

Organic turnover growth in Europe, Brazil and in US-based sterile activities

Refinancing successfully completed

Net debt/REBITDA-ratio of 3.4 after capital increase

Highlights:

- **Turnover decreased by 3.1% to € 210.2 million**
- **Turnover at constant exchange rates increased by 2.2%**
- **REBITDA² amounted to € 45.6 million or 21.7% of turnover**
- **Successful completion of capital increase with gross proceeds of approximately € 219 million**
- **Net financial debt decreased to € 301.0 million after both tranches of the capital increase**
- **2016 Outlook³: Turnover of at least € 415 million and REBITDA⁴ of between € 85 million and € 95 million**

Hans Stols, CEO Fagron: *"Fagron's refinancing demanded a great deal of attention over the past months and we are pleased that we were able to announce on 5 July 2016 that both tranches of the capital increase were a success. The successful completion of the capital increase has secured Fagron's financial situation for the longer term and allows us to turn our full attention to the business operations again."*

Fagron's turnover from continuing operations decreased by 3.1% in the first half of 2016 to € 210.2 million. At constant exchange rates, turnover developed positively on all continents except in the United States. The sterile FSPS activities in the United States showed strong growth in the first half of 2016. As expected, the changed reimbursement system for non-sterile compounding in the United States continued to have a negative impact on the turnover and profitability of Fagron Essentials and Fagron Trademarks in the first half of 2016. REBITDA of the Group was € 45.6 million in the first half of 2016.

We are convinced we can draw a line under the past period and put our full efforts into working on Fagron's future. For 2016 we expect turnover of at least € 415 million and REBITDA of between € 85 million and € 95 million."

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

² EBITDA before non-recurring result.

³ Based on estimated exchange rates (euro/US dollar 1.10 and euro/Brazilian real 3.83).

⁴ EBITDA before non-recurring result.



Capital increase in two tranches – gross proceeds of approximately € 219 million

- On 20 May 2016, Fagron completed the capital increase with cancellation of the preferential subscription rights of the current shareholders (the first tranche of the capital increase) of approximately € 131 million. In the first tranche of the capital increase, 22,626,387 new shares were placed with WPEF VI Holdco III BE B.V., Alychlo NV, Carmignac Gestion S.A., Carmignac Portfolio SICAV, Midlin NV, Bart Versluys and Johannes Stols at a subscription price of € 5.7916 per share.
- On 7 July 2016, Fagron completed the capital increase with preferential subscription rights for the current shareholders (the second tranche of the capital increase) of approximately € 88.3 million. In the second tranche of the capital increase, 17,105,690 new shares were placed at an issue price of € 5.16.
- As agreed in the Long Term Waivers, Fagron can use the proceeds of the capital increase exclusively for the repayment, on their stated maturity date, of (i) the US\$ 45.0 million in 4.15% Series A Notes that mature on 15 April 2017, (ii) the € 22.5 million in 3.55% Series B Notes that mature on 15 April 2017 and (iii) the € 225.0 million in Eurobonds that mature on 2 July 2017.

Financing – Long Term Waivers

On 5 May 2016, Fagron received Long Term Waivers under the Revolving Credit Facility and the Note Purchase Agreement. In the Long Term Waivers, the financiers waived the levels of the financial covenants stipulated in the Revolving Credit Facility and Note Purchase Agreement until 30 June 2018. The financial covenants were adjusted to give Fagron extra latitude with respect to the original levels of the financial covenants. The extra latitude in the financial covenants will decrease with every six-month test period, starting with the first test period ending on 31 December 2016 until the test period ending on 30 June 2018. In each test period ending after 30 June 2018, the levels of the two financial covenants will return to the levels stipulated in the Revolving Credit Facility and Note Purchase Agreement.

Test period	Financial covenants	
	Net financial debt / REBITDA	REBITDA / net interest charges
31 December 2016	Max. 5.02x	Min. 1.81x
30 June 2017	Max. 4.60x	Min. 1.98x
31 December 2017	Max. 4.09x	Min. 2.32x
30 June 2018	Max. 3.60x	Min. 2.80x
After 30 June 2018	Max. 3.25x	Min. 4.00x

As a result of the completion of the first tranche of the capital increase (approximately € 131 million) and the second tranche of the capital increase (approximately € 88.3 million), the net financial debt of Fagron decreased to € 301.0 million. The net financial debt/REBITDA-ratio after both tranches of the capital increase, amounted to 3.4.



Income statement (x € 1,000)	S1 2016	S1 2015	Change
Net turnover	210,237	216,997	-3.1%
Gross margin	133,488	136,815	-2.4%
As a % of net turnover	63.5%	63.0%	
Operating costs	-87,917	-78,873	+11.5%
As a % of net turnover	41.8%	36.3%	
EBITDA before non-recurring result	45,571	57,942	-21.4%
As a % of net turnover	21.7%	26.7%	
Non-recurring result	-1,674	-2,518	-33.5%
EBITDA	43,897	55,424	-20.8%
As a % of net turnover	20.9%	25.5%	
Depreciation and amortisation	-10,036	-7,902	+27.0%
EBIT	33,861	47,523	-28.7%
As a % of net turnover	16.1%	21.9%	
Financial result, excluding revaluation of financial derivatives	-11,677	-14,773	-21.0%
Revaluation of financial derivatives	1,296	495	+161.8%
Profit before taxes	23,480	33,245	-29.4%
Taxes	-6,899	-10,573	-34.7%
Net profit from continued operations	16,582	22,673	-26.9%
Result from discontinued operations	-536	4,925	-110.9%
Recurring net profit ⁵	13,496	26,072	-48.2%
Net profit per share from continued operations (€)	0.44	0.72	-38.9%
Recurring net profit per share (€)	0.37	0.84	-56.5%
Average number of shares	36,937,855	30,909,841	+19.5%

Balance sheet (x € 1,000)	30-06-2016	31-12-2015
Intangible non-current assets	411,033	410,601
Property, plant and equipment	68,750	71,133
Deferred taxes	11,903	13,942
Other non-current assets	6,594	5,859
Operational working capital	45,222	38,298
Other working capital	-31,559	-56,111
Equity	102,355	-64,772
Long-term provisions	18,718	21,133
Financial instruments	1,441	1,996
Deferred tax liabilities	203	1,519
Net financial debt	389,226	523,846

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

Notes to the income statement for the first half of 2016

Following the decision by Fagron's board of directors in April 2016 to close Bellevue Pharmacy, the profit and loss of Bellevue Pharmacy has been included as discontinued operations. All notes relating to the turnover and profit refer to Fagron's continued operations.

Income statement

The **consolidated turnover** from continued operations in the first half of 2016 amounted to € 210.2 million, a decrease of 3.1% (+2.2% at constant exchange rates) compared to the first half of 2015. Organic turnover growth was -7.1% (-1.9% at constant exchange rates). The turnover development per segment is set out in more detail in the section 'Key figures per segment'.

(x € 1,000)	S1 2016	S1 2015	Total growth	Total growth CER	Org. growth	Org. growth CER
Fagron	205,678	211,497	-2.8%	+2.6%	-6.8%	-1.6%
HL Technology	4,559	5,500	-17.1%	-14.0%	-17.1%	-14.0%
Fagron Group (continued operations)	210,237	216,997	-3.1%	+2.2%	-7.1%	-1.9%

CER = Constant Exchange Rates

The **gross margin** declined by 2.4% to € 133.5 million. The gross margin as a percentage of turnover increased by 50 base points to 63.5%.

The **operating costs** increased by 11.5% to € 87.9 million. This increase was primarily due to the April 2015 acquisition of AnazaoHealth in the United States, the July 2015 acquisition of ABC Chemicals in Belgium and start-up costs related to the new FDA Section 503B-facility in Wichita (United States). The cost reduction programme carried out in the second half of 2015 resulted in a decrease in the number of FTEs at Bellevue Pharmacy in the United States. Bellevue Pharmacy is included as a discontinued operation in the results for the first half of 2016 and 2015.

EBITDA before non-recurrent result decreased by 21.4% to € 45.6 million. This represents 21.7% of the turnover.

The **non-recurrent result** amounted to -€ 1.7 million, a decrease of 33.5% compared to the -€ 2.5 million in the first half of 2015. The non-recurrent result consists of: restructuring costs (-€ 0.8 million), provision for a tax assessment in Brazil (-€ 0.8 million), one-off correction of stock Switzerland (-€ 0.7 million), provision for onerous contract in the United States (-€ 0.4 million), release of a provision and an earn-out payment received in relation to the sale of the dental companies in 2013/2014 (+€ 1.2 million), correction to warrant plans (+€ 1.1 million) and other non-recurring items (-€ 1.3 million).

EBITDA decreased by 20.8% in the first half of 2016, to € 43.9 million. The operational margin (EBITDA as a percentage of turnover) decreased from 25.5% in the first half of 2015 to 20.9% in the first half of 2016.

Depreciation and amortisation amounted to € 10.0 million, compared to € 7.9 million in the first half of 2015. The increase of € 2.1 million was mainly due to the accelerated depreciation of assets at Freedom Pharmaceuticals and Fagron Academy in the United States (€ 1.5 million).



EBIT amounted to € 33.9 million, a decrease of 28.7% compared to the first half of 2015.

Excluding the revaluation of the financial derivatives, the financial result amounted to -€ 11.7 million, a decrease of 21.0% compared to -€ 14.8 million in the first half of 2015. The *financial costs* increased by € 7.2 million, from € 15.1 million in the first half of 2015 to € 22.3 million in the first half of 2016. This increase was mainly due to higher interest charges resulting from the combination of higher average net debt and a higher interest rate (+€ 3.2 million) and costs related to the refinancing (+€ 4.5 million). The positive foreign exchange differences amounted to € 1.2 million. The *financial income*, excluding the revaluation of the financial derivatives, increased by € 10.3 million, from € 0.4 million in the first half of 2015 to € 10.6 million in the first half of 2016. This increase was primarily due to a change in estimated cash flows of the financial debts in the first half of 2016 compared to the end of 2015. Due to the received Long Term Waivers on 5 May 2016, a long term solution is in place and this resulted in a change of € 10 million of the financial debt. As a result of the strong decrease of the net financial debt, the financial costs in the second half of 2016 will be substantially lower than in the first half of 2016.

The **revaluation of the financial derivatives** amounted to € 1.3 million. These financial derivatives do not qualify for hedge accounting according to IAS 39.

The **effective tax rate** as a percentage of the profit before taxes was 29.4% in the first half of 2016.

In the first half of 2016, the **net profit** amounted to € 16.6 million, a decrease of 26.9% compared to € 22.7 million in the first half of 2015.

Balance sheet

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

The **intangible non-current assets** increased by € 0.4 million to € 411.0 million.

The **tangible non-current assets** decreased by € 2.4 million to € 68.8 million. The write-downs in the United States (mainly at Bellevue Pharmacy) and the depreciations at the Group were greater than the investments in the new warehouse and the related automation in Belgium, the investments in the new FDA Section 503B facility in the United States and the increase in the tangible non-current assets resulting from the strengthening of the Brazilian real with respect to the euro.

The **operational working capital** decreased by 13.4% in the first half of 2016, to € 45.2 million (compared to the first half of 2015). The operational working capital as a percentage of turnover was 10.1%.

The **net financial debt** decreased by € 134.6 million in the first half of 2016, to € 389.2 million. After deduction of the proceeds of the second tranche of the capital increase, received on 7 July, the net financial debt of Fagron decreased to € 301.0 million with a net financial debt/REBITDA ratio of 3.4. The following table summarises the development in the net financial debt.

(x € 1,000)	S1 2016
Net financial debt on 31 December 2015	-523,846
Subsequent payments for acquisitions	-1,453
Refinancing costs	-6,143
Investments	-7,070
Payments related to Bellevue Pharmacy	-10,362
Interest paid	-11,723
Exchange rate differences	+6,144
Release of refinancing provision	+10,016
Operating cash flow	+24,169
Capital increase (1st tranche)	+131,043
Net financial debt on 30 June 2016	-389,226
Capital increase (2nd tranche)	+88,265
Net financial debt after 2nd tranche of capital increase	-300,961

The **net operational capex** amounted to € 7.1 million (3.4% of turnover) in the first half of 2016 and was primarily made up of investments in new compounding facilities in the United States and the Netherlands, improvements to facilities in Brazil and Belgium, automation of logistics processes and software implementations.

Notes to the key figures per segment

Following the decision by Fagron's board of directors in April 2016 to close Bellevue Pharmacy, the profit and loss of Bellevue Pharmacy has been included as discontinued operations. All notes relating to the turnover and profit refer to Fagron's continued operations.

Key figures per segment

Fagron (excl. HL Technology)

(x € 1,000)	S1 2016	S1 2015	Change
Turnover	205,678	211,497	-2.8%
REBITDA ⁶	44,706	56,860	-21.4%
REBITDA margin	21.7%	26.9%	

Fagron's turnover decreased by 2.8% in the first half of 2016 (+2.6% at constant exchange rates), to € 205.7 million. Organic turnover growth was -6.8% (-1.6% at constant exchange rates). In the first half of 2016, REBITDA decreased by 21.4% to € 44.7 million or 21.7% of turnover.

In the first half of 2016, the trend in Fagron's turnover, at constant exchange rates, was positive on all continents on which Fagron operates, except in the United States. As expected, the changed reimbursement system for non-sterile compounding continued to have a negative impact on the turnover and profitability of the sale of pharmaceutical raw materials (Fagron Essentials) and vehicles developed by Fagron (Fagron Trademarks) in the United States in the first half of 2016. Fagron's FSPS activities in the United States realised double-digit organic growth in the first half of the year.

⁶ EBITDA before non-recurring result.



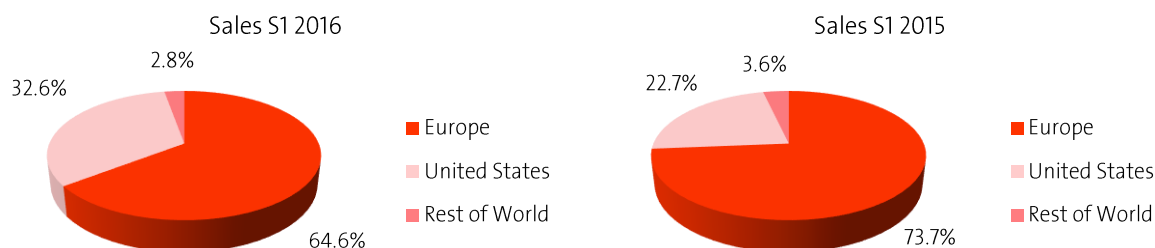
The following table summarises the turnover development and currency effects of Fagron (excluding HL Technology) in the first half of 2016 in comparison to the first half of 2015.

(x € 1,000)	Impact
Turnover from continued operations in first half of 2015	211,497
Development Europe*	+1,378
Development South America	+11,501
Development United States	-16,868
Development Rest of World	+360
Currency effect Brazilian real / euro	-10,187
Currency effect US dollar / euro	-5
Currency effect other	-1,225
Contribution of acquisitions in S1 2016	+9,227
Turnover from continued operations in first half of 2016	205,678

* The sell off of a small compounding pharmacy in Marseille (France) had a negative impact of € 1 million on turnover of the Fagron activities in Europe in the second quarter of 2016.

Fagron Specialty Pharma Services

(x € 1,000)	S1 2016	S1 2015	Change
Turnover	74,192	65,397	13.4%
REBITDA ⁷	15,752	17,960	-12.3%
REBITDA margin	21.2%	27.5%	



In the first half of 2016, the turnover of Fagron Specialty Pharma Services (FSPS) increased by 13.4% (+14.3% at constant exchange rates) to € 74.2 million. Organic turnover growth was 4.0% (+4.8% at constant exchange rates). REBITDA decreased by 12.3% to € 15.8 million or 21.2% of turnover in the first half of 2016.

Fagron's FSPS activities in the United States realised double-digit organic turnover growth in the first half of 2016. However, the turnover development was weaker than expected in the second quarter of 2016. The main cause of this was the loss of some of the FSPS Sales team because of the closure of Bellevue Pharmacy in April 2016. The focus over the past several months has been on recruiting a new Vice President of Sales and sales employees and the training of these employees. The new FSPS Sales team is expected to be fully ready to be deployed from the fourth quarter of 2016. Turnover from the new FDA Section 503B facility in Wichita

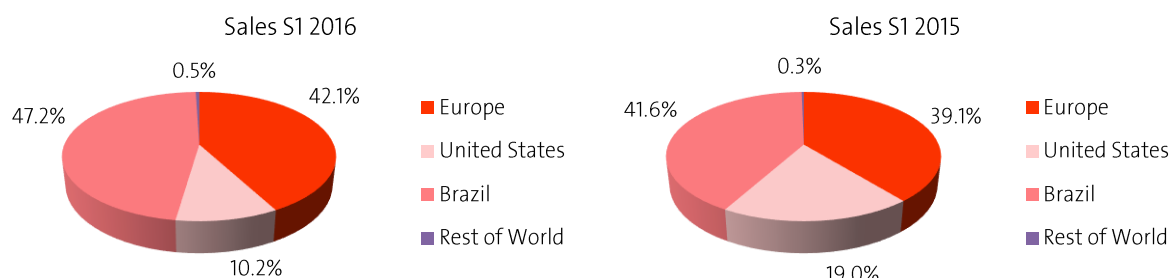
⁷ EBITDA before non-recurring result.

(United States) was still limited in the second quarter of 2016. This was because it takes longer to validate the products for the new facility and longer than expected to secure permits in all 50 US states. Although certain processes are beyond the control of Fagron, management expects that the new outsourcing facility in Wichita will have completed the validation of products and will have received the required licenses in the first quarter of 2017. Management is confident in the strategy focused on the sterile compounding market in the United States.

In the second quarter of 2016, the board of directors decided to sell off a small compounding pharmacy in Marseille (France). This pharmacy realised turnover of € 4 million in 2015. Corrected for the loss of the turnover from this pharmacy, Fagron's FSPS activities in Europe realised modest turnover growth during the first semester of 2016. The construction work on the antibiotics compounding facility in Hoogeveen (the Netherlands) was completed and the first products are currently being validated. The antibiotics compounding facility is expected to be operational in the fourth quarter of 2016.

Fagron Trademarks

(x € 1,000)	S1 2016	S1 2015	Change
Turnover	25,073	25,551	-1.9%
REBITDA ⁸	7,982	9,109	-12.4%
REBITDA margin	31.8%	35.6%	



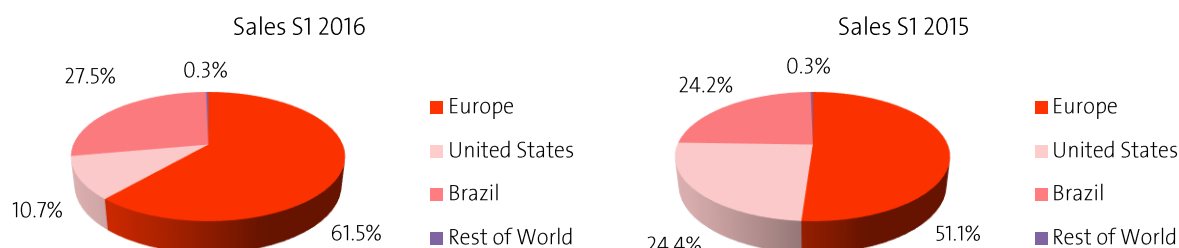
The turnover of Fagron Trademarks decreased by 1.9% in the first half of 2016 (+9.7% at constant exchange rates), to € 25.1 million. In the first half of 2016, REBITDA decreased by 12.4% to € 8.0 million or 31.8% of turnover.

Healthy organic turnover growth was realised in Europe in the first half of 2016. Fagron also continued to see strong organic growth in Brazil, but the weakening of the Brazilian real had a negative impact on the turnover in euros. The changed reimbursement system for non-sterile compounding in the United States resulted in a decrease in the sale of vehicles developed by Fagron at Freedom Pharmaceuticals in the first half of 2016 as well.

⁸ EBITDA before non-recurring result.

Fagron Essentials

(x € 1,000)	S1 2016	S1 2015	Change
Turnover	106,413	120,549	-11.7%
REBITDA ⁹	20,972	29,791	-29.6%
REBITDA margin	19.7%	24.7%	



The turnover of Fagron Essentials decreased by 11.7% in the first half of 2016 (-5.2% at constant exchange rates), to € 106.4 million. Organic turnover growth was -14.1% (-7.7% at constant exchange rates). In the first half of 2016, REBITDA decreased by 29.6% to € 21.0 million or 19.7% of turnover.

The changed reimbursement system for non-sterile compounding in the United States resulted in a decrease in the sale of pharmaceutical raw materials, especially at Freedom Pharmaceuticals, in the first half of 2016 as well. Organic turnover growth was realised in Europe in the first half of 2016. Fagron continued to see strong organic growth in Brazil, but the weakening of the Brazilian real had a negative impact on the turnover in euros.

HL Technology

(x € 1,000)	S1 2016	S1 2015	Change
Turnover	4,559	5,500	-17.1%
REBITDA ¹⁰	865	1,082	-20.1%
REBITDA margin	19.0%	19.7%	

HL Technology, the segment focused on developing and introducing innovative precision components for the dental and medical orthopaedic industry, achieved turnover of € 4.6 million in the first half of 2016, a decrease of 17.1% (-14.0% at constant exchange rates) compared to the first half of 2015. REBITDA declined by 20.1% to € 0.9 million.

The decrease in turnover in the first half of 2016 was mainly due to weak growth in the underlying markets (dental and medical orthopaedic industry) and increasing regulation, which is causing delays in HL Technology's introduction of innovative products.

⁹ EBITDA before non-recurring result.

¹⁰ EBITDA before non-recurring result.

Outlook¹¹

Based on the current operations, Fagron expects turnover of at least € 415 million and REBITDA¹² of between € 85 million and € 95 million in 2016.

Claim received in relation to the acquisition of AnazaoHealth

As stated in the press release of 22 July 2016, a former owner of US-based AnazaoHealth (acquired by Fagron in April 2015) started legal proceedings against Fagron NV, Fagron Holdings USA, LLC and a number of former directors of Fagron before the District Court for the Middle District of Florida on 18 July 2016. The former owner is demanding damage compensation of between US\$ 10 million and US\$ 20 million in relation to the acquisition transaction. Fagron is contesting the claim in full and will respond to this claim in the Florida court. Fagron is confident in a good outcome and will therefore not create a provision.

Response of Fagron to articles in the press

In certain articles in the press it is stated that Fagron would be involved in alleged fraudulent activities of MedHealth Rx and Jacob Jackson in the United States. Fagron strongly denies these allegations. MedHealth Rx is subject of the FBI investigation mentioned in these press articles. The FBI did not mention any allegations towards Fagron. Fagron has never been a shareholder MedHealth Rx and has never been otherwise involved in such companies or practices.

Change of composition of the board of directors

Fagron's board of directors has accepted the voluntary resignation of Ms Nathalie van Woerkom and Mr Luc Vandewalle as non-executive and independent directors. In accordance with article 15 of Fagron's articles of association, the remaining directors decided to co-opt Ms Giulia Van Waeyenberge and Mr Koen Hoffman with immediate effect as new non-executive and independent directors of Fagron. The definitive appointment of Ms Van Waeyenberge and Mr Hoffman will be put to the next annual shareholders meeting of Fagron.

Robert Peek, chairman of the board of directors: *"We are particularly grateful to Nathalie van Woerkom and Luc Vandewalle for their valuable contribution to the board of directors. Nathalie and Luc showed a great deal of expertise, dedication and commitment, especially in the turbulent and intensive period behind us. I regret their departure, but understand their decision now that Fagron is facing somewhat smoother sailing ahead."*

Giulia Van Waeyenberge (1982)

Giulia Van Waeyenberge obtained a Master in Electrical Engineering at the Catholic University of Leuven in 2005 and a Master in Applied Economics at the Singapore Management University in 2006. Ms Van Waeyenberge joined the family investment holding company De Eik in 2014. Prior to joining De Eik, she was Investment Manager at Sofina NV. Before that she worked at Bank of America Merrill Lynch both in London and in Singapore as a Vice President. She started her career in investment banking at ABN AMRO Singapore. Ms Van Waeyenberge has been member of several boards of directors among Voka, Flanders' Chamber of Commerce and Industry, the employers' organization in Flanders and is member of the board of directors of the Port of Antwerp.

¹¹ Based on estimated exchange rates (euro/US dollar 1.10 and euro/Brazilian real 3.83).

¹² EBITDA before non-recurring result.



Koen Hoffman (1968)

Koen Hoffman obtained a Master in Applied Economics at the University of Ghent in 1990 and a Master in Business Administration at Vlerick Business School in Ghent in 1991. Mr Hoffman was appointed Chief Executive Officer of Value Square in August 2016. Prior to joining Value Square, he was Chief Executive Officer of KBC Securities, member of the supervisory board of Patria Securities and member of the board of directors of Omnia Travel Belgium. He started his career at the corporate finance department of KBC Bank in 1992.

Conference call

Hans Stols (CEO) and Karin de Jong (CFO) will provide further details on the results for the first half of 2016 today in a conference call. The conference call begins at 9:30 CET. From 5 to 10 minutes in advance, you will be able to call in using the numbers and confirmation code below:

The Netherlands: +31 (0)20 721 9251

Belgium/Europe: +32 (0)2 404 0659

United States: +1 719 457 1036

United Kingdom: +44 (0)203 043 2002

Confirmation code: 4680861

The presentation that will be used during the conference call will be available at <http://investors.fagron.com> from 9:00 CET.

From Monday, 8 August 2016, the conference call can be listened to on Fagron's corporate website (<http://investors.fagron.com>).

Financial calendar 2016

The trading update on the third quarter of 2016 will be published at 7:00 CET on 12 October.

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

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Fagron profile

Fagron is a leading global company active in pharmaceutical compounding and focused on delivering tailored pharmaceutical care to hospitals, pharmacies, clinics and patients in 32 countries around the world.

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



Forward-looking statements - important reservations

Certain statements in this press release could be considered to be forward looking. Such forward-looking statements are based on current expectations and are influenced by various risks and uncertainties. Fagron consequently cannot provide any guarantees that such forward-looking statements will in fact materialise and cannot accept any obligation to update or revise any forward-looking statement as a result of new information, future events or for any other reason.

