

Annual Report

2017



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Chairman's message



Over the past year, Fagron has shown that the company is back in good order, both operationally and in terms of its finances. Solid results have been achieved, to which all major regions have contributed.

In 2017, several changes in the board and management took place, including the appointment of Rafael Padilla as CEO of Fagron in November 2017, as successor of Hans Stols.

We greatly appreciate the role that Mr Stols has played in the development of Fagron. At the end of 2015, he assumed the position of CEO under challenging circumstances. He laid the foundation for further growth, and under his leadership the contours of a solid future for Fagron have become visible.

The Board of Directors is confident that Mr Padilla, together with the experienced leadership team, will be able to further expand the company's leading positions, through both innovation-driven organic growth and strategic acquisitions. In addition to his appointment as CEO, the Board of Directors also decided, at the recommendation of the nomination and remuneration committee, to co-opt Mr Padilla as executive director of Fagron. We will propose the formal appointment of Mr Padilla to the General Meeting of Shareholders of Fagron.

Other important appointments are the appointment of Ivan Marostica as Area General Manager of Fagron South America, Blake Keller has succeeded Rita Hoke as President of Fagron North America and Marcello Bergamini has been appointed Area General Manager of Fagron Europe (excluding the Benelux).

Finally, I would like to thank my predecessor Robert Peek for his valuable contribution to the development of Fagron. Under the leadership of Mr Peek, Fagron became a listed company in 2007 and the

company conducted a successful transition. I look forward to following in his footsteps as Chairman of the Board of Directors and guide Fagron into a new phase.

In 2017, Fagron showed that we can continue to build the company on a strong foundation. A company that is well-positioned and which can meet the increasing needs for personalised pharmaceutical care around the globe. I would like to express my gratitude to all employees who continued to put in their best efforts during the past year.

The strategic focus on the development of innovative products and concepts, an active buy-and-build strategy and responding to market trends are the foundation for the continued growth of Fagron. Together we will continue to build a healthy future.

Koen Hoffman
Chairman of the Board of Directors

CEO's message



2017 was a good year for Fagron, both at an operational and financial level. Turnover grew by 3.6% to 436.9 million euros, with REBITDA increasing by 5.7% to 95.7 million euros. All core activities contributed to this.

After Fagron's financing was back on track in 2016, we repaid the bond loan of 225 million euros in the third quarter of 2017. In 2017, the focus was once again entirely on our international activities and the future of Fagron.

To enhance the focus of the strategy and policy in the markets where we operate, the organisational structure has been adapted and divided into geographical segments, namely Europe (including the Rest of the World), South America, North America and HL Technology. The reporting in this annual report also follows these segments.

As part of our buy-and-build strategy, we have held talks in the past year with parties that can contribute to strengthening our leading positions in the key regions.

These talks have already led to two acquisitions. In August, 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. In early October, we announced the acquisition of the Brazilian company All Chemistry, a renowned supplier of pharmaceutical raw materials for compounding pharmacies.

With our focus on optimisation and innovation of pharmaceutical compounding, Fagron is always vigilant in responding even better to opportunities and possibilities in the increasing demand for personalised pharmaceutical care. In 2017, this led to the launch of several innovative products. In South America and Europe we introduced, among other things, TrichoConcept® (a patented total

solution for alopecia), Pigmerise® MD (a treatment for vitiligo) and FagronLab® (advanced equipment for pharmaceutical compounding). In the United States, we launched the Lets Gel Kit® (an anaesthetic gel). Early 2017, we also opened a new sterile compounding facility in Hoogeveen (the Netherlands).

In 2018, we will continue to focus on the development of innovative products and concepts. For example, the TrichoTest™ (a genetic test) will be introduced in the third quarter of 2018. Based on this advanced TrichoTest™, the diagnosis, prevention and treatment of alopecia can be tailored to the individual characteristics of a patient.

Regulations play an important role in all markets where Fagron is active. Our success is largely determined by in-depth knowledge of these markets and how they develop in the future, on the one hand, and our focus on optimisation and innovation of pharmaceutical compounding on the other.

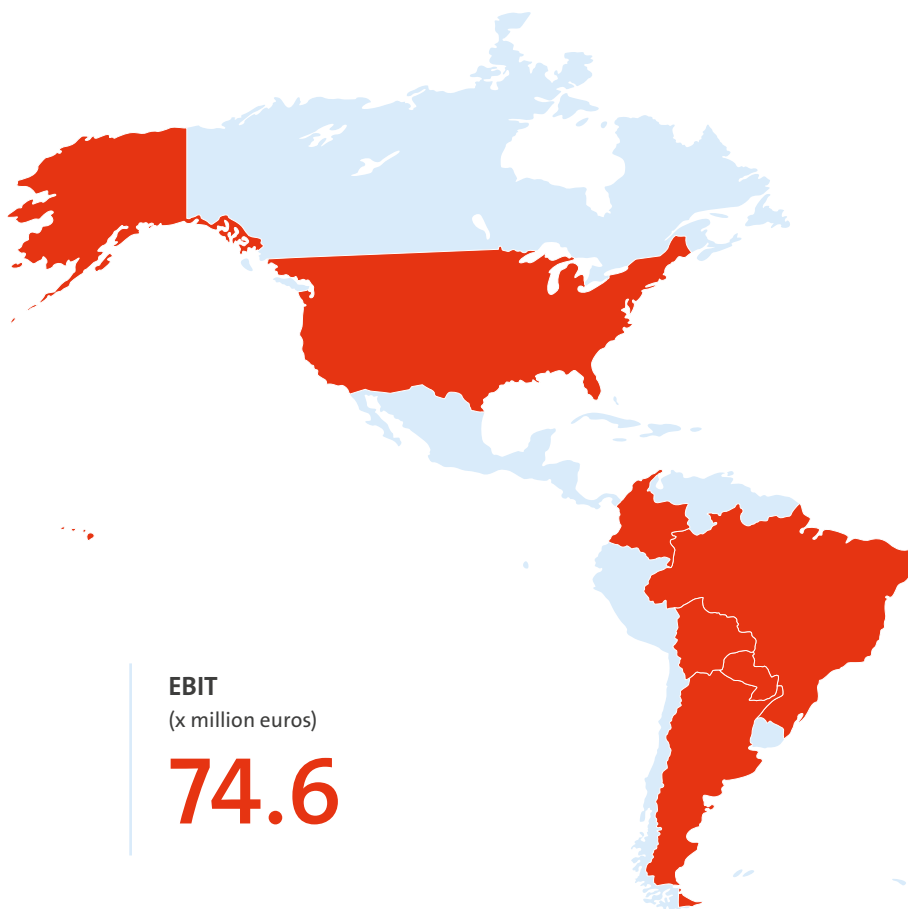
Finally, I would like to express my appreciation for all our employees. It is thanks to their dedication, enthusiasm and expertise that we are well-positioned to continue our business in a sustainable manner and continue to meet the growing need for personalised pharmaceutical care around the globe in the future.

I am confident that, in addition to targeted acquisitions, we will achieve further organic growth of our turnover and profitability in 2018 which results in value creation for all our stakeholders.

Rafael Padilla
CEO

Fagron at a glance

Fagron is a leading player in the growing market of pharmaceutical compounding and active in 34 countries in Europe, North America, South America, the Middle East, Africa, Asia and Oceania. 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
(x million euros)

436.9

REBITDA¹
(x million euros)

95.7

EBIT
(x million euros)

74.6

Net profit
(x million euros)

47.0

Recurrent net profit²
(x million euros)

49.1

Number of employees
(FTEs at year-end)

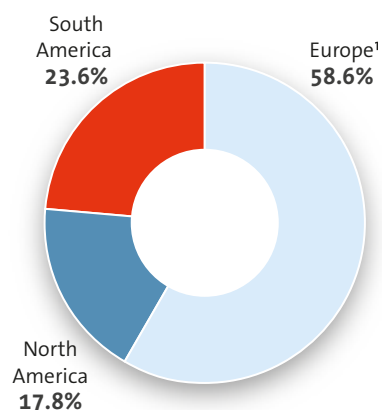
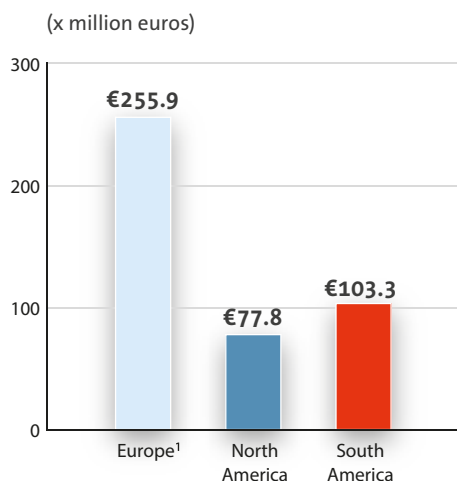
2,054

■ Countries where Fagron is active.

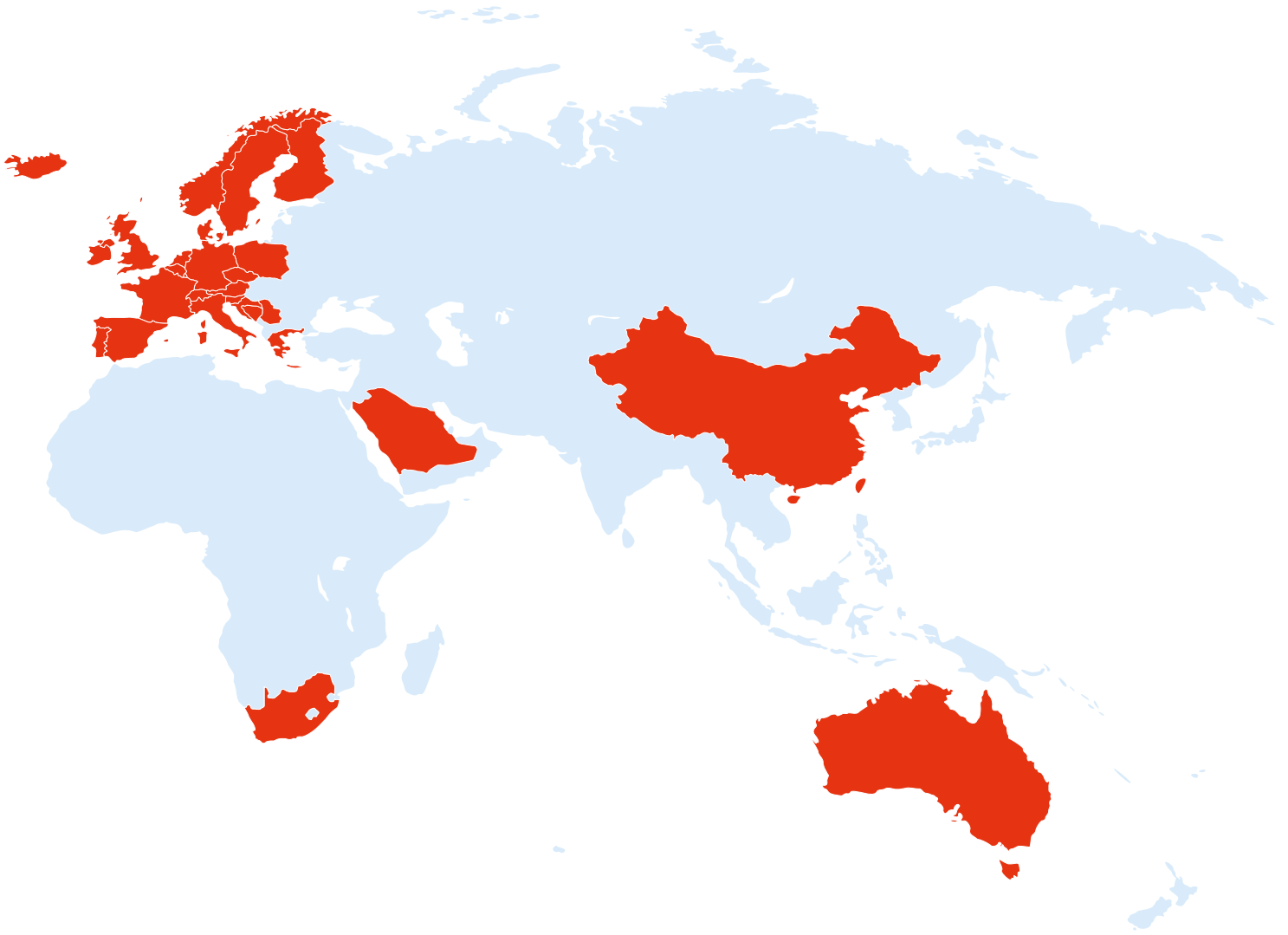
¹ EBITDA before non-recurrent result.

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

Turnover 2017

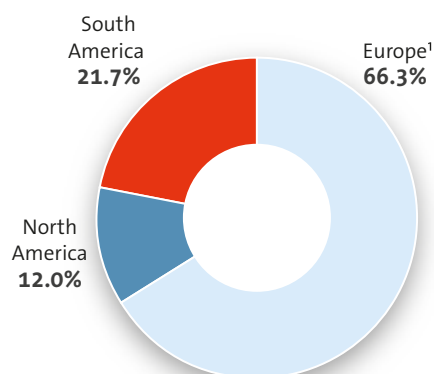
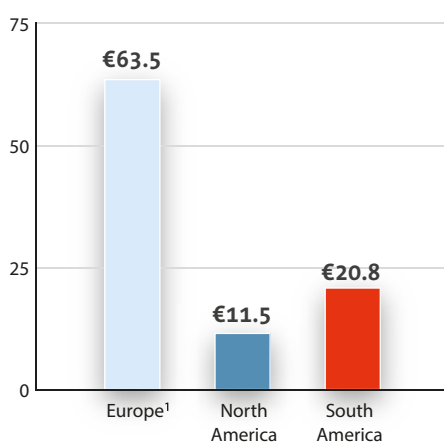


¹ Including HL Technology and Rest of the World.



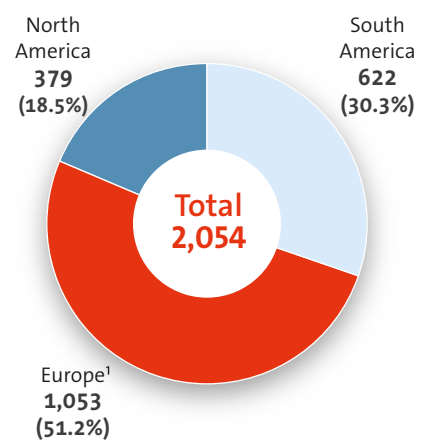
REBITDA 2017

(x million euros)



¹ Including HL Technology and Rest of the World.

Number of FTEs (year-end 2017)



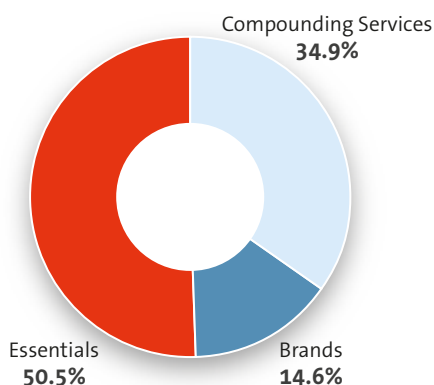
Who we are and what we do

Profile

Fagron is a leading global company active in pharmaceutical compounding and focused on delivering personalised pharmaceutical care to hospitals, pharmacies, clinics and patients in 34 countries around the world. Fagron's activities are divided into the segments Fagron Europe, Fagron South America, Fagron North America and HL Technology.

Fagron is a vertically integrated player covering the entire value chain of pharmaceutical compounding. The company supplies Compounding Services, Brands and Essentials to its customers.

Turnover 2017
(excluding HL Technology)



compounding facilities in Europe (the Netherlands, Belgium and the Czech Republic), the United States, Colombia and South Africa which supply pharmaceutical medication to pharmacies, hospitals and clinics, as well as directly to patients in South Africa and Colombia.

Brands

Innovation is the driving force behind the steady growth of Fagron. In close cooperation with pharmacists, physicians and universities, Fagron develops new and innovative vehicles and (total) concepts to satisfy the growing need for personalised patient care.

A vehicle, also called a base, contains no APIs and can either be mixed with APIs to create pharmaceutical medication or be prescribed directly to patients. Fagron develops innovative vehicles to administer medication, including emulsions, powder mixtures, creams, ointments, and transdermal bases (for administering medication via the skin) and ready-to-use kits. Although not required to do so by law, Fagron

Compounding Services

Compounding Services prepares ready-to-use and ready-to-administer personalised medication that satisfies the specific needs of patients. Compounding Services offers compounding both for individual patients and on a large scale, before a prescription for a particular patient is received, for example to supply hospital pharmacies with the most commonly prescribed personalised medications. Fagron has sterile and non-sterile



Compounding Services.



Brands.



Essentials.

produces its vehicles in GMP-compliant facilities in order to guarantee high quality and distinguish itself from the competition.

In addition to supplying vehicles, Fagron also provides customers with added value in the form of formulations and compounding protocols. Compounding protocols contain instructions for the pharmacist for the correct preparation of the medication. In addition, Fagron has independent GMP and ISO-certified laboratories perform stability and compatibility testing.

Stability tests inform pharmacists how long the vehicle and API will remain stable after compounding, while the compatibility tests inform pharmacists which APIs are compatible with the vehicle. Without having to perform their own research and testing, pharmacists know precisely which APIs can be combined with vehicles from Fagron in order to supply physically and chemically stable tailor-made medication that a patient or patient group needs. The formulations and compounding protocols provided also simplify the pharmacist's work, since he/she can follow the instructions for the correct compounding process instead of following steps for a compound based on personal experience alone.

By providing formulations, compounding protocols and instructions, as well as stability and compatibility studies along with the vehicle, Fagron has simplified and streamlined the compounding process so that pharmacists and compounders have everything they need, including the knowledge of which materials can be used and how the ingredients must be combined to create pharmaceutical medication. Fagron has created kits for the most commonly used compounds based on its vehicles. These kits consist of the vehicle, pre-weighed APIs and all the materials necessary to prepare and administer the compounded formulation.

Essentials

Essentials are conditioned (repackaged) and distributed pharmaceutical raw materials, necessities and equipment that pharmacists worldwide need in order to prepare medication. Essentials are sold to pharmacies, hospitals and the pharmaceutical industry. Compounding Services uses Essentials and Brands for its compounding activities.

The product range includes more than 2,500 raw materials, such as amino acids, antibiotics, corticosteroids, hormones, opiates, vitamins, alcohol and ancillary substances, which are bought in bulk from selected and qualified suppliers who must satisfy strict quality standards. All purchased raw materials must go through acceptance and quality control in accordance with the most recent guidelines, or pharmacopoeias, and are supplied with an analysis certificate. The raw materials are then repackaged in the Group's GMP cleanroom facilities into approximately 6,500 different types of packaging which are sold to pharmacies and hospitals and the pharmaceutical industry under the Fagron brand.

The supplies that Fagron Essentials provides consist of semi-finished products used in pharmaceutical compounds, such as distilled water, alkaline solutions, powder mixtures, and bases for creams and ointments, pharmaceutical packaging material such as capsules, vials, bottles, blister packs and boxes, as well as equipment used by pharmacists for compounding, such as scales, mortars and pestles, and packaging equipment, such as encapsulation machines.

Values



Customer is number 1

We listen to our customers and use this information to keep improving our products and services. We are committed to meeting the needs of our customers and are always focused on customer satisfaction.



Creativity

Creativity is the key to improving healthcare and achieving sustainable growth and profitability. We are always looking for new solutions to satisfy the growing demand for personalised pharmaceutical care.



Speed of execution

We take decisions and initiate immediate action. We act with urgency, work smart and have the courage to change our course if necessary.



Entrepreneurship

We are always one step ahead. We take responsibility, have an entrepreneurial spirit, challenge our competitors and inspire others. We take the initiative to develop innovative solutions and explore new markets.



Quality

We strive to excel, nothing less will do. Top quality includes continuously improving our standards and processes. Quality is rooted in our work and our values.

Strategy

It is Fagron's mission to innovate and optimise personalised pharmaceutical care. The strategy is aimed at supplying Essentials, Brands and Compounding Services to pharmacies, hospitals and the pharmaceutical industry in the core markets in Europe, North America and South America. Fagron wants to consolidate its leading position in the pharmaceutical compounding market by realising sustainable, innovation-driven and profitable growth.

The strategic focus on the innovation of products and concepts (and their protection), organising Fagron Academies for prescribers and pharmacists, an active buy-and-build strategy and responding to trends are the foundation for the continued growth of Fagron.

Innovation

Innovation is an essential part of Fagron's strategy to meet the growing demand for personalised pharmaceutical care around the globe. By continuously focusing on the development of innovative products and concepts with added value in existing and new indication areas, Fagron stands out from its competitors. The innovations developed by Fagron are protected as well as possible, including by international patent and trademark registrations. Fagron currently has more than 20 patents in its patent portfolio.

In 2017, Fagron started the worldwide introduction of FagronLab® (advanced equipment for pharmaceutical compounding) and the TrichoConcept® (patented total solution for alopecia). In the third quarter of 2018, the TrichoTest™ (a genetic test) will be introduced. With the TrichoTest™, based on a diagnosis, the prevention and treatment of alopecia can be tailored to the personal characteristics of an individual.

Strategic acquisitions

In addition to strong innovation-driven organic growth, Fagron wants to grow with targeted acquisitions in the core markets of Europe, North America and South America. Fagron's business model is scalable. This allows for commercial and operational benefits to be gained as soon as a takeover is integrated. Moreover, cross-selling offers the possibility to introduce innovative products and concepts in new markets.

Fagron Academy

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

What is pharmaceutical compounding?

Pharmaceutical compounding involves the creation of unlicensed (unregistered or not patent-protected) pharmaceutical preparations by or at the request of pharmacies, hospitals or other healthcare institutions, with the aim of producing a tailor-made or personalised medication (which is not commercially available) based on a doctor's prescription.

Although a compounded product is a personalised medication, pharmaceutical compounders like Fagron can prepare medications on a large scale even before receiving a prescription for a particular patient, for

example to stock hospital pharmacies with the most commonly prescribed personalised medicines. Even in these kinds of instances of anticipatory pharmaceutical compounding, the batch is generally too small to make this kind of compounding a lucrative market for the traditional pharmaceutical companies (including manufacturers of generic medications).

Pharmaceutical compounding can be both non-sterile and sterile. The products can also be either high-risk or no-risk for the professional employees who prepare and administer the medication. Some examples of high-risk medication are cytostatic and nuclear (radioactive) medication.

Pharmaceutical compounding offers prescribers the opportunity to offer patients a personalised treatment. Preparing a drug allows a prescriber to prescribe other means of administering and other dosages that are appropriate to the specific needs of a patient. This contributes, for example, to the reduction of side effects, making it easier for patients to continue the prescribed therapy and to improve the therapeutic outcome.

Non-sterile compounds

Non-sterile pharmaceutical compounds include tablets, capsules, liquids, suppositories, creams/ointments and suspensions. These options are usually prepared using APIs in powder form. These APIs are incorporated into vehicles in order to facilitate alternative mechanisms of medication release. In other instances, existing commercial medications may be incorporated into ointments, creams or suspensions. For example, tablets may be ground up and mixed into an ointment base

Many patients are unable to use the commercially available administration methods of existing medications, either because of problems with swallowing or the inability to undergo oral treatment because of side effects. An alternative form of dosage, such as a topical form of dosage, can reduce side effects and the potential for addiction and deliver the medication directly to the location of the condition, for example when treating pain.

Sterile compounds

Sterile compounds are usually medications that are injected or infused and which entail a higher risk of infection and other negative side effects. Sterility is the absence of viable micro-organisms and sterilisation is the active, validated process of killing micro-organisms. It is the most crucial step in the preparation of sterile products.

Examples of sterile pharmaceutical compounding include injections packaged in syringes, vials, ampoules and IV bags, and include products such as TPN, cytostatics, medications used during surgery, epidural injections, ophthalmology injections, dialysis products, pain pump syringes and cassettes. Sterile products also include eye drops used prior to cataract surgery, topical solutions used to alleviate pain before injections are administered or stitches performed on children, and urological irrigations for treating bladder cancer.



Mortar and pestle used by pharmacists for pharmaceutical compounding.

Why personalised medication?

There are several reasons why patients might need compounded, personalised medication, including:

- *Dose adjustment.* Children and the elderly require a smaller dose of most medicines than the average adult. Smaller doses are often not generally available and must therefore be specially prepared. In addition, oncology patients also receive a personalised dose based on their height and weight in order to provide the optimal balance between toxicity and effectiveness.
- *Need for a different means of administering.* A large share of the population has difficulty swallowing tablets and capsules, including children under six, oncology patients and hospitalised patients receiving tube feeding.
- *The medication is simply not available or no longer available on the market.* This occurs when there are too few patients for it to be commercially attractive to large pharmaceutical companies to register a medication, or to continue to produce it.
- *Instability.* The medication is chemically and/or physically unstable in its final form.
- *Home care.* Compounded products can help terminally ill patients or patients with an infection who must be treated intravenously at home (instead of in the hospital) for a longer period of time. 'Hospital in the Home' is an example of clinical care focused on reducing or entirely preventing the need for hospital admission. There are a number of clinical disorders that can be treated effectively and safely without hospital visits or admission. This not only improves the patient's quality of life, but also lowers healthcare costs in general.
- *Personalised and fewer side effects.* The one-size-fits-all character of many mass-produced medications means that some patients' needs are not met. Pharmaceutical compounding allows pharmacists to work together with the patient and prescriber to create a medication that satisfies the specific needs of the patient and takes into account allergies and other intolerances.

Also, these patients often encounter fewer side effects with personalised compounded products than with generic medication.

- *New or unavailable treatment is needed.* If the patient does not respond to an available treatment, while there is a medication available in a different territorial jurisdiction or a medication is described in the literature, in many cases a pharmacist can prepare this medication for the patient.



Production of long shelf-life sterile syringes at FSBA – the Netherlands.

Key figures

Results (x 1,000 euros)	2017	2016	2015 ¹ revised	2015	2014 ²	2013 ³ revised	2013
Turnover	436,934	421,839	427,560	472,996	447,056	342,711	386,119
REBITDA ⁴	95,727	90,597	98,733	106,546	118,450	79,094	97,950
EBITDA	92,157	87,364	92,294	98,845	113,361	75,231	88,043
Impairment	0	-48,364	-47,338	-225,564	0	0	0
EBIT	74,607	17,881	28,845	-150,338	94,336	66,318	73,909
Net profit (loss)	47,047	-18,112	-24,948	-202,283	43,190	41,824	43,783
Recurrent net profit ⁵	49,060	29,603	44,249	44,249	46,688	44,330	45,818
Gross margin	61.8%	62.9%	63.1%	65.4%	64.5%	56.8%	59.7%
REBITDA margin	21.9%	21.5%	23.1%	22.5%	26.5%	23.1%	25.4%
EBITDA margin	21.1%	20.7%	21.6%	20.9%	25.4%	22.0%	22.8%

Balance sheet (x 1,000 euros)	2017	2016	2015	2014	2013
Total assets	594,047	868,053	689,381	973,752	804,693
Equity	184,881	152,875	-64,772	156,948	155,168
Operational working capital ⁶	36,135	39,770	38,298	44,078	32,977
Net operational capex ⁷	10,032	14,777	22,052	12,492	15,800
Net financial debt ⁸	236,197	285,408	523,846	448,663	289,181
Net financial debt / annualised REBITDA	2.48	3.18	-	3.18	2.61
Average number of shares	71,740,277	53,956,847	31,303,765	30,758,685	30,646,532

¹ 2015 results are on the basis of continued operations. The consolidated income statement has been revised for the application of IFRS 5.

² 2014 results are on the basis of continued operations.

³ 2013 results are on the basis of continued operations. The consolidated income statement has been revised for the application of IFRS 5.

⁴ In 2014, 2015, 2016, and 2017, REBITDA refers to EBITDA after corporate costs and before non-recurrent result. In 2013, REBITDA refers to EBITDA before corporate costs and non-recurrent result from continued operations.

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

⁶ Operational working capital is the sum of stock and trade receivables, less trade payables.

⁷ Net operational capex is defined as intangible assets and property, plant and equipment that have been acquired or produced (excluding acquisitions), less assets sold.

⁸ Net financial debt is the sum of long-term and short-term financial liabilities, less cash (excluding financial instruments) and cash equivalents.

Cash flow statement (x 1,000 euros)	2017	2016	2015 ⁹ revised	2015	2014	2013
Cash flow from operating activities	84,247	67,504	73,311	73,311	101,696	63,078
Cash flow from investment activities	-11,741	-22,932	-46,276	-46,276	-193,785	-63,533
Cash flow from financing activities	-304,391	171,438	-61,460	-61,460	64,990	66,525
Net cash flow for the period	-231,885	216,010	-34,426	-34,426	-27,099	66,069

Data per share (euros)	2017	2016	2015 ¹⁰ revised	2015	2014	2013
Net profit ¹¹	0.65	-0.38	-6.46	-6.47	1.41	1.36
Recurrent net profit	0.68	0.55	1.41	1.41	1.52	1.45
Dividend	0.10	0.00	0.00	0.00	1.00	0.72
Closing price (year-end)	11.42	9.71	7.06	7.06	34.72	27.64
Market capitalisation ¹²	820,098,164	697,819,840	226,709,499	226,709,499	1,091,296,819	866,745,015

Personnel	2017	2016	2015 ¹³ herzien	2015	2014	2013
FTEs as at 31 December ¹⁴	2,054	1,991	2,017	2,184	2,143	1,600

⁹ The 2015 cash flows have been revised for application of IFRS 5.

¹⁰ The 2015 data per share have been revised for application of IFRS 5.

¹¹ Net profit is on the basis of continued operations.

¹² Market capitalisation is calculated by multiplying the number of shares outstanding at year-end by the closing price of the share on 31 December.

¹³ The 2015 FTEs have been revised for the application of IFRS 5.

¹⁴ FTEs are on the basis of continued operations.



Fagron Group



Fagron Group

Financial

- Turnover increased by 3.6% (2.1% at constant exchange rates) to 436.9 million euros
- Organic turnover growth of 4.2% (2.7% at constant exchange rates)
- REBITDA¹ increased by 5.7% to 95.7 million euros
- Net financial debt/REBITDA ratio decreases from 3.18 to 2.48
- Further growth in turnover and profitability expected in 2018

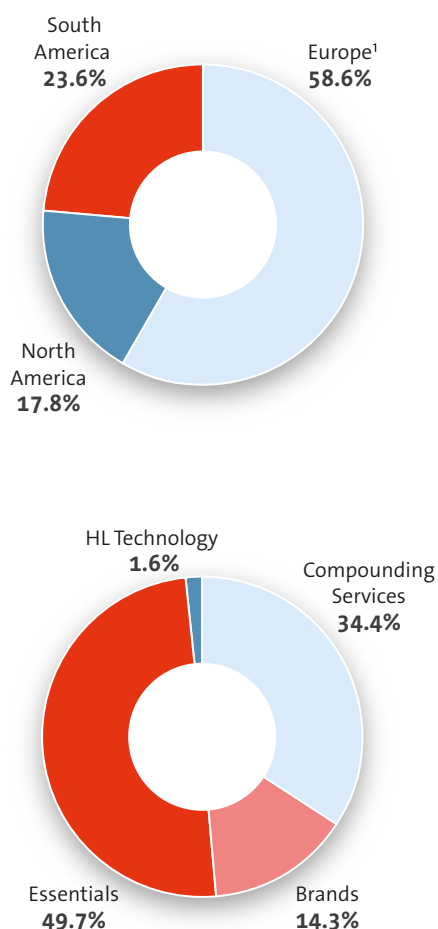
Strategic and operational

- Opening FCS facilities in the United States, the Netherlands and South Africa
- Sale of non-sterile compounding facility in France
- Buy-and-build strategy continued with acquisitions in Croatia and Brazil
- Changes in Fagron's management

(x 1,000 euros)	2017	2016	Δ
Turnover	436,934	421,839	+3.6%
REBITDA ¹	95,727	90,597	+5.7%
REBITDA margin	21.9%	21.5%	

¹ EBITDA before non-recurrent result.

Turnover 2017



¹ Including HL Technology and Rest of the World.

Financial

The turnover of Fagron increased by 3.6% in 2017 (2.1% at constant exchange rates), to 436.9 million euros.

The organic turnover growth was 4.2% (2.7% at constant exchange rates); all regions where Fagron is active have contributed to this. REBITDA increased by 5.7% to 95.7 million euros. REBITDA as a percentage of turnover increased by 40 basis points to 21.9%.

The net financial debt decreased in 2017 by 49.2 million euros to 236.2 million euros, mainly as a result of the strong operational cash flow of 84.2 million euros. The net financial debt/REBITDA ratio of 2.48 on 31 December 2017 was well below the level of 3.25 as determined in the Revolving Credit Facility and the Note Purchase Agreement.

In April 2017, Fagron repaid the 45 million US dollar 4.15% series A senior notes and the 22.5 million euros 3.55% series B senior notes. On 3 July 2017, the bond loan of 225 million euros was fully repaid. This bond loan, which was listed

on Euronext Brussels under ISIN code BE0002180462, was issued by Fagron on 2 July 2012 at a fixed annual gross interest rate of 4.75% and a term of 5 years. The last trading day of the bond loan, consisting of 225,000 bonds with a nominal value of 1,000 euros per bond, was 28 June 2017. On 29 June 2017, the bond was delisted.

In October 2017, Fagron took out a new committed credit facility of 80 million euros with ING Belgium SA/NV, ABN AMRO Bank NV, KBC Bank NV and BNP Paribas Fortis SA/NV. The agreement for the new credit facility runs until April 2021 and contains the same covenants as Fagron's existing credit facilities. The new credit facility has better conditions than the bond loan that was repaid in 2017 and the US senior notes.

Strategic and operational

The new 503B compounding facility for sterile compounds in Wichita (Kansas, US) has been operational since March 2017. This facility has a size of 5,000 square metres, including 1,200 square metres of cleanrooms, access to automated sterile filling systems and it has its own microbiological and chemical validation and quality control. The facility currently holds licences in 49 states, including the key states New York, Texas, Florida and California.

In June 2017, the new compounding facility in Hoogeveen (the Netherlands) was opened. This facility is specialised in the preparation of long shelf-life, pre-filled (sterile) glass syringes for the hospital market. These syringes have unique features, including colour coding, Tall Man lettering and 2D coding to register the administration, which contribute to optimal medical safety. This new facility plays a key role in Fagron's strategy to strengthen its position within hospitals.

In June 2017, the sale of a compounding facility in Paris (France) was completed. The Board of Directors decided to divest because this compounding facility was only marginally profitable and had little growth potential. The compounding facility had a turnover of 9.7 million euros in 2016.

The buy-and-build strategy continued with acquisitions in Croatia and Brazil in the second semester. In August, the acquisition of Kemig, based in Zagreb, was completed. Kemig is a leading supplier of pharmaceutical raw materials and packaging materials to pharmacies and wholesalers in Croatia and Bosnia and Herzegovina. In October, the acquisition of All Chemistry, based in São Paulo, was completed. All Chemistry is a renowned supplier of pharmaceutical raw materials for compounding pharmacies in Brazil.

A number of changes were made to Fagron's management in 2017. CEO Hans Stols was succeeded by Mr Rafael Padilla in November. Mr Padilla (a Spanish national) graduated in pharmaceutical sciences from the University of Barcelona and followed a Programme for Management Development (PMD) at the IESE Business School. He started his career at Fagron in the Netherlands in 2002

and he has been a member of Fagron's Executive Committee since early 2012.

Following the appointment of Rafael Padilla, Ivan Marostica was appointed as Area General Manager Fagron South America. Mr Marostica (a Brazilian national) studied Business Administration at the Pontifical Catholic University of Campinas and has been active in the Brazilian market for pharmaceutical compounding for more than 16 years. Ivan Marostica was one of the founders of Pharma Nostra (now: Infinity Pharma), a Brazilian company acquired by Fagron in 2011.

Blake Keller has succeeded Rita Hoke as President of Fagron North America. Mr Keller (an American national) graduated as a pharmacist and has occupied several positions for the past 17 years at Walgreens Boots Alliance and Premise Health.

Mr Marcello Bergamini has been appointed Area General Manager Europe, with the exception of the Netherlands and Belgium. Mr Bergamini (an Italian national) graduated as a pharmacist and has been with Fagron for more than eight years. His previous post was General Manager at Fagron Italia.

Mid-2017 the members of the leadership team are:

Rafael Padilla	Chief Executive Officer
Karin de Jong	Chief Financial Officer
Constantijn van Rietschoten	Chief Communications Officer
Tomasz Kania	Chief Operations Officer
Blake Keller	President North America
Ivan Marostica	Area General Manager South America
Marcello Bergamini	Area General Manager Europe (excluding Benelux)



Fagron Hellas – Greece.



Fagron Europe

(including Rest of the World)



Fagron Europe

Profile

The Europe segment covers the activities in Europe, South Africa and Australia. Fagron is active in the sale of Essentials and Brands in all countries, while Fagron in the Netherlands, Belgium, the Czech Republic and South Africa also offers Compounding Services to its customers. In 2017, the Europe segment generated a turnover of 249.1 million euros (57.0% of the group turnover). The Fagron shared service centre is based in Rotterdam (the Netherlands). Since the foundation of the company in 1990, Fagron has been active in Europe.

Financial

- Turnover increased by 0.9% (0.5% at constant exchange rates) to 249.1 million euros
- Organic turnover growth of 2.4% (1.9% at constant exchange rates)
- REBITDA¹ increased by 0.3% to 63.3 million euros

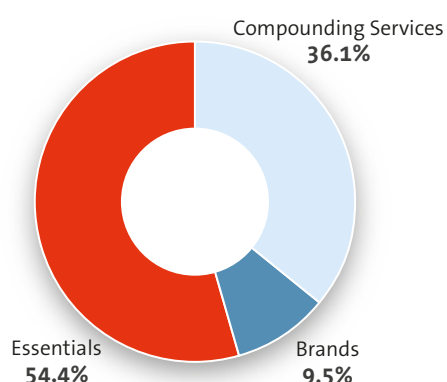
Strategic and operational

- Opening sterile compounding facility in the Netherlands
- Sale of non-sterile compounding facility in France
- Acquisition of Kemig in Croatia
- Marcello Bergamini appointed Area General Manager Europe (excluding the Netherlands and Belgium)

(x 1,000 euros)	2017	2016	Δ
Turnover	249,082	246,904	+0.9%
REBITDA ¹	63,301	63,138	+0.3%
REBITDA margin	25.4%	25.6%	

¹ EBITDA before non-recurrent result.

Turnover 2017

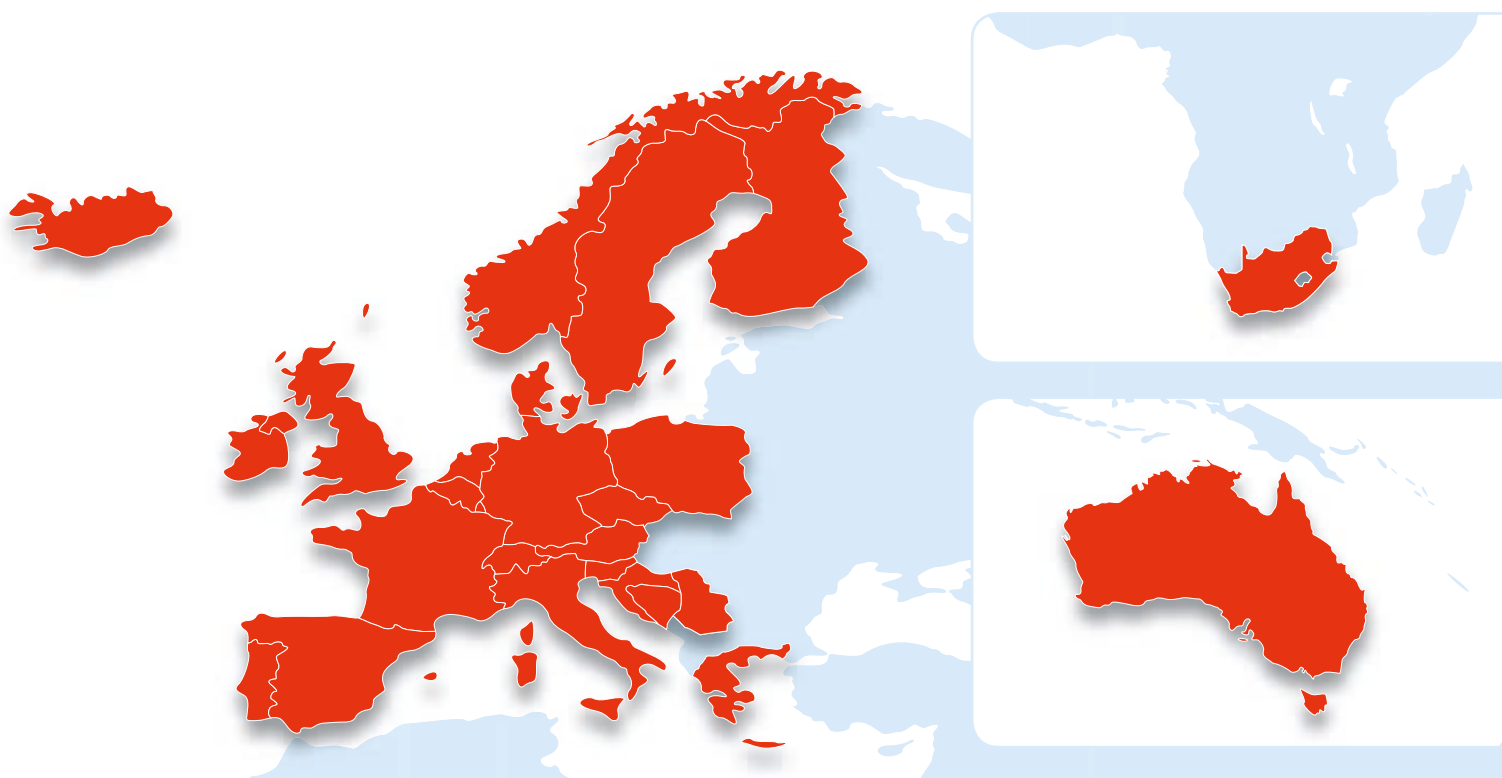


Financial

The turnover of the Europe segment increased by 0.9% in 2017 (0.5% at constant exchange rates), to 249.1 million euros. Adjusted before the acquisition of Kemig (Croatia) and the sale of the compounding facility in Paris (France), the organic turnover growth amounted to 2.4% (1.9% at constant exchange rates). REBITDA increased by 0.3% to 63.3 million euros. REBITDA as a percentage of turnover decreased by 20 basis points to 25.4%.

Brands:





Organic growth was slowed in 2017 due to limited availability of pharmaceutical raw materials. This created backlogs in the delivery of raw materials to customers. In the fourth quarter of 2017, important steps were taken towards a structural solution where the capacity for analysing raw materials was increased while simultaneously decreasing the dependence on external parties. It is expected that the majority of the backlog in is cleared in April 2018.

Strategic and operational

Opening sterile compounding facility in the Netherlands

In June 2017, Fagron opened a new compounding facility in Hoogetveen (the Netherlands). This facility is specialised in the preparation of long shelf-life, pre-filled (sterile) glass syringes for the hospital market. These syringes have unique features, including colour coding, Tall Man lettering and 2D coding to register the administration, which contribute to optimal medical safety. This new facility plays a key role in Fagron's strategy to strengthen its position within hospitals.

Sale of compounding facility in France

In June 2017, Fagron completed the sale of a compounding facility in Paris (France). The Board of Directors decided to divest because this compounding facility is only marginally profitable and has little growth potential. The compounding facility had a turnover of 9.7 million euros in 2016. The activities and results of the compounding facility in Paris have been deconsolidated as of 1 July 2017.



Fagron Sterile Compounding Facility – The Netherlands.





Kemig – Croatia.

Acquisition of Kemig in Croatia

Fagron completed the acquisition of Kemig in August 2017. Kemig is a leading supplier of pharmaceutical raw materials and packaging materials to pharmacies and wholesalers in Croatia and Bosnia and Herzegovina. Kemig, based in Zagreb (Croatia), had a turnover of approximately 4 million euros in 2016, and an EBITDA margin below the average of Fagron Europe. Kemig is consolidated as of 1 July 2017.

Immediately after the acquisition, the integration of Kemig was started. This included looking into economies of scale in purchasing, analysis and repacking of pharmaceutical raw materials, streamlining the organisation and expanding Kemig's product range, including products and concepts (Brands) of Fagron. In time, the name Kemig will be changed into Fagron Croatia.



Nourisil™ MD

In 2017, Nourisil™ MD, a medical device developed by Fagron in 2016, had a successful international launch. Nourisil™ MD is an ultra-light, transparent, self-drying silicone gel developed for the treatment and prevention of new and old scars caused by surgery, wounds or burns. Nourisil™ MD contains a unique blend of five silicones and vitamin E that keeps skin hydration in balance and reduces scarring.



TrichoTest™

Our genetic material is made up of about 25,000 genes. All genes together form the genome. The human genome is compactly stored inside 23 pairs of chromosomes. Each chromosome is a long, wound-up DNA strand and contains about a thousand genes. SNPs (“snips”) of Single Nucleotide Polymorphisms are variations in the genetic material where one nucleotide is different. SNPs determine for a large part why we differ from each other.

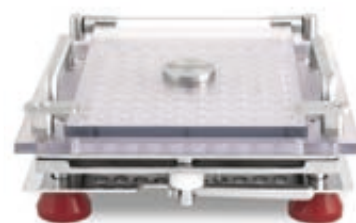
Fagron has developed a TrichoTest™ based on a DNA microarray analysis. In a DNA microarray analysis, DNA that is cut into pieces responds to a SNP chip in order to obtain an individual SNP pattern for the 15 genes related to alopecia. With this, it is possible to prescribe a personalised and scientifically based alopecia treatment based on the vehicles of Fagron’s TrichoConcept® (see page 29).

FagronLab®

FagronLab® (www.fagronlab.com) is the first global product line of compounding equipment and accessories specifically designed and developed by Fagron. The products of FagronLab® meet the wishes and strict requirements of pharmacies that prepare medication. The design and operation of the equipment provide a high level of accuracy and ease of use for pharmacists and pharmacy technicians in their daily compounding activities.

The FagronLab® compounding equipment is fully in line with Fagron’s mission and vision to provide patients with high quality, safe and premium pharmaceutical preparations by optimising the compounding process in pharmacies.

FagronLab® was brought to market in Southern Europe and South America in 2017. The FagronLab® equipment will be introduced in the rest of Europe and the United States in 2018.



FagronLab® capsule filling machine.



FagronLab® magnetic stirrer with digital thermometer.



FagronLab® ointment mill.



FagronLab® LAF cabinet.



FagronLab® (semi-) automatic mixing device.



Fagron Technologies – Brazil.

Fagron South America



Fagron South America

Profile

The South America segment includes the activities in Brazil (Essentials and Brands) and Colombia (Compounding Services). In 2017, the South America segment generated a turnover of 103.3 million euros (23.6% of the group turnover). Fagron's shared service centre is based in São Paulo (Brazil). Fagron has been active in South America since 2010.

Financial

- Turnover increased by 13.3% (5.9% at constant exchange rates) to 103.3 million euros
- Organic turnover growth of 11.9% (4.6% at constant exchange rates)
- REBITDA¹ increased by 15.2% to 20.8 million euros

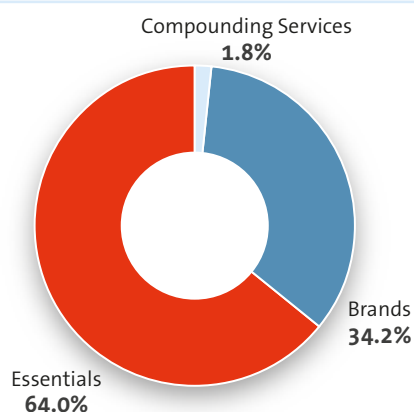
Strategic and operational

- Double-digit volume growth, driven by innovation and the introduction of Brands
- Acquisition of All Chemistry in Brazil
- Ivan Marostica appointed as Area General Manager South America

(x 1,000 euros)	2017	2016	Δ
Turnover	103,282	91,130	13.3%
REBITDA ¹	20,815	18,072	15.2%
REBITDA margin	20.2%	19.8%	

¹ EBITDA before non-recurrent result.

Turnover 2017



Brands:





Most of the purchases made by Fagron Brazil are in US dollars. With the strengthening of the Brazilian real against the US dollar (+8.4%), Fagron Brazil was able to purchase its products more cheaply. As usual, this positive currency effect was fully passed on to the customers through lower sales prices in Brazilian real. This means there is a direct correlation between the percental strengthening of the Brazilian real against the US dollar and the growth of Fagron Brazil in US dollar. The decrease in sales prices in Brazilian real and the negative effect on sales growth at constant exchange rates was compensated by a strong volume growth. This enabled Fagron Brazil to further strengthen its market leadership in Brazil in 2017.

Financial

The turnover of the South America segment increased by 13.3% in 2017 (5.9% at constant exchange rates), to 103.3 million euros. Adjusted before the acquisition of All Chemistry (Brazil), the organic turnover growth amounted to 11.9% (4.6% at constant exchange rates). REBITDA increased by 15.2% to 20.8 million euros. REBITDA as a percentage of turnover increased by 40 basis points to 20.2%.



Strategic and operational

Fagron is market leader in Essentials and Brands in Brazil and active with the brands Fagron (based in São Paulo), Infinity Pharma (Campinas), Florien (Piracicaba City), Via Farma (São Paulo) and All Chemistry (São Paulo). The repackaging of pharmaceutical raw materials takes place in GMP cleanrooms of Fagron Services in Anápolis. Fagron Technologies, developer of software and other innovative tools for compounding pharmacies and prescribers, is based in Jundiaí. Fagron's shared service centre for South America is based in São Paulo.

Acquisition of All Chemistry in Brazil

In October 2017, Fagron announced the acquisition of All Chemistry.

All Chemistry is a renowned supplier of pharmaceutical raw materials for compounding pharmacies in Brazil.

All Chemistry was founded in 1997 in São Paulo by the Paschoal family and employs 40 people. In 2017, All Chemistry developed and introduced a new nanotechnology line for dermatological use. It is expected that the integration of All Chemistry will proceed smoothly and quickly and that the expansion of the current product

portfolio and Fagron's extensive customer base in Brazil will result in a significant future growth potential for All Chemistry.

In 2016, All Chemistry generated a turnover of approximately 17 million Brazilian real (approx. 4.5 million euros) and an EBITDA margin in line with Fagron's activities in Brazil. The results of All Chemistry have been fully consolidated effective 1 October 2017.

Innovation-driven growth

The growth of Fagron South America is for a large part driven by an innovation-oriented organisation that focuses on the existing (mainly lifestyle-driven) market, but also develops products and concepts for new indication areas. Scientific research is an essential element in the development of innovative products and concepts.

In 2017, the Fagron companies in South America launched Brands such as: CafeiSome®, Siliciumax® Líquido, IGrantine-F1®, Desmopressina Fagron, Drenalip®, BeanBlock®, Clausii Pro®, SlimCarb®, NiaGen®, PRE-T®, POS-T®, Prodigest®, Bowell®, Biointestil®, Dashflow® and MobyPharma®.



TrichoConcept®

TrichoConcept® is a line of vehicles and end products developed by Fagron for the treatment of alopecia (hair loss) that focuses on the Neogen phase of the hair cycle.

TrichoConcept® consists of seven particularly skin-friendly and compatible vehicles based on TrichoTech® technology. The scientifically substantiated TrichoTech® technology is based on a phythocomplex.

Combined with indication-specific recommendations for the appropriate APIs and DCIs, vehicle-specific recommendations and ready-to-use formulations for compounds and stability studies, the vehicles provide prescribers and pharmacists with a personalised solution that fully matches the type of alopecia of the patient. The choice of the vehicle is very important in the treatment of alopecia since this determines to a large extent the efficacy of the product.

Using a phythocomplex in the treatment of alopecia is also considered to be an effective secondary treatment for alopecia, particularly in cases where the primary treatment with APIs, such as minoxidil and latanoprost, produces either insufficient results or too many side effects.

Opinions on the safety and tolerability of vehicle ingredients have changed drastically as a result of advanced scientific research. In order to prevent skin irritation, long-term side effects and allergies, the TrichoConcept® vehicles contain no harmful, obsolete or controversial ingredients. The extremely careful selection of ingredients and the use of emulsifying agents and preservatives has resulted in vehicles that can be safely used by all patients, including children and the elderly.

In 2017, TrichoConcept® was introduced in South America and Southern Europe, and it will be introduced in the rest of Europe and the United States in 2018.





Fagron, Inc. – United States.

Fagron North America



Fagron North America

Profile

The North America segment comprises the activities of Fagron in the United States, where it is active in the sale of Essentials, Brands and Compounding Services. In 2017, the North America segment generated a turnover of 77.8 million euros (17.8% of the group turnover). Fagron has been active in North America since 2010.

Financial

- Turnover increased by 2.1% (4.2% at constant exchange rates) to 77.8 million euros
- REBITDA¹ increased by 28.6% to 11.5 million euros

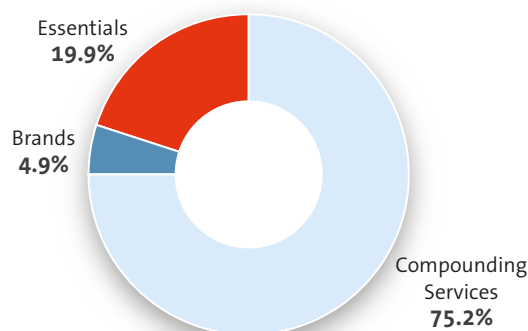
Strategic and operational

- The new 503B facility in Wichita has 49 licences, including New York, Florida, Texas and California
- Turnover Essentials and Brands has stabilised in 2017
- Blake Keller was appointed as President North America

(x 1,000 euros)	2017	2016	Δ
Turnover	77,769	76,147	2.1%
REBITDA ¹	11,461	8,912	28.6%
REBITDA margin	14.7%	11.7%	

¹ EBITDA before non-recurrent result.

Turnover 2017



Financial

Turnover of the North America segment increased by 2.1% in 2017 (4.2% at constant exchange rates) to 77.8 million euros. REBITDA increased by 28.6% to 11.5 million euros. REBITDA as a percentage of turnover increased by 300 basis points to 14.7% compared to 2016.

Brands:



B&B Pharmaceuticals Inc.





Strategic and operational

Compounding Services

In the United States, Fagron has compounding facilities in Las Vegas (Nevada), Wichita (two, Kansas) and Tampa (Florida). Three of these facilities are registered with the American Food and Drug Administration (FDA) as a Human Drug Compounding Outsourcing Facility Under Section 503B of the Federal Food, Drug and Cosmetic Act (FD&C Act). The facility in Tampa complies with Section 503A of the FD&C Act. The facilities specialise in the compounding or manufacturing of sterile medicines for hospitals, clinics, dialysis centres and day treatment clinics.

It is becoming increasingly difficult for hospitals to comply with the ever more stringent laws and regulations and more demanding quality requirements for the manufacturing 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 and efficiency, hospitals are increasingly opting to outsource their sterile compounding to specialised parties like Fagron.

The turnover of the sterile compounding activities increased by 15.5% in 2017 (17.8% at constant exchange rates). The sterile activities performed as expected in 2017. The new 503B facility in Wichita received licences in 2017 from the states of Alabama, Arkansas, Maine, Massachusetts, Michigan and New York, bringing the number of licences received to 48. The California licence was received in early 2018. The remaining licences (Indiana and North Dakota) are expected to be received in the course of 2018. The other 503B facility in Wichita and the 503B facility in Las Vegas both hold 51 licences.

Essentials & Brands

With the brands Fagron and B&B Pharmaceuticals, Fagron is active in the United States in the development and sale of Essentials and Brands to pharmacies and increasingly to hospitals. Fagron is based in St. Paul (Minnesota), while B&B Pharmaceuticals is based in Denver (Colorado).

The sale of raw materials and concepts for pharmaceutical compounding decreased by 24.3% in 2017 (-22.8% at constant exchange rates) compared to 2016. This is because the reimbursement system in the United States underwent changes in 2015. In the fourth quarter of 2017, the turnover at constant exchange rates decreased by 7.1%, but was stable compare to the previous quarters in 2017.

UniSpend®

UniSpend® is an elegant, easy to use, plant based oral suspension vehicle for human and veterinary use. UniSpend® uses triglycerides that are resistant to oxidation and that do not contain preservatives. UniSpend® is anhydrous and therefore ideal for APIs that are not stable in water, contains no preservatives, allergens, colouring agents and is free of BHT. There are two versions available, a sweetened and a neutral version, for dose flexibility when taste-masking is important.

**Acquisition of Humco**

Fagron announced the acquisition of Humco in early April 2018. Humco is a leading developer, manufacturer and supplier of patented vehicles (means of administering) and branded pharmaceutical products to more than 45,000 pharmacies in the United States (US). The acquisition price for Humco amounts to 47.5 million US dollars (approximately 38.6 million euros) in cash with the possibility of a performance-related earn-out of a maximum of 22.5 million US dollars (approximately 18.3 million euros) in cash over a period of two years. The transaction includes all technologies, scientific data and patents and trademarks, as well as Humco's manufacturing facility in Texas (US).

Humco, established in 1872 as Hutchison Medicine Company, generated a turnover of approximately 32 million US dollars (approximately 26 million euros) and an EBITDA margin in line with that of the activities of Fagron North America in 2017. The company focuses on the development,

manufacturing and commercializing of innovative patented vehicles (including topical and transdermal creams, syrups and suspensions) and branded pharmaceutical products that are paid in cash by the customer (no reimbursement). In 2016, Humco added a limited portfolio of pharmaceutical raw materials to its product range. Humco supplies to more than 45,000 pharmacies in the US, mainly indirectly through pharmacy chains and wholesalers. Humco is based in Austin (Texas) and has a state-of-the-art FDA-registered cGMP compounding facility in Texarkana (Texas).

The high-quality portfolio of branded pharmaceutical products and widely used patented vehicles, which are supplied to a broad customer base of pharmacy chains and wholesalers in the US, are an important addition to Fagron's extensive range of pharmaceutical raw materials. Combining the two companies creates a highly competitive company of considerable scale, which will strengthen Fagron's market position in the US.

The worldwide presence and leading market positions in Europe and South America will enable Fagron to successfully introduce and grow Humco's innovative branded pharmaceutical products and vehicles outside the US.

Management change

Blake Keller has succeeded Rita Hoke as President of Fagron North America. Ms Hoke helped Fagron North America through a difficult period and provided a stable basis. Now that the foundations are laid, it is time for accelerated growth that requires a different type of leadership. With the appointment of Mr Keller (an American national), Fagron North America's growth potential can be further developed.

LETS GEL KIT®

In July, Fagron introduced the LETS GEL KIT® in the United States. The LETS GEL KIT® is a user-friendly and ready-to-use kit for local anaesthetics, for example to prevent pain when suturing children. The kit contains SuturaGel®, a gel developed by Fagron to reduce the run-off of medication from the treatment area. In addition, the kit contains the correct amount of the required active ingredients (lidocaine, epinephrine, tetracaine and sodium metabisulphite) and all other materials necessary for compounding.





Sterile syringes manufactured by the Fagron facilities in Wichita.

HL Technology



HL Technology

Profile

The HL Technology segment focuses on the development, manufacturing and introduction of innovative precision components and orthopaedic tools for the dental, medical and watch industry. HL Technology is based in La Chaux-de-Fonds (Switzerland).

Financial

- Turnover decreased by 11.2% (-9.5% at constant exchange rates) to 6.8 million euros
- REBITDA¹ decreased by 68.5% to 0.2 million euros

(x 1,000 euros)	2017	2016	Δ
Turnover	6,802	7,659	-11.2%
REBITDA ¹	150	475	-68.5%
REBITDA margin	2.2%	6.2%	

¹ EBITDA before non-recurrent result.



Easy™ is a sterile torque wrench for the orthopaedic market.



Omega™ is a universal torque wrench for the dental market.

Financial

The turnover of HL Technology decreased by 11.2% in 2017 (-9.5% at constant exchange rates) to 6.8 million euros. REBITDA decreased by 0.3 million euros to 0.2 million euros. The effects of the cost-saving programme carried out in the second quarter of 2017 were already clearly measurable in 2017.

Strategic and operational

In 2017, HL Technology expanded the product range by offering – from idea to product – the development of micro-mechanical medical devices. HL Technology has multiple competences, including: design, engineering, project management and the compilation of master files for CE marking and FDA approval. HL Technology has numerous manufacturing possibilities, including cleanroom assembly and final validation of the finished products. This approach makes HL Technology a unique partner throughout the entire process from development to commercialisation. From the customer's perspective, the one-stop shop principle reduces the complexity.

Innovations from HL Technology

Easy™ is a patented sterile single-use torque wrench for the orthopaedic market. The product is protected by two patents that are both related to the mechanism of the torque wrench.

The patented Click™ torque wrench is generally used in orthopaedic surgery to fix implants in the back, knee, hip, shoulder and also smaller joint implants with screws. The use of this instrument prevents the overtightening of screws.

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. HL Technology is the only manufacturer of torque wrenches that are already in compliance with the new regulations for the CE market that will come into force in 2020.



Fagron Johannesburg – South Africa.

Information about the Fagron share



Information about the Fagron share

Stock exchange listing

The Fagron share is listed on Euronext Brussels and Euronext Amsterdam. The share is included in the BELMID 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 initial terms of 1, 2, 3, 6, 9 and 12 months. Each option represents 100 Fagron shares and is cleared by LCH. Clearnet SA.

As of 31 December 2017, the market capitalisation of Fagron amounted to 820.1 million euros, a 17.5% increase compared to the value as at 31 December 2016. On 31 December 2017, there were 71,843,904 shares issued.

Average number of shares outstanding

On 31 December 2017, the number of voting securities was 71,843,904. The total number of voting rights (denominator) is 71,843,904. The authorised capital amounts to 494,192,221.68 euros.

Shares

ISIN code: BE0003874915

Euronext: FAGR

Options

ISIN code: BE0003874915

Euronext Derivatives Brussels: RCU

Trading price

The closing price of the Fagron share in 2017 was 11.42 euros per share, 17.5% higher than the closing price of 2016 (9.71 euros per share). In the same period, the BEL Mid index increased by 6.7% while the AScX index increased by 31.0% in 2017.

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 31 March 2018. 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
Waterland Private Equity Fund VI C.V., Filiep Balcaen and Fagron NV	22,656,725	31.54%
Alychlo NV / Marc Coucke	10,749,267	14.96%
JPMorgan Asset Management Holdings Inc.	2,461,438	3.43%
Evermore Global Advisors, LCC	2,203,472	3.07%
Adrianus van Herk	2,171,279	3.00%
Carmignac Gestion*	1,492,006	4.65%

* The notification of Carmignac Gestion's participating interest was received on 18 March 2016 and is based on a denominator of 32,111,827.

Dividend

Fagron's Board of Directors will propose to the General Shareholders' Meeting of 14 May to pay a gross dividend of 0.10 euro per share over the 2017 financial year. The net dividend amounts to 0.07 euro per share. This is the gross dividend minus the withholding tax of 30% in Belgium.

Investor Relations Policy

Fagron attaches substantial value to good, open and timely communications 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 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:

Constantijn van Rietschoten
Chief Communications Officer
+31 6 53 69 15 85
constantijn.van.rietschoten@fagron.com

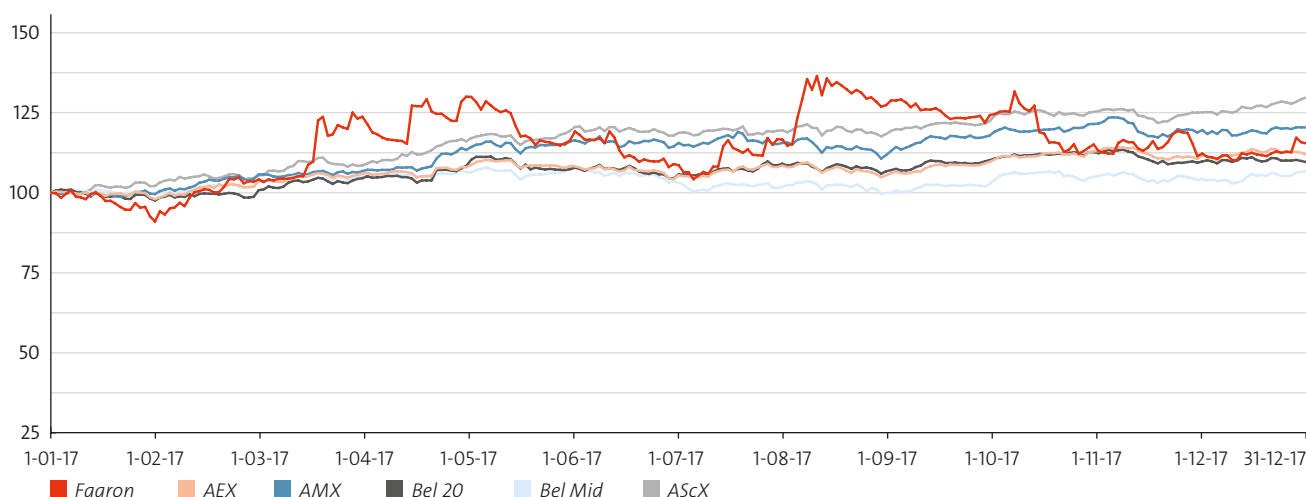
Financial calendar

14 May	Annual General Meeting of Shareholders
3 August*	Half-year figures 2018
11 October*	Trading update, third quarter 2018

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

Trading	2017	2016	2015	2014	2013
Highest price	€ 13.50	€ 10.59	€ 43.92	€ 44.98	€ 27.90
Lowest price	€ 9.00	€ 4.08	€ 3.70	€ 24.63	€ 15.50
Closing price end of the financial year	€ 11.42	€ 9.71	€ 7.06	€ 34.72	€ 27.64
Highest day volume	1,758,530	1,729,879	5,759,396	705,581	494,244
Lowest day volume	45,321	56,184	8,792	13,635	5,575
Average day volume	212,951	351,225	328,233	99,032	66,121
Dividend	€ 0.10	-	-	€ 1.00	€ 0.72
Dividend yield at closing price	0.9%	-	-	2.9%	2.6%
Market capitalisation at the end of the financial year	€ 820,098,164	€ 697,819,840	€ 226,709,499	€ 1,091,296,819	€ 866,745,015

Development in Fagron share price and the indices in 2017





Pharmaline – the Netherlands.

Report of the Board of Directors



Report of the Board of Directors on the consolidated financial statements

Consolidated income statement

Effective 2017, Fagron has adjusted the reporting structure and presentation of the financial results per segment to bring these in line with the way in which the business is managed. As of 2017, Fagron's results will be reported in the segments Fagron Europe, Fagron North America, Fagron South America and HL Technology.

Fagron's total turnover was 436.934 million euros in 2017, an increase of 3.6% compared to 421.839 million in 2016. The turnover growth is carried by all regions where Fagron is active.

Fagron Europe (including RoW)

The turnover of the Fagron Europe segment increased by 0.9% in 2017 (0.5% at constant exchange rates), to 249.082 million euros. Adjusted before the acquisition of Kemig (Croatia) and the divestment of the compounding facility in Paris (France), the organic turnover growth was 2.4% (1.9% at constant exchange rates). REBITDA increased by 0.3% to 63.301 million euros. REBITDA as a percentage of turnover increased by 20 basis points to 25.4%.

Organic growth in Europe slowed down in the second semester of 2017 due to a limited availability of pharmaceutical raw materials from Fagron. This created backlogs in the delivery of raw materials to customers. In the fourth quarter of 2017, important steps were taken towards a structural solution that will increase the capacity for analysing raw materials while simultaneously limiting reliance on external parties. It is expected that the majority of the backlog will be cleared in April 2018.

In June 2017, Fagron put a new compounding facility in Hoogeveen (the Netherlands) into commission. This facility specialises in the preparation of long shelf-life, pre-filled (sterile) glass syringes for the hospital market. This new facility plays a key role in Fagron's

strategy to strengthen its position within hospitals. In June 2017, Fagron also completed the sale of a compounding facility in Paris (France). The activities and results of the compounding facility in Paris have been deconsolidated as of 1 July 2017. In August 2017, Fagron completed the acquisition of Kemig. Kemig is a leading supplier of pharmaceutical raw materials and packaging materials to pharmacies and wholesalers in Croatia and Bosnia and Herzegovina. Kemig has been consolidated as of 1 July 2017.

Fagron South America

Turnover of the Fagron South America segment increased by 13.3% in 2017 (5.9% at constant exchange rates) to 103.282 million euros. Adjusted before the acquisition of All Chemistry (Brazil), the organic turnover growth was 11.9% (4.6% at constant exchange rates). REBITDA increased by 15.2% to 20.815 million euros. REBITDA as a percentage of turnover increased by 40 basis points to 20.2%.

Most of the purchases made by Fagron Brazil are in US dollars. With the strengthening of the Brazilian real against the US dollar (+8.4%), Fagron Brazil was able to purchase its products more cheaply. As usual, this positive currency effect was fully passed on to the customers through lower selling prices in Brazilian real. This means there is a direct link between the percental strengthening of the Brazilian real against the US dollar and the growth of Fagron Brazil in US dollar. The decrease in sales prices in Brazilian real and the negative effect on sales growth at constant exchange rates was compensated by a strong volume increase. This enabled Fagron Brazil to further strengthen its market leadership in Brazil in 2017.

In October 2017, Fagron announced the acquisition of All Chemistry. All Chemistry is a renowned supplier of pharmaceutical raw materials for compounding pharmacies in Brazil. The results of All Chemistry have been fully consolidated effective 1 October 2017.

Fagron North America

Turnover of the North America segment increased by 2.1% in 2017 (4.2% at constant exchange rates) to 77.769 million euros. REBITDA increased by 28.6% to 11.461 million euros. REBITDA as a percentage of turnover increased by 300 basis points to 14.7% compared to 2016.

The turnover of the sterile compounding activities increased by 15.5% in 2017 (17.8% at constant exchange rates). The sterile activities perform as expected. In 2017, the new 503B facility in Wichita received licences from six states, bringing the number of licences received to 48. The licence for California was received early 2018, bringing the number of licences to 49.

The sale of raw materials and concepts for pharmaceutical compounding declined by 24.3% in 2017 (-22.8% at constant exchange rates) compared to 2016. This is because the reimbursement system in the United States underwent changes in 2015. In 2017, turnover stabilised.

HL Technology

Turnover of HL Technology, the segment focused on the development, manufacturing and introduction of innovative precision components and orthopaedic tools for the dental and medical industry, decreased by 11.2% in 2017 (-9.5% at constant exchange rates) to 6.802 million euros. REBITDA decreased by 0.325 million euros to 0.150 million euros. The effects of the cost-saving programme carried out in the second quarter were already clearly visible in the second half of 2017.

The consolidated gross margin (the difference between turnover on the one hand and trade goods on the other) amounted to 269.215 million euros in 2017. This represented 61.6% of the turnover, compared to a gross margin of 62.5% in 2016.

The total operating expenses, defined as services and various goods, employee benefit expenses and other operating expenses minus other operating income, were 177.058 million euros, an increase of 0.4% compared to 2016. The cost coverage, defined as operating expenses versus gross margin, was 65.8% in 2017.

Depreciation and amortisation decreased by 16.9% from 21.119 million euros in 2016 to 17.550 million euros in 2017. This decrease can be mainly explained by the accelerated depreciation of assets in 2016 at Freedom Pharmaceuticals and Fagron Academy in the United States and HL Technology in Switzerland.

The operating result amounted to 74.607 million euros in 2017, an increase of 317.2% or 56.726 million euros compared to 2016. This increase is largely due to the recognition of an impairment in 2016.

The financial result amounted to -18.642 million euros compared to -24.246 million euros in 2016. The improvement is mainly caused by lower interest expenses due to a lower average net debt and a lower interest rate. In addition, the expenses related to the refinancing in 2016 were one-off. The waivers received in 2016 resulted in a change in the expected cash flows, with the extra costs of 10.0 million euros recognised in 2015 having been recognised as proceeds in the 2016 reporting year. These proceeds were not recurring in 2017.

The interest rate swap was subject to a positive revaluation of 0.713 million euros in 2017. This interest rate hedge does not qualify for hedge accounting according to IAS 39.

This brought the result before taxes to 55.965 million euros, an increase of 62.329 million euros compared to 2016. The effective tax rate as a percentage of profit before taxes was 15.9%. Taxes decreased in 2017 to 8.918 million euros, from 11.748 million euros in 2016.

The net result was 47.047 million euros, an increase of 65.159 million euros compared to 2016.

Consolidated statement of financial position

The consolidated balance sheet total decreased by 31.6% from 868.053 million euros in 2016 to 594.047 million euros in 2017.

Assets

Total fixed assets were 427.617 million euros, a decrease of 28.090 million euros compared to 2016.

Intangible assets decreased by 26.511 million euros to a total of 344.495 million euros. This decrease was mainly caused by the weakening 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 decreased by 3.344 million euros to a total of 69.535 million euros. This decrease was mainly caused by the weakening of the Brazilian real and the US dollar against the euro.

The net operational capital expenditures amounted to 10.032 million euros, representing 2.3% of the 2017 turnover. The net operational capital expenditures mainly consist of investments in new compounding facilities in the United States, Europe and South Africa, improvements to facilities in Brazil, Belgium and the Czech Republic, the automation of logistics processes and software implementations. The aforementioned compounding facilities have been operational since March 2017 (Wichita, US) and June 2017 (Hoogeveen, the Netherlands and Johannesburg, South Africa).

The financial fixed assets, consisting of available-for-sale financial fixed assets and other non-current assets, amounted to 2.232 million euros in 2017, an increase of 0.109 million euros compared to 2016.

Deferred tax assets represented a value of 11.355 million euros.

Total current assets amounted to 166.430 million euros in 2017 compared to 412.346 million euros in 2016, a decrease of 245.916 million euros. The most important change was the decrease of 220.622 million euros in cash that cannot be freely disposed of. This change was mainly caused by the repayment of the bond loan of 225 million euros. Stock decreased by 2.811 million euros, trade receivables decreased by 0.659 million euros, the other receivables increased by 13.255 million euros and cash and cash equivalents decreased by 14.191 million euros.

Equity and liabilities

Total equity amounted to 184.881 million euros. This represented an increase of 32.006 million euros in comparison to 2016. This increase was caused by the 2017 result (31.636 million euros) and share-based payments (0.370 million euros).

Total liabilities decreased from 715.178 million euros in 2016 to 409.166 million euros in 2017. This represented a decrease of 306.012 million euros.

Provisions decreased by 0.300 million euros to 12.476 million euros.

Pension obligations in 2017 amounted to 4.733 million euros, a decrease of 0.974 million euros in comparison to 2016.

Deferred tax liabilities relate to, among other things, temporary differences between reporting and tax accounting at the local entities. These amounted to 0.198 million euros in 2017 against 0.236 million euros in 2016.

Non-current interest-bearing financial liabilities (long-term borrowings) amounted to 283.518 million euros in 2017, a decrease of 6.915 million euros compared to 2016. Current interest-bearing financial liabilities (short-term borrowings) amounted to 13.450 million

euros in 2017, a decrease of 277.109 million euros compared to 2016. These changes were mainly caused by the repayment of the bond loan of 225 million euros.

At 31 December 2017, net financial debt (total current and non-current interest-bearing financial liabilities plus other long-term liabilities less cash and cash equivalents) amounted to 236.197 million euros, compared to 285.408 million euros at year-end 2016.

Current trade payables were 5.787 million euros higher than in 2016 and amounted to 58.950 million euros.

Current tax on profit, remuneration and social security amounted to 27.168 million euros, a decrease of 7.809 million euros in comparison to 2016.

Other (current) payables decreased to 8.673 million euros in 2017 compared to 18.825 million euros in 2016.

Consolidated cash flow statement

The consolidated cash flow statement starts with the result before taxes of 55.965 million euros.

This amount is increased by the incoming cash flows before taxes, being 3.398 million euros. Subsequently, the elements from operating activities not having a cash flow effect or not directly related to operating activities are reintroduced. This amounted to a total of 34.812 million euros. This amount is made up of depreciations and impairments 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 (negative effect of 9.927 million euros). The total cash flow from operating activities amounted to 84.247 million euros, an increase of 24.8% compared to 67.504 million euros in 2016.

Total cash flows from investing activities produced an outflow of 11.741 million euros relating to capital expenditures in the amount of 10.032 million euros and payments for existing shareholdings (subsequent payments) and new holdings in the amount of 8.109 million euros. The proceeds from the sale of divestments produced an inflow of 6.400 million euros.

The total of cash flows from financing activities represented an outflow of 304.391 million euros. The recognised financing resulted in an inflow of 122.193 million euros. The outflow of cash flows consisted of: payment of interest on loans and other financial elements such as financial discounts of 28.559 million euros, and repayment on loans of 398.023 million euros.

In total, the cash and cash equivalents in 2017 decreased by 231.885 million euros: from 295.585 million euros at the start of the reporting period to 60.771 million euros at the end of the reporting period.

The difference of 2.929 million euros between the changes in cash and cash equivalents of 231.885 million euros and the decrease of the cash and cash equivalents of 234.814 million euros was caused by exchange rate differences.

Significant events after balance sheet date

For significant events after the balance sheet date, see Note 31 as included in the Notes to the consolidated financial statements.

Description of risk management

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



Florien – Brazil.

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 a reference code. This code is available at the website www.corporategovernance-committee.be in the section 'Code 2009'. Fagron adheres to the 'comply-or-explain' principle. Fagron believes that for the 2017 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 establish an independent internal audit function for 2017.

Composition of the Board of Directors

On 8 May 2017, the General Meeting confirmed the co-opting of AHOK BVBA, permanently represented by Mr Koen Hoffman, Vanzel G.Comm.V., permanently represented by Ms Giulia Van Waeyenberge, Alychlo NV, permanently represented by Mr Marc Coucke, Mr Marc Janssens and Ms Karin de Jong as director.

After the Extraordinary General Meeting of 8 May 2017, Mr Robert Peek resigned as Chairman and member of the Board of Directors of the Company. Subsequently, Management Deprez BVBA, permanently represented by Ms Veerle Deprez was co-opted by the Board of Directors on 8 May 2017 as the new director of the Company (subject to confirmation by the General Meeting).

As of 24 November 2017, Mr Hans Stols resigned as member of the Board of Directors, member of the Executive Committee and CEO of the Company. Mr Rafael Padilla, then Area General Manager South America and Southern Europe, was appointed as interim CEO as of 27 November 2017.

On 6 February 2018, the Board of Directors decided to appoint Mr Rafael Padilla as CEO and to co-opt him as director of the Company (subject to confirmation by the General Meeting).

The current terms of Management Deprez BVBA, permanently represented by Ms Veerle Deprez and of Mr Rafael Padilla (both subject to confirmation by the General Meeting) and of Ms De Jong, end after the General Meeting of 2018.

The current terms of AHOK BVBA, permanently represented by Mr Koen Hoffman, and of Vanzel G. Comm.V., permanently represented by Ms Giulia Van Waeyenberge end after the General Meeting in 2019.

The current terms of Alychlo NV, permanently represented by Mr Marc Coucke, Mr Marc Janssens, Holdco FV B.V., permanently represented by Mr Frank Vlayen, Mr Matthias Geysens, WPEF VI Holdco III BE B.V., permanently represented by Ms Nathalie Clybouw, and Michael Schenck BVBA, permanently represented by Mr Michael Schenck, end after the General Meeting of 2020.

Composition of the Executive Committee

Mr Michael Hillaert's term was ended by mutual agreement as of 6 February 2017.

Mr Kalman Petro resigned as of 12 October 2017.

The term of Mr Hans Stols was terminated by mutual consent as of 24 November 2017.

The term of Ms Rita Hoke was terminated as of 6 February 2018.

Composition of the Executive Committee

Composition during the 2017 financial year

Name and position	Term of the position
Rafael Padilla – Area General Manager of Fagron South America and Southern Europe (since 27 November 2017: Chairman and CEO)	4 years
Karin de Jong – Chief Financial Officer	4 years
Constantijn van Rietschoten – Chief Communications Officer/Area General Manager Fagron Australia and South Africa	4 years
Michael Hillaert – Area General Manager of Fagron Belgium, France, Germany, Scandinavia, Poland, Czech Republic and Greece	Term ended: 6 February 2017
Kalman Petro – Area General Manager of Fagron Central and Northern Europe	Term ended: 12 October 2017
Johannes (Hans) Stols – Chairman and Chief Executive Officer	Term ended: 24 November 2017
Rita Hoke – President of Fagron North America	Term ended: 6 February 2018

Composition of the Board of Directors

Composition during the 2017 financial year

	Term of the position	Independent director	Nomination and Remuneration Committee	Audit Committee
Rafael Padilla – CEO	AGM 2018 (subject to confirmation by the AGM)			
Karin de Jong – CFO	AGM 2018			
Management Deprez BVBA, permanently represented by Ms Veerle Deprez	AGM 2018 (subject to confirmation by the AGM)	●		
AHOK BVBA, permanