

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.



Interim financial statements

First semester of 2017

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The undersigned hereby declare that, to the best of their knowledge, the condensed consolidated financial statements for the six-month period ended 30 June 2017, which have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the company and the undertakings included in the consolidation as a whole, and that the interim management report includes a fair review of the important events that have occurred during the first semester of the financial year and of other legal necessary information.

Hans Stols, CEO
Karin de Jong, CFO

1. Interim management report

A detailed report on the turnover of the first semester of 2017 can be found in the Fagron press release of 4 August 2017.

2. Condensed consolidated income statement

(x 1,000 euros)	Note	June 2017	June 2016
Operating income		223,886	211,731
Turnover		221,725	210,237
Other operating income		2,161	1,495
Operating expenses		185,451	177,871
Trade goods		83,336	77,446
Services and other goods		41,092	40,757
Employee benefit expenses		51,864	47,428
Depreciation and amortization		8,748	10,036
Other operating expenses		411	2,204
Operating profit		38,435	33,861
Financial income	8	2,117	11,943
Financial expenses	8	-14,702	-22,324
Profit before income tax		25,850	23,480
Taxes	21	-4,796	-6,899
Profit for the period from continuing operations		21,054	16,582
Profit (loss) for the period from discontinued operations (attributable to equity owners of the company)	19		-536
Profit for the period		21,054	16,046
Profit attributable to:			
Equity holders of the company (net result)		20,704	15,672
Non-controlling interest		351	374
Earnings (loss) per share attributable to owners of the parent during the period			
Profit (loss) for the period per share (in euros)	9	0.29	0.42
From continuing operations	9	0.29	0.44
From discontinued operations	9		-0.02
Diluted profit (loss) for the period per share (in euros)	9	0.29	0.42
From continuing operations	9	0.29	0.44
From discontinued operations	9		-0.02

3. Condensed consolidated statement of comprehensive income

(x 1,000 euros)	June 2017	June 2016
Profit for the period	21,054	16,046
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	-9,625	20,579
Other comprehensive income from the period	-9,625	20,579
Total comprehensive income for the period	11,429	36,625
Attributable to:		
Equity holders of the company	11,152	36,285
Non-controlling interest	277	340
Total comprehensive income for the period attributable to equity holders of the company:	11,152	36,285
From continuing operations	11,152	36,821
From discontinued operations		-536

The negative unrealized exchange rate differences of 9.6 million euros in 2017 are mainly due to the weakening of the Brazilian real against the euro at 31 December 2016.

4. Condensed consolidated statement of financial position

(x 1,000 euros)	Note	June 2017	December 2016
Non-current assets		432,318	455,707
Intangible assets		349,854	371,006
Property, plant and equipment		69,626	72,879
Financial assets		2,074	2,123
Deferred tax assets		10,765	9,698
Current assets		400,265	412,346
Inventories		61,785	60,054
Trade receivables		32,554	32,879
Other receivables	12	12,406	23,829
Restricted cash	13	155,440	220,622
Cash and cash equivalents		138,080	74,962
Total assets		832,584	868,053
Equity		164,712	152,875
Shareholders' equity (parent)		161,352	149,792
Non-controlling interests		3,360	3,083
Non-current liabilities		333,397	309,125
Provisions	15	14,106	12,776
Pension obligations		5,758	5,680
Deferred tax liabilities		161	236
Borrowings	14	313,372	290,433
Current liabilities		334,475	406,053
Borrowings	14	225,316	290,559
Trade payables		63,444	53,163
Taxes, remuneration and social security	16	27,247	34,977
Other current payables		18,442	18,825
Financial instruments	14	26	8,530
Total liabilities		667,872	715,178
Total equity and liabilities		832,584	868,053

