

Higher turnover and profit for Fagron

Significant decrease of net debt/REBITDA-ratio

Highlights:

Financial

- Turnover increases 5.5% to € 221.7 million
- REBITDA¹ increases 5.6% to € 48.1 million or 21.7% of turnover
- EBIT increases 13.5% to € 38.4 million or 17.3% of turnover
- Net profit increases 27.0% to € 21.1 million
- Strong operating cash flow of € 49.5 million
- Net financial debt/REBITDA ratio decreases from 3.18 to 2.66

Strategic - operational

- Sterile compounding facility in Wichita (US) licensed in 46 states (incl. New York, Florida and Texas)
- Opening of new sterile compounding facility in Hoogeveen (the Netherlands)
- Sale of non-sterile compounding facility in Paris (France)
- Acquisition of Kemig, market leader in the sale of pharmaceutical raw materials in Croatia, after the close of H1 2017

Hans Stols, CEO of Fagron: "Fagron can look back on a strong first half of 2017. Our core businesses in Europe, South America and North America achieved good growth in both turnover and profit. The sterile compounding operations in the United States achieved turnover growth of more than 22%, a clear acceleration compared to previous half-years. The costs of the company were well controlled resulting in a profitability that increased faster than turnover.

We also made important operational progress in the past six months. We launched many innovative products and concepts on the market to meet the growing demand for individualised patient care. In South America and in Europe, this included the introduction of TrichoConcept® (a patented total solution for alopecia), Pigmerise® MD (a treatment for vitiligo) and FagronLab® (advanced equipment for pharmaceutical compounding), while in the United States we brought our Lets Gel Kit® (an anaesthetic gel) to the market. We are also pleased with the opening of a new compounding facility in Hoogeveen (the Netherlands) during the first half of 2017. This new facility is an important element of the strategy of strengthening our position in hospitals. In addition, we completed the acquisition of Kemig, a leading supplier of pharmaceutical raw materials and packaging materials to pharmacies and wholesalers in Croatia and Bosnia and Herzegovina, early August 2017.

¹ EBITDA before non-recurrent result.

After refinancing the company last year, we focused on further decreasing our leverage in the first half, as a result of which we are operating comfortably within the covenants for our loans, and have created a solid financial position. We subsequently repaid our bond loan of € 225 million just after the close of the first half-year.”

Income statement (x € 1,000)	H1 2017	H1 2016	Δ
Net turnover	221,725	210,237	+5.5%
Gross margin	138,602	133,488	+3.8%
As % of net turnover	62.5%	63.5%	
Operating costs	90,491	87,917	+2.9%
As % of net turnover	40.8%	41.8%	
EBITDA before non-recurrent result	48,111	45,571	+5.6%
As % of net turnover	21.7%	21.7%	
Non-recurrent result	-927	-1,674	-44.6%
EBITDA	47,183	43,897	+7.5%
As % of net turnover	21.3%	20.9%	
Depreciation and amortisation	8,748	10,036	-12.8%
EBIT	38,435	33,861	+13.5%
As % of net turnover	17.3%	16.1%	
Financial result, excluding revaluation of financial derivatives	-13,298	-11,677	-13.9%
Revaluation of financial derivatives	713	1,296	-45.0%
Profit before taxes	25,850	23,480	+10.1%
Taxes	-4,796	-6,899	-30.5%
Net profit from continued operations	21,054	16,582	+27.0%
Result from discontinued operations	-	-536	-100%
Recurring net profit ²	20,879	13,496	+54.7%
Net profit per share (€)	0.29	0.44	-34.1%
Recurring net profit per share (€)	0.29	0.37	-21.6%
Average number of shares	71,740,277	36,937,855	+94.2%

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

Balance sheet (x € 1,000)	30-06-2017	31-12-2016
Intangible fixed assets	349,854	371,006
Property, plant and equipment	69,626	72,879
Deferred tax assets	10,765	9,698
Financial assets	2,074	2,123
Operational working capital	30,895	39,770
Other working capital	-33,283	-29,972
Equity	164,712	152,875
Provisions and pension obligations	19,864	18,456
Financial instruments	26	8,530
Deferred tax liabilities	161	236
Net financial debt	245,168	285,408

Notes to the consolidated interim financial statement

Income Statement

The **consolidated turnover** amounts to € 221.7 million, an increase of 5.5% (0.7% at constant exchange rates) compared to the first half of 2016. Organic growth amounts to 6.0% (1.2% 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)	H1 2017	H1 2016	Total growth	Total growth CER	Org. growth	Org. growth CER
Fagron	218,265	205,678	6.1%	1.3%	6.6%	1.8%
HL Technology	3,461	4,559	-24.1%	-25.4%	-24.1%	-25.4%
Fagron Group	221,725	210,237	5.5%	0.7%	6.0%	1.2%

CER = Constant Exchange Rates

The **gross margin** increases by € 5.1 million or 3.8% to € 138.6 million. As a percentage of turnover, the gross margin declines by 100 base points to 62.5% compared to the same period in the previous year, but increased by 30 base points compared to the second half of 2016.

