individual remuneration of the directors, the members of the Executive Committee, the other executives as referred to in the last subsection of Article 96 §3 of the

Belgian Companies Code and the persons responsible for the daily management, including variable remuneration and long-term premiums, which may be associated with shares, in the form of share options or other financial instruments, and severance pay, and, where applicable, concerning the ensuing proposals to be presented to the shareholders by the Board of Directors;

3. preparing recommendations regarding performance targets for the CEO and the other members of the Executive Committee and other key managers;
4. preparing recommendations regarding allocation of bonuses and long-term incentives to the CEO and other members of the Executive Committee;
5. discussing the functioning and performance of the Executive Committee;
6. reviewing both the functioning and performance of the Executive Committee with the CEO at least once per year;
7. preparing the remuneration report to be added to the Corporate Governance Statement by the Board of Directors, and announcing the remuneration report to the Works Council, or, if there is no Works Council, to the employee representatives in the Committee for prevention and protection at work, or, if this is not in place, to the union representatives;
8. providing an explanation of the remuneration report at the annual General Meeting of Shareholders.

Executive Committee

Appointment of the members of the Executive Committee

The composition and functioning of the Executive Committee complies with all provisions of the Belgian Corporate Governance Code 2009.

The Company has established an Executive Committee in the sense of the Corporate Governance Act of August 2, 2002.

The Board of Directors appoints the members of the Executive Committee based on the recommendations of the Nomination and Remuneration Committee. The members are appointed for a four-year term.

Role of the Executive Committee

The Executive Committee is responsible for the Company's management.

It exercises the management powers that the Board of Directors has delegated to it (within the limits of the general and strategic policy and where not expressly reserved for the Board of Directors by law or otherwise). This means that the Executive Committee exercises the most extensive powers in daily management, mergers, acquisitions, investments and divestments, research and product development, distribution, purchasing and production, marketing and sales, logistics and information technology, accounting, administration and financial matters, treasury, supervision and control of the business units (managers), legal matters, intellectual property, environment and permits, human resources, insurances, tax and subsidy matters, and the preparation of press releases and the financial statements.

More detailed information can be found in the internal regulations of the Executive Committee, which is an annex to the Corporate Governance Charter and is available at the corporate website (www.fagron.com), in the section entitled 'Corporate Governance'. The Executive Committee meets as often as the interests of the Company demand it and within

fourteen days of the request to do so by two members of the Executive Committee. The Executive Committee also provides quarterly reports on its activities to the Board of Directors.

Activity report of the Board of Directors and the Committees in 2015

Board of Directors

In 2015, in addition to discussing the financial reporting, the Board of Directors devoted a great deal of attention to determining the corporate strategy, examining the non-binding bids with a view to a public bid that it might receive and the corporate financing, particularly in relation to investigating the possibilities of a private and/or public capital increase.

The executive and non-executive members of the Board of Directors convened twenty-three times in 2015 (January 21, February 5, April 10, May 6 (conference call), May 11, June 29, August 3, August 5, September 15, September 17 (conference call), September 25 (conference call), October 1, October 8, October 15 (conference call), October 20 (conference call), October 24 (conference call), October 29 (conference call), November 2, November 6 (conference call), November 12 (conference call), December 4, December 12 and December 24 (conference call)).

All directors attended these meetings, unless stated otherwise below:

- August 3, 2015: Ms. Van Woerkom was unable to attend;
- September 25, 2015 (conference call): Mr. Peeters was unable to attend;

The Board of Directors adopted the following written resolutions:
June 4, 2015: determination of the list of warrants that were exercised in the context of Warrant Plans 1 and 2, both approved by the Board of Directors on September 6, 2007.

The non-executive directors met separately eight times in 2015 (February 6, May 23, September 15, October 11, October 15, November 3, December 4 and December 12). The key topics discussed were the company's remuneration policy and its financing and the progress of the various transaction processes.

All non-executive members of the Board of Directors were in attendance at these meetings.

Audit Committee

The Audit Committee, consisting until December 12, 2015 of Mr. Vandewalle (Chairman), Mr. Peek and Mr. Stols, and from that date consisting of Mr. Vandewalle (Chairman), Mr. Peek and Ms. Van Woerkom, met three times in 2015 (February 5, August 3 and December 4). All members of the Audit Committee in office attended these meetings.

Mr. Van Jeveren (until December 12, 2015) and Mr. Peeters also attended the meetings at the request of the Audit Committee.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, consisting until December 12, 2015 of Mr. Stols (Chairman), Mr. Peek and Mr. Vandewalle, and from that date consisting of Ms. Van Woerkom (Chairman), Mr. Vandewalle and Mr. Peek, met three times in 2015 (March 30, May 22 and December 8).

All members of the Nomination and Remuneration Committee in office attended these meetings.

Mr. Van Jeveren and Mr. Peeters attended the meetings of the Nomination and Remuneration Committee on March 25 and May 22.

Process for the evaluation of the Board of Directors and its Committees

Under the leadership of the Chairman, the Board of Directors conducts an evaluation every two years of its own size, composition and functioning and that of its Committees, as well as of its interaction with the Executive Committee. The Chairman of the Board of Directors and the performance of his role within the Board of Directors are also evaluated.

This evaluation has four objectives:

1. to assess the functioning of the Board of Directors and the Committees;
2. to determine whether key issues are thoroughly prepared and discussed;
3. to assess the actual contribution of every director to the work of the Board of Directors, his or her attendance of Board and Committee meetings, and his or her constructive involvement in the talks and the decision-making process;
4. to assess the existing composition of the Board of Directors and the Committees in the light of the required composition of the Board of Directors or of the Committees.

The evaluation of the Board of Directors in terms of its size, composition and functioning and that of its Committees, as well as of its interaction with the Executive Committee, took place on March 30, 2015 under the leadership of the Chairman of the Board of Directors. This evaluation resulted in a positive assessment with a number of less significant points to be worked on.

The CEO and the Nomination and Remuneration Committee annually assess both the functioning and the performance of the Executive Committee. The evaluation of the Executive Committee takes place in the context of determining the variable remuneration of the Executive Committee members.

Policy on transactions and other contractual relationships between the Company and its directors or members of the Executive Committee not covered by the conflicts of interest arrangement

The Board of Directors has drawn up a number of guidelines for transactions and other contractual relationships between the Company and its Board members or members of the Executive Committee not covered by the conflicts of interest arrangement. All members of the Board of Directors and the Executive Committee are expected to avoid actions, positions or interests that are contrary to, or appear to be contrary to, the interests of the Company or of one of the companies of the Fagron Group. Furthermore, all transactions between the Company and members of the Board of Directors or the Executive Committee (or their permanent representatives) require the approval of the Board of Directors.

If the members of the Board of Directors or the Executive Committee (or their permanent representatives) identify a possible conflict of interest with respect to a decision or activity of the Company, they must also notify the Chairman of the Board of Directors at the earliest opportunity.

If Article 523 of the Belgian Companies Code applies, the director in question must also refrain from participating in the relevant deliberations and from voting.

Rules for the prevention of insider trading and market abuse

The Board of Directors has drawn up rules to prevent privileged information being unlawfully used by directors, shareholders, managers, employees and certain third parties (jointly referred to as 'Insiders'). These rules are an integral part of the Corporate Governance Charter and are available at the corporate website (www.fagron.com) in the section

'Corporate Governance'. The Board of Directors has also appointed a Compliance Officer to supervise, among other things, observance of the rules by Insiders. Insiders and persons closely related to them may not conduct any transactions with respect to securities of the Company during Closed Periods and Blocked Periods.

A Closed Period is:

- (i) the period from January 1 up to the moment the Company's annual results for the past financial year are published;
- (ii) the period from July 1 up to the moment the Company's results for the previous six-month period are published;
- (iii) the period of 15 days immediately preceding the publication of the Company's quarterly results, or, if shorter, the period from the closing date of the quarter concerned up to and including the moment of publication.

A Blocked Period covers any period that is indicated as such by the Compliance Officer. Certain transactions – to be named specifically – remain possible in exceptional cases during Closed Periods and Blocked Periods. Insiders who wish to acquire or sell securities of the Company must notify the Compliance Officer in writing of this intention prior to the transaction. In response to this notification, the Compliance Officer may issue a negative recommendation with respect to the planned transaction. In that case, the Insider must consider this as an explicit rejection of the transaction by the Company. Every request and every recommendation from the Compliance Officer is recorded in a special register. Transactions that can reasonably be expected to potentially have a sensitive impact on the stock market price of the Company's shares will be announced in compliance with the rules for the occasional provision of information.

Description of the main features of the internal control and risk management systems

The Board of Directors is responsible for the strategy and the accompanying risk profile, and for the design and operation of the internal risk management and control systems. The purpose of these systems is (1) to be continually aware, with a reasonable degree of certainty, of the extent to which Fagron is achieving its strategic and operational objectives, (2) to guarantee the reliability of the financial reporting, and (3) to act in compliance with the laws and regulations applicable to Fagron.

The design of these internal risk management and control systems in relation to Fagron's strategic, operational, compliance and financial reporting risks has high priority within Fagron and is, partly in view of the development of the environment and the company itself, continually subject to further refinement and improvement.

The design and operation of these internal risk management and control systems is continually evaluated. Nevertheless, these systems can never guarantee with absolute certainty that no material inaccuracies can arise at Fagron. Fagron gives priority to internal control and management. The internal control and management is continually assessed and further professionalized, with attention devoted to the governance structure, processes, systems and controls and to awareness among the management and employees of the importance of implementing these correctly. In concrete terms, the internal governance of Fagron is built up of the following elements:

Development of strategy

Fagron's strategy and the associated objectives and ambitions are critically assessed each year on the basis of market developments, the opportunities and threats identified, an analysis of strengths and weaknesses,

and a strategic risk assessment, and adjusted where necessary. The Board of Directors is responsible for this.

Budgets

The strategic objectives, including the main opportunities and risks, are discussed with the Executive Committee. The strategic objectives of Fagron as a whole constitute the basis for the budgets of the business units. In addition to a financial budget, the budget for each business unit contains a number of concrete business targets that are translated into key performance indicators (KPIs), which are consistently monitored for progress during the year.

Reporting, analysis and review

The financial results and forecasts are analyzed monthly at both the local and central level, with the aid of the Fagron Management Information System. This system is available to the management and the business controllers, and to the Executive Committee and the Corporate Controlling department.

The management and the business controllers report monthly on progress in achieving their business plans, the resulting KPIs and their financial performance to the Executive Committee and the Corporate Controlling department. Progress meetings are held regularly on the basis of these reports, at which at least the actions agreed in earlier reviews, the financial results, the updated forecasts, staff turnover and recruitment, and the progress and developments in the business are discussed.

Global Policies and Code of Ethics

Responsibilities, powers, guidelines and procedures at Fagron are clearly and accessibly set down in Fagron's Global Policies and Code of Ethics. Every important process is covered. The management and business controllers of the business units are responsible for the correct application of the processes and systems. Acquisitions are also integrated in

terms of guidelines, procedures, processes and systems as soon as further integration occurs.

Compliance reviews and external audits

In addition to the external audits, various compliance reviews are performed of the quality system used, the administrative organization and the financial results.

The Statutory Auditor focuses on the correct application and operation of internal control measures that are important for the preparation of the financial statements. The outcomes of the Statutory Auditor's audits are reported orally and in writing to Corporate Controlling, the CFO and the Audit Committee. The compliance reviews are performed by Corporate Controlling and also focus on the correct application of and compliance with internal procedures and guidelines. They are oriented towards both financial and operational audits. The aim is to achieve continual further professionalization of our internal controls on the basis of the outcomes. These instruments also contribute towards a continual increase in risk awareness within Fagron.

The Audit Committee found that there was no need to set up an independent internal audit function for 2015.

Corporate Governance information

Corporate Governance Charter

The Board of Directors approved the first version of the Company's Corporate Governance Charter on October 4, 2007. This Charter was supplemented with the internal regulations of the Board of Directors, the Executive Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee. The Charter also includes the policy established by the Board of Directors for transactions and other contractual relations between the Company and its directors and members of the Executive Committee. The Board of Directors had furthermore established rules to prevent insider trading. The Charter was based on the provisions of the Belgian Corporate Governance Code 2004, and the Board of Directors had set the primary goal of compliance with the principles and provisions of this Code as fully and closely as possible. On April 24, 2008, the Board of Directors then approved a new version of the Company's Corporate Governance Charter, in which a number of general points were further refined.

The Corporate Governance Charter was subsequently adapted in line with the Belgian Corporate Governance Code of March 12, 2009 and the Board of Directors approved the revised version of the Corporate Governance Charter on March 23, 2010.

The Nomination Committee and Remuneration Committee were formally merged to create the Nomination and Remuneration Committee by a decision of the Board of Directors on October 27, 2010. After that, the definition of 'Closed Period' was amended and the Corporate Governance Charter was aligned with the new mandatory provisions of the Belgian Companies Code.

Finally, by decision of the Board of Directors of May 14, 2012, Article 3.3.2 of Annex 3 to the Corporate Governance Charter (Rules for the prevention of insider trading and market abuse) was amended to allow not only the exercise of warrants,

but also the exercise of stock options during a Closed Period or Blocked Period. The current version of the Corporate Governance Charter was approved by the Board of Directors on May 14, 2012.

The Company is of the opinion that it fulfills all principles and provisions of the Belgian Corporate Governance Code 2009 (with the exception of the internal audit function not being in place) and all provisions of the Act of April 6, 2010.

The complete Corporate Governance Charter, including its annexes, is available at the corporate website (www.fagron.com) in the section 'Corporate Governance'. Future changes to the Charter will also be published on the corporate website.

General Meeting

The General Meetings are convened by the Board of Directors or the Statutory Auditor(s) (or, as the case may be, the liquidators).

The annual General Meeting will be held on the second Monday of May at 3 pm. If that day is an official public holiday, the General Meeting is held at the same time on the next working day. The venue is Fagron NV's registered office or the venue as stated in the convocation notice for this meeting.

Convocation notices for the General Meetings are in the form and within the time limits as set out in the Belgian Companies Code and the convocation notices must at least contain the details as set out in Article 533bis of the Belgian Companies Code.

The right to attend the General Meeting and to exercise voting rights shall be granted solely based on the administrative registration of the shares in the shareholder's name on the fourteenth day before the General Meeting at midnight, Belgian time, either through the shareholder's registration in the Company's shares

register, or by their registration in the accounts of a certified account holder or intermediary, irrespective of the number of shares that the shareholder is holding on the actual date of the General Meeting. The date and hour as aforementioned serve as the registration date. Shareholders shall report their intention to attend the General Meeting at the latest by the sixth day before the date of the meeting to the Company or to the relevant person appointed by the Company. The certified account holder or intermediary shall provide the shareholder with a certificate indicating with how many dematerialized shares that were registered in its accounts in the shareholder's name as of the registration date the shareholder has indicated he/she will be participating in the General Meeting.

A register designated by the Board of Directors will serve to record for each shareholder who expressed a wish to attend the General Meeting the name and address or statutory office, the number of shares in his/her possession as of the registration date and with which he/she indicated he/she would be participating at the General Meeting, and a description of the documents showing that he/she held the relevant shares as of the registration date.

Holders of bonds, warrants or depositary receipts issued with the Company's cooperation are permitted to attend the General Meeting with an advisory vote, on the condition of compliance with the admission conditions that are provided for the shareholders.

Every shareholder with a right to vote may be represented by a natural person or legal entity at the General Meeting in accordance with the applicable provisions in the Belgian Companies Code. In the convocation notice, the Board of Directors defines the procedure for voting by proxy and the proxy form to be used when granting the proxy, such within the limits as set out in the Belgian Companies Code.

The Company must receive the proxies at the latest by the sixth day before the date of the General Meeting in accordance with the procedure determined by the Board of Directors. The calculation of the rules regarding quorum and majority shall be based solely on the proxies of the shareholders that comply with the admission formalities such as set out in the Articles of Association. One or more shareholders that jointly hold at least 3% of the authorized share capital can have items placed on the agenda of the General Meeting and can submit motions for a vote in relation to the agenda items or items to be placed on the agenda. This article does not apply for a General Meeting convened with application of subsection 2 of Article 533 §2 of the Belgian Companies Code.

On the date that shareholders submit an agenda item or motion to vote, the relevant shareholders must prove that they satisfy the 3% threshold, either based on a certificate of registration of the relevant shares in the Company's shares register, or based on a certificate issued by a certified account holder or intermediary proving that the relevant number of dematerialized shares was registered to their name and account. The subjects to be placed on the agenda and the motions to vote that were placed on the agenda are discussed only if the above-mentioned 3% of the capital is registered in accordance with Article 536 §2 of the Belgian Companies Code.

The requests must be set out in writing and must be accompanied by the text of the subjects to be discussed and the associated motions to vote, or by the text of the motions to vote to be placed on the agenda. A mailing address or email address must be included, to which the Board of Directors will send the confirmation of receipt of these requests.

The Company must receive the requests at the latest by the twenty-second day before the date of the General Meeting. Requests are sent to the Company electronically at the

address stated in the convocation notice for the General Meeting.

The Company shall confirm receipt of the requests within a period of forty-eight hours from receipt.

Upon receipt of the requests, the Company shall act in accordance with the Belgian Companies Code, in particular with Article 533ter §3 of the Belgian Companies Code.

The provision set out in Article 533ter of the Belgian Companies Code must be applied in good faith by both the shareholders and the Company. This may be applied only in the interest of the Company.

The directors shall answer the questions asked by the shareholders during the meeting or in writing regarding their report, or regarding the agenda items, insofar sharing the information or facts is not potentially detrimental to the Company's business interests or to the confidentiality to which the Company, its directors or the Statutory Auditor(s) have committed. During the meeting, the Statutory Auditor(s) shall answer the questions asked verbally by the shareholders during the meeting or in writing regarding its/their report.

If there are various questions regarding the same subject, the directors and Statutory Auditor(s) may answer these in a single response.

As soon as the convocation notice has been published, the shareholders may submit the questions referred to in the first paragraph in writing and these shall be answered in the meeting by, as the case may be, the directors or the Statutory Auditor(s), to the extent the relevant shareholders complied with the formalities to be completed before being admitted to the meeting.

The questions may be addressed to the Company's electronic address as stated in the convocation notice for the General Meeting. The Company must have received the questions in writing at the latest on the sixth day before the meeting.

Fagron NV's Articles of Association were recently amended during the Extraordinary General Meetings:

On May 14, 2012 in order to satisfy the mandatory provisions of the Act of December 20, 2010 (Act regarding exercising certain rights of shareholders of listed companies);

On December 12, 2014 concerning the:

- Change of the company name from Arseus to Fagron;
- Renewal of the authorization for the acquisition and disposal of treasury shares;
- Amendment of the provisions in the Articles of Association concerning the discontinuation of bearer shares (Act of December 14, 2005);
- Amendment of the provisions in the Articles of Association concerning the liquidation procedure in accordance with the stipulations of the Belgian Companies Code (Acts of March 19, 2012 and April 25, 2014);

On June 29, 2015 in order to increase the capital in the context of the authorized capital by contribution in kind upon the issue of new shares;

On August 5, 2015 in order to increase the capital within the context of the authorized capital by contribution in kind upon the issue of new shares.

The coordinated Articles of Association can be consulted on the corporate website (www.fagron.com) in the section 'Corporate Governance'.

Consultation of the Company's documents

The stand-alone and consolidated financial statements, Articles of Association, annual reports and other information that is made public for the benefit of the shareholders are available from the registered office of the Company free of charge.

The Articles of Association can be consulted on the corporate website (www.fagron.com) in the section 'Investors'.

Number of shares and authorized capital

Fagron NV was founded on June 29, 2007 (under its previous name: Arseus NV). Upon incorporation, the share capital was 61,500 euros represented by 100 registered shares without nominal value, fully paid-up in cash, each representing an identical fraction of the share capital of Fagron.

On September 7, 2007, the Extraordinary Shareholders Meeting of Fagron NV resolved, subject to completion of the IPO, to increase the share capital through a contribution in kind consisting of:

(i) a contribution in kind in the form of shares of Fagron BV (previously Arseus BV) by Omega Pharma, and (ii) the contribution of claims held by the contributors.

This resulted in the issue of (i) 6,000,000 and (ii) (a) 24,999,900 and (b) 195,121 shares.

This brought the total number of Fagron shares to 31,195,121 and the authorized capital to 319,810,475 euros.

On February 16, 2011, 1,018 new shares were issued as the result of the exercise of warrants under the Warrant Plan of the Offer. Non-exercised warrants under the Warrant Plan of the Offer lapsed. After this issue, the number of voting securities of Fagron amounted to 31,196,139. The total number of voting rights (denominator) amounted to 31,196,139. The authorized share capital amounted to 319,820,911.43 euros.

On June 16, 2011, 20,749 new shares were issued as a result of the exercise of warrants under Warrant Plans 1 and 2, both approved by the Board of Directors on September 6, 2007. The number of voting securities of Fagron amounted to 31,216,888. The total number of voting rights (denominator) amounted to 31,216,888. The authorized capital amounted to 320,023,050.35 euros.

On June 14, 2012, 61,626 new shares were issued as a result of the exercise of warrants under Warrant Plans 1 and 2, both approved by the Board of Directors on September 6, 2007. The number of voting securities of Fagron amounted to 31,278,514. The total number of voting rights (denominator) amounted to 31,278,514. The authorized capital amounted to 320,601,893.93 euros.

On June 13, 2013, 79,844 new shares were issued as a result of the exercise of warrants under Warrant Plans 1 and 2, both approved by the Board of Directors on September 6, 2007. The number of voting securities of Fagron amounted to 31,358,358. The total number of voting rights (denominator) amounted to 31,358,358. The authorized capital amounted to 321,384,974.57 euros.

On June 13, 2014, 73,002 new shares were issued as a result of the exercise of warrants under Warrant Plans 1 and 2, both approved by the Board of Directors on September 6, 2007. The number of voting securities of Fagron amounted to 31,431,360. The total number of voting rights (denominator) amounted to 31,431,360. The authorized capital amounted to 322,111,645.98 euros.

On June 5, 2015, 12,301 new shares were issued as a result of the exercise of warrants under Warrant Plans 1 and 2, both approved by the Board of Directors on September 6, 2007. The number of voting securities of Fagron amounted to 31,443,661. The total number of voting rights (denominator) amounted to 31,443,661. The authorized capital amounted to 322,217,493.06 euros.

On June 29, 2015, 224,133 new shares were issued in the context of the authorized capital. The number of voting securities of Fagron amounted to 31,667,794. The total number of voting rights (denominator) amounted to 31,667,794. The authorized capital amounted to 324,514,856.31 euros in

order to increase the capital in the context of the authorized capital by contribution in kind upon the issue of new shares.

On August 4, 2015, 444,033 new shares were issued in the context of the authorized capital. The number of voting securities of Fagron amounted to 32,111,827. The total number of voting rights (denominator) amounted to 32,111,827. The authorized capital amounted to 329,066,194.56 euros in order to increase the capital in the context of the authorized capital by contribution in kind upon the issue of new shares.

At the time of preparation of this annual report, therefore, the capital amounts to three hundred twenty-nine million sixty-six thousand one hundred ninety-four euros and fifty-six cents (329,066,194.56 euros) represented by thirty-two million one hundred eleven thousand eight hundred twenty-seven (32,111,827) shares, without indication of nominal value but with an accounting par value of one thirty-two million one hundred eleven thousand eight hundred twenty-seventh (1/32,111,827th) part of the capital.

Shareholder structure and notifications of shareholding

Based on the notifications of shareholding received by the Company as of March 31, 2016, and taking into account the denominator, the shareholder structure of the Company is as shown in the table below.

The notifications are also available on the corporate website (www.fagron.com), in the section 'Investors'.

In accordance with Article 11 of the Company's Articles of Association, the applicable quota for the application of Articles 1-4 of the Act of March 2, 1989 on the disclosure of significant participations in listed companies and regulation of public acquisition bids are determined at 3%, 5% and multiples of 5%.

	Number of shares	% of effective voting rights
Alychlo NV and Marc Coucke	1,709,601	5.32%
Carmignac Gestion	1,492,006	4.65%
Visium Asset Management	1,184,181	3.69%

Conflicts of interest

The procedure from Article 523 of the Belgian Companies Code was applied three times in 2015, specifically during the meetings of the Board of Directors on May 11 (Granting of discharge to the members of the Executive Committee), September 15, 2015 (Appointment of financial advisor and opening of data room for interested parties) and December 12 (Appointment of Johannes (Hans) Stols as CEO). The passage from the minutes of the particular decision is presented verbatim below, stating the reasons for the conflict of interest as well as the explanation and property-law consequences for the Company.

Extract from the minutes of the Board of Directors of May 11, 2015:

Granting of discharge to board members

In advance, two directors, specifically Mr. Ger van Jeveren and Mr. Jan Peeters, reported that they may have a conflict of interest as defined in Article 523 of the Belgian Companies Code in granting discharge to Mr. Ger van Jeveren and Mr. Jan Peeters, respectively, in their capacity as members of the Company's Executive Committee during the 2014 financial year. For both Ger van Jeveren and Jan Peeters, this conflict of interest arises from the fact that they are directors of the Company on the one hand and were, on the other hand, in office as members of the Executive Committee of the Company during the 2014 financial year. Mr. Van Jeveren and Mr. Peeters will notify the Company's Statutory Auditor of their conflict of interest.

Mr. Ger van Jeveren and Mr. Jan Peeters will not participate further in the deliberations or in the vote on the

granting of discharge to Mr. Ger van Jeveren and Mr. Jan Peeters, respectively, and each will leave the meeting when the resolution is taken on the discharge of Ger van Jeveren and Jan Peeters, respectively.

Description of the decision and justification:

The proposed decision concerns the granting of discharge to every one of the Executive Committee members individually for the way in which he/she performed his/her directorship during the 2014 financial year.

During the course of the 2014 financial year, the Board of Directors was given full insight at regular times into all important decisions of the Executive Committee and the Board was adequately able, on the basis of this, to determine that every one of the individual members of the Executive Committee performed his/her assignment properly during the 2014 financial year.

The property-law consequences of granting discharge are as follows:

The consequence of granting discharge is that none of the Executive Committee members can be held personally financially liable by the Board of Directors for errors and breaches committed in the performance of his/her assignment.

RESOLUTION: In individual votes (one for each Executive Committee member), the Board of Directors unanimously resolved to grant every one of the Executive Committee members discharge individually (Ger van Jeveren, Jan Peeters, Ariom BVBA represented by Mario Huyghe (until June 30, 2014) and Essensys NV represented by Mr. Dirk Van Lerberghe

as manager of Loemax BVBA) for the way in which he/she performed his/her mandate and assignment during the 2014 financial year.

Extract from the minutes of the Board of Directors of September 15, 2015:

Appointment of financial advisor and opening of data room

Mr. Ger van Jeveren and Mr. Jan Peeters reported before the start of the deliberations that from the perspective of transparency, they wished to apply the procedure provided for in Article 523 of the Belgian Companies Code. The reason for this was that in the transactions that will be investigated, the management is usually asked to also invest in the bidding vehicle. If the transaction was to materialize, this means that they would have an interest of a property-law nature in the context of the transaction. The property-law interest is consequently not yet established, and is not a result of the decisions to be made, but a consequence if the transaction were to materialize.

Description of the decision and justification:

There are various grounds for justifying the decision to be made: what is concerned here are preparatory actions in a transaction process and the decisions to be made are standard practice in light of the preparation of such transactions and frameworks in a professional approach to this. The Company has a clear interest in preparing, organizing and seeking professional guidance as thoroughly as possible in the context of a procedure which could result in a transaction whereby a takeover bid is realized for the shareholders.

The property-law consequences of the decisions to be made can be summarized as follows:

- 1) Opening a data room does not involve any substantial costs, except the management time for putting together this data room and hosting costs for the electronic data room. The most important consequence

for the company is the fact that it must release commercially confidential information. It is noted here, however, that (i) the parties that are admitted to the data room are, in principle, financial parties and not competitors and (ii) the Company will take the usual precautions (data room rules, confidentiality agreements, restrictions on making copies / printouts).

- 2) The financial consequences associated with the appointment of a financial advisor lie in the fees that must be paid to this advisor. This will require further negotiations with this advisor and will typically be composed of a fixed fee and a success fee. The success fee component of the fee serves in this context to align the advisor's interests with the interests of the company and its shareholders.

Mr. Ger van Jeveren and Mr. Jan Peeters will therefore refrain from participating in the deliberations and decision making.

RESOLUTION: the Board of Directors asks the management to seek a financial advisor whose appointment will soon be discussed at a next meeting.

Extract from the minutes of the Board of Directors of December 12, 2015:

Appointment of Johannes (Hans) Stols as CEO and delegated director and appointment of Ms. Van Woerkom as chairman of the Nomination and Remuneration Committee and member of the Audit Committee

Prior to the discussion of this agenda item, Mr. Stols reported that he had a conflict of interest in relation to the agenda items concerning his appointment as CEO and delegated director of the Company in the sense of Article 523 of the Belgian Companies Code. He would refrain from the deliberation and decision making on these agenda items.

For Mr. Stols, this conflict of interest arises from the fact that he is an independent director of the Company, on the one hand, and has been nominated for the remunerated position of CEO, on the other. Mr. Stols will notify the Company's Statutory Auditor of his conflict of interest.

Description of the decision and justification:

The proposed decision concerns the appointment of and granting of remuneration to Mr. Stols as CEO of the Company.

As recommended by the Nomination and Remuneration Committee and for the reasons presented by it, it was proposed that Mr. Stols be appointed as delegated director and as member of the Company's Executive Committee.

The property-law consequences are as follows:

The appointment of Mr. Stols as delegated director, member of the Executive Committee and CEO results in Mr. Stols being given a remunerated position in that capacity on the basis of the conditions on which the Nomination and Remuneration Committee will give its advice after his appointment.

The meeting took note of the positive advice from the Nomination and Remuneration Committee in relation to the appointment of Mr. Stols as CEO and delegated director of the Company under conditions identical to those which applied for Mr. Van Jeveren, on the understanding that if the contract is terminated, a notice period of 12 months is provided for.

As a result of the appointment of Mr. Stols as executive director, his position as member of the Nomination and Remuneration Committee and of the Audit Committee becomes vacant. The meeting proposed that Ms. Nathalie van Woerkom would be appointed member of the Nomination and Remuneration Committee and member of the Audit Committee.

Prior to the discussion of this agenda item, Ms. Van Woerkom reported that she had a conflict of interest in relation to the agenda items concerning her appointment as member of the Audit Committee and member of the Nomination and Remuneration Committee of the Company in the sense of Article 523 of the Belgian Companies Code.

She would refrain from the deliberations and decision making on this agenda item.

For Ms. Van Woerkom, this conflict of interest arises from the fact that she is an independent director of the Company, on the one hand, and has been nominated for the remunerated position of member of the Audit Committee and Nomination and Remuneration Committee, on the other. Ms. Van Woerkom will notify the Company's Statutory Auditor of her conflict of interest.

Description of the decision and justification:

The proposed decision concerned the appointment of Ms. Nathalie van Woerkom as member of the Nomination and Remuneration Committee and member of the Audit Committee of the Company.

As recommended by the Nomination and Remuneration Committee and for the reasons presented by it, it was proposed that Ms. Van Woerkom be appointed as member of the Company's Nomination and Remuneration Committee and Audit Committee.

The property-law consequences are as follows:

The appointment of Ms. Van Woerkom has as consequence that she will receive remuneration in that capacity for the membership in both aforementioned committees.

RESOLUTION: as recommended by the Nomination and Remuneration Committee, to:

- appoint Mr. Stols, currently non-executive independent director of the Company, as CEO and delegated director, and;
- appoint Ms. Van Woerkom, currently non-executive independent director of the Company, as member of the Audit Committee and as chairman of the Nomination and Remuneration Committee for the remaining term of her directorship.

Acquisition of treasury shares

The Extraordinary General Meeting of June 16, 2009 granted the Company's Board of Directors the additional authorization to buy back treasury shares for a period of five years from June 16, 2009, for a price of no less than 1 euro and no more than the average of the closing prices in the ten working days prior to the date of the acquisition or exchange, plus 10%, in such a manner that the Company at no time owns shares in its own capital with an accounting par value in excess of 20% of the Company's issued capital.

This authorization expired on June 16, 2014 and the Extraordinary General Meeting of December 12, 2014 subsequently granted the Board of Directors a new authorization to buy back treasury shares, up to a maximum of ten percent (10%) of the issued capital, by acquisition or exchange, directly or via an intermediary acting on his own account or on the company's behalf, for a price of no less than 1 euro and no more than the average of the closing prices in the ten working days prior to the date of the acquisition or exchange, plus 10%, in such a manner that the Company at no time owns shares in its own capital with an accounting par value in excess of 10% of the Company's issued capital.

The Company bought back 54,000 treasury shares in 2015. As of December 31, 2015, Fagron held 327,760 treasury shares.

Warrants

On September 6, 2007, the Company's Board of Directors approved three warrant plans for employees, for directors/ managers/consultants of Fagron NV and/or its subsidiaries, and for shareholders of Omega Pharma NV who had subscribed for shares in the priority tranche in the Arseus NV IPO. The Board of Directors is of the opinion that the possibility for employees, key third parties and consultants to participate forms a key stimulus for the Company's further expansion and growth.

The warrants of the Offer expired in January 2011. On February 16, 2011, 1,018 new shares were issued as a result of the exercise of warrants under the Warrant Plan of the Offer.

Pursuant to a decision taken by the Board of Directors dated May 11, 2009, held in the presence of the notary Mr. Dirk van Haesebrouck, the period during which the warrants granted to beneficiaries prior to August 31, 2008 in the context of Warrant Plan 1 (employee plan) are exercisable was extended by five years to December 17, 2020, in accordance with the Belgian Amendment Act (Herstelwet).

The General Meeting of May 10, 2010 ratified the decision of the Board of Directors of July 13, 2009 extending the exercise period for the rights granted to the beneficiaries before August 31, 2008 in the context of Warrant Plan 2 (plan for directors/managers/ consultants) by five years, in other words until December 17, 2017, on the understanding that beneficiaries exercising their rights following the expiry of the initial period (in other words, exercising rights after December 17, 2012) will solely be entitled to acquire existing, instead of new, shares in the Company.

In 2011, a total of 20,749 warrants were exercised under Warrant Plans 1 and 2. On June 16, 2011, 20,749 new shares were issued as a result of the exercise of warrants under Warrant Plans 1 and 2.

In 2012, a total of 61,626 warrants were exercised under Warrant Plans 1 and 2. On June 14, 2012, 61,626 new shares were issued as a result of the exercise of warrants under Warrant Plans 1 and 2.

In 2013, a total of 79,844 warrants were exercised under Warrant Plans 1 and 2. On June 13, 2013, 79,844 new shares were issued as a result of the exercise of warrants under Warrant Plans 1 and 2.

In 2014, a total of 73,002 warrants were exercised under Warrant Plans 1 and 2. On June 13, 2014, 73,002 new shares were issued as a result of the exercise of warrants under Warrant Plans 1 and 2.

In addition to this, 48,625 warrants were exercised under Warrant Plan 2, for which existing shares of the Company were provided.

In 2015, a total of 12,301 warrants were exercised under Warrant Plans 1 and 2. On June 5, 2015, 12,301 new shares were issued as a result of the exercise of warrants under Warrant Plans 1 and 2.

In addition to this, 10,000 warrants were exercised under Warrant Plan 2, for which existing shares of the Company were provided.

On June 3, 2014, the Company's Board of Directors approved the 2014 Warrant Plan for employees and managers/consultants of Fagron NV and/or its subsidiaries, which decision was ratified by resolution by the Board of Directors dated September 2, 2014 in the presence of civil-law notary Luc De Ferm. The Board of Directors is of the opinion that the possibility for employees and managers/consultants to participate forms an important

stimulus for the Company's further expansion and growth.

For further details regarding the conditions of Warrant Plans 1, 2 and 2014 and the movements in the number of warrants during the 2015 financial year, see Note 22 to the consolidated financial statements.

Stock options

On December 7, 2009, the Company's Board of Directors approved the Stock Option Plan 2009 for directors, consultants and employees of Fagron NV and/or its subsidiaries. The Stock Option Plan 2009 was approved by the Extraordinary General Meeting of January 27, 2010.

With the Stock Option Plan 2009, the Board of Directors aims to create a long-term incentive for persons who can make a significant contribution to the Company's success, growth and value creation. The Stock Option Plan 2009 is regarded as an important retention tool and aims to create a common interest between the Company's option holders and shareholders, aimed at an increase in the value of the Company's shares.

The Stock Option Plan 2009 can be consulted at the corporate website (www.fagron.com) in the section 'Investors'.

In 2010, 987,500 stock options were awarded under the Stock Option Plan 2009.

In 2012, a total of 127,250 stock options were exercised under the Stock Option Plan 2009.

In 2013, 328,250 stock options were exercised under the Stock Option Plan 2009.

In 2014, 282,500 stock options were exercised under the Stock Option Plan 2009.

In 2015, 246,000 stock options were exercised under the Stock Option Plan 2009.

On October 27, 2011, the Company's Board of Directors approved the Stock Option Plan 2011 for consultants and employees of Fagron NV and/or its subsidiaries, under the suspensive condition of approval by the General Meeting. The Stock Option Plan 2011 was presented for approval to the Annual General Meeting held on May 14, 2012, which approved the Stock Option Plan 2011.

In the context of the Stock Option Plan 2011, the Board of Directors intends to (i) better align the new managers joining the group (through acquisitions or otherwise) with Fagron's long-term success, and (ii) be able to give existing managers an extra financial incentive when they are promoted by offering them options.

The Stock Option Plan 2011 can be consulted at the corporate website (www.fagron.com) in the section 'Investors'.

In 2012, a total of 250,000 stock options were awarded under the Stock Option Plan 2011.

In 2014, 22,500 stock options were exercised and 4,650 stock options were awarded under the Stock Option Plan 2011.

In 2015, 27,500 stock options were exercised under the Stock Option Plan 2011.

For further details regarding the conditions of Stock Option Plans 2009 and 2011 and the movements in the number of stock options during the 2015 financial year, see Note 22 to the consolidated financial statements.

Authorized capital

The Extraordinary General Meeting on June 5, 2012 decided to renew the authorization of the Board of Directors to increase the authorized share capital, with a majority of at least three fourths of the votes and within the limits of the existing authorization as set out in Article 5bis of the Articles of Association, in one or more rounds by a maximum amount of 320,023,050.35 euros, within a period of five years from the date of announcing such a decision in the Appendices to the Belgian Official Gazette (June 29, 2012).

On September 2, 2014, the Board of Directors issued 2,140,000 warrants in the context of the authorized capital.

On June 29, 2015, 224,133 new shares were issued in the context of the authorized capital. The number of voting securities of Fagron amounted to 31,667,794. The total number of voting rights (denominator) amounted to 31,667,794. The authorized capital amounted to 324,514,856.31 euros in order to increase the capital in the context of the authorized capital by contribution in kind upon the issue of new shares.

On August 4, 2015, 444,033 new shares were issued in the context of the authorized capital. The number of voting securities of Fagron amounted to 32,111,827. The total number of voting rights (denominator) amounted to 32,111,827. The authorized capital amounted to 329,066,194.56 euros in order to increase the capital in the context of the authorized capital by contribution in kind upon the issue of new shares.

If the capital is increased within the limits of the authorized capital, then the Board of Directors has the power to request payment of an issue premium. If the Board of Directors so decides, this issue premium will be deposited into a blocked account, called 'issue premium', which will constitute the guarantee of

third parties to the same extent as the authorized capital, and which can only be disposed of, notwithstanding the possibility of converting this premium into capital, in accordance with the conditions for reducing authorized capital stipulated by the Belgian Companies Code.

This power of the Board of Directors is valid for capital increases subscribed for in cash or in kind, or that occur by the capitalization of reserves, with or without the issue of new shares. The Board of Directors is permitted to issue convertible bonds or warrants within the limits of the authorized capital.

Statutory Auditor

Fagron's Statutory Auditor is CVBA PricewaterhouseCoopers Bedrijfsrevisoren, a company governed by Belgian law with registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe. This company has designated Peter Van den Eynde, statutory auditor, as representative who is authorized to represent it and who is charged with performing the mandate in the name of and for the account of the BCVBA. CVBA PricewaterhouseCoopers Bedrijfsrevisoren was appointed in 2013 as Fagron's Statutory Auditor for a term of three financial years, ending on the date of the Annual General Meeting to be held in 2016.

PricewaterhouseCoopers Bedrijfsrevisoren received a total annual remuneration of 595,098 euros in 2015. Of this, 77,751 euros was in relation to Fagron NV. It will be proposed to the General Meeting of Shareholders on May 9, 2016 to approve this remuneration.

Details about the remuneration of the Statutory Auditor in 2015 can be found in Note 31 to the financial statements.

With the appointment of a Statutory Auditor in mind, the Company conducted a tendering procedure for the selection and award of the

engagement to a statutory auditor for the Company from the 2016 annual general meeting onwards. After a comparison of the tenders received, this tendering procedure resulted in advice from the Audit Committee to the Board of Directors that it be proposed to the Annual General Meeting of Shareholders that BCVBA PricewaterhouseCoopers Bedrijfsrevisoren, with registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, be appointed statutory auditor for a term of three years. This company has designated Peter Van den Eynde, statutory auditor, as representative who is authorized to represent it and who is charged with performing the mandate in the name of and for the account of the BCVBA. The mandate expires after the General Meeting of Shareholders which is to approve the financial statements as of December 31, 2018. The remuneration of the statutory auditor for the performance of its mandate for the 2016 financial year was set at 430,000 euros for all audits within the group, including the audit of the consolidated financial statements, excluding VAT and expenses. Of this, 78,500 euros is in relation to Fagron NV. It will be proposed to the General Meeting of Shareholders on May 9, 2016 that this appointment and the remuneration of the statutory auditor be approved.

Remuneration Report

Remuneration for non-executive directors

The non-executive directors do not receive any performance-based remuneration, or any benefits in kind or benefits connected with pension schemes.

The chairman of the Board of Directors receives an annual fee of 60,000 euros, irrespective of the number of committees of which the chairman is a member, and (ii) the other non-executive directors of the Company receive an annual fee of 30,000 euros, plus 7,200 euros per

committee of which they are a member.

In concrete terms, this means that the following remunerations were paid in 2015:

(in euros)	
Robert Peek	60,000.00
Luc Vandewalle	44,400.00
Johannes Stols*	38,288.96
Nathalie van Woerkom*	19,089.00

* Since Mr. Stols and Ms. Van Woerkom did not perform their respective mandates for a full year, their remuneration was determined prorated to the period of time during which they performed their particular mandates in 2015.

Remuneration policy for executive directors and members of the Executive Committee

The remuneration of executive directors follows entirely from their executive positions. The members of the Executive Committee do not receive a separate remuneration for their membership of the Board of Directors. The following principles were applied in 2015 for the policy for executive directors and members of the Executive Committee:

On the one hand there is a fixed remuneration. This remuneration is based on market rates, taking account of the size of the company, the sector, the growth profile and the profitability. On the other hand there is also variable remuneration in cash. For the CEO, this remuneration amounts to a maximum of 120% of the fixed annual remuneration and for the other members of the Executive Committee, to a maximum of 60% of the fixed annual remuneration. The executive directors and the members of the Executive Committee do not receive any long-term result-related share-based incentive programs.

Currently there is no intention to implement any amendments to the remuneration policies for the executive

directors and the members of the Executive Committee in the coming two years.

As part of the sale of Omega Pharma's 24.04% interest and Couckinvest's 1.06% interest to Waterland, the Board of Directors approved a stock option plan amounting to 1,000,000 stock options on December 7, 2009.

This stock option plan aims to provide an additional incentive to the directors and management of the Company.

The plan was approved by the Extraordinary General Meeting of Shareholders on January 27, 2010. The executive members of the Board of Directors and the members of the Executive Committee were granted stock options in January 2010.

No stock options were granted to members of the Board of Directors or members of the Executive Committee in 2012 under the Stock Option Plan 2009. In 2012 a total of 125,000 stock options were exercised under the Stock Option Plan 2009 by the executive members of the Board of Directors and members of the Executive Committee.

In 2014 a total of 210,000 stock options were exercised under the Stock Option Plan 2009 by the executive members of the Board of Directors and members of the Executive Committee.

In 2015 a total of 189,500 stock options were exercised under the Stock Option Plan 2009 by the executive members of the Board of Directors and members of the Executive Committee.

On May 14, 2012, the Annual General Meeting approved the Stock Option Plan 2011 for consultants and employees of Fagron NV and/or its subsidiaries.

This stock option plan aims to provide an additional incentive to the directors and management of the Company. The Stock Option Plan 2011 can be consulted at the corporate website

(www.fagron.com) in the section 'Investors'.

In 2012, 105,000 stock options were granted to the executive members of the Board of Directors under the Stock Option Plan 2011.

In 2013, no stock options were exercised under the Stock Option Plan 2011 by the executive members of the Board of Directors or members of the Executive Committee.

In 2014, no stock options were exercised under the Stock Option Plan 2011 by the executive members of the Board of Directors or members of the Executive Committee.

In 2015, 8,750 stock options were exercised under the Stock Option Plan 2011 by the executive members of the Board of Directors and members of the Executive Committee.

On September 2, 2014, the Board of Directors approved and awarded the Warrant Plan 2014 for consultants and employees of Fagron NV and/or its subsidiaries.

This warrant plan aims to provide an additional incentive to the directors and management of the Company. The Stock Option Plan 2011 can be consulted at the corporate website (www.fagron.com) in the section 'Investors'.

In 2015, no warrants were granted to certain directors and the management of the Company under the Stock Option Plan 2014.

For further details regarding the warrants/stock options, see Note 22 to the consolidated financial statements.

Evaluation criteria for bonuses paid to members of the Executive Committee on the basis of the performance of the Company or its business units.

The criteria in 2015 for the award of performance-related bonuses to members of the Executive Committee are 80% based on financial targets, particularly on (1) turnover, (2) REBITDA

and (3) net debt, each of these three components being assessed on an equal basis. For the remaining 20%, the criteria are based on personal/discretionary targets that are clearly defined and set down in writing annually. The variable remuneration is granted on the basis of these financial and personal targets that are fixed and evaluated annually. The management agreements do not explicitly provide a reclaim right for the Company regarding any variable allowances that are awarded based on incorrect financial data.

Article 520ter of the Belgian Companies Code states that as of the 2011 financial year, excepting where the Articles of Association explicitly state otherwise or upon explicit approval by the General Meeting, the variable remunerations must be spread out over time as follows:

- 50% of the variable remunerations may be related to performance in

the particular year (in this case, 2015) and is paid out after one year therefore;

- the remainder must be spread out over at least the two following years, whereby at least 25% must be based on performance over a period of at least three years, therefore 25% in 2014 and 25% in 2015. This mandatory spread does not apply if the variable remuneration amounts to 25% or less of the annual remuneration.
- The Nomination and Remuneration Committee is of the opinion, however, that there are justified reasons why it would not be opportune for Fagron to change its current bonus system, based on annual targets, and to link it to long-term objectives over two and three years for the sake of the following reasons and has therefore advised that Fagron's current bonus system based on annual targets be retained:

- First of all, Fagron's Executive Committee is already strongly aligned with Fagron's long-term performance via the current warrant and stock option plans;
- Moreover, Fagron also pursues an active buy-and-build strategy, which makes it neither simple nor opportune to set long-term targets relevant for Fagron in advance.

The use of long-term turnover, net income or EBIT targets would be pointless if significant acquisitions were to take place in the course of the subsequent years.

The Extraordinary General Meeting of May 14, 2012 gave its approval for the amendment of Article 26 of the Articles of Association to allow the Board of Directors to forgo application of the spread variable remuneration as provided for in Article 520ter of the Belgian Companies Code.

Remuneration package

Information on remuneration (x 1,000 euros)	CEO*	Total excluding CEO	Note
Base salary / remuneration		1,882	Concerns the gross salary of the other members of the Executive Committee during the term of the position.
Ger van Jeveren (until 12/12/2015)	568		
Hans Stols (from 12/12/2015)	30		
Variable remuneration	0	222	Concerns the variable remuneration for 2015, during the term of the position, paid out in 2016.
Pension and other components		108	Concerns costs for pensions, insurances and the cash value of the other benefits in kind. A maximum pensionable salary of 100,000 euros applies.
Ger van Jeveren (until 12/12/2015)	34		
Hans Stols (from 12/12/2015)	1		
Share options/warrants	0	0	

* The severance package for Mr. Van Jeveren amounted to 1,785,000 euros on December 12, 2015. Upon his appointment, Mr. Stols received the same remuneration package as Mr. Van Jeveren. More information on this can be found below in the section on 'Remuneration of the CEO'.

Information on stock options / warrants

Information on stock options / warrants	Balance as at 12/31/2014	Awarded in 2015	Exercised in 2015	Warrants converted into stock options	Balance as at 12/31/2015
CEO – Ger van Jeveren (end of position)	200,000 (stock options)	0	125,000 (stock options)	0	75,000 (stock options)
CEO – Hans Stols (start of position)	0	0	0	0	0
CFO – Jan Peeters	92,500 (stock options)	0	62,500 (stock options)	0	30,000 (stock options)
Other members of the Executive Committee	379,500 (stock options and warrants)	0	11,625 (stock options and warrants)	0	367,875 (stock options and warrants)

Remuneration of the CEO and the other members of the Executive Committee

The first table on page 70 provides information on the remuneration package for 2015.

The second table on page 71 provides information on the warrants and stock options awarded.

Note 22 of this annual report contains further details about the warrant and stock option plans.

The General Meeting of May 10, 2010 ratified the decision of the Board of Directors of July 13, 2009 extending the exercise period for the rights granted to the beneficiaries before August 31, 2008 in the context of Warrant Plan 2 (plan for directors/managers/consultants) by five years, in other words until December 17, 2017, on the understanding that beneficiaries exercising their rights following the expiry of the initial period (in other words, exercising rights after December 17, 2012) will solely be entitled to acquire existing, instead of new, shares in the Company.

Information on severance pay

New management contracts were concluded with Mr. Van Jeveren and with Mr. Peeters' management company in 2010. These management contracts provide for an 18-month notice period in the event the contract is terminated, or a fixed severance package, equal to the amount of the monthly fixed remuneration owed over 18 months, plus one and a half times the average of the variable remuneration granted over the last three calendar years prior to the calendar year in which the contract is terminated.

Although the Corporate Governance Act of April 6, 2010 prescribes that severance packages for executive directors and members of the Executive Committee may not exceed 12 months of fixed and variable remuneration, the Nomination and Remuneration Committee has advised in this case that a notice period of 18 months or severance pay of maximum 18 months to be used, because of the many years served by Mr. Van Jeveren and Mr. Peeters within the Group.

If, however, the service provider has not achieved 50% of the financial targets set annually, in implementation of Principle 7.18 of the Belgian Corporate Governance Code 2009, the notice period shall be 12 months in the event of termination with observance of a notice period.

In the event of termination with payment of a fixed severance package, this severance pay will only be equal to the amount of the monthly fixed remuneration owed for 12 months.

The management contract with Mr. Van Jeveren was terminated with immediate effect as of December 12, 2015 and with payment of the contractually agreed fixed severance package, equal to the amount of the monthly fixed remuneration owed over 18 months, plus one and a half times the average of the variable remuneration granted over the last three calendar years prior to the calendar year in which the contract is terminated, in other words 1,785,000 euros.

As of December 14, 2015, a management contract was concluded with Mr. Stols in the context of his appointment as CEO, under conditions identical to those which applied for Mr. Van Jeveren, on the understanding that if the contract is terminated, a notice period of 12 months is provided for.

From January 1, 2015, none of the members of the Executive Committee (excluding the CFO, for whom the aforementioned exception applies) is entitled to a severance package that exceeds a sum equal to 12 months of fixed and variable remuneration.

Annual information

A summary of the ‘annual information’ as referred to in Title X of the Belgian Act of June 16, 2006 on the public offer of investment instruments and the trading of investment instruments on the regulated market (Prospectus Act) is provided below. All this information can be found on the corporate website (www.fagron.com) in the section ‘Investors’. Some of this information may be out of date.

Prospectus

Fagron NV (at the time: Arseus NV) issued a prospectus on September 11, 2007 for the IPO as an independent company. On June 12, 2012, Fagron NV (at the time: Arseus NV) issued a prospectus with a view to the Public Offering and admission to the trading of the Bonds on the regulated market of Euronext Brussels.

Information to the shareholders

See the prospectus of September 11, 2007.

Periodic press releases and information 2015

February 6, 2015	Annual figures 2014: Turnover growth of 30.4% to € 447.1 million
April 9, 2015	Trading update Q1 2015: Excellent start to the year for Fagron
August 4, 2015	Half-year figures 2015: Turnover increased 16.6% to € 243.8 million
October 9, 2015	Trading update Q3 2015: Fagron realizes turnover growth of 3.5% for 3rd quarter of 2015

Periodic press releases and information in the period from January 1, 2016 to April 5, 2016

February 5, 2016	Annual figures 2015: Turnover increased 5.8% to € 473.0 million
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Occasional press releases and information 2015

January 12, 2015	Disclosure of acquisition of treasury shares
February 23, 2015	Disclosure of acquisition of treasury shares
February 23, 2015	Disclosure of received notification
March 2, 2015	Disclosure of acquisition of treasury shares
March 2, 2015	Disclosure of acquisition notification
March 16, 2015	Fagron completes divestment of Corilus to AAC Capital
April 10, 2015	Convocation to the Annual General Meeting of Fagron
April 30, 2015	Publication of guarantor list and compliance certificate
May 11, 2015	Acquisition of AnazaoHealth in the United States
May 12, 2015	Annual General Meeting of Fagron
May 27, 2015	Disclosure of received notification
June 5, 2015	Exercise of warrants increases capital of Fagron
June 30, 2015	Fagron issues new shares to finance acquisition of AnazaoHealth
July 20, 2015	Disclosure of received notification
July 29, 2015	Disclosure of received notification
August 4, 2015	Disclosure of received notification
August 5, 2015	Fagron issues new shares
August 7, 2015	Disclosure of received notification
August 31, 2015	Disclosure of received notification
September 4, 2015	Disclosure of received notification
September 17, 2015	Disclosure of received notification
September 21, 2015	Disclosure of received notification
September 30, 2015	Publication of guarantor list and compliance certificate
October 2, 2015	Fagron receives indications of interest and updates market on 2015 full-year outlook
November 18, 2015	Disclosure of received notifications
November 30, 2015	Fagron responds to press articles of November 30, 2015
December 9, 2015	Disclosure of received notifications
December 14, 2015	Fagron CEO Ger van Jeveren steps down
December 21, 2015	Disclosure of received notification

Occasional press releases and information 2015

December 31, 2015	Fagron obtains waiver from financiers
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Periodic press releases and information in the period from January 1, 2016 to April 5, 2016

March 2, 2016	Negotiations with investors in Fagron concluded successfully
March 15, 2016	Convocation Extraordinary General Shareholders Meeting
March 23, 2016	Disclosure of received notification
April 1, 2016	Fagron obtains waiver from financiers

Notifications of shareholding received in 2015

February 23, 2015	Carmignac Gestion
February 26, 2015	AXA S.A.
May 22, 2015	Fidelity Management and Research
July 17, 2015	Danske Bank
July 23, 2015	Danske Bank
July 31, 2015	Consonance Capital Management
August 6, 2015	Danske Bank
August 28, 2015	Alychlo and Marc Coucke
September 1, 2015	Danske Bank
September 14, 2015	BNP Paribas Investment Partners
September 17, 2015	Alychlo and Marc Coucke
November 13, 2015	Fidelity Management and Research
November 16, 2015	Consonance Capital Management
November 17, 2015	BNP Paribas Investment Partners
December 7, 2015	TIAA-CREF Asset Management
December 8, 2015	Visium Asset Management
December 18, 2015	TIAA-CREF Asset Management

Notifications of shareholding received in the period from January 1, 2016 to April 5, 2016

March 18, 2016	Carmignac Gestion
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Consolidated Financial Statements 2015



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Consolidated financial statements

The Report of the Board of Directors and the Corporate Governance Statement, as reported before, are an integral part of the consolidated financial statements.

Statement

We declare that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the legal and regulatory requirements applicable in Belgium, reflect a true and fair view of the equity, the financial situation and the results of the company and the companies that are included in the consolidation scope, and that the annual report provides a true and fair view of the development and the results of the company and of the position of the company and the companies included in the consolidation scope, and provides a description of the main risks and uncertainties they are faced with.

In the name and on behalf of the Board of Directors,

Hans Stols, CEO
Jan Peeters, CFO
7 April 2016

Consolidated income statement

(x 1,000 euros)	Note	2015	2014
Operating income		481,664	450,409
Turnover	6	472,996	447,056
Other operating income	7	8,668	3,353
Operating expenses		632,002	356,073
Trade goods		164,166	158,843
Services and other goods		88,957	76,067
Employee benefits expenses	8	125,385	101,642
Depreciation and amortization	9	23,620	19,025
Impairment	9	225,563	
Other operating expenses	10	4,311	496
Operating profit		(150,338)	94,336
Financial income	11	2,013	731
Financial expenses	11	(47,004)	(25,215)
Profit before income tax		(195,329)	69,852
Taxes	12	6,954	26,663
Profit for the year from continuing operations		(202,283)	43,190
Profit (loss) for the year from discontinued operations (attributable to equity owners of the company)	13	270	(27,033)
Profit (loss) for the year		(202,012)	16,156
Profit (loss) attributable to:			
Equity holders of the company (net result)		(202,328)	16,226
Non-controlling interests		315	(70)
Earnings per share from continuing and discontinued operations: attributable to owners of the parent during the year			
Profit (loss) for the year per share (in euros)	14	(6.46)	0.53
From continuing operations	14	(6.47)	1.41
From discontinued operations	14	0.01	(0.88)
Diluted profit for the year per share (in euros)	14	(6.44)	0.52
From continuing operations	14	(6.45)	1.39
From discontinued operations	14	0.01	(0.87)

Consolidated statement of comprehensive income

(x 1,000 euros)	Note	2015	2014
Profit for the year		(202,012)	16,156
Other comprehensive income:			
Items that will not be reclassified to profit or loss	24		
• Remeasurements of post-employment benefit obligations		791	(1,906)
• Tax relating to items that not will be reclassified		264	(635)
Items that may be subsequently reclassified to profit or loss			
• Currency translation differences		(26,335)	5,973
Other comprehensive income for the year net of tax		(25,280)	3,432
Total comprehensive income for the year		(227,292)	19,588
Attributable to:			
Equity holders of the company		(227,672)	19,686
Non-controlling interests		380	(98)
Total comprehensive income for the year		(227,292)	19,588
Total comprehensive income for the year attributable to equity holders of the company:			
From continuing operations		(220,717)	46,719
From discontinued operations	13	270	(27,033)
Total comprehensive income for the equity holders		(220,447)	19,686

The unrealized exchange rate differences of 26 million euros are mainly due to the weakening of the Brazilian real against the euro.

Consolidated statement of financial position

(x 1,000 euros)	Note	2015	2014
Non-current assets		501,535	662,649
Intangible assets	15	410,601	575,252
Property, plant and equipment	16	71,133	59,969
Financial assets	17	5,859	5,064
Deferred tax assets	18	13,942	22,363
Current assets		187,846	228,114
Inventories	19	67,251	65,181
Trade receivables	20	34,090	36,337
Other receivables	20	11,031	18,043
Cash and cash equivalents	20	75,474	108,552
Assets held for sale	21		82,989
Total assets		689,381	973,752
Equity	22	(64,772)	156,948
Shareholders' equity (parent)		(67,473)	154,630
Non-controlling interests		2,700	2,317
Non-current liabilities		27,064	575,472
Provisions	23	15,987	8,891
Pension obligations	24	5,146	6,053
Deferred tax liabilities	18	1,519	6,162
Borrowings	25	4,411	551,504
Financial instruments	25		2,862
Current liabilities		727,090	220,938
Borrowings	25	594,908	5,710
Trade payables	26	63,043	57,440
Taxes, remuneration and social security	18	25,282	38,668
Other current payables	27	41,859	119,120
Financial instruments	25	1,996	
Liabilities directly associated with assets classified as held for sale	21		20,394
Total liabilities		754,154	816,804
Total equity and liabilities		689,381	973,752

Consolidated statement of changes in equity

(x 1,000 euros)	Note	Share capital & share premium	Other reserves	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2014		318,927	(230,499)	(21,842)	84,966	151,553	3,615	155,168
Profit for the year					16,226	16,226	(70)	16,156
Other comprehensive income for the year			3,460			3,460	(28)	3,432
Total comprehensive income for the year			3,460		16,226	19,686	(98)	19,588
Capital increase		733				733		733
Treasury shares				5,350		5,350		5,350
Result on treasury shares				(3,743)		(3,743)		(3,743)
Dividends					(22,209)	(22,209)		(22,209)
Share-based payments			2,060			2,060		2,060
Change in non-controlling interests			1,198			1,198	(1,198)	
Balance at 31 December 2014		319,660	(223,781)	(20,235)	78,983	154,628	2,319	156,948
Profit for the year					(202,328)	(202,328)	315	(202,013)
Other comprehensive income for the year			(25,344)			(25,344)	64	(25,280)
Total comprehensive income for the year			(25,344)		(202,328)	(227,672)	379	(227,293)
Capital increase	22	26,101				26,101		26,101
Treasury shares	22			4,792		4,792		4,792
Result on treasury shares	22			(3,380)		(3,380)		(3,380)
Dividends	22				(31,156)	(31,156)		(31,156)
Share-based payments	22		9,216			9,216		9,216
Change in non-controlling interests	22							
Balance at 31 December 2015		345,760	(239,909)	(18,823)	(154,501)	(67,473)	2,700	(64,772)

Consolidated cash flow statement

(x 1,000 euros)	2015	2014
Operating activities		
Profit before income tax	(195,329)	46,299
Paid taxes	(19,413)	(11,370)
Adjustments for financial items	44,991	26,730
Total adjustments for non-cash items	241,241	44,267
Total changes in working capital	1,820	(4,229)
Total cash flow from operating activities	73,311	101,696
Investment activities		
Capital expenditure	(22,052)	(20,656)
Investments in existing shareholdings (subsequent payments) and in new holdings	(96,674)	(196,171)
Proceeds from disposal of assets	72,450	23,042
Total cash flow from investment activities	(46,276)	(193,785)
Financing activities		
Capital increase	106	733
Sale (purchase) of treasury shares	1,412	1,339
Dividends paid	(31,366)	(22,199)
New borrowings	100,289	355,488
Reimbursement of borrowings	(100,917)	(245,703)
Interest received	2,013	842
Interest paid	(32,998)	(25,510)
Total cash flow from financing activities	(61,460)	64,990
Total net cash flow for the period	(34,426)	(27,099)
Cash and cash equivalents – start of the period	108,552	135,412
Gains or losses on exchange on liquid assets	(1,349)	(238)
Cash and cash equivalents – end of the period	75,474	108,552
Change in cash and cash equivalents	(34,426)	(27,099)
Cash flows from discontinued operations		
Cash flow from operating activities		11,172
Cash flow from investment activities		(13,322)
Cash flow from financing activities		3,660
Total net cash flow from discontinued operations		1,510

Corilus was sold on 13 March 2015. No cash flow was generated from this discontinued operation in 2015.

The item 'adjustments for financial items' relates to interest paid and received and to other financial expenses and income not being cash flows, such as the revaluation of the financial instruments. The item 'total adjustments for non-cash flow items' relates in particular to depreciation, amortization, impairment and changes in provisions. The item 'total changes in working capital' concerns changes in the inventories, trade receivables and payables, other receivables and debts, and all other balance sheet elements that are part of the working capital.

The aforementioned changes are adjusted as appropriate for non-cash flow items as presented above, for conversion differences and for changes in the consolidation scope.

Notes to the consolidated financial statements

1 General information

Fagron is a scientific pharmaceutical R&D business focused on optimizing and innovating personalized 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 at Textielstraat 24, 8790 Waregem, Belgium. The company's registration number is BE 0890 535 026. The operational activities of Fagron are driven by the Dutch company Fagron BV. The company's head office is located in Rotterdam.

Fagron NV shares are listed on Euronext Brussels and Euronext Amsterdam.

These consolidated financial statements were approved for publication by the Board of Directors on 7 April 2016.

2 Financial reporting principles

The principal accounting policies applied in preparing these consolidated financial statements are detailed below. These policies have been consistently applied by all of the consolidated entities including subsidiaries for all of the years presented, unless stated otherwise.

The consolidated financial statements of Fagron have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statements have been prepared on the basis of the historical cost convention, with the exception of derivative financial instruments and contingencies which are stated at fair value.

Accounting policies and continuity

The consolidated financial statements for Fagron NV and its subsidiaries have been prepared on the going concern basis, which assumes that the company will continue to be able to meet its liabilities as they fall due in the foreseeable future. Due to the change in the reimbursement system in the USA, the EBITDA of the group has dropped. This change in reimbursement system impacted the results of Fagron North America, specifically Freedom Pharmaceuticals and Bellevue Pharmacy which led to an impairment. The net result for 2015 equals -202 million euros which results in a negative equity at 31 December 2015 of -65 million euros. Notwithstanding the positive operational cash flow and the operational profit on non-recurring items and the impairment loss, the company as of 31 December 2015 was unable to comply with certain covenant tests as recognized in the loan facilities.

The loan facilities that contain cross default clauses, replicating the same covenants, are: the bond loan of 225 million euros, the multi-currency credit facility of 220 million euros and the privately placed loans originally dated 15 April 2014, which included 45.0 million US dollars 4.15% Series A Senior Notes due 15 April 2017, 22.5 million euros 3.55% Series B Senior Notes due 15 April 2017, 15.0 million euros 4.04% Series C Senior Notes due 15 April 2019, 5.0 million euros Floating Rate Series D Senior Notes due 15 April 2019, 20.0 million US dollars 5.07% Series E Senior Notes due 15 April 2019 and 60.0 million US dollars 5.78% Series F Senior Notes due 15 April 2021.

On 30 December 2015, anticipating the covenant testing date for the credit facilities, a waiver was granted by the lenders in respect of the financial covenants of the multi-currency credit facility and the privately placed loans. The waiver postpones until 31 March 2016 the covenant test in respect of the financial covenants with an original due date of 31 December 2015. Therefore the company will not be in default on 31 December 2015, which means no cross default will be triggered in respect of the bond loan. The waiver had been valid until 31 March 2016 and this has been extended until the end of June. If no further extension is provided by the credit providers, the company will break through its financial covenants on 30 June 2016. Whilst agreement on the refinancing has not been reached as yet, and there is no clear consensus regarding solutions, the lenders have confirmed they will remain committed to the process and the Board of Directors believe that an agreement can be reached that is acceptable for Fagron. As a consequence of the aforementioned, the bond loan of 225 million euros, the multi-currency credit facility of 199 million euros and the privately placed loans of 167 million euros were accounted for within the current debts as at the balance sheet of 31 December 2015.

The company has been exploring several options to reduce its net debt position and to comply with its financial covenants. Fagron has since successfully completed negotiations with a cornerstone investor and five individual investors about a private capital increase combined with a public capital increase of a total of 220 million euros, subject to the approval of the Extraordinary General Meeting of Shareholders of Fagron.

The proposed capital increase will be in two tranches. The first tranche of the capital increase will be executed via a private issue by a cornerstone investor (WPEF VI Holdco III BE B.V.) and five individual investors (Alychlo NV, Carmignac, Midlin N.V., Bart Versluys and Hans Stols) amounting to in the region of 131 million euros. The second tranche of the capital increase will be executed via a public capital increase by means of a preferential rights issue for an amount corresponding with the difference between 220 million euros and the amount of the first tranche of the capital increase.

The subscription price for the first tranche will correspond with the average closing price for the company's shares on Euronext Brussels for the 30 calendar days immediately preceding the date of the shareholders' meeting in which the capital increase is approved, unless this average rises to above 5.50 euro per share. If WPEF invests in the first tranche, the subscription price for the public capital increase (second tranche) will correspond with 90% of the subscription price for the first tranche. Should the first tranche of the capital increase be unsuccessful, Fagron has plans to increase the capital by means of a public capital increase for the entire amount, for which the subscription price has yet to be determined.

As the combination and timing of the options referred to above are not entirely under Fagron's control, the directors wish to signal the existence of a material uncertainty which may cast doubt on the company's ability to continue as a going concern. Although no decision has yet been made on the different options outlined above, the directors are confident that one of the options will be executed successfully.

Based on the above options, the directors anticipate that Fagron will have adequate resources at its disposal to continue in operational activities into the foreseeable future. For this reason, the company continues to adopt the going concern basis in preparing the financial information. The financial information contains no adjustments that would have followed were the going concern basis of preparation unsuitable.

IFRS developments

The following new standards, amendments to standards and interpretations have been issued, approved by the EU and are mandatory for the first time for the financial year beginning 1 January 2015.

Mandatory and applied		Impact
IFRIC 21 Levies	IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. This IFRIC sets out which event leads to a liability and when a liability needs to be recognized.	Fagron has established that the application of this standard will not have a material impact on the consolidated financial statements.
Annual improvements to IFRS standards (2011-2013 cycle)	These improvements resulted in an amendment of IFRS 1 (when a modified version of a standard is not mandatory but available for early application, an entity that applies IFRS for the first time may choose between the old and the new version of the standard under IFRS 1), IFRS 3 (the standard does not apply when accounting for the establishment of joint agreements as defined in IFRS 11), the exception for portfolios in IFRS 13 and clarifying the relationship between IFRS 3 'Business Combinations' and IAS 40 'Investment Property'.	Fagron has established that the application of this standard will not have a material impact on the consolidated financial statements.

The following new standards, amendments to standards and interpretations have been issued and approved by the EU, but are not mandatory for the first time for the financial year beginning 1 January 2015.

Issued and approved by the EU, but not yet mandatory		Anticipated impact
Amendment to IAS 19 Defined benefit plans <i>Annual report 2016</i>	The amendment clarifies the accounting of employee contributions set out in the formal terms of a defined benefit plan.	Fagron has established that the application of this standard will not have a material impact on the consolidated financial statements.
Annual improvements to IFRS standards (2010-2012 cycle) <i>Annual report 2016</i>	These improvements resulted in minor amendments to the following standards: • IFRS 2 'Conditions governing unconditional commitment' • IFRS 3 'Accounting of conditional remunerations' • IFRS 8 'Aggregation of operational segments' • IFRS 8 'Reconciliation of the recognized segments' assets with the total entity's assets' • IFRS 13 'Short-term receivables and debts' • IAS 7 'Capitalized' interest payments' • IAS 16/38 'Revaluation method- variable (pro rata) review of accumulated depreciation' and • IAS 24 'Key management personnel'	Fagron has established that the application of these minor amendments will not have a material impact on the consolidated financial statements.
Annual improvements to IFRS standards (2012-2014 cycle) <i>Annual report 2016</i>	These improvements resulted in an amendment to IFRS 5, 'Fixed assets held for sale and discontinued operations', IAS 19, 'Employee benefits', IFRS 7, 'Financial instruments: disclosures' and IAS 34, 'Interim financial reporting'.	Fagron has established that the application of these minor amendments will not have a material impact on the consolidated financial statements.
Amendments to IAS 1 Presentation of financial statements <i>Annual report 2016</i>	The amendments to IAS 1 are part of the initiative of the IASB to improve the presentation of financial statements and the disclosures therein.	Fagron will review the effects of these amendments and consider adoption when appropriate.
Amendment to IAS 16 Fixed assets and IAS 38 Intangible fixed assets <i>Annual report 2016</i>	In this amendment, the IASB clarified that a revenue-based method for calculating depreciations is considered unsuitable since revenues that are generated by an activity that comprises the use of an asset will generally reflect factors other than the consumption of economic benefits embodied in the asset. The IASB also clarified that revenues in general are not appropriate when assessing the consumption of the economic benefits of an intangible fixed asset.	Fagron has established that the application of these standards will not have a material impact on the consolidated financial statements.

The following new standards, amendments to standards and interpretations have been issued but not yet approved by the EU, and are not mandatory for the first time for the financial year beginning 1 January 2015.

Issued, not yet approved by the EU and not yet mandatory		Anticipated impact
IFRS 9 Financial Instruments <i>Annual report 2018</i>	The standard addresses the classification, measurement and derecognition of financial assets and liabilities.	Fagron will review the effects of these amendments and consider adoption when appropriate.
Amendments to IFRS 9 Financial instruments <i>Annual report 2018</i>	The amendment incorporates a 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 have an impact on IAS 39 and introduce new disclosure requirements for hedge accounting (also impacting IFRS 7) regardless of whether hedge accounting is used under IFRS 9 or IAS 39.	Fagron will review the effects these amendments and consider adoption when appropriate.
IFRS 15 Revenues from contracts with customers <i>Annual report 2018</i>	The standard concerns recognizing revenues from contracts with customers. The standard will improve the financial reporting of revenues and deliver a better global comparison of the revenues accounted to in the financial statements.	Fagron has established that the application of this standard will not have a material impact on the consolidated financial statements.
IFRS 16 Leases <i>Annual Report 2019</i>	The standard specifies how leases are to be recognized, measured and disclosed. According to the new standard, the lessee must include all leases on the balance sheet, with the exception of short-term leases (term of 12 months or less) and lease contracts with a low value.	Fagron will determine what impact these changes have and incorporate them if applicable.

Other new standards, amendments of standards and interpretations which were published but are not yet mandatory for this financial year starting 1 January 2015, are not applicable for Fagron.

Consolidation criteria

The consolidated financial statements include the accounts of Fagron and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the 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 Fagron. They are no longer consolidated as from the date Fagron no longer has control.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized in accordance with IAS 39 in the income statement. Contingent considerations that are classified as equity are not re-measured, and its subsequent settlement is accounted for within equity.

An acquisition is recognized using the purchase method. The cost price of an acquisition is defined as the fair value of the assets given, shares issued and liabilities assumed on the date of the exchange. Identifiable assets acquired and liabilities and contingencies assumed in a business combination are initially set at their fair value on the acquisition date. For each business combination, Fagron values any minority interest in the party acquired at fair value or at the proportional share in the identifiable net assets of the party acquired. The acquiring costs incurred are recognized as expenses. The positive difference between the acquisition price and the fair value of the share of Fagron in the net identifiable assets of the acquired subsidiary on the date of acquisition forms a goodwill and is recognized as an asset.

Intercompany transactions, balances and unrealized gains on transactions between companies of the Group are eliminated. Unrealized losses are also eliminated, but are considered to be an indication of an impairment. Where necessary, the accounting basis for amounts reported by subsidiaries have been adjusted in accordance with the accounting policies of Fagron.

Transactions with minority interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with shareholders in their capacity as shareholders. For purchases from minority interests, the difference between the price that was paid and the corresponding share acquired against the carrying amount of the net assets of the subsidiary is recognized in equity. Gains or losses on disposals to minority interests are also recognized in equity.

Foreign currency translation

Items included in the financial statements of all entities of Fagron are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The consolidated financial statements are presented in euros, the presentation currency of Fagron. To consolidate Fagron and each of its subsidiaries, the respective financial statements are converted as follows:

- Assets and liabilities at the year-end rate;
- Income statement at the average exchange rate for the year;
- Components of the equity at historical exchange rate.

Exchange rate differences arising from the conversion of the net investment in foreign subsidiaries at year-end exchange rate are recognized as shareholders' equity elements under 'Cumulative conversion differences'.

Transactions in foreign currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates that apply on the transaction date. Profits and losses from exchange rate differences resulting from settling these transactions and from the conversion of monetary assets and liabilities in foreign currencies at exchange rates valid at year-end are recognized in the income statement.

Exchange rates of key currencies

	Balance sheet		Income statement	
	2015	2014	2015	2014
US dollar	1.089	1.214	1.109	1.328
Brazilian real	4.312	3.221	3.700	3.122
Polish zloty	4.264	4.273	4.183	4.185
Swiss franc	1.084	1.202	1.068	1.215

Intangible fixed assets (15)

Intangible fixed assets are valued at cost price less accumulated amortization and impairment charges. All Intangible fixed assets are tested for impairment whenever there is an indication that the intangible asset may be impaired.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of Fagron in the net identifiable assets of the acquired subsidiary on the acquisition date. Goodwill on acquisitions of subsidiaries is recognized under Intangible fixed assets. Goodwill is tested at least annually for impairment and consistently when a trigger event occurs. Goodwill is recognized at cost price less accumulated impairment losses. Impairment losses on goodwill are never reversed. Gains and losses on the disposal of an entity include the book value of goodwill relating to the entity sold.

Brands, licenses, patents and other

Intangible fixed assets are recognized at cost, provided this cost is not higher than the reported economic value and the cost price is not higher than the recoverable value. No other intangible fixed assets with an unlimited useful life were identified. The costs of brands with a definite useful life are capitalized and generally amortized on a straight-line basis over a period of 5 to 7 years. When a part of the acquisition price of a business combination relates to trade names, brand names, formulas or customer records this will be considered an intangible asset.

Research and development

Research costs related to the prospect of gaining new scientific or technological knowledge and understanding are recognized as costs at the moment they are incurred.

Development costs are defined as costs incurred for the design of new or substantially improved products and for the processes preceding commercial production or use. They are capitalized if, among other things, the following criteria are met:

- Technical feasibility of the project;
- Intention to complete and to use or sell the asset;
- Ability to use or sell the asset;
- Probability that the asset will generate future economic benefits;
- Adequate resources to complete the asset;
- Ability to measure the cost reliability.

Development costs are amortized using the straight-line method over the period of their expected benefit, currently not exceeding 5 years. Amortization starts as of the moment that these assets are ready for use.

In-house development

Unique products developed in-house, including software controlled by Fagron that are expected to generate future economic benefits are capitalized at the cost directly related to their production. The software is depreciated over its useful life, which is currently estimated at 5 years.

Software

Acquired software is capitalized at cost price and then valued at cost price less accumulated depreciations and exceptional losses of value. The assets are depreciated over the useful life, which is currently estimated at 5 years.

Impairment

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 when 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 the sale costs and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Property, plant and equipment (16)

Tangible fixed assets are valued at the acquisition value or production costs plus directly attributable costs if applicable. Depreciation is pro rata calculated based on the useful life of the asset in accordance with the subsequent amortization parameters. The useful life of equipment and machinery is 3 to 20 years and for buildings range from 25 to 33 years. Land is not depreciated.

In general all assets are depreciated on a straight-line, based on the estimated economic life. Any residual value taken into account when calculating the depreciations is reviewed annually. Assets acquired under finance leasing arrangements are depreciated over their economic life, which may exceed the lease term if it is reasonably certain that ownership will be obtained at the end of the lease term.

Financial assets (17)

Fagron classifies its non-derivative financial assets into the following categories: loans and receivables, and financial assets available for sale. Management determines the investment classifications of its (non-derivative) financial assets at initial recognition, and re-evaluates them at each reporting date. The Group does not have any financial assets in the category held until maturity or any (non-derivative) financial assets designated at fair value for which any changes in value have to be included in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not intended to be traded. Loans and receivables are included in current assets, except for those maturing more than 12 months after the balance sheet date. Loans and receivables are measured at amortized costs using the effective interest method.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through the income statement. Financial assets available for sale are initially valued at fair value except where such fair value cannot be reliably determined, in which case they are valued at cost. Unrealized gains and losses arising from changes in the fair value are recognized in unrealized results. If the relevant assets are sold or impaired, the accrued adjustments are recognized at fair value in the income statement.

Any events or changes in circumstances indicating a decrease in the recoverable amount are monitored closely. Impairment losses are recognized in the income statement as and when required.

Taxes, remuneration and social security (18)

Taxes on profits as recognized in the income statement include current income tax and deferred taxes. Current income taxes include the expected tax liabilities on the taxable income of Fagron for the financial year, based on the applicable tax rates at balance sheet date, and any adjustments from previous years. Income tax due on dividends is recognized when a liability to pay the dividend is recognized.

Deferred taxes are recognized using the balance sheet liability method and are calculated on the basis of the temporary differences between the carrying amounts and the tax basis. This method is applied to all temporary differences arising from investments in subsidiaries and associates, except for differences whereby the timing of reversing the temporary difference is controlled by Fagron and whereby the temporary difference is not likely to be reversed in the near future. The calculation is based on the tax rates as enacted or substantially enacted at balance sheet date and expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Under this calculation method, Fagron is also required to account for deferred taxes relating to any difference between the fair value of the net acquired assets and their fiscal book value resulting from any acquisitions. Deferred taxes are recognized to the ratio as the tax losses carried forward are likely to be utilized in the foreseeable future. Deferred income tax receivables are fully written off when it ceases to be likely that the corresponding tax benefit will be realized.

Fagron will offset tax assets and tax liabilities if, and only if Fagron has a legally enforceable right to offset the recognized amounts; and either (a) intends to settle on a net basis, or (b) to realize the asset and settle the liability simultaneously.

Inventories (19)

Raw materials, auxiliary materials, and trade goods are valued at the acquisition value using the FIFO method or using the net realizable value (NRV) at the balance sheet date, whichever is lower. Work in progress and finished products are valued at production costs. In addition to purchasing cost of raw materials and auxiliary materials, production costs and production overhead costs directly attributable to the individual product or the individual product group are included.

Trade receivables (20)

Trade receivables are initially valued at fair value. A provision for impairment loss relating to trade receivables is created when there is objective evidence that Fagron will not be able to collect all amounts. Subsequently trade receivables are valued at amortized costs. Significant financial difficulties of the debtor, the probability of the debtor becoming insolvent or undergoing financial restructuring, and non or overdue payments are regarded as indicators for recognizing an impairment loss for the trade receivable in question.

If trade receivables are transferred to a third party (through factoring), the trade receivables are taken off the balance sheet provided that (1) there is no longer a right to receive cash flows and (2) Fagron has substantially transferred all risks and rewards. The factoring balance at 31 December 2015 came to 19.8 million euros.

Cash and cash equivalents (20)

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and are valued at acquisition at fair value and subsequently recognized at cost. Adjustments to the carrying amounts are made when at balance sheet date realization value is lower than the book value.

Assets held for sale and related liabilities (21)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction or through continuing use.

To be classified as held for sale, the following criteria of IFRS 5 should be met:

- Management must be committed to the sale;
- An active program to locate a buyer is initiated;
- The assets (or disposal groups) are available for immediate sale, taking into account the usual conditions for sale;
- The sale is highly probable, within 12 months of classification as held for sale;
- The asset is being offered for sale at a reasonable price: the price is in line with the fair value;
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

When Fagron is committed to a sale plan that results in Fagron relinquishing control over a subsidiary, providing the criteria described above are met, all of the assets and liabilities of that subsidiary are classified as assets held for sale and liabilities directly associated with assets held for sale regardless of whether Fagron will retain a non-controlling interest after the sale.

Assets classified as held for sale and liabilities directly associated with assets held for sale (or groups of assets for disposal) are measured at the lower of their previous carrying amount and fair value less costs to sell.

Share capital (22)

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognized in the equity as a deduction, net of taxes, from the proceeds.

If a company of Fagron purchases share capital of Fagron (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the shareholders of Fagron until the shares are cancelled, reissued or disposed of. If such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects, is included in equity attributable to the shareholders of Fagron.

Provisions (23)

Provisions exist for restructuring costs, legal claims, risk of losses or costs potentially arising from personal securities or collateral constituted as guarantees for creditors or commitments to third parties, from obligations to buy or sell non-current assets, from the fulfilment of completed or received orders, technical guarantees associated with turnover or services already completed by Fagron, unresolved disputes, fines and penalties related to taxes, or compensation for dismissal. Fagron recognizes a provision if:

- A present legal or constructive obligation has arisen as a result of past events (the obligating event);
- It is more likely than not that an outflow of resources will be necessary to fulfil the obligation; and
- The amount can be estimated reliably.

Provisions for restructuring costs comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Provisions are recognized based on management's best estimate of the expenditure required to settle the present obligation at 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.

Employee benefit expenses

Share-based payments (22)

Fagron operates an equity-based compensation plan, which is paid in shares. The total amount to be recognized as costs over the vesting period is determined by reference to the fair value of the warrants or options granted, excluding the impact of any non-market unconditional commitments (for example, profitability and turnover growth targets). Non-market unconditional commitments are included in the assumptions about the number of warrants or options expected to become exercisable. At each balance sheet date, Fagron revises its estimates of the number of warrants or options expected to become exercisable. Fagron recognizes any impact of the revision of original estimates in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the warrants are exercised. The modalities of the existing plans were not changed this year.

Pension obligations (24)

The companies of Fagron operate various pension schemes. The pension schemes are funded through payments to insurance companies, determined by periodic actuarial calculations. Fagron has both defined benefit and defined contribution plans. The liability recognized on the balance sheet in respect of defined benefit plans is the present value of the future defined benefit obligations less the fair value of the plan assets. 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 the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately, in the period in which they arise, being added or deducted to or from the equity via the unrealized result.

For defined contribution plans, Fagron pays contributions to insurance companies. Once the contributions have been paid, Fagron ceases to have any liabilities. Contributions to defined contribution plans are recognized as costs in the income statement at the moment they are made.

Borrowings (25)

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized costs; 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 Fagron has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Lease contracts – Operating leases (25)

Lease contracts in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are made on a straight-line basis over the life of the operating lease.

Lease contracts – Financial leases (25)

Lease contracts regarding property, plant and equipment whereby Fagron retains virtually all risks and rewards of ownership are classified as financial leases. Financial leases are capitalized at the inception of the lease contract 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 liability and financing costs, so as to achieve a constant amount on the outstanding financing balance.

The corresponding rental obligations, net of financing costs, are recognized as fixed (payable after 1 year) and short-term (payable within the year) borrowings. The interest component of the financing costs is recognized in the income statement over the lease period, so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period.

The tangible fixed assets acquired under financial leases are depreciated over the useful life of the asset, which may exceed the lease term if it is reasonably certain that ownership will be obtained at the end of the lease term.

Derivative financial instruments (25)

Fagron utilizes derivative financial instruments to limit risks relating to unfavorable fluctuations in interest rates. No derivatives are employed for trade purposes.

Derivative financial instruments are recognized at fair value on the balance sheet. Fair values are derived from market prices. As the derivative contracts of Fagron do not fulfil the criteria as set in IAS39 to be regarded as hedging instruments, changes in fair value of derivatives are recognized in the income statement.

Revenue recognition

Revenue from the sale of goods is recognized at the moment that delivery of the products has been made to the customer, the customer has accepted the products and the related receivables are likely to be collectable. Revenue of services is recognized in the accounting period in which the services have been provided. Revenue from the sale of software is recognized as revenue at the time of delivery. The revenues from software service contracts are recognized over the term of the contract.

Segment reporting

IFRS 8 defines an operating segment as:

- a component of an entity that engages in business activities from which it may earn revenues and incur expenses;
- in whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Fagron determines and presents operating segments on the information that is internally provided to the Executive Committee, the body that was Chief Operating Decision Maker during 2015. An operating segment is a group of assets and activities engaged in providing products or services that are the basis of the internal reporting to Fagron's Executive Committee. As a result of the sale of the Healthcare division in 2014 and Corilus in 2015, Fagron redefined its operating segments as of 1 January 2015.

The financial information of the current Fagron segments that is provided to the Executive Committee is split up in Fagron Specialty Pharma Services, Fagron Trademarks, Fagron Essentials and HL Technology. These are the segments within Fagron as per 2015.

Earnings per Share (14)

Fagron presents basic and diluted Earnings per Share (EPS) for common shares. Basic EPS is calculated by dividing the profit or loss for the period attributable to holders of common shares by the weighted average number of common shares outstanding during the period. Dividend distribution to the shareholders of Fagron is recognized as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

For the purpose of calculating diluted EPS, the profit or loss for the period attributable to holders of common shares adjusted for the effects of all dilutive potential shares should be divided by the sum of the weighted average number of outstanding ordinary shares used in the basic EPS calculation and the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

3 Risk management

Adequate and reliable financial reporting is essential for both the internal management reports and the external reporting. Group-wide reporting guidelines have been drawn up within Fagron to this end, based on IFRS and internal information needs.

Risk management is an important core responsibility of Fagron in order to secure the long-term business objectives and the value creation of the company. The policy of Fagron is to focus on identifying all major risks, on developing plans to prevent and manage these risks, and on putting in place measures to contain the consequences should such risks effectively occur. Still, Fagron cannot conclusively guarantee that such risks will not occur or that there will be no consequences when they occur.

All entities periodically prepare business plans, budgets and interim forecasts at predetermined moments. Discussions with management of the entities take place periodically on the general course of affairs, including the realization and feasibility of the forecasts issued and strategic decisions. With regard to fiscal regulation, Fagron makes use of the possibilities offered by the fiscal legislation and regulation without taking any unnecessary risks in doing so. Fagron has the support of external fiscal advisers in this regard.

In addition to strategic and operational risks, Fagron is also subject to various financial risks. To sustain its day-to-day operations, Fagron has the following credit facilities at its disposal.

Bonds

On 2 July 2012, Fagron NV issued bonds for an amount of 225 million euros. The nominal value of the bonds is 1,000 euros. The bonds are listed on Euronext Brussels under ISIN code BE0002180462 on 2 July 2012. The issue price of the bonds was 101.875%. The bonds have a maturity of five years and offer a fixed annual gross interest of 4.75%. The bonds are redeemable at 100% of the nominal value on 2 July 2017. As main covenant Fagron must ensure that total EBITDA, calculated as result before interest, taxes, depreciation, amortization and impairment, of the guarantors is at least 70 per cent of the consolidated Group EBITDA. The companies that act as guarantors for the Fagron loans are listed in Note 25.

Multi-currency facility

On 16 December 2014, Fagron NV amended and extended the existing credit facility with an originating amount of 150 million euros and maturity date in July 2017. This new multi-currency facility of 220 million euros, which will mature in December 2019 and including two additional one year extension options, is arranged through a consortium of existing and new international banks. The new syndicate consists of ING (Coordinator), BNP Paribas, HSBC, KBC Bank, Fifth Third Bank and Commerzbank. The main covenant of this credit facility is a net financial debt/recurring EBITDA ratio with a maximum of 3.25. As at the closing date of 2015, an amount of 199 million euros had been withdrawn (2014: 178 million euros).

Privately placed loans (senior unsecured notes)

Fagron NV issued a series of privately placed loans pursuant to a loan agreement originally dated 15 April 2014 and amended by a waiver and amendment agreement on 30 December 2015, which includes 45.0 million US dollars 4.15% Series A Senior Notes due 15 April 2017, 22.5 million euros 3.55% Series B Senior Notes due 15 April 2017, 15.0 million euros 4.04% Series C Senior Notes due 15 April 2019, 5.0 million euros Floating Rate Series D Senior Notes due 15 April 2019, 20.0 million US dollars 5.07% Series E Senior Notes due 15 April 2019 and 60.0 million US dollars 5.78% Series F Senior Notes due 15 April 2021.

The loan agreement dated 15 April 2014 provides for the following financial covenants: a leverage ratio measured as net financial debt to recurring EBITDA-ratio with a maximum 3.25 and a minimum interest coverage ratio of 4.0, measured by dividing the recurring EBITDA by the consolidated net interest expenses.

Waiver

On 30 December 2015, anticipating the covenant testing date of the credit facilities, Fagron has been granted a waiver by the lenders in respect of the financial covenants on the multi-currency credit facility and the privately placed loans. The waiver postpones the covenant testing, in respect of the financial covenants, from the original testing date on 31 December 2015 to 31 March 2016. Hereby ensuring that there will be no event of default on the financial covenants at 31 December 2015 and therefore no cross default will be triggered in respect of the bond loan as well. As a result, the company's bond loan of 225 million euros, the multi-currency credit facility of 119 million euros and the privately placed loans of 167 million euros are reclassified within current debts on the balance sheet as at 31 December 2015. In 2016, during the period of the waiver, the interest costs will increase. More details on the granted waiver, the possible solutions and the option to continue as a going concern are presented in *note 2 Accounting Policies*.

Capital management

The group's objectives in relation to capital management are:

- to safeguard the company's equity in order to guarantee its continuity, and
- to maintain the best possible capital structure so as to reduce capital costs.

The amount to be paid on dividends can be adjusted by the Group (see note 22) in order to retain or adjust the capital structure. It may also issue new shares or dispose of assets in order to reduce indebtedness.

In keeping with the conditions governing the largest credit facilities, the group is obliged to comply with the following financial covenants:

- a) a maximum net financial debt/recurring EBITDA-ratio of 3.25 and
- b) a minimum interest coverage ratio of 4.0, measured by dividing the recurrent EBITDA with the consolidated net interest expenses.

On 30 December 2015, in anticipation of the covenant test date for the credit facilities, a waiver was provided by the loan providers in relation to the financial covenants of the multi-currency credit facility and the private loans. The waiver allows for the covenant testing of the financial covenants with an original date of 31 December 2015 to be extended to 31 March 2016. Further details on the waiver and on the possible solutions and the option to continue using the continuity principles are provided in *note 2 Accounting Policies*.

Policy in relation to capital management is being reviewed at present following the recent changes in the Executive Committee and the Board of Directors and in view of the current situation concerning the refinancing of the group.

Cash pool

Fagron manages the cash and financing flows and the risks arising from these by means of a group-wide treasury policy. In order to optimize the financial position and keep the related interest charges to a minimum, the cash flows of the companies are centralized as much as possible by means of domestic and cross border cash pooling.

Credit risk

Credit risk involves the risk that a debtor or other counterparty is unable to fulfill its payment obligations to Fagron, resulting in a loss for Fagron. Fagron has an active credit policy and strict procedures to manage and limit credit risks. No individual customers make up a substantial part of either turnover or outstanding receivables. Fagron has an active policy to reduce operational working capital. From this perspective the group aims to reduce the accounts receivable balance.

Interest risk

Fagron regularly assesses the maintained mix of financial debts with fixed and variable interest rates. At this moment, financing is partly based on a credit facility in euros with a variable interest rate of one to six months. A higher Euribor rate of 10 base points would have adversely affected the variable interest charges by approximately 131 thousand euros before tax (2014: 113 thousand euros). The interest risk of the variable interest rate for 70 million euros of financing is hedged with financial derivatives. This hedging was taken into account in calculating the impact of an increase in the Euribor rate by 10 base points.

Exchange rate risk

The exchange rate risk is the risk on results due to fluctuations in the exchange rates. Fagron reports its financial results in euros and is, because of the international distribution of its activities, subject to the potential impact of currencies on its profits. Exchange rate risk is the result on the one hand of several entities of Fagron operating in a functional currency other than euros and on the other hand of the circumstance that purchasing and retail prices of Fagron have foreign currencies as reference. The risk involved in entities of Fagron operating in a functional currency other than the euro concerns entities operating in US dollars, Brazilian reals, Polish zloty, Czech crowns, Swiss francs, British pounds, Danish crowns, Colombian pesos, Chinese yuan, South African rand, Australian dollars and Argentinian pesos. In 2015, these entities collectively represent approximately 57.1% of the consolidated turnover. Currency risk due to translation of assets and liabilities of foreign subsidiaries into euros is not hedged.

Some of the Group's revenue is realized in currencies other than the euro, such as in Brazil, the United States, Poland and Switzerland. The table below sets out the hypothetical supplementary effect of the euro strengthening or weakening by 10% against the US dollar, the Brazilian real, the Polish zloty and the Swiss franc for the year 2015 and its subsequent effect on profit before tax, impairment loss and equity capital. The impairment loss of 225.6 million euros in 2015 resulted in a negative equity for the United States, and the consequent hypothetical supplementary impact has a loss reducing effect.

(x 1,000 euros)	Profit before tax and impairment loss			Equity
	Strength- ening	Weak- ening	Strength- ening	Weak- ening
US dollar	(616)	753	12,123	(14,817)
Brazilian real	(858)	1,048	(8,230)	10,059
Polish zloty	(747)	913	(3,003)	3,671
Swiss franc	109	(133)	(603)	737

The company also incurs indirect currency risk as a large part of its purchases in Brazil are actually transactions in US dollars. This means that the Group's products become relatively more expensive to the consumer each time the US dollar rises against the Brazilian real. The risk is difficult to quantify, as such price increases are directly charged to the consumer entirely or partly.

Fair value risk

Fagron utilizes financial derivatives to hedge its interest risks. Fagron hedged the variable interest rate for 70 million euros of financing. In accordance with IFRS, all financial derivatives are recognized either as assets or as liabilities. In accordance with IAS 39, financial derivatives are recognized at fair value. Changes in fair value are recognized by Fagron directly in the income statement because these are financial derivatives that do not qualify as cash flow hedging instruments. At the end of 2015, the cumulative revaluation of financial derivatives amounted to -2.0 million euros (2014: -2.9 million euros) whereby this is treated as a non-cash item.

4 Critical accounting estimates and judgments

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are deemed reasonable given the circumstances.

Critical estimates and judgments

Fagron makes estimates and judgments concerning the future. The resulting estimates will, by definition, rarely match the related actual results. Those estimates and assumptions that entail a significant risk of causing the need for a material adjustment of the carrying amounts of assets and liabilities within the next financial year are discussed below.

Going concern

As a consequence of the described Accounting Policies under note 2, the directors believe that Fagron will have significant funds in the future to continue its operations. On this basis, the Executive Committee uses the going concern assumption in preparing this financial information. *For more information see note 2.*

Estimated impairment loss of goodwill and intangible fixed assets

Fagron performs annual goodwill impairment tests in accordance with the Accounting Policies specified in note 15. The recoverable amount of cash flow-generating units is determined on the basis of value-in-use calculations. These calculations require the application of estimates. As a consequence of the changes in the reimbursement system in the United States referred to in note 2, Fagron has recognized an impairment loss of 224.9 million euros. This contributes to the book value of goodwill as per 31 December 2015 of 373.6 million euros (2014: 522.1 million euros).

Estimated deferred tax assets

Deferred tax assets are mainly accounted for by differences in depreciation rates, tax deductible losses and goodwill acquired in business acquisitions. The tax deductible losses are tested twice a year for impairment. If these losses may not be used within a reasonable time, they will be written off. A deferred tax asset is recognized when the book value of goodwill is less than the tax base and it is expected that taxable profits will arise against which the temporary differences can be utilized.

Estimated future cash outflows to determine the carrying amount of the loans

As a result of the reclassification of the loans to current liabilities, changes arise in the expected future cash flows related to these loans. This revaluation difference is recognized in the income statement.

Pension obligations

The present value of the pension obligations depends on a number of actuarially determined factors based on a number of assumptions. The assumptions applied to determine net costs (net income) for pensions include expected rates for salary increases, price inflation, pension increases and the discount rate. Any changes in these assumptions will impact the book value of pension obligations. The gross defined benefit obligation is calculated periodically by independent actuaries.

The book value of pension obligations as at 31 December 2015 was 5.1 million euros (2014: 6.1 million euros).

Provisions for disputes

As stated, provisions are valued at present value of the best estimate by management of the expenditure required to settle the existing obligation at the balance sheet date. Provisions for disputes require significant professional judgment in terms of the ultimate outcome of administrative law rulings or court judgments. Estimates are always based on all available information at the moment the financial statements are prepared. However, the need for significant adjustments cannot be absolutely precluded if a ruling or judgment proves not as expected. Estimates and judgments are continuously evaluated on the basis of past experience and other factors including projected development of future events that are regarded as reasonable given the circumstances.

Estimated contingent liabilities

If a contingent payment is agreed in a business takeover, the liability is valued at fair value based on expected future cash flows. This fair value is determined annually based on the terms agreed between the parties and the status of those conditions at the end of the reporting period.

Uncertain tax positions

The company is subject to tax on profits in different jurisdictions. Significant judgments must be made in determining the income tax provision. There are some transactions and calculations for which the ultimate taxable amount is uncertain. When the final income tax is determined, the deviations will affect the current and deferred taxes and liabilities for the period in which the determination is made.

5 Segment information

Fagron's divisional structure is tailored to the various activities of Fagron; effective decision-making and individual responsibility are also accounted for. Because of the announced change in the reporting structure, the Fagron segment was to be reported in three segments as from 2015. The four new segments are Fagron Specialty Pharma Services, Fagron Trademarks, Fagron Essentials and HL Technology. This is in accordance with IFRS 8, which states that the operational segments must be determined on the basis of the components that the Executive Committee applies to assess the performance 'other' of the operational activities and on which the decisions are based. The corresponding figures have been adjusted in accordance with the new segments.

Fagron is organized into four main operational segments:

1. **Fagron Specialty Pharma Services (FSPS)** refers to all personalized medication that is compounded in the 23 sterile and non-sterile compounding facilities Fagron has in Europe, United States, South America (Colombia) and South Africa.
2. **Fagron Trademarks (FTM)** refers to the innovative concepts, vehicles and formulations for Specialty Pharma developed by Fagron's own R&D team, often in close collaboration with prescribers, pharmacies and universities.
3. **Fagron Essentials (FE)** refers to all pharmaceutical raw materials, equipment and supplies a pharmacist needs to prepare medication in its own pharmacy.
4. **HL Technology** develops and produces innovative precision components and orthopedic tools for dental and medical professionals.

The segment results for continuing operations for the reporting period ending 31 December 2015 are as follows:

2015

(x 1,000 euros)	FSPS	FTM	FE	HL Tech-nology	Total
Turnover	187,894	50,343	225,212	9,547	472,996
Intersegment turnover			6,889		6,889
Total turnover	187,894	50,343	232,101	9,547	479,885
Operating result per segment	(160,420)	13,184	7,671	(10,773)	(150,338)
Financial result					(44,991)
Profit before taxes					(195,329)
Taxes on profits					(6,954)
Net result					(202,283)

The segment results for continuing operations for the reporting period ending 31 December 2014 are as follows:

2014

(x 1,000 euros)	FSPS	FTM	FE	HL Tech-nology	Total
Turnover	147,780	45,652	245,047	8,577	447,056
Intersegment turnover			5,095		5,095
Turnover	147,780	45,652	250,142	8,577	452,151
Operating result per segment	33,298	12,481	49,488	(931)	94,336
Financial result					(24,483)
Profit before taxes					69,852
Taxes on profits					(26,663)
Net result					43,190

Other segmented items recognized in the income statement for continuing operations are as follows:

2015

(x 1,000 euros)	FSPS	FTM	FE	HL Tech- nology	Total
Depreciation, amortization and impairment	197,823	1,506	35,413	11,938	246,679
Write-down on inventories	201	117	918		1,236
Write-down on receivables	873	56	310	28	1,267

2014

(x 1,000 euros)	FSPS	FTM	FE	HL Tech- nology	Total
Depreciation, amortization and impairment	7,785	1,329	5,575	1,653	16,343
Write-down on inventories	(84)	35	1,295		1,246
Write-down on receivables	893	55	488		1,436

The assets and liabilities, and the capital expenditure (investments) are as follows:

2015

(x 1,000 euros)	FSPS	FTM	FE	HL Tech- nology	Held for sale	Total
Assets	172,069	52,823	456,077	8,413		689,381
Liabilities	316,200	77,517	358,655	1,783		754,154
Capital expenditure	16,485	1,888	7,619	166		26,159

2014

(x 1,000 euros)	FSPS	FTM	FE	HL Tech- nology	Held for sale	Total
Assets	336,779	57,920	483,745	21,059	74,249	973,752
Liabilities	275,781	76,273	444,198	2,500	18,051	816,804
Capital expenditure	2,204	1,235	8,495	557		12,492

Segment assets consist primarily of property, plant and equipment, intangible fixed assets, inventories, receivables and cash from operations.

Turnover of Fagron for continuing operations by geographical segments is as follows:

(x 1,000 euros)	2015	2014
United States	138,079	127,924
The Netherlands	117,945	114,813
Brazil	79,072	81,914
Belgium	31,858	26,341
Poland	19,113	16,201
Germany	15,734	15,475
France	14,952	14,272
Italy	10,642	10,851
Spain	9,627	9,733
Switzerland	9,547	8,577
Czech Republic	8,983	7,921
Denmark	6,819	7,046
United Kingdom	2,761	2,909
Colombia	2,712	975
Greece	2,290	858
South Africa	1,973	751
Australia	888	495
Total	472,996	447,056

Fagron has a broad customer base in which no customer accounts for more than 10% of turnover.

Concerning the geographical segments, Fagron applies the following allocation for fixed assets excluding deferred tax assets, for continuing operations:

(x 1,000 euros)	2015	2014
United States	173,593	299,028
The Netherlands	125,096	125,091
Brazil	70,678	93,583
Belgium	27,245	17,312
Other	90,997	105,272
Total	487,609	640,286

6 Turnover

(x 1,000 euros)	2015	2014
Sale of goods	472,996	447,056
Turnover	472,996	447,056

7 Other operating income

(x 1,000 euros)	2015	2014
Gain on disposal of fixed assets	318	476
Other operating income	8,350	2,877
Total other operating income	8,668	3,353

The change in the item 'Other operating income' relates mainly to a release of an earn-out regarding JCB Laboratories and the sale of the headquarter office in Belgium. These deals are regarded on a one off basis and thus form no part of the REBITDA.¹

8 Employee benefit expenses

(x 1,000 euros)	2015	2014
Wages and salaries	81,185	67,043
Social security costs	16,855	15,156
Pension costs - defined benefit plans	687	642
Pension costs - defined contribution plans	1,444	1,237
Other post-employment benefit contributions	6,070	257
Other employee expenses	19,145	17,307
Total employee benefit expenses	125,385	101,642

Full-time equivalents continuing operations

Full-time equivalents (rounded at one unit)	2015	2014
Brazil	495	534
United States	474	384
The Netherlands	417	443
France	131	142
Poland	120	112
Czech Republic	114	100
Belgium	101	121
Colombia	72	25
Switzerland	61	67
Germany	40	54
Spain	38	42
Italy	36	36
Greece	32	32
South Africa	23	17
Denmark	11	10
China	9	7
United Kingdom	7	13
Australia	4	4
Total	2,184	2,143

¹ REBITDA is EBITDA before non-recurrent result.

At 31 December 2015, Fagron's workforce (fully consolidated companies), for continuing operations, comprised 2,334 (2014: 2,277) employees or 2,183.9 (2014: 2,142.7) full-time equivalents. The geographical distribution of the number of full-time equivalents is as follows:

Full-time equivalents (rounded to one unit)	2015	2014
Europe	1,107	1,172
North America	474	384
South America	567	559
Rest of the world	36	28
Total	2,184	2,143

9 Depreciation, amortization and impairment

(x 1,000 euros)	2015	2014
Depreciation and amortization	21,116	16,343
Impairment	225,563	
Write-down on inventories	1,236	1,246
Write-down on receivables	1,267	1,436
Total depreciation, amortization and impairment	249,183	19,025

Depreciation and amortization increased from 16.3 million euros in 2014 to 22.1 million euros in 2015, mainly as a consequence of increased depreciation on intangible fixed assets related to the acquisition of Bellevue in April 2014 and the acquisition of AnazaoHealth in April 2015.

Fagron recognized an impairment of 225.6 million euros in 2015, mainly as a result of the changed reimbursement system for non-sterile compounding in the United States and the consequence of this change on the profitability of Bellevue Pharmacy, as well as Freedom Pharmaceuticals. Further details involving the impairment are stated in note 15.

10 Other operating expenses

(x 1,000 euros)	2015	2014
Increase (decrease) in provisions for current liabilities	306	(700)
Increase (decrease) in provisions for pension liabilities	99	(630)
Taxes and levies (excluding income tax)	839	669
Other operating expenses	3,067	1,157
Total other operating expenses	4,311	496

In 2015, the line 'Other operating expenses' includes 1.1 million euros relating to acquisition costs, 0.8 million euros relating to losses on realized receivables and 0.5 million euros relating to results on fixed assets sold.

11 Financial result

The financial results are presented in the consolidated income statement as follows:

(x 1,000 euros)	2015	2014
Financial income	1,147	731
Revaluation of financial derivatives	866	
Total financial income	2,013	731
Financial expenses	(19,328)	(3,305)
Interest expenses	(24,758)	(20,672)
Currency exchange differences	(2,917)	(839)
Revaluation of financial derivatives		(399)
Total financial expenses	(47,004)	(25,215)
Total financial result	(44,991)	(24,483)

The positive revaluation of financial derivatives of 0.9 million euros relates to the change in the market value of the interest rate hedges that are not a cash flow and do not qualify for hedge accounting in accordance with IAS 39. The interest hedging instruments are valued on the basis of discounted cash flows. This instrument hedges the interest risk on 70 million euros of the total financing.

The financial result, excluding the revaluation of the financial derivatives, amounts to -45.9 million euros, an increase of 90.4% compared to 2014 (-24.1 million euros). This increase is mainly due to costs related to the waiver (1.9 million euros), increased interest expenses as a result of a higher outstanding debt (1.3 million euros), exchange rate differences mainly as a result of a negative impact of the Brazilian Real (2.1 million euros), additional financing costs in relation to the privately placed loans (10.5 million euros), and costs incurred in relation to the multi-currency credit facility and privately placed loans (2.0 million euros). The latter two have been accelerated in the income statement recognition as a result of changes in the expected cash flows related to the loans.

12 Income tax expenses

Tax on profits from continuing operations are as follows:

(x 1,000 euros)	2015	2014
Current tax expenses	7,885	17,989
Deferred taxes	(931)	8,673
Tax on profits	6,954	26,663
Effective tax rate	(3.56%)	38.17%
Profit before income tax from continuing operations	(195,329)	69,852
Tax calculated at weighted Fagron NV's statutory tax rate	(66,392)	23,743
Effect of rate differences compared with foreign jurisdictions	(3,521)	(687)
Income not subject to taxes	(2,615)	(688)
Expenses not deductible for tax purposes	1,598	955
Tax on profit previous years	340	828
Effect of goodwill impairment (225.6 million euros)	76,669	
Other	875	2,511
Tax on profits	6,954	26,663

The increase in the item 'Income not subject to taxes' mainly concerns a release of an earn-out in relation to JCB Laboratories.

The increase in the item 'Expenses not deductible for tax purposes' mainly relates to non-deductible interest costs and financing costs.

The item 'Other' in 2015 relates to changes in nominal tax rates. In 2014 this relates to dividends.

13 Discontinued operations

In 2014, Fagron completed the divestment program in respect of its divisions Healthcare Specialities and Healthcare Solutions. The sale of Corilus represented the last part of the divestment program concerning the dental, medical and ICT activities announced in 2013.

Fagron sold the ICT division Corilus to AAC Capital on 13 March 2015 for a total consideration of 74 million euros. Management recognized no impairment, given that the sale value was higher than the carrying amount of the assets held for sale minus related liabilities. Further details on the sold assets and liabilities and on the calculation of the result on the sale are explained in notes 21 and 31.

The combined results of the discontinued operations included in the profit for the year and cash flows are set out below.

Result for the year from discontinued operations

(x 1,000 euros)	2015	2014
Operating income		90,217
Turnover		88,573
Other operating income		1,644
Expenses		86,303
Profit before tax		3,914
Attributable income tax expenses		(3,480)
Profit (loss) on sale of discontinued operations including sale costs	270	(27,467)
Profit (loss) for the year from discontinued operations (attributable to equity holders of the company)	270	(27,033)

Cash flows from discontinued operations

(x 1,000 euros)	2015	2014
Total cash flow from operating activities		11,172
Total cash flow from investment activities		(13,322)
Total cash flow from financing activities		3,660
Total net cash flow from discontinued operations		1,510

14 Earnings per share

(in euros)	2015	2014
Basic earnings (loss) per share	(6.46)	0.53
• from continuing operations	(6.47)	1.41
• from discontinued operations	0.01	(0.88)
Diluted earnings (loss) per share	(6.44)	0.52
• from continuing operations	(6.45)	1.39
• from discontinued operations	0.01	(0.87)

The earnings used in the calculations are as follows:

(x 1,000 euros)	2015	2014
Profit (loss) attributable to equity holders of the company	(202,328)	16,226
• from continuing operations	(202,598)	43,259
• from discontinued operations	270	(27,033)

The diluted earnings are equal to the 'basic' earnings.

The weighted average number of shares used in the calculations are as follows:

(number of shares x 1,000)	2015	2014
Weighted average number of ordinary shares	31,304	30,759
Effect of warrants and stock options	122	359
Weighted average number of ordinary shares (diluted)	31,425	31,118

No ordinary share transactions were executed after the balance sheet date which have impacted on earnings per share. The effect on the number of warrants and stock options that are anti-dilutive for the period but which could dilute basic earnings per share in the future is 932,500. These are warrants with an exercise price higher than the average stock price of Fagron in 2015.

15 Intangible fixed assets

(x 1,000 euros)	Goodwill	Develop- ment	Conces- sions & patents	Brands	Software	Other	Total
Net book value as at 1 January 2014	371,630	23,108	1,411	1,335	3,103		400,587
Investments		8,818	80	12	1,592		10,502
Acquisitions	168,021		6	41,027	5,071	295	214,419
Disposals		(114)			100		(14)
Amortization		(4,327)	(126)	(4,895)	(2,176)		(11,523)
Impairment							
Classified as assets held for sale	(46,912)	(24,478)	(293)	(1,047)	(16)		(72,746)
Other movements	(113)	(45)	(5)	(30)	376		183
Exchange differences	29,441	34	1	4,160	208		33,844
Net book value as at 31 December 2014	522,069	2,996	1,073	40,560	8,259	295	575,252
Gross carrying amount ¹	522,069	13,248	1,613	46,095	22,951	317	606,293
Accumulated amortization ²		(10,252)	(540)	(5,535)	(14,692)	(22)	(31,040)
Net book value	522,069	2,996	1,073	40,560	8,259	295	575,252
Net book value as at 1 January 2015	522,069	2,996	1,073	40,560	8,259	295	575,252
Investments		702	16	36	2,369		3,123
Acquisitions	46,392		543	13,463			60,397
Disposals		(307)		341	266	(295)	6
Amortization		(984)	(165)	(8,549)	(2,460)		(12,158)
Impairment	(200,239)	(160)		(24,420)	(44)		(224,863)
Classified as assets held for sale							
Other movements							
Exchange differences	5,387	53	(75)	3,732	(253)		8,844
Net book value as at 31 December 2015	373,608	2,302	1,392	25,163	8,136		410,601
Gross carrying amount	373,608	6,206	2,064	64,659	19,190	24	465,750
Accumulated amortization		(3,905)	(671)	(39,495)	(11,054)	(24)	(55,149)
Net book value	373,608	2,302	1,392	25,163	8,136		410,601

¹ Excluding gross value of assets sold and assets transferred to assets reclassified as held for sale.

² Excluding gross value of assets sold and assets transferred to assets reclassified as held for sale.

The intangible fixed assets have not been pledged as security for obligations.

The category 'Development' consists mainly of unique software developed in-house in full control of Fagron. Part of the development costs are expensed and not capitalized, in accordance with IAS38. These are mainly related to employee costs.

Impairment

Goodwill is tested at least annually for impairment and consistently when a trigger event occurs.

In May 2015 the Group was confronted with a change in the reimbursement system for non-sterile preparations in the United States. The impact of this change affected the profitability of the cash-generating units Freedom Pharmaceuticals and Bellevue Pharmacy.

Especially the change in reimbursement system resulted in a downward revision of projected cash flows in such way that the recoverable amount of some cash-generating units is lower than its carrying amount. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation. The impairment test resulted in an impairment for

goodwill of 200.2 million euros and 24.6 million euros for the other intangible fixed assets. The impairment charge is included in the section impairment loss in the consolidated income statement.

The following table provides an overview of the impairment, plus the discount rate used in the calculation.

(x million euros)	Segment	Recoverable value	Impairment loss	Discount rate	Pre-tax discount rate
Bellevue Pharmacy	FSPS	3.5	178.2	10.3%	17.6%
Freedom Pharmaceuticals	ESS & TM	59.5	27.0	10.3%	15.7%
HL Technology	HL T	7.4	9.6	9.4%	11.8%

The losses at Bellevue Pharmacy and Freedom Pharmaceuticals are caused due to the decline in results in the United States for Bellevue Pharmacy and Freedom Pharmaceuticals as a result of the change in the reimbursement system (205.3 million euros). The impairment loss of 9.6 million euros at HL Technology is due to the decreasing results and cash flow in the light of developments in the market in which HL Technology operates.

Goodwill

Goodwill acquired in business mergers and acquisitions is allocated to cash-generating units or groups of cash-generating units which are expected to have future economic benefits following the merger or acquisition. Where a group of cash-generating units are operational in several segments, they are not regarded as comprising a segment. Goodwill is recognized at cost price less accumulated impairment losses.

The net book value of goodwill was attributed as follows to the cash-generating units:

(x million euros)	December 2015	December 2014
Fagron Europe Trademarks & Essentials	105.3	96.2
Fagron Netherlands Speciality Pharma	66.3	66.3
Fagron Brazil Trademarks & Essentials	61.0	81.6
Freedom Pharmaceuticals	53.5	72.7
AnazaoHealth	31.3	
Fagron United States Trademarks & Essentials	25.6	23.0
JCB Laboratories	17.7	15.9
Bellevue Pharmacy		140.9
Fagron France Specialty Pharma/Rest of World/HL Technology	12.9	25.5
Total	373.6	522.1

The decline in goodwill is due to the impairment loss in 2015, as described above.

Goodwill impairment tests on continuing operations

The methodology for testing impairment is in accordance with IAS 36. Goodwill is tested at least annually for impairment with respect to cash-generating units and consistently when a trigger event occurs during the year which may result in an impairment loss. The realizable value of the cash-generating units is determined on the basis of the 'value in use' calculations.

The key judgments, estimates and assumptions that are commonly used are as follows:

- The first year of the model is based on detailed financial budgets approved by Management and the Board of Directors.
- The year-one budget figures are extrapolated for the years two to five, taking into account an internal growth rate. These figures take into account economic assumptions and historical experience of market share, revenue and expenses, capital expenditures and working capital.
- For the following years, an estimate of the perpetual growth is used. For the main cash-generating units, the following long term growth rates are used: 2% for Fagron Europe Specialty Pharma, Essentials and Trademarks, 2% for Fagron US Specialty Pharma, Essentials and Trademarks, and 7% for Fagron Brazil Essentials and Trademarks.

- Projections made for Brazil and the United States are done in their functional currency unit and are discounted at the weighted average capital cost of the unit. For the main cash-generating units the following weighted average cost of capital is used: 9.4% for Fagron Europe Specialty Pharma, Essentials and Trademarks, 10.3% for Fagron US Specialty Pharma, Essentials and Trademarks and 17.5% for Fagron Brazil and Essentials trademarks.

Of the main cash-generating units, Fagron Brazil Essentials and Trademarks has the smallest relative difference between the net book value of the asset and its enterprise value. The difference is estimated at 25 million euros. The following changes in assumptions could individually decrease the enterprise value to its net book value.

	Increase in maintenance capex as % of sales	Increase in discount rate (basis points)	Decrease in long-term growth (basis points)	Decrease in gross margin (basis points)
Fagron Brazil Essentials and Trademarks	1,526	353	558	552

The outcome of the impairment test for Fagron Europe Essentials and Trademarks, Fagron Netherlands Specialty Pharma and Fagron United States Specialty Pharma and Essentials and Trademarks with the exception of Bellevue Pharmacy and Freedom Pharmaceuticals shows that a reasonable change in the applied assumptions will not lead to an impairment.

The value of each cash-generating unit, according to the above mentioned calculations is compared with the net book value of the assets of the cash-generating unit. For all cash-generating units, the enterprise value exceeds the net book value, except for Bellevue Pharmacy, Freedom Pharmaceuticals, France Specialty Pharma and HL Technology for which the net book value equals the enterprise value.

Goodwill impairment tests on discontinued operations

As per 31 December 2015 no operations are classified as held for sale, see note 13. Therefore no impairment test can be performed.

16 Property, plant and equipment

(x 1,000 euros)	Land and buildings	Machinery and installations	Furniture and vehicles	Leasing and other similar rights	Other tangible assets	Assets under construction	Total
Net book value as at 1 January 2014	29,321	7,758	4,285	2,011	2,077	2,002	47,454
Investments	1,905	1,844	2,013	63	705	2,755	9,285
Acquisitions	6,288	3,622	1,851		2,061		13,822
Disposals	(181)	(5)	(93)		(176)		(454)
Depreciation	(2,033)	(2,861)	(1,756)	(697)	(1,658)		(9,006)
Classified as assets held for sale	(101)	(137)	(420)	(80)	(94)		(831)
Other movements	2,089	(55)	130		727	(3,753)	(862)
Exchange differences	(20)	92	220	32	119	118	561
Net book value as at 31 December 2014	37,269	10,257	6,231	1,330	3,760	1,123	59,969
Gross carrying amount	45,707	29,317	16,734	5,797	9,267	1,123	107,945
Accumulated depreciation	(8,439)	(19,060)	(10,503)	(4,468)	(5,507)		(47,976)
Net book value	37,269	10,257	6,231	1,330	3,760	1,123	59,969
Net book value as at 1 January 2015	37,269	10,257	6,231	1,330	3,760	1,123	59,969
Investments	2,622	7,745	2,142		1,412	10,158	24,079
Acquisitions	256	724	228	145	732	30	2,114
Disposals	(738)	(23)	(363)	(7)	(1,871)	(995)	(3,996)
Depreciation	(2,706)	(2,698)	(1,951)	(686)	(587)	(330)	(8,959)
Impairment	(318)	(135)	(1)	(192)	(54)		(699)
Classified as assets held for sale							
Other movements							
Exchange differences	(1,266)	(175)	(167)	130	111	(8)	(1,375)
Net book value as at 31 December 2015	35,119	15,694	6,119	719	3,504	9,978	71,133
Gross carrying amount	46,786	38,251	16,438	6,513	11,774	9,978	129,740
Accumulated amortization	(11,668)	(22,556)	(10,319)	(5,794)	(8,270)		(58,607)
Net book value	35,119	15,694	6,119	719	3,504	9,978	71,133

The Group's liability regarding financial leasing is guaranteed as the lessor holds the legal ownership of the leased assets. The other tangible fixed assets have no restrictions on the title of ownership. Nor have these assets been pledged as security for obligations, with the exception of a building owned by HL Technology on which a mortgage rests, *see note 34: Additional notes*.

17 Financial assets

(x 1,000 euros)	Financial assets available for sale	Loans and receivables	Total
Net book value as at 1 January 2014	867	14,901	15,767
Investments	731	2,509	3,240
Transfers and disposals		(13,875)	(13,875)
Discontinued operations	(2)	12	10
Classified as assets held for sale		(29)	(29)
Reimbursements		(49)	(49)
Other movements			
Net book value as at 31 December 2014	1,595	3,469	5,064
Investments		1,479	1,479
Transfers and disposals	(55)	(197)	(252)
Reimbursements			
Other movements		(432)	(432)
Net book value as at 31 December 2015	1,540	4,319	5,859

The assets available for sale mainly consist of a minority interest participation of 1.3 million euros. This asset is stated at cost due to the unavailability of reliable information on its fair value.

An analysis of the assets above showed that none of these assets needs to be impaired in 2015 and 2014.

Loans and receivables concern receivables with different due dates. The book value approximates the fair value.

18 Taxes, remuneration and social security

a) Current taxes, remuneration and social security

(x 1,000 euros)	2015	2014
Current income tax liabilities/(receivables) for the current year	(964)	10,962
Other current tax and VAT payable	10,934	8,827
Remuneration and social security payable	15,312	18,879
Current taxes, remuneration and social security	25,282	38,668

b) Deferred tax assets

(x 1,000 euros)	Differences in deprecia- tion rates	Employee benefits	Provisions	Tax losses	Other	Total
Balance at 1 January 2014	19,542	1,078	1,402	7,599	(1,330)	28,292
Result	(1,539)	(128)	30	(2,986)	(6,339)	(10,963)
Change in scope of consolidation	5,228		292			5,520
Impairment				(486)		(486)
Balance at 31 December 2014	23,231	950	1,724	4,127	(7,670)	22,362
Result	64,441	271	(1,569)	12,700	3,301	79,144
Change in scope of consolidation	(719)					(719)
Impairment	(79,038)			(7,808)		(86,846)
Balance at 31 December 2015	7,915	1,221	155	9,019	(4,369)	13,942

The category 'Other' mainly concerns netting with deferred tax liabilities.

In 2015 goodwill has been impaired at the level of Bellevue Pharmacy and Freedom Pharmaceuticals for an aggregated amount of 205.3 million euros. For tax purposes, the goodwill can be amortized as a result of which the related deferred tax asset further increased. It is expected that limited future taxable profits are derived, as a result of which the deferred tax asset has been impaired for 79.0 million euros.

An impairment test on tax losses is performed twice per year. If it becomes clear that the losses cannot be assigned within a reasonable time, they are written off. This calculation is based on result projections with a five-year forecast horizon, based on detailed financial budgets approved by the management for the first year and an extrapolation of these figures for the second to fifth year. Extending the result projections for one year will result in the deferred taxes increasing by one million euros.

Based on the impairment test on tax losses, an amount of 7.8 million euros has been written down. This relates to the envisaged rationalization of the corporate holding structure, but also to non-recognizing the current year tax losses of, amongst others, the US entities, Fagron NV, and the French entities. By year-end 2015, the tax losses came to 88.7 million euros, of which 32.5 million euros have been assessed, resulting in a deferred tax claim of 9.0 million euros.

c) Deferred tax liabilities

(x 1,000 euros)	Differences in depreciation rates	Other	Total
Balance at 1 January 2014	4,654	(203)	4,451
Result	4,211	(6,484)	(2,273)
Change in scope of consolidation	4,801		4,801
Discontinued operations		(817)	(817)
Balance at 31 December 2014	13,666	(7,504)	6,162
Result	(5,518)	875	(4,643)
Change in scope of consolidation			
Discontinued operations			
Balance at 31 December 2015	8,148	(6,629)	1,519

The category 'Other' mainly concerns netting with deferred tax assets.

19 Inventories

(x 1,000 euros)	2015	2014
Raw materials	23,708	19,681
Work in progress	3,757	3,617
Finished goods	9,394	8,700
Trade goods	30,392	33,184
Inventories	67,251	65,181

The increase in inventories is mainly due to the acquired companies in Belgium and the US, *see note 30*. The inventories are not encumbered with collateral.

20 Trade receivables, other receivables, cash and cash equivalents

a) Trade receivables and other receivables

(x 1,000 euros)	2015	2014
Trade receivables	36,223	39,124
Provision for impairment of receivables	(2,133)	(2,787)
Total trade receivables	34,090	36,337
Other receivables	11,031	18,043

There is no concentration of credit risk with respect to trade receivables as the majority of Fagron's customers are internationally dispersed. If there are indications that trade receivables will be uncollectible, a provision has been made. Other receivables consist mainly of taxes to be refunded for the period and value added tax.

The decline in 'Other receivables' concerns capitalized financing costs in the amount of 2.0 million euros in connection with credit facilities re-classified from long-term to short-term in the result.

Fagron applies a strict credit policy towards its customers, ensuring that the company controls and minimizes credit risk. No individual customers make up a substantial part of either turnover or outstanding receivables.

(x 1,000 euros)	Carrying amount	Of which not over-due at year-end	Of which due at year-end			
			Less than 30 days	Between 31 and 90 days	Between 91 and 150 days	More than 150 days
Trade receivables at 31 December 2015	34,090	23,236	6,320	3,207	346	981
Trade receivables at 31 December 2014	36,337	27,522	4,791	2,784	758	482

(x 1,000 euros)	Provision for impairment of receivables
Balance at 1 January 2014	(1,951)
Additions	
• Via business combinations	(215)
• Other	(1,734)
Amounts used	897
Discontinued operations	247
Classified as held for sale	(31)
Balance at 31 December 2014	(2,787)
Additions	
• Via business combinations	(378)
• Other	(833)
Amounts used	1,814
Other	51
Amount at 31 December 2015	(2,133)

b) Cash and cash equivalents

(x 1,000 euros)	2015	2014
Investments with a maturity of less than three months	1,544	9,359
Cash at bank and in hand	73,930	99,193
Cash and cash equivalents	75,474	108,552

The decrease in cash and cash equivalents is mainly due to subsequent payments related to acquisitions and investments. The decrease in investments with a maturity of less than three months is due to fewer investments of cash in Poland.

The majority of liquid assets comprise cash and cash equivalents in bank accounts and cash. The cash and cash equivalents are centralized as much as possible in a cash pool, held in accounts with banks that mostly have an A-rating. All new bank accounts are only opened with banks awarded at least an A-rating.

Trade receivables, other receivables and cash and cash equivalents are generally within a close range of their maturities. Therefore, the carrying amount approximates their fair value.

21 Assets held for sale and related liabilities

(x 1,000 euros)	2015	2014
Assets held for sale		82,989
Liabilities directly associated with assets classified as held for sale		20,394

The assets held for sale as per 31 December 2014 related to Corilus activities which Fagron sold in March 2015, *see note 13*. No new assets were held for sale. Therefore the assets held for sale and liabilities directly associated with assets held for sale come to nil.

22 Equity

Authorized capital

By resolution adopted by the Extraordinary General Meeting of 7 September 2007, the Board of Directors was granted the power to increase the capital in one or more instalments by a maximum amount of 319,810,475.00 euros by means and on terms to be decided by the Board of Directors, such within a period of five years as of the publication date of said resolution in the Annexes of the Belgian Bulletin of Acts, Orders and Decrees.

The Extraordinary General Meeting decided on 14 May 2012 to renew the Board of Director's authorization to increase the authorized share capital, such within the limits of the existing authorization as set out in Article 5bis of the Articles of Association, in one or more rounds by a maximum amount of 320,023,050.35 euros, such within a period of five years from the date of announcing such a decision in the Annexes of the Belgian Bulletin of Acts, Orders and Decrees. This proxy to increase the capital may be exercised only subject to the approval of at least three fourths (3/4) of the directors present or lawfully represented.

As at 31 December 2015, the Board of Directors remains authorized to increase the capital by a maximum amount of 320,023,050.35 euros.

If the capital is increased within the limits of the authorized capital, the Board of Directors has the power to request payment of a share premium. If the Board of Directors adopts this decision, then this share premium will be deposited into a blocked account, the balance of which may only be reduced or transferred on the basis of a resolution adopted by a General Meeting of Shareholders in accordance with the clauses governing an amendment of the Articles of Association.

This power of the Board of Directors will apply to capital increases that are subscribed to in cash or in kind, or that result from capitalization of reserves with or without the issue of new shares. The Board of Directors is permitted to issue convertible bonds or warrants within the limits of the authorized capital.

Statement of changes in the capital and in the number of shares

The movements in this balance sheet item are presented in the statement of changes in equity. During 2015, 54,000 own shares were purchased (2014: 59,539). The decrease of own shares with 249,719 is due to the exercise of stock options (289,625), the acquisition of own shares (54,000) and the transfer of shares (14,094) relating to the variable remuneration of Fagron employees in 2015. As at 31 December 2015, Fagron NV owned a total of 327,760 own shares (2014: 577,479). In accordance with IFRS, these shares are deducted from equity and do not affect the income statement. In the context of Warrant Plan 1, 12,301 new shares were issued during 2015. In 2014, 73,002 new shares were issued. As at 31 December 2015, the total number of shares issued is 32,111,827 (2014: 31,431,360). The total number of shares outstanding as at 31 December 2015 is 31,784,067 (2014: 30,853,881).

	Number of shares x 1,000	2015	Number of shares x 1,000	2014
		x 1,000 euros		x 1,000 euros
Number of ordinary shares and the equity value thereof				
Issued shares as per 1 January	31,431	319,660	31,358	318,927
Issue of shares under Warrant Plan	12	106	73	733
Issue of shares related to acquisition payments in shares	668	25,995		
Issued shares as per 31 December	32,112	345,760	31,431	319,660
Treasury shares as per 31 December	328	18,823	577	20,235
Shares outstanding as per 31 December	31,784	326,937	30,854	299,425

All ordinary shares are fully paid. The ordinary shares have no face value; the par value is 1/32,111,827th of capital as of 31 December 2015 (2014: 1/31,431,360th). Each ordinary share carries one vote and a right to dividends.

Share-based payments

On 6 September 2007, the Board of Directors approved two warrant plans for the benefit of the employees, directors and consultants of the company and/or subsidiaries (Warrant Plan 1 and Warrant Plan 2).

The warrants granted under Warrant Plan 1 (for employees) have a lifetime of eight years as of the date on which they are granted.

For employees (Warrant Plan 1) the warrants are exercisable in annual instalments of 25%, in May of the fourth, fifth, sixth and seventh calendar year after the calendar year in which the Warrants are offered.

Pursuant to a decision taken by the Board of Directors dated 11 May 2009, held in the presence of the civil-law notary Mr Dirk van Haesebrouck, the period during which the warrants granted to beneficiaries prior to 31 August 2008 in the context of Warrant Plan 1 are exercisable was extended by five years to 17 December 2020, in accordance with the Amendment Act (Herstelwet).

The warrants granted under Warrant Plan 2 (for directors and consultants) have a lifetime of five years as of the date on which they are granted. The warrants granted under Warrant Plan 2 were fully exercised as per 31 December 2015.

On 3 June 2014, the company's Board of Directors approved the Warrant Plan 2014 for employees, directors and consultants of the company and/or its subsidiaries. The warrants were issued in response to the decision taken by the Board of Directors dated 2 September 2014 in presence of notary Luc De Ferm. In total 2,140,000 warrants were issued. In 2015 50,000 warrants were granted at an exercise price of 38.06 euros.

The condition for vesting warrants for employees is that they still have an employment contract with the company; for directors and consultants the condition is that their relationship with the company has not been terminated.

The costs of the warrants are determined at the warrants' fair value on grant date and is spread over the vesting period of the warrants. The costs are recognized at the item 'Other Employee expenses' for the amount of 2.0 million euros for the financial year 2015 (2014: 2.1 million euros). The warrants are equity settled share based payment transactions.

On 5 June 2015, 12,301 (16 June 2014: 73,002) new shares were issued as a result of exercising warrants under the Warrant Plan 2014. The number of Fagron shares with voting rights is 32,111,827 (2014: 31,431,360). The total number of voting rights (denominator) is 32,111,827 (2014: 31,431,360). The authorized capital amounts to 329,066,195 euros (2014: 322,111,646 euros).

The movements in the number of outstanding warrants under Warrant Plan 1, Warrant Plan 2 and Warrant Plan 2014 and their related weighted average exercise prices are as follows:

	Average exercise price in euros	Number of warrants
Outstanding as at 1 January 2014	9.70	94,064
Exercised	10.25	(63,238)
Exercised	8.14	(6,888)
Exercised	7.77	(2,751)
Exercised	8.11	(125)
Forfeited	10.25	(2,759)
Forfeited	8.14	(1,000)
Forfeited	7.77	(375)
Granted	39.37	932,500
Outstanding as at 31 December 2014	38.82	949,428
Exercised	10.25	(3,150)
Exercised	8.14	(6,462)
Exercised	7.77	(2,564)
Exercised	8.11	(125)
Forfeited	39.37	(364,500)
Granted	38.06	50,000
Outstanding as at 31 December 2015	39.04	622,627

The related weighted average exercise price per share at year-end amounted to 39.04 euros in 2015 (2014: 38.82 euros).

As at 31 December 2015, the total number of warrants not yet exercised which could prompt the issue of the same number of shares of the company, amounted to 622,627. Their average exercise price amounts to 39.04 euros. Outstanding warrants at year-end have the following expiry dates and exercise prices:

Expiry date	Average exercise price in euros	Number of warrants
2016 – May	10.25	1,750
2016 – May	7.77	2,752
2016 – May	8.11	125
2017 – March	39.37	279,000
2017 – March	38.06	25,000
2018 – March	39.37	144,500
2018 – March	38.06	12,500
2019 – March	39.37	142,000
2019 – March	38.06	12,500
2020 – March	39.37	2,500
	39.04	622,627

Stock Option Plan

On 7 December 2009, the Board of Directors approved the Fagron NV Stock Option Plan (Stock Option Plan) for employees, directors and consultants of the company and/or subsidiaries, which approval was subsequently ratified by the Extraordinary General Meeting of 27 January 2010.

The options granted under the Stock Option Plan were granted free of charge and, in line with the plan, have a term of six years from the date of offer. Options not exercised at the end of the six-year term, on 16 January 2016 therefore, are void by operation of law.

In accordance with the provisions of Section 43, paragraph 4, 1° of the Act of 26 March 1999 concerning the Belgian Action Plan for Employment 1998 (the Stock Options Act), the exercise price shall be determined on the basis of the share's average closing price during the thirty days preceding the date of the offer of the options, and was therefore calculated at 8.5214 euros per option. The options shall be exercisable during the third, fourth, fifth and sixth calendar year following the calendar year in which the options were offered, each time for 25%. The exercise of the options at the exercise price shall take place unconditionally and may only take place in the month of April of each calendar year and may take place for the first time in April 2012 in the proportions specified below:

Exercise maximum	Time
25 % of the options granted	April 2012
50 % of the options granted	April 2013
75 % of the options granted	April 2014
100 % of the options granted	April 2015

On 27 October 2011, the company's Board of Directors approved the Stock Option Plan 2011 for consultants and employees of Fagron NV and/or its subsidiaries, such under the suspensive condition of approval by the General Meeting. The Stock Option Plan 2011 was approved by the Annual General Meeting of 14 May 2012. In 2012, the procedure of Article 523 of the Belgian Companies Code was applied.

In June 2012, 250,000 stock options were granted at an exercise price of 13.73 euros. The options are settled via equity instruments. In 2014, 4,650 stock options were granted at an exercise price of 32.82 euros. In 2015, no stock options were granted.

During the financial year 2014 and 2015 the following number of options were exercised, granted and forfeited, including their corresponding average exercise price:

	Average exercise price in euros	Number of stock options
Outstanding as at 1 January 2014	10.20	840,750
Exercised	10.25	(48,625)
Exercised	8.52	(282,500)
Exercised	13.73	(22,500)
Granted	32.82	4,650
Outstanding as at 31 December 2014	11.21	491,775
Exercised	10.25	(13,625)
Exercised	8.52	(246,000)
Exercised	13.73	(27,500)
Forfeited	13.73	(5,000)
Outstanding as at 31 December 2015	14.17	199,650

Outstanding stock options at year-end have the following theoretical expiry dates and exercise prices:

Theoretical expiry date	Average exercise price in euros	Number of stock options
2016 – April	13.73	133,750
2017 – April	13.73	61,250
2018 – April	32.82	2,325
2019 – April	32.82	1,163
2020 – April	32.82	1,162
	14.17	199,650

Fair value

The fair value of the warrants and stock options was determined using the 'Black & Scholes' valuation model at grant date. The main data used in the model were the share price at grant date, the above-mentioned exercise price, the standard deviation of Fagron share price returns during option life and expected dividend, the option life specified above, and the annual risk-free interest rate.

The calculated fair value of the warrants is 6.895 euros. The calculated fair value of the stock options is 4.146 euros. The main data used to determine the fair value of the granted stock options during 2014 were the abovementioned exercise price, the standard deviation of expected share price returns of 25.6% with an expected dividend of 4.3%; the average expected option life of 3.5 years, and the annual risk-free interest rate of 1.0%. The main data used for the in 2014 granted warrants were the above mentioned exercise price, the standard deviation of expected share price returns of 28.24% with an expected dividend of 1.73%, an average expected warrant life of 3.8 years, and the annual risk-free interest rate of 0.47%. The same data are applied for the warrants granted in 2015.

In 2015, 50,000 new warrants were granted. No new stock options were granted. The costs of the warrants and stock options amounted in 2015 to 2.0 million euros (2014: 2.1 million euros).

Dividend

A dividend of 31.2 million euros was made payable in 2015 (2014: 22.2 million euros). This equates to a gross dividend of 1.00 euros per share (2014: 0.72 euros per share).

At the Annual General Meeting of 9 May 2016, a proposal will be made not to pay any dividend for 2015.

A further explanation of the equity is included in the Corporate Governance Statement.

Other reserves

(x 1,000 euros)	Consolidated reserves	Foreign currency translation reserve	Transactions with non-controlling interests	Remeasurement post-employment benefits	Share based payments	Total
Balance at 1 January 2014	(195,967)	(33,923)	(1,575)	(61)	1,026	(230,499)
Other comprehensive result		6,001		(2,541)		3,460
Share based payments					2,060	2,060
Change in non-controlling interest			1,198			1,198
Balance at 31 December 2014	(195,967)	(27,922)	(377)	(2,602)	3,086	(223,781)
Other comprehensive result		(26,399)		1,055		(25,344)
Share based payments					9,216	9,216
Change in non-controlling interest						
Balance at 31 December 2015	(195,967)	(54,321)	(377)	(1,547)	12,302	(239,909)

The change in non-controlling interests in 2014 is related to the purchase of 49% of the shares of Unit Dose Pack BV without paying any consideration.

23 Provisions

(x 1,000 euros)	Taxes	Disputes	Other	Total
Balance at 1 January 2014	48	628	8,522	9,197
Additions:				
• Through business combinations	2		50	52
• Other		15	43	58
Amounts used		(801)		(801)
Discontinued operations		35	(51)	(16)
Classified as assets held for sale		582	51	633
Related to disposed subsidiaries		(467)		(467)
Others		46		46
Transfers	(3)	25	166	188
Balance at 31 December 2014	47	63	8,780	8,891
Additions:				
• Through business combinations			9,174	9,174
• Other	294	123	900	1,317
Amounts used	(48)	(45)	(2,969)	(3,062)
Discontinued operations				
Classified as assets held for sale				
Related to disposed subsidiaries				
Others	(41)	(299)	7	(333)
Transfers		1,393	(1,393)	
Balance at 31 December 2015	252	1,236	14,499	15,987

In 2013 a provision was formed for unused accommodation. In 2015, the company made use of the provision, because the building lease of the unused accommodation was terminated in 2015.

In the acquisition balance sheet of Bellevue Pharmacy, a provision is made of 10 million US dollars for costs arising from an investigation initiated by the US government regarding pricing of compounded products in the period prior to acquisition of Pharmacy Services Inc. The survey of the US government covers the entire sector. The provision covers attorney fees and the possible settlement with the government. At year-end 2015, the provision amounts to 8.5 million euros. It is expected that this provision will be used between 2016 and 2018. Other provisions at year-end 2015 mainly relates to subsequent payments relating to settlements of the sale of companies, deferred taxes, employee benefits and social costs resulting from sales transactions. It is expected that these subsequent payments will take place in 2016.

24 Pension obligations

Pension obligations and costs

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

(x 1,000 euros)	2015	2014
Defined benefit obligations	4,358	5,305
Other defined benefit obligations	788	748
Pension obligations	5,146	6,053

The category 'Defined benefit obligations' include Fagron's Dutch defined benefit plans held by Fagron Services BV and Spruyt hillen BV. The 'Other defined benefit obligations' include multiple insignificant defined benefit plans, which are not further disclosed.

Defined benefit obligations are estimated in accordance with IAS19 using the Projected Unit Credit method. Under this method each participant's benefits under the plan are attributed to years of service, taking into consideration future salary increases and the plan's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited services. If an employee's service in later years will lead to a materially higher level of benefit than in earlier years, these benefits are attributed on a straight-line basis.

All defined benefit plans are final salary pension plans paid on a monthly basis. The amounts pertaining to post-employment medical plans are included in the liability but are not significant. There are no informal constructive obligations.

The amounts recognized regarding the Dutch defined benefit plans held by Fagron Services BV and Spruyt hillen BV are determined as follows:

(x 1,000 euros)	2015	2014
Present value of defined benefit obligations	18,988	20,367
Fair value of plan assets	(14,630)	(15,062)
Present value of net defined benefit obligations	4,358	5,305
Net liability arising from defined benefit obligation	4,358	5,305

Movements in the present value of the defined benefit obligations and the fair value of the plan assets were as follows:

(x 1,000 euros)	Present value defined benefit obligations	Fair value of plan assets	Total
Balance at 1 January 2014	16,458	(13,071)	3,387
Service costs	(1,329)		(1,329)
Interest expense (income)	586	(519)	67
Remeasurements:			
• Return on plan assets (excluding interest income)		(2,215)	(2,215)
• (Gains)/losses arising from changes in demographic assumptions	110		110
• (Gains)/losses arising from changes in financial assumptions	5,989		5,989
• (Gains)/losses arising from experience adjustments	(1,261)		(1,261)
Employer contributions		557	557
Benefit payments from plan	(186)	186	
Balance at 31 December 2014	20,367	(15,062)	5,305
Service costs			
Interest expense (income)	446	(338)	108
Remeasurements:			
• Return on plan assets (excluding interest income)		605	605
• (Gains)/losses arising from changes in demographic assumptions			
• (Gains)/losses arising from changes in financial assumptions	(1,660)		(1,660)
• (Gains)/losses arising from experience adjustments			
Employer contributions			
Benefit payments from plan	(165)	165	
Balance at 31 December 2015	18,988	(14,630)	4,358

The assets comprise qualifying insurance policies and are not part of the in-house financial instruments of Fagron. The pension insurer invested the assets fully in Aegon Strategic Allocation Fund 80/20. This fund has a market quotation.

Actuarial assumptions

The principal actuarial assumptions used for the actuarial valuations are:

	31 December 2015	31 December 2014
Discount rate	2.60%	2.20%
Expected rate of salary increase	N/A	N/A
Expected rate of price inflation	N/A	N/A
Future rate of pension increases actives	2.00%	2.00%

The life expectancy is based on the 'Prognosetafel AG2014'.

Realized and unrealized result

The amounts recognized in the realized and unrealized result in respect of these defined benefit plans are as follows:

(x 1,000 euros)	31 December 2015	31 December 2014
Service costs		(1,329)
Net interest costs	108	67
Administrative expenses and taxes		82
Defined benefit plan costs recognized in profit or loss	108	(1,180)
Remeasurement on the present value of the defined benefit liability:		
• Return on plan assets (excluding interest income)	605	(2,297)
• (Gains)/losses arising from changes in demographic assumptions		110
• (Gains)/losses arising from changes in financial assumptions	(1,660)	5,989
• (Gains)/losses arising from experience adjustments		(1,261)
Defined benefit costs recognized in other comprehensive income	(1,055)	2,541
Total defined benefit costs	(947)	1,361

From the end of 2014 there have been no new entrants to the defined benefit plan; further accruing only takes place in a defined contribution plan. New employees are offered a defined contribution plan. This explains the past service costs of zero in 2015.

The expected defined benefit costs for 2016 are 0.1 million euros and only concerns interest costs.

Sensitivity analysis

The sensitivity analysis shows the sensitivity of the defined benefit obligation as at 31 December 2015 and the 'Pension costs attributed for the year of service' compared to the principal actuarial assumptions.

The following table sets out the defined benefit obligation as at 31 December 2015 for each principal actuarial assumption compared to the corresponding amounts if the actuarial assumption of the various scenarios are applied. The increase in salary and price inflation is not included in the sensitivity analysis because the pension is non-contributory.

	Base scenario	Increase base scenario	Decrease base scenario
Weighted average discount rate	2.60%	3.10%	2.10%
Defined benefit obligation	18,988	17,084	21,097
Pension increase	2.00%	2.50%	1.50%
Defined benefit obligation	18,988	19,796	18,244
Life expectancy	+/- 0 year	+ 1 year	-/- 1 year
Defined benefit obligation	18,988	19,390	18,577

Pension plans in Belgium

Fagron has 9 pension plans in place in Belgium which are legally structured as Defined Contributions plans. Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called 'Vandenbroucke Law'), all Belgian Defined Contribution plans have to be considered under IFRS as Defined Benefit plans. The Vandenbroucke Law stated that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. This law was amended in 2015 as follows:

- The employer must continue to guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions made until 31 December 2015;
- As from 2016 the employer must guarantee a minimum return ranging between 1.75% and 3.75% for all contributions, depending on the development of the average interest on OLO 10 years over a period of 24 months. The current guaranteed minimum return is 1.75%.

Because of this minimum guaranteed return for defined contributions plans in Belgium, the employer is exposed to a financial risk. The employer has a legal obligation to pay further pension contributions to the pension fund if the fund does not hold sufficient assets to pay all current and future pension commitments. These Belgian defined contributions plans should therefore be classified and accounted for as a defined benefit plans under IAS 19.

In the past, Fagron did not apply the defined benefit accounting for these plans because higher discount rates were applicable and the return on plan assets provided by insurance companies was sufficient to cover the minimum guaranteed return. As a result of continuous low interest rates offered by the European financial markets, the employers in Belgium effectively assumed a higher financial risk related to the pension plans with a minimum fixed guaranteed return than in the past. As a result, these plans need to be considered as defined benefit plans.

Management made an estimate of the potential additional liabilities as at 31 December 2015. Based on this estimation, it has been established that there are no substantive obligations. The 2015 employer's contributions for these Belgium pension plans amounts to 0.1 million euros (2014: 0.6 million euros). The employees' contributions 2015 is nil (2014: nil), the employees' contributions were stopped in 2014. The total amount of the plan assets as per 31 December 2015 amounts to 0.8 million euros (2014: 3.2 million euros).

25 Financial debts and financial instruments

(x 1,000 euros)	2015	2014
Non-current		
Financial lease liabilities	260	435
Bank borrowings	3,845	550,966
Other borrowings	307	103
Total non-current	4,411	551,504
Current		
Financial lease liabilities	238	361
Bank borrowings	594,670	5,318
Other borrowings		31
Total current	594,908	5,710
Total financial debt	599,320	557,214

(x 1,000 euros)	Financial leases	2015 Bank borrow- ings	Financial leases	2014 Bank borrow- ings
Non-current borrowings by term				
More than 1 year but less than 5 years	260	2,162	435	550,620
More than 5 years		1,990		450
Total non-current borrowings	260	4,152	435	551,069

a. Bank borrowings and financial instruments

The book value of the bank borrowings is expressed in euros. The effective interest rate at balance sheet date on 31 December 2015 was 3.51% (2014: 3.50%).

On 2 July 2012, Fagron NV issued bonds for an amount of 225 million euros. The nominal value of the bonds is 1,000 euros. The bonds have a maturity of five years and offer a fixed annual gross interest of 4.75%. The bonds are redeemable at 100% of the nominal value on 2 July 2017. The total EBITDA, calculated as result before interest, taxes, depreciation and amortization, of the guarantors is at least 70 per cent of the consolidated Group EBITDA.

On 15 April 2014, Fagron NV issued a series private loans comprising of 45.0 million US dollars 4.15% Series A Senior Notes due 15 April 2017, 22.5 million euros 3.55% Series B Senior Notes due 15 April 2017, 15.0 million euros 4.04% Series C Senior Notes due 15 April 2019, 5.0 million euros Floating Rate Series D Senior Notes due 15 April 2019, 20.0 million US dollars 5.07% Series E Senior Notes due 15 April 2019 and 60.0 million US dollars 5.78% Series F Senior Notes due 15 April 2021.

Fagron NV has also amended and extended the existing multi-currency facility on 16 December 2014. This new multi-currency facility of 220 million euros, which will mature in December 2019 and includes two additional one year extension options, was arranged through a syndicate of existing and new international banks. The new syndicate consists of ING (Coordinator), BNP Paribas, HSBC, KBC Bank, Fifth Third Bank and Commerzbank. The main covenant of this credit facility is a net financial debt/recurring EBITDA ratio with a maximum of 3.25. As at the closing date of 2015, an amount of 199 million euros had been withdrawn (2014: 178 million euros). The interest payable related to the multi-currency facility agreement is a variable interest rate ranging from one to six months.

On 30 December 2015, anticipating the covenant testing date for the credit facility, the company was granted a waiver by the lenders in respect of the financial covenants of the multi-currency credit facility and the privately placed loans. The waiver postpones the covenant testing, in respect of the financial covenants, from the original testing date on 31 December 2015 to 31 March 2016, hereby ensuring that there will be no event of default on the financial covenants at 31 December 2015 and therefore no cross default will be triggered in respect of the bond loan. The waivers are valid until the end of June 2016. The company will be in breach of its financial covenants on 30 June 2016 if a further amendment of the waiver is not granted by the lenders. As a consequence of the above, the bond loan of 225 million euros, the multi-currency credit facility of 199 million euros and the privately placed loans of 167 million euros are included within the current debts on the balance sheet at 31 December 2015. Interest expenses will rise in 2016 during the waiver period. More information on the granted waiver, possible solutions and the option to maintain the going concern principles are set out in note 2: Accounting Policies.

The interest risk relating to 70 million euros of these loans has been hedged with financial derivatives. The valuation of this instrument is in accordance with a Level 2 method. This implies that the valuation is based on inputs other than the listed prices in active markets such as included in Level 1. The fair values of all derivatives held for hedging purposes are based on valuation methods. These methods maximize the use of detectable market data where available and minimize the impact of the company's estimates and projections. The interest hedging instruments are valued on the basis of discounted cash flows. The parameters used for these models are those applicable as at year-end and are therefore classified as Level 2. The valuation is calculated using the discounted cash flows of the nominal value and interest flows.

The fair value of these financial derivatives at year-end 2015 was -2.0 million euros (2014: -2.9 million euros). The full movement in fair value, 0.9 million euros profit (2014: 0.4 million euros loss), was charged to the result of 2015. Fagron has no other financial derivatives.

All financial instruments are measured at amortized cost except for derivative financial instruments and contingent considerations for acquisitions, which are valued at fair value. The amortized cost of the privately placed loans, the bond loan and the multi-currency credit facility, takes into account revised expected cash flows as a result of the expected overrun of the covenants as described above. The change of 12.5 million euros in the amortized cost was charged to the result of 2015. In the most positive scenario for expected cash flows, the carrying amount could be 10.0 million euros lower. In a worst case scenario for expected cash flows, the carrying amount could be 7.5 million euros higher. The fair value of the financial instruments valued at the amortized cost price approximates the carrying amount, with the exception of the bond loans. The fair value of the bond is approximately 197 million euros.

As do the borrowing companies, Fagron NV and Fagron Capital NV, the following companies serve as guarantors for the bank loan and bond loan concluded by Fagron:

Company name of guarantors
Fagron Nederland BV
SM Empreendimentos Farmaceuticos Ltda
Spruyt hillen BV
Pharma Cosmetic K.M. Adamowicz Sp. Z.o.o.
ACA Pharma NV
Fagron GmbH & Co KG
Arseus België NV
Fagron België NV
GMP Apotheek Mierlo-Hout BV
B&B Pharmaceuticals Inc.
Fagron Inc.
Freedom Pharmaceuticals Inc.
Pharmacy Services Inc. (part of Bellevue Pharmacy)

b. Financial leases

Property, plant and equipment include the following amounts where Fagron is a lessee under a financial lease.

(x 1,000 euros)	2015	2014
Cost-capitalized financial leases	6,513	5,797
Accumulated depreciation	(5,794)	(4,468)
Net amount of assets in leasing	719	1,330

The Group's liability regarding financial leasing is guaranteed as the lessor holds the legal property title of the leased assets.

The net amount of the financial leases concerns the following investments:

(x 1,000 euros)	2015	2014
Machinery and installations	704	1,284
Furniture and vehicles	15	46
Net amount of assets in leasing	719	1,330

Financial lease liabilities – minimum lease payments:

(x 1,000 euros)	2015	2014
Within 1 year	260	377
More than 1 year but less than 5 years	325	483
Total	585	860
Future charges on financial leases	88	64
Present values of financial lease liabilities	498	796

c. Operating leases

Operating lease liabilities – minimum lease payments:

(x 1,000 euros)	2015	2014
Within 1 year	4,026	5,933
More than 1 year but less than 5 years	7,451	10,727
More than 5 years	3,337	4,906
Total	14,814	21,567

There are no leases that individually represent an important part of the total. The fair values of the bank borrowings and financial leasing liabilities are calculated based on the present value of the future payments associated with the debt.

26 Trade payables

(x 1,000 euros)	2015	2014
Trade payables	58,250	57,440
Investment payables	4,793	
Total trade payables	63,043	57,440

Trade payables generally have due dates that are close to each other. The reported values approximate their fair values.

27 Other current payables

(x 1,000 euros)	2015	2014
Prepayments	124	101
Other payables	26,532	108,235
Accrued expenses	15,204	10,783
Other current payables	41,859	119,120

(x 1,000 euros)	Total	Due as per 2016	Due as per 2017	Due as per 2018
Prepayments	124	124		
Other payables	26,532	12,113	8,278	6,140
Accrued expenses	15,204	15,204		
Other current payables	41,859	27,441	8,278	6,140

The 'Other payables' includes an amount of 21.7 million euros (2014: 87.6 million euros) related to amounts to be paid to existing participations (subsequent payments). The 'Accrued expenses' includes an amount of 7.4 million euros (2014: 7.6 million euros) related to interest payments on the bond loan. Other items of these expenses relate to various accruals, for which the majority relates to payable customers bonuses, the costs related to the refinancing and the severance payment to the former CEO.

Other current payables generally have due dates that are close to each other. The reported values approximate their fair values.

28 Contingencies

Fagron is involved in a number of claims, disputes and legal proceedings within the normal conduct of its business. Management believes that these claims, disputes and legal proceedings will not, on aggregate, have a materially adverse impact on Fagron's financial position. The term 'material' in this context is defined as a financial risk exceeding 0.750 million euros.

29 Related parties

The overall remuneration package for members of the Executive Committee and the CEO individually, as well as the non-executive directors, for the 2015 and 2014 financial years was as follows:

(x 1,000 euros)	Fixed remuneration component ³	Variable remuneration component	Other remuneration components ⁴
2014 financial year			
Ger van Jeveren, CEO	600	720	31
Executive Committee, including the CEO	1,609	1,150	31
Non-executive members of the Board of Directors	123		
2015 financial year			
Ger van Jeveren, CEO until 14 December 2015	569		35
Hans Stols, CEO as from 14 December 2015	30		2
Executive Committee, including the CEO	2,481	222	109
Non-executive members of the Board of Directors	162		
Severance pay, Ger van Jeveren			1,785

³ Costs incurred by Fagron, i.e. the gross amount including any social security contributions.

⁴ Includes costs regarding pensions, insurances and the cash value of the other benefits in kind.

The variable remuneration component for the 2015 financial year is the bonus effectively paid out in 2016. The Remuneration Committee prepares proposals annually for the remuneration policy and/or other benefits for members of the Executive Committee and the CEO.

In 2015 no new stock options were granted.

In 2015 Mr Van Jeveren exercised 125,000 stock options, while other members of the Executive Committee exercised 74,125 stock options. The members of the Executive Committee, in the composition in effect on 31 December 2015, together hold 397,875 stock options.

30 Business combinations

Fagron completed a number of acquisitions in the 2015 financial year. Full control was acquired of all group companies. As the acquired activities were immediately – in their entirety or to a significant degree – integrated in existing entities of Fagron, their respective contributions to the profit of Fagron have not been reported separately.

Fair value of the acquired assets and liabilities Pharmacy Services Inc (Bellevue Pharmacy)

In April 2014, US company Bellevue Pharmacy was acquired. Fagron has further strengthened its worldwide market leadership with this acquisition of compounding facilities. Through this acquisition, Fagron gained the number one position in the US compounding market. The acquisition involved a payment of approximately 142.1 million euros (part of which comprised shares), representing an increase in goodwill of 124.7 million euros. Expectation was that the goodwill will be fully tax deductible. The fair value of the acquired assets and liabilities was determined as detailed below.

(x 1,000 euros)	
Intangible fixed assets	31,861
Property, plant and equipment	2,853
Deferred tax assets	2,681
Inventories	1,428
Trade receivables	3,726
Other receivables	125
Cash and cash equivalents	6,290
Total assets	48,965
Financial debts	4,352
Trade payables	819
Other current payables	26,359
Net acquired assets	17,435
Goodwill	124,656
Total acquisition amount	142,091

Fair value of the acquired assets and liabilities Panoramix BV

In January 2014, Panoramix BV was acquired. The acquisition involved a payment of approximately 49.3 million euros, representing an increase in goodwill of 40.8 million euros. The fair value of the acquired assets and liabilities was determined as detailed below.

(x 1,000 euros)	
Intangible fixed assets	1,987
Property, plant and equipment	6,022
Other non current assets	3
Deferred taxes	292
Inventories	1,853
Trade receivables	2,314
Other receivables	2,225
Cash and cash equivalents	(287)
Total assets	14,408
Financial debts	1,806
Trade payables	869
Other current payables	3,195
Net acquired assets	8,538
Goodwill	40,792
Total acquisition amount	49,330

Fair value of the acquired assets and liabilities AnazaoHealth Inc.

In April 2015, AnazaoHealth Inc. was acquired. AnazaoHealth Inc. is a sterile compounding pharmacy in the United States, specialized in nuclear, pain and intrathecal compounding. The acquisition involved a payment of approximately 36.6 million euros (8.1 million with shares) representing an increase in goodwill of 30.2 million euros. It was expected that the goodwill would be fully deductible. The provisional fair value of the acquired assets and liabilities was determined as detailed below.

(x 1,000 euros)	
Intangible fixed assets	11,994
Property, plant and equipment	1,561
Inventories	1,101
Trade receivables	2,775
Other receivables	980
Cash and cash equivalents	250
Total assets	18,662
Financial debts	1,224
Trade payables	976
Other current payables	10,068
Net acquired assets	6,394
Goodwill	30,168
Total acquisition amount	36,562

Fair value of the acquired assets and liabilities ABC Chemicals SA

In July 2015, ABC Chemicals SA was acquired in Belgium. The acquisition involved a payment of approximately 6.2 million euros, representing an increase in goodwill of 11.5 million euros. The provisional fair value of the acquired assets and liabilities was determined as detailed below.

(x 1,000 euros)	
Intangible fixed assets	19
Property, plant and equipment	104
Inventories	1,559
Trade receivables	582
Other receivables	708
Cash and cash equivalents	638
Total assets	3,610
Financial debts	6,806
Trade payables	640
Other current payables	1,463
Net acquired assets	(5,299)
Goodwill	11,484
Total acquisition amount	6,185

Fair value of the acquired assets and liabilities other acquisitions

Furthermore, some smaller companies and operations were acquired during 2015. The total net assets acquired, before allocation of the acquisition price, amounted to 4.9 million euros.

(x 1,000 euros)	
Intangible fixed assets	1,993
Property, plant and equipment	449
Other non current assets	6
Inventories	210
Trade receivables	322
Other receivables	45
Cash and cash equivalents	18
Total assets	3,043
Financial debts	207
Trade payables	214
Other current payables	388
Net acquired assets	2,234
Goodwill	2,702
Total acquisition amount	4,936

The fair value of a number of acquired assets and liabilities, acquired in 2015, was determined on a provisional basis. The fair value as stated is provisional because the integration process of the acquired entities and their activities is still ongoing. The provisional fair value of intangible fixed assets, property, plant and equipment, deferred tax and working capital can change when the final fair value of the assets and liabilities acquired is established.

The final determination of the fair value of the assets and liabilities from previous minor acquisitions, acquired in 2014, resulted in an adjustment of 2.3 million euros (increase of goodwill).

The total increase in goodwill by acquisitions amounts to 46.4 million euros. To a large extent, the goodwill relates to future profit potential due to operational benefits to be gained, including synergy and scale benefits and efficiency improvements, as well as commercial benefits in the form of access to new markets and realizing market leadership in both new and existing markets.

At year-end, the Group had an amount of approximately 3.3 million euros in contingencies. These fees payable to former shareholders were determined on the basis of business plans at the time of acquisition.

(x 1,000 euros)	Total	Due in 2016	Due in 2017
Contingencies	3,264	1,137	2,127

The contingencies relate to Greece, South Africa and South America.

The contingencies vary between 0 euros and a maximum of 3.3 million euros. The considerations are measured at the fair value at the moment of acquisition. This is estimated based on the maximum compensation if the conditions are met.

31 Discontinued operations

Consideration received

(x 1,000 euros)	2015	2014
Consideration received in cash and cash equivalents	74,001	30,831
Subsequent payments	(4,374)	2,251
Total consideration received	69,627	33,232

Fagron successfully finalized the sale of Duo-Med, Owandy Radiology, Eurotec Germany, Eurotec France and Arseus Medical. Duo-Med was sold to ABN Amro Participaties, Owandy Radiology to Villa Sistemi Medicali based in Milan and Arseus Medical was acquired by entrepreneurs Cedric De Quinamar and Jan Ponnet. A sum of 30.8 million euros was received in these transactions, excluding earn-outs and vendor loans. The earn-outs are valued at fair value. The fair value is estimated at 0 euros.

In March 2015, Fagron sold the ICT division, Corilus, to AAC Capital. With the sale of Corilus, Fagron completed the last part of the divestment program of the dental, medical and ICT operations, as announced in 2013. For this transaction Fagron received an amount of 74.0 million euros.

Analysis of the assets and liabilities disposed of:

(x 1,000 euros)	2015	2014
Current assets	11,300	44,805
Inventories	1,440	11,849
Trade receivables	4,783	18,112
Other receivables	3,525	7,054
Cash and cash equivalents	1,552	7,789
Non-current assets	73,636	22,789
Goodwill	72,746	16,104
Other intangible fixed assets		472
Property, plant and equipment	831	3,960
Deferred tax assets		1,786
Other non-current assets	59	466
Current liabilities	14,453	26,771
Trade payables	7,201	15,359
Taxes, remuneration and social security	6,173	6,048
Other current payables	1,078	5,326
Non-current liabilities	1,127	7,779
Provisions		6,497
Pension obligations	61	726
Borrowings	109	557
Deferred tax liabilities	957	
Net assets disposed of	69,357	33,232

Gain (loss) on disposal

(x 1,000 euros)	2015	2014
Consideration received	69,627	33,232
Net assets disposed of	69,357	(33,232)
Gain (loss) on disposal	270	

32 Information on the Statutory Auditor, his remuneration and related services

The company's Statutory Auditor is PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, represented by its permanent representative, Mr Peter Van den Eynde.

(x 1,000 euros)	2015	2014
Audit fee for the Group audit		
Fagron Group	595	501
Audit fee for PricewaterhouseCoopers Bedrijfsrevisoren	237	188
Audit fee for parties linked to PricewaterhouseCoopers Bedrijfsrevisoren	359	313
Additional services rendered by the Statutory Auditor to Fagron		
Other audit assignments	25	162
Other non-auditing assignments	1	
Additional services rendered by parties linked to the Statutory Auditor		
Tax advisory services	130	165
Other non-auditing assignments	374	572

The item 'other non-auditing assignments' mainly relates to due diligence work, consulting and the preparation of special reports.

33 Significant events after the balance sheet date**Waterland**

In the first quarter of 2016, Fagron successfully completed negotiations with a cornerstone investor (WPEF VI Holdco III BE B.V., a holding company whose shares are held (in)directly by Waterland Private Equity Fund VI CV and Baltisse NV) and five individual investors over a private capital increase in combination with a public capital increase amounting to a total of 220 million euros, subject to the approval of the General Meeting of Shareholders of Fagron. These investors made covenants with Fagron to subscribe, under certain conditions, for the first tranche of the capital increase in the approximate amount of 131 million euros and to exercise their pre-emptive rights in the second tranche of the capital increase. WPEF moreover committed itself, subject to certain conditions, to buy and to exercise all of the non-exercised rights in the second tranche.

Waiver

On 31 March 2015, anticipating the covenant testing date for the credit facilities, a waiver was granted by the lenders in respect of the financial covenants of the multi-currency credit facility and the privately placed loans. The waiver postpones to 30 June 2016 the covenant test in respect of the financial covenants with an original due date of 31 December 2015.

Bellevue Pharmacy

In May 2015, Fagron was confronted with a change in the reimbursement system for non-sterile preparations in the United States. The impact of this change impacted on the profitability of Bellevue Pharmacy. As a result of this, an impairment loss of 181.6 million euros was recorded for Bellevue Pharmacy in 2015. Due to the lossmaking results in the first quarter of 2016, the management has decided to close down the Bellevue Pharmacy operations.

34 Additional notes

1. Off-balance sheet rights and liabilities – collateral:

HL Technology SA provided a mortgage registration in the amount of 1.0 million euros (1.1 million Swiss francs) related to its financing.

2. Fagron NV signed a liability statement on behalf of a number of Dutch subsidiaries, specifically:

Fagron Nederland BV
 Arseus Dental BV
 Arseus Beheer BV
 Dutch BioFarmaceutics BV
 Fagron Brazil Holding BV
 Fagron BV
 Fagron Group BV
 Fagron Services BV
 Panoramix BV
 Pharmaline BV
 Pharma Assist BV
 Spruyt hillen BV
 GMP Apotheek Mierlo-Hout BV
 Twipe BV

3. Fagron NV signed a liability statement on behalf of a number of a German subsidiary, specifically:

Fagron GmbH & Co KG
 Fagron GmbH & Co KG in Barsbüttel (Germany) is exempt from the obligation to set up its annual accounts and statements according to §264b of the German commercial code, and to audit and publish these in line with the applicable regulations for businesses.

35 List of the consolidated companies

Name	Address	Ownership
ABC Chemicals SA	Parc Industriel 19, 1440 Wauthier-Braine (Belgium)	100.0%
ABC Dental & Pharmaceutical Consultancy NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
ACA Pharma NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Alternate Sistemas E Informatica Ltda	Anchieta 285, 13.201-804 Jundiai (Brazil)	100.0%
AnazaoHealth Inc.	5710 Hoover Boulevard, 33634 Tampa, Florida (United States)	100.0%
ApodanNordic PharmaPackaging A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen (Denmark)	100.0%
APPEG SA	Rue de la Sambre 6, 6032 Charleroi (Belgium)	100.0%
Arseus Beheer BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Arseus België NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Arseus Capital NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Arseus Dental BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Arseus Dental Solutions SAS	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis (France)	100.0%
B&B Pharmaceuticals Inc.	17200 East Ohio Drive, 80017 Aurora Colorado (United States)	100.0%
Belgophar NV	Hillestraat 12, 8800 Roeselare (Belgium)	100.0%
Coast Quality Pharmacy LLC	5700 Hoover Boulevard 5710, 33634 Tampa (United States)	100.0%
DPI Inc.	5967 S. Garnett Rd., 74146 Tulsa, Oklahoma (United States)	100.0%
Ducere LLC	5710 Hoover Boulevard, 33634 Tampa, Florida (United States)	100.0%
Dynaceuticals Ltd	Kudu Street 606, White Thorn Office Park, Unit 2, 1737 Johannesburg (South Africa)	100.0%
Euphaco NV	Hillestraat 12, 8800 Roeselare (Belgium)	100.0%
Fagron a.s.	1098/31M, 779 00 Olomouc (Czech Republic)	73.1%
Fagron Academy LLC	1111 Brickell Avenue, Suite 1550, 33131 Miami, Florida (United States)	100.0%
Fagron België NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Fagron Brazil Holding BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Fagron BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Fagron Colombia SAS	Calle 95 47A-28 Bogota (Colombia)	100.0%
Fagron Compounding Services LLC	1111 Brickell Avenue, Suite 1550, 33131 Miami, Florida (United States)	100.0%
Fagron Compounding Services NV	Woestijnstraat 53, 2880 Bornem (Belgium)	100.0%
Fagron Compounding Services SAS	37 Rue Hélène Muller, 94320 Thiais (France)	100.0%
Fagron Compounding Supplies Australia Pty Ltd	Atkinson Road 2/16, Taren Point, 2229 Sidney (Australia)	100.0%
Fagron GmbH & Co KG	Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)	100.0%
Fagron Group BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Fagron Hellas A.B.E.E.	12Th Klm Trikala Larisa N.R. (Greece)	100.0%
Fagron Holding USA LLC	1209 Orange street, 19801 Wilmington, Delaware (United States)	100.0%
Fagron Iberica SAU	Carrer de Josep Tapiolas 150, 08226 Terrassa (Spain)	100.0%
Fagron Inc.	2400 Pilot Knobroad, 55120 St. Paul, Minnesota (United States)	100.0%
Fagron Italia Srl	Via Lazzari 4-6, 40057 Quarto Inferiore (Italy)	100.0%
Fagron Lékárna Holding s.r.o.	1098/31M, 779 00 Olomouc (Czech Republic)	100.0%
Fagron Ltd	2315 Ocean Tower, 550 Yan An East Road, 200001 Shanghai, (China)	100.0%
Fagron Nederland BV	Venkelbaan 101, 2908 KE Capelle aan den IJssel (The Netherlands)	100.0%
Fagron Nordic A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen (Denmark)	100.0%
Fagron NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
Fagron Poland Sp. z o.o	Albatrosów 1, 30-176 Krakau (Poland)	100.0%
Fagron Sarl	Intendente Neyer 924, B1643 Béccar (Argentina)	100.0%
Fagron SAS	37 Rue Hélène Muller, 94320 Thiais (France)	100.0%
Fagron Services BV	Molenwerf 13, 1911 DB Uitgeest (The Netherlands)	100.0%
Fagron Services BVBA	Industrieweg 2, 2850 Boom (Belgium)	100.0%
Fagron South Africa Ltd	Erica Way 8, Somerset West Business Park, 7130 Cape Town (South- Africa)	100.0%

Name	Address	Ownership
Fagron UK Ltd	4B Coquet Street, NE1 2QB Newcastle upon Tyne (United Kingdom)	100.0%
Flores e Ervas Comercio Farmaceutico Ltda	Estrada Vicente Bellini, No 175 13.427-225 Piracicaba City (Brazil)	100.0%
Freedom Pharmaceuticals Inc.	801 W. New Orleans Street, 74011 Broken Arrow, Oklahoma (United States)	100.0%
GJD NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
GMP Apotheek Mierlo-Hout BV	Steenovenweg 15, 5708 HN Helmond (The Netherlands)	100.0%
HL Technology SA	Rue Jardinier 153, 2300 La Chaux-de-Fonds (Switzerland)	100.0%
JCB Laboratories LLC	3510 N. Ridge RD. STE.900, 67205 Wichita, Kansas (United States)	100.0%
Jupiter Health Holding LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Liberty Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Link Medical LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Mar-Kem Ltd	Main Road 20, Knysna, 6570 George (South Africa)	100.0%
Mercury Innovations LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Midwest Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Northern Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Panoramix BV	Münsterstraat 4, 7575 ED Oldenzaal (The Netherlands)	100.0%
Pharma Assist BV	Dieselstraat 3, 7903 AR Hoogeveen (The Netherlands)	100.0%
Pharma Cosmetic K.M. Adamowicz Sp. z.o.o.	Ul. Pasternik 26, 31-354 Krakau (Poland)	100.0%
Pharmacy Services Inc.	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Pharmaline BV	Münsterstraat 4, 7575 ED Oldenzaal (The Netherlands)	100.0%
PPH Galfarm Sp. z.o.o.	Ul.Przemysłowa, 12 30-701 Krakau (Poland)	100.0%
PSI Services Inc.	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Rausa Kem Pharmacy Ltd	Clarendon Street 61, Parow Valley, 7500 Cape Town (South Africa)	100.0%
Skinmaster Ltda	Calle 163A, 198-88, Bogota (Colombia)	100.0%
Slovgal s.r.o	Štúrova 19, 058 01 Poprad (Slovakia)	100.0%
SM Empreendimentos Farmaceuticos Ltda	Rua Jurupari, 803 – Jardim Oriental, 04348-070 Sao Paulo (Brazil)	100.0%
Southern Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Spruyt hillen BV	Tinbergenlaan 1, 3401 MT IJsselstein (The Netherlands)	100.0%
Texas Southern Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Twipe BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Unit Dose Pack BV	Eijkenakker 12, 5571 SL Bergeijk (The Netherlands)	100.0%
Zenith Pharmaceuticals Cyprus Ltd	Doma Building Arch Makarios III Avenue 227, 3105 Limassol (Cyprus)	100.0%



Statutory Auditor's Report

Statutory Auditor's Report to the General Shareholders' Meeting on the consolidated accounts for the financial year ended 31 December 2015

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 statement. The consolidated financial statements comprise the consolidated income statement as at 31 December 2015 the consolidated statement of financial position, the consolidated statement of changes in equity and consolidated statement of cash flows as at 31 December 2015 and the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated financial statements – Unqualified opinion with explanatory notes

We have audited the consolidated financial statements of Fagron NV ("the Company") and its subsidiaries (jointly: "the Group"), prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements that apply in Belgium. The consolidated statement total assets amounts to KEUR 689,381 and the consolidated income statement shows a loss for the financial year in the amount of KEUR 202.328, attributable to the equity holders.

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 determines, 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 the 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 the 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 financial 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 the accounting policies used and the reasonableness of the accounting estimates made by the Group's 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 unqualified 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 2015 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.



Emphasis of matter

Without departing from our opinion as referred to above, we draw attention to note 2 'Accounting policies and continuity' on pages 83 and 84 of the annual report, where detailed reference is made to the existence of uncertainty of material importance which may give rise to significant doubts regarding the Group's ability to maintain its continuity and in which the Board of Directors has cited the valuation rules in the assumption of continuity.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of 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 statutory and regulatory requirements. On this basis, we provide the following additional statements 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.

Antwerp, 8 April 2016

The Auditor
PwC Bedrijfsrevisoren bcvba
Represented by:

Peter Van den Eynde
Bedrijfsrevisor/Reviseur d'entreprises



GMP



Fagron
Compounding
Services

Statutory financial statement



Condensed stand-alone income statement Fagron NV

(x 1,000 euros)	2015	2014
Operating income	10,098	5,068
Turnover		
Other operating income	10,098	5,068
Operating expenses	6,708	2,577
Trade goods, raw materials and auxiliary materials		
Services and other goods	5,505	3,649
Employee benefit expenses	(10)	251
Depreciation and amortization		1
Provision for risks and costs	(5,701)	(3,314)
Other operating expenses	6,914	1,990
Operating profit	3,390	2,491
Financial result	(20,532)	40,044
Profit from ordinary activities before taxes	(17,142)	42,535
Non-ordinary result	(91,242)	
Profit for the year before taxes	(108,384)	42,535
Tax on result	(1)	
Profit for the year	(108,385)	42,535

Condensed stand-alone balance sheet Fagron NV

(x 1,000 euros)	2015	2014
Non-current assets	294,522	393,760
Formation expenses		
Intangible fixed assets		
Tangible fixed assets		
Financial fixed assets	294,522	393,760
Current assets	250,300	242,961
Debtors due after one year	190,921	152,526
Inventories and orders in progress		
Debtors due within one year	22,148	58,872
Investments	2,314	13,189
Cash and cash equivalents	32,924	15,992
Other receivables	1,993	2,382
Total assets	544,822	636,721
Capital and reserves	277,198	359,482
Capital	329,066	322,112
Share premiums	19,202	56
Legal reserves	7,986	7,986
Unavailable reserves	2,314	13,144
Available reserves	27,015	16,184
Profit carried forward	(108,385)	
Provisions and deferred tax	50	5,751
Provision for other risks	50	5,751
Liabilities	267,574	271,488
Creditors due after one year	91,000	236,457
Creditors due within one year	173,195	33,347
Other current payables	3,379	1,684
Total liabilities	544,822	636,721

Appropriation of profits Fagron NV

(x 1,000 euros)	2015	2014
Profit to be appropriated	(108,385)	44,117
Profit for the year to be appropriated	(108,385)	42,535
Profit carried forward from the previous year		1,582
Transfers from capital and reserves		
To reserves		
Transfers to capital and reserves		12,961
To statutory reserves		2,127
To other reserves		10,834
Profit to be carried forward	(108,385)	
Profit to be carried forward	(108,385)	
Profit to be distributed as dividends		31,156
Dividend		31,156

Accounting policies

The accounting policies used for the stand-alone Statutory financial statements of Fagron NV are in accordance with the KB of 31.01.2001 implementing the Belgian Companies Code.

Statutory financial statements of Fagron NV

As required under Article 105 of the Belgian Companies Code, this annual report is a condensed version of the Statutory financial statements of Fagron NV. The annual report and the Statutory Auditor's report will be filed and will be available for inspection at the company's registered office.

The Statutory Auditor has expressed his unqualified opinion on the Statutory financial statements of Fagron NV over financial year 2015.

Alphabetical terminology list

In addition to the terms as defined in IFRS, this annual report also includes other terms. These ‘alternative performance indicators’ are defined below. The IFRS terminology is in *italics*.

EBIT:	‘Earnings Before Interests and Taxes’, <i>Profit (loss) from operating activities</i>
EBITDA:	‘Earnings Before Interests, Taxes, Depreciations and Amortizations’, <i>Profit (loss) from operating activities</i> plus depreciations and amortizations, including write-down on inventories and receivables
Financial result:	<i>Net financing costs, result of financing income and financing costs</i>
Gross margin:	Turnover less acquired <i>trade goods, raw and auxiliary materials</i> and adjusted for <i>changes in inventories and work in progress</i> as a percentage of turnover
Net capex:	Net capital expenditure, <i>Capital expenditure (investments)</i> and <i>produced assets</i> less turnover of <i>investment goods and investment goods taken out of service</i>
Net financial debt:	The sum of <i>current and non-current interest-bearing financial obligations</i> plus <i>derivative financial instruments</i> and less <i>cash and cash equivalents</i>
Net result:	<i>Profit (loss) for the reporting period, consolidated result</i>
Non-recurring items:	One-off charges or gains not related to ordinary operations
Operating cash flow:	EBITDA ‘Earnings Before Interests, Taxes, Depreciations and Amortizations’, <i>Result of operating activities</i> plus depreciations and amortizations
Operating result:	<i>Result of operating activities</i> , EBIT (‘Earnings Before Interests and Taxes’)
REBITDA:	‘Recurring Earnings Before Interests, Taxes, Depreciations and Amortizations’, <i>Profit (loss) from operating activities</i> plus depreciations and amortizations and adjusted for all non-recurring items
Recurring operating cash flow:	<i>Profit (loss) on operating activities</i> plus depreciations and amortizations and adjusted for all non-recurring items
Recurring net operating cash flow:	<i>Profit (loss) for the reporting period</i> plus depreciations and amortizations and adjusted for all non-recurring items
Recurring net result:	<i>Profit (loss) for the reporting period</i> , adjusted for non-recurring items
Working capital:	<i>Inventories + Trade receivables – Trade payables</i>

Forward-looking statements caution

This annual report may contain forward-looking statements. Forward-looking statements are statements that are not historical facts, containing information such as, but not limited to, communications expressing or implying beliefs, expectations, intentions, forecasts, estimates or predictions (and the assumptions on which they are based) on the part of Fagron. Forward-looking statements by definition involve risks and uncertainties. The actual future results or circumstances may therefore differ materially from those expressed or implied in forward-looking statements. Such a difference may be caused by a range of factors (such as, but not limited to, evolving statutory and regulatory frameworks within which Fagron operates, claims in the areas of product liability, currency risk, etcetera).

Any forward-looking statements contained in this annual report are based on information available to the management of Fagron at date of publication. Fagron cannot accept any obligation to publish a formal notice each time changes in said information occur or if other changes or developments occur in relation to forward-looking statements contained in this annual report.