5. Condensed consolidated statement of changes in equity

(x 1,000 euros)	Share capital & share premium	Other reserves	Treasury shares	Retained earnings	Total	Non-control-ling interest	Total equity
Balance at 1 January 2016	345,760	-239,909	-18,823	-154,501	-67,473	2,700	-64,772
Profit for the period				15,672	15,672	374	16,046
Other comprehensive income for the period		20,613			20,613	-34	20,579
Total comprehensive income for the period	0	20,613	0	15,672	36,285	340	36,625
Capital increase	131,043				131,043		131,043
Share-based payments		-541			-541		-541
Balance at 30 June 2016	476,803	-219,837	-18,823	-138,829	99,315	3,040	102,355
Profit for the period				-36,234	-36,234	31	-36,203
Other comprehensive income for the period		1,037			1,037	12	1,049
Total comprehensive income for the period	0	1,037	0	-36,234	-35,197	43	-35,154
Capital increase	85,049				85,049		85,049
Share-based payments		626			626		626
Balance at 1 January 2017	561,852	-218,174	-18,823	-175,063	149,792	3,083	152,875
Profit for the period				20,704	20,704	351	21,054
Other comprehensive income for the period		-9,552			-9,552	-73	-9,625
Total comprehensive income for the period	0	-9,552	0	20,704	11,152	277	11,429
Capital increase					0		0
Share-based payments		408			408		408
Balance at 30 June 2017	561,852	-227,318	-18,823	-154,359	161,352	3,360	164,712

6. Condensed consolidated statement of cash flows

(x 1,000 euros)	June 2017	June 2016
Operating activities		
Profit before income taxes from continuing operations	25,850	23,480
Profit before income taxes from discontinued operations		-3,303
Paid taxes	7,537	-7,863
Adjustments for financial items	12,585	10,382
Total adjustments for non-cash items	8,415	4,208
Total changes in working capital	-4,886	-11,084
Total cash flow from operating activities	49,501	15,821
Investment activities		
Capital expenditures	-5,066	-7,048
Proceeds from sold shareholdings	6,400	
Investments in existing shareholdings (subsequent payments) and in new holdings	-1,437	-5,278
Total cash flow from investing activities	-103	-12,327
Financing activities		
Capital increase		131,043
New borrowings	29,021	24
Reimbursement of borrowings	-64,905	-1,392
Interest received	2,117	446
Interest paid	-14,787	-16,523
Total cash flow from financing activities	-48,553	113,598
Total net cash flow for the period	845	117,092
Cash and cash equivalents – start of the period (including restricted cash)	295,585	75,474
Gains or losses on exchange on liquid assets	-2,910	1,051
Cash and cash equivalents – end of the period (including restricted cash)	293,520	193,617
Change in cash and cash equivalents (including restricted cash)	845	117,092
Cash flows from discontinued operations		
Cash flow from operating activities		-6,556
Cash flow from investing activities		-3,806
Cash flow from financing activities		
Total net cash flow from discontinued operations		-10,362

7. Notes to the interim financial information

1. General information

Fagron is the leading global pharmaceutical compounding company, bringing customized pharmaceutical care to hospitals, pharmacies, clinics and patients in 34 countries worldwide.

The Belgian company Fagron NV is located at Venecoweg 20A, 9810 Nazareth, 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 3 August 2017.

In the event of differences between the English translation and the Dutch original of the interim financial statements, the latter prevails.

2. Summary of the most important basis for the condensed consolidated interim financial information

This condensed consolidated interim financial information for the first semester of 2017, including the comparative figures for 2016, has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information must be read in conjunction with the annual financial statements for the year 2016 (including the principles for financial reporting) which is available at www.fagron.com.

3. Summary of the most important accounting policies

The accounting policies used to prepare the consolidated interim financial statements for the first semester of 2017 are consistent with those applied in the Fagron consolidated financial statements for the year ended 31 December 2016.

The accounting policies were consistently applied for all periods presented.

A summary of the most important accounting policies can be found in the 2016 annual report. The annual report can be consulted through the following web link: www.fagron.com.

This condensed consolidated interim financial information has been prepared in accordance with IFRS standards and IFRIC interpretations that apply, or which are applied early, as of 30 June 2017 and which have been endorsed by the European Union.

In the first semester of 2017 Fagron has largely conducted a detailed analysis of the impact of IFRS 15 'Revenue from contract with customers'. Following this analysis Fagron has concluded that given its core activity,

primarily the sale of goods, the current accounting policies are in line with the new standard except for the presentation of a specific (variable) compensation in a very limited number of contracts. IFRS 15 requires that the estimated variable compensation on the transaction price is charged when recognizing the revenue and on the revenue account. There is only a negative effect on the presentation hereof which is estimated to be less than one percent of the turnover and has no impact on the operating profit.

4. Seasonality

Revenue and operating result of the Group are limitedly impacted by seasonal influences.

8. Net finance costs

(x 1,000 euros)	June 2017	June 2016
Financial income	2,117	11,943
Financial expenses	14,702	22,324
Net finance costs	12,585	10,381

The financial income has decreased due to a change in estimated cash flows of the financial debts in 2016. This is not the case in the first semester of 2017.

The decrease of the financial income was partially compensated by lower interest expenses due to a combination of a lower average net debt and a decreased interest rate (-2.9 million euros) and no costs related to the refinancing (-4.5 million euros).

The revaluation of the financial derivatives constitutes of a result of 0.7 million euros in the first semester of 2017 and 1.3 million euros in the first semester of 2016.

9. Earnings per share

(x 1 euro)	June 2017	June 2016
Basic earnings (loss) per share	0.29	0.42
- from continuing operations	0.29	0.44
- from discontinued operations		-0.02
Diluted earnings (loss) per share	0.29	0.42
- from continuing operations	0.29	0.44
- from discontinued operations		-0.02

The earnings used in the calculations are as follows:

(x 1,000 euros)	June 2017	June 2016
Profit (loss) attributable to equity holders of the company	20,704	15,672
- from continuing operations	20,704	16,208
- from discontinued operations		-536

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

(number of shares x 1,000)	June 2017	June 2016
Weighted average number of ordinary shares	71,740	36,938
Effect of warrants and stock options	296	
Weighted average number of ordinary shares (diluted)	72,036	36,938

On 30 June 2017 the capital represented 71,843,904 shares, of which 103,627 are treasury shares held by Fagron NV.

10. Non-recurring result

A non-recurring item is an event or transaction that is considered abnormal, not related to ordinary company activities, and unlikely to recur in the foreseeable future. This can be a gain or a loss. The total non-recurring result included in EBITDA amounts to -0.9 million euros (June 2016: -1.7 million euros). The 2017 non-recurring costs include primarily restructuring costs, legal costs and the destruction of inventory related to Freedom Pharmaceuticals. The 2016 non-recurring costs include primarily costs for a provision relating to a tax assessment in Brazil and a one-off correction of stock in Switzerland.

11. Segment information

Fagron's divisional structure is tailored to the various activities of Fagron and also supports effective decision-making and individual responsibility. 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 of the operational activities and on which the decisions are based. Fagron reports according to the following segments: Fagron Europe, Fagron North America, Fagron South America and HL Technology.

The segment results for continuing operations for the reporting period ending 30 June 2017 are as follows:

(x 1,000 euros)	Fagron Europe	Fagron North America	Fagron South America	Fagron Total	HL Technology	Total
Total turnover	128,886	39,880	49,498	218,265	3,461	221,725
Turnover between segments	197	81	28	306		306
Turnover	129,083	39,961	49,526	218,570	3,461	222,031
Operating profit	29,961	1,158	8,421	39,539	-1,104	38,435
Financial result						-12,585
Profit before income tax						25,850
Taxes						4,796
Profit for the period						21,054

The segment results for continued operations for the reporting period ending 30 June 2016 are as follows:

(x 1,000 euros)	Fagron Europe	Fagron North America	Fagron South America	Fagron Total	HL Technology	Total ¹
Total turnover	125,346	38,098	42,234	205,678	4,559	210,237
Turnover between segments	137	100	33	270		270
Turnover	125,483	38,198	42,267	205,948	4,559	210,507
Operating profit	27,939	-655	7,030	34,314	-453	33,861
Financial result						-10,381
Profit before income tax						23,480
Taxes						6,899
Profit for the period						16,582

¹ The segment reporting on 30 June 2016 has been revised for the application of IFRS 8.

On 30 June 2017, the assets and liabilities, as well as the capital expenditures (investments) are as follows:

(x 1.000 euros)	Fagron Europe	Fagron North America	Fagron South America	HL Technology	Unallocated /inter segment elimination	Total
Total assets	299,644	126,193	134,537	6,051	266,159	832,584
Total liabilities	54,509	91,204	29,593	1,598	490,968	667,872
Capex	1,520	1,676	993	261		4,449

The gross capital expenditure in the first semester of 2017 mainly relates to investments in the new sterile facilities in the United States, the Netherlands and South Africa, facility improvements in Brazil, automation of logistics processes and software implementations. The Group is currently engaged in various small investment projects. The capex excludes the change in investment payables for 0.8 million euros, mainly related to the investments mentioned above. The unallocated assets includes the restricted cash as well as the unrestricted cash and cash equivalents. The unallocated liabilities include the borrowings.

On 31 December 2016, the assets and liabilities, as well as the capital expenditures (investments) are as follows:

(x 1.000 euros)	Fagron Europe	Fagron North America	Fagron South America	HL Technology	Unallocated /inter segment elimination	Total ²
Total assets	303,807	148,817	157,108	7,105	251,216	868,053
Total liabilities	82,936	258,088	24,634	2,759	346,761	715,178
Capex	7,248	3,708	2,533	118		13,606

The gross capital expenditure in 2016 mainly relates to the construction of new sterile facilities in the United States, The Netherlands and South Africa and the automation of the warehouse in Belgium. The capex excludes the change in investment payables for 1.3 million euros, mainly related to the investments mentioned above. The unallocated assets includes the restricted cash as well as the unrestricted cash and cash equivalents. The unallocated liabilities include the borrowings.

12. Other receivables

The other receivables decreased, primarily as a result of the receipt of income taxes claimed back in the United States.

² The segment reporting on 31 December 2016 has been revised for the application of IFRS 8.

13. Restricted cash

The proceeds from the capital increase, as agreed in the Long Term Waivers, could only be used by Fagron for the repayment of debt on the respective due dates of (i) the 45.0 million US dollars 4.15% Series A Notes due at 15 April 2017, (ii) the 22.5 million euros 3.55% Series B Notes due on 15 April 2017 and (iii) the 225.0 million Eurobonds due on 2 July 2017. Therefore, the amount received through the capital increases has been reclassified from cash and cash equivalents to restricted cash. These debts have been repaid on their due dates.

14. Borrowings

The borrowings decreased in the first semester of 2017 as a result of the repayments of the 45.0 million US dollars 4.15% Serie A Senior Notes and the 22.5 million euros 3.55% Serie B Senior Notes. No new long term borrowings have been made.

The bonds loan of 225.0 million euros is included under current borrowings. This debt has been repaid on 3 July 2017 against a hundred percent of its nominal value. This repayment has been done with restricted and unrestricted cash.

On 5 May 2016 Fagron received Long Term Waivers under the Revolving Credit Facility and the Note Purchase Agreement. 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 each six-months test period, starting with the first test period on 31 December 2016 until the test period ending on 30 June 2018. In each testing period after 30 June 2018, the levels of the financial covenants will return to the levels stipulated in the Revolving Credit Facility and the Note Purchase Agreement. De test periods and accompanying levels are shown below.

Test period	Financial covenants	
	Net financial debt / REBITDA	REBITDA / net interest expenses
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

On 30 June 2017 the net financial debt / REBITDA is equal to 2.66. The REBITDA / net interest expenses is equal to 3.48.

In the first semester of 2017 the financial instruments decreased as a result of the settlement of financial derivatives.

15. Provisions

The increase in provisions in the first semester of 2017 is primarily due to a reclassification of tax provisions (2.9 million euros), partly offset by currency fluctuations (-1.2 million euros) and several minor movements.

The US government is conducting an investigation into the pricing of pharmaceutical products in the period primarily prior to the acquisition of Bellevue Pharmacy and Freedom Pharmaceuticals. The investigation relates to the sector as a whole. In order to limit the uncertainty and further attorneys' fees and (internal) investigation costs, Fagron is considering reaching a settlement with the government. The opening balance sheet of Bellevue Pharmacy included a provision of 10 million US dollars for costs arising from this investigation. The provision is an estimate of attorneys' fees, (internal) investigation costs and the costs of a possible settlement with the government. At semester-end 2016, the provision amounts to 7.3 million euros.

The Group has a number of other small, immaterial provisions mostly relating to product liability claims and employment matters in the ordinary course of business.

16. Taxes, remuneration and social security

The taxes, remuneration and social security decreased in the first semester of 2017, primarily as a result of the reclassification of tax provisions, the sale of the non-sterile compounding facility in Paris and a decrease in the payable wages and social premiums.

17. Related parties

The members of the Executive Committee, the CEO and the non-executive directors are considered as related parties. The remuneration policy is described in the Corporate Governance Statement which is part of the 2016 annual report. The remuneration is determined on a yearly basis, therefore no further details are provided in these interim financial statements.

18. Business combinations

In the first semester of 2017 Fagron did not acquire companies.

Contingent considerations

At the first semester closing the Group had 0.2 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)	
Balance at 1 January 2017	1,867
Used during the period	-1,437
Unused amounts reversed	-180
Currency exchange rate differences	-20
Balance at 30 June 2017	231

The contingent considerations relate to South America. The contingent considerations vary between 0 euros and a maximum of 0.2 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.

19. Discontinued operations

Fagron announced in April 2016 the closing of Bellevue Pharmacy. Bellevue has been classified in 2016 as discontinued operations.

Result for the year from discontinued operations:

(x 1,000 euros)	June 2017	June 2016
Operating income		4,176
Turnover		4,159
Other operating income		17
Expenses		7,479
Profit before income tax		-3,303
Attributable income tax expenses		3,917
Profit (loss) on remeasurement to fair value, settlement costs and costs to sell		-1,149
Profit (loss) for the year from discontinued operations (attributable to Equity holders of the company)		-536

20. Subsequent events

On 3 July 2017 Fagron repaid the 225.0 million euros bond loan.

At the beginning of August 2017 Fagron finalized the acquisition of Kemig. Kemig is a leading supplier of pharmaceutical raw materials and packaging materials to pharmacists and wholesalers in Croatia and Bosnia and Herzegovina. In 2016, the in Zagreb (Croatia) located Kemig has reached a turnover of approximately 4 million euros and an EBITDA-margin which lies below the average of Fagron Europe. Kemig will be consolidated as per 1 July 2017.

21. Effective tax rate

Recognised income tax expenses are based on management's best estimate of the weighted average annual income tax rate of 18.6%, which is expected for the full financial year 2017 (S1 2016: 29.4%).



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To the Board of Directors
Fagron NV

Statutory auditor's report on review of consolidated condensed financial information for the period ended 30 June 2017

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position of Fagron NV and its subsidiaries as of 30 June 2017 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the 6-month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this consolidated condensed financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Antwerp, August 3, 2017

PwC Reviseurs d'Entreprises scrl / Bedrijfsrevisoren bcvba
Represented by

Peter Van den Eynde
Réviseur d'Entreprises

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