Operating costs as a percentage of turnover decrease by 100 base points to 40.8%.

The **EBITDA before non-recurrent result** increases by € 2.5 million or 5.6% to € 48.1 million. With the exception of HL Technology, the operations of Fagron in North America, South America and Europe contributed to the increase in the EBITDA before the non-recurrent result.

The **non-recurrent result** amounts to -€ 0.9 million, a change of 44.6% compared to -€ 1.7 million in the first half of 2016.



The **EBITDA** increases by € 3.3 million or 7.5% to 47.2 million. The EBITDA as a percentage of turnover increases by 40 base points to 21.3%.

Depreciation and amortisation amounts to € 8.7 million, compared to € 10.0 million in the first half of 2016. The decline was mainly due to the accelerated depreciation of assets in 2016 at Freedom Pharmaceuticals and Fagron Academy in the United States and HL Technology in Switzerland.

The **EBIT** amounts to € 38.4 million, an increase of 13.5% compared to € 33.9 million in the first half of 2016. The EBIT as a percentage of turnover increases by 120 base points to 17.3%.

Excluding the revaluation of the financial derivatives, the financial result amounts to -€ 13.3 million, a decrease of 13.9% compared to the first half of 2016.

- The *financial costs* decline by € 7.6 million or 34.1% to € 14.7 million in the first half of 2017. The decline was mainly due to lower interest expenses as a result of a lower average net debt and a lower interest rate (-€ 2.9 million). In addition, the costs associated with the refinancing in the first half of 2016 did not recur in the first half of 2017 (-€ 4.5 million).
- *Financial income* decreases by € 9.2 million or 86.8% to € 1.4 million. This decline was mainly due to the non-recurring recognition of an income item of € 10 million in the first half of 2016 as a result of the waivers which led to a change in expected cash flows.

The **revaluation of the financial derivatives** amounts to € 0.7 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 is 18.6% in the first half of 2017, compared to 29.4% in the first half of 2016.

In the first half of 2017, the **net profit** from continued operations amounts to € 21.1 million, an increase of 27.0% compared to € 16.6 million in the first half of 2016.

Balance Sheet

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

The **intangible non-current assets** decrease by € 21.2 million in the first half of 2017. The decline in the intangible non-current assets was mainly due to the appreciation of the Brazilian real and the US dollar against the euro, and the sale of the compounding facility in Paris (France).

Property, plant and equipment decrease by € 3.3 million in the first half of 2017. This decrease was mainly due to the appreciation of the Brazilian real and the US dollar against the euro.

Operational working capital decreases by 22.3% or € 8.9 million to € 30.9 million in the first half of 2017. The operational working capital as a percentage of turnover was 7.1%.

The **net financial debt** decreases by € 40.2 million to € 245.2 million in the first half of 2017. On 30 June 2017, the net financial debt/REBITDA ratio is 2.66, which is comfortably below the level of 3.25 set in the Revolving



Credit Facility and the Note Purchase Agreement. The following table summarises the development in the net financial debt in the first half of 2017.

(x € 1,000)	
Net financial debt at 31 December 2016	-285,408
Operating cash flow	49,501
Investment activities	-103
Net interest paid	-12,669
Exchange rate differences	3,511
Net financial debt at 30 June 2017	-245,168

The **net operational capex** amounts to € 5.1 million (2.3% of turnover) in the first half of 2017. Capex consisted primarily of investments in new compounding facilities in the United States, the Netherlands and South Africa, improvements to facilities in Brazil, automation of logistics processes, and software implementations. The compounding facilities stated have been operational since March 2017 (Wichita, US) and June 2017 (Hoogeveen, the Netherlands and Johannesburg, South Africa).

Key figures per segment

Fagron (excluding HL Technology)

(x € 1,000)	H1 2017	H1 2016	Change
Turnover	218,265	205,678	6.1%
REBITDA ³	48,230	44,706	7.9%
REBITDA margin	22.1%	21.7%	

Fagron's turnover increases 6.1% in the first half of 2017 (1.3% at constant exchange rates) to € 218.3 million. The organic turnover growth is 6.6% (1.8% at constant exchange rates). REBITDA increases 7.9% to € 48.2 million. As a percentage of turnover, REBITDA increases by 40 base points to 22.1%.

The following table summarises the turnover development and currency effects for Fagron (excluding HL Technology) in the first half of 2017.

³ EBITDA before non-recurrent result.



(x € 1,000)	Impact
Turnover from continued operations in H1 2016	205,678
Development Europe ⁴	+3,050
Development South America	-924
Development North America	+600
Currency effect BRL/EUR	+8,098
Currency effect USD/EUR	+1,182
Currency effect other	+580
Turnover from continued operations in H1 2017	218,265

Fagron Europe⁵

(x € 1,000)	H1 2017	H1 2016	Change
Turnover	128,886	125,346	2.8%
REBITDA ⁶	32,724	30,920	5.8%
REBITDA margin	25.4%	24.7%	

Turnover for the segment Europe increases by 2.8% in the first half of 2017 (2.4% at constant exchange rates) to € 128.9 million. The organic turnover growth is 3.7% (3.3% at constant exchange rates). REBITDA increases 5.8% to € 32.7 million. As a percentage of turnover, REBITDA increases by 70 base points to 25.4%.

On 29 June 2017, Fagron opened a new compounding facility in Hoogeveen (the Netherlands). This facility specialises in the production of prefilled (sterile) glass syringes with a long shelf life for the hospital market. The syringes have unique features, including colour coding, Tall Man lettering and 2D coding for dispensing registration, which contribute to optimal medication safety. This new facility is an important element in Fagron's strategy of strengthening its position in hospitals.

Fagron completed the sale of a compounding facility in Paris (France) in June 2017. The Board of Directors decided to divest because the compounding facility in France was barely profitable and had limited growth potential. The compounding facility realised turnover of € 9.7 million in 2016. The operations and results of the compounding facility in Paris were deconsolidated on 1 July 2017.

Fagron completed the acquisition of Kemig at the beginning of August 2017. Kemig is a leading supplier of pharmaceutical raw materials and packaging materials to pharmacies and wholesalers in Croatia and Bosnia and Herzegovina. Located in Zagreb (Croatia), Kemig realised turnover of approximately € 4 million in 2016, with an EBITDA margin that is below the average of Fagron Europe. Kemig is consolidated with effect from 1 July 2017.

⁴ This excludes the negative effect of € 1 million due to the sale of a small compounding facility in Marseille (France) in 2016.

⁵ The Europe segment consists of the operations of Fagron in Europe, South Africa and Australia.

⁶ EBITDA before non-recurrent result.



Fagron South America

(x € 1,000)	H1 2017	H1 2016	Change
Turnover	49,498	42,234	17.2%
REBITDA ⁷	10,054	8,741	15.0%
REBITDA margin	20.3%	20.7%	

The turnover of the segment South America increases by 17.2% in the first half of 2017 (-2.2% at constant exchange rates) to € 49.5 million. REBITDA increases 15.0% to € 10.1 million. REBITDA as a percentage of turnover decreases by 40 base points to 20.3%.

The majority of Fagron Brazil's purchases are in US dollars, which led to lower purchase prices as a result of the current appreciation of the Brazilian real against the US dollar (+14.2% over the period). This positive currency effect was fully passed on to customers, as usual. Fagron Brazil was able to further strengthen its market leadership in the first half of 2017 by achieving significant volume growth.

Fagron North America

(x € 1,000)	H1 2017	H1 2016	Change
Turnover	39,880	38,098	4.7%
REBITDA ⁸	5,452	5,045	8.1%
REBITDA margin	13.7%	13.2%	

The turnover of the segment North America increases by 4.7% in the first half of 2017 (1.6% at constant exchange rates) to € 39.9 million. REBITDA increases 8.1% to € 5.5 million. REBITDA as a percentage of turnover increases 50 base points to 13.7% compared to the first half of 2016.

Fagron's sterile compounding activities in the United States achieve turnover growth of 22.7% in the first half of 2017 (19.1% at constant exchange rates). The 503B compounding facility in Wichita, in operation since March 2017, is performing in line with expectations of the company. This facility has currently obtained licences from 46 states, including the important states of New York, Florida and Texas.

The sale of pharmaceutical raw materials and compounding concepts declines by 26.7% in the first half of 2017 (-28.8% at constant exchange rates) compared to the first half of 2016. However the second quarter of 2017 is the second consecutive quarter in which we are seeing an improvement.

HL Technology

(x € 1,000)	H1 2017	H1 2016	Change
Turnover	3,461	4,559	-24.1%
REBITDA ⁹	-119	865	-113.8%
REBITDA margin	-3.4%	19.0%	

⁷ EBITDA before non-recurrent result.

⁸ EBITDA before non-recurrent result.

⁹ EBITDA before non-recurrent result.



The turnover of HL Technology decreases by 24.1% in the first half of 2017 (-25.4% at constant exchange rates) to € 3.5 million. REBITDA decreases by € 1.0 million to -€ 0.1 million.

Fagron reviewed the strategic options for HL Technology in the past period. Further announcements will be made in due course.

Conference call

Hans Stols (CEO) and Karin de Jong (CFO) will provide further details on the results for the first half of 2017 today in a conference call. The conference call begins at 09:30 CET. From 5 to 10 minutes in advance, you will be able to call in using the numbers and confirmation code below:

Netherlands: +31 (0)20 721 9251

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

United States: +1 719 457 2086

United Kingdom: +44 (0)330 336 9105

Confirmation code: 8507613

The presentation will be available from 09:00 CET at <http://investors.fagron.com>.

The conference call will be available to listen to or download from Fagron's corporate website as of 7 August (<http://investors.fagron.com/>).

Financial calendar 2017

12 October Trading update, third quarter 2017

The results and trading updates will be published at 07:00 CET.

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

For more information

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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 34 countries around the world.

The Belgian company Fagron NV is located in Nazareth 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 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.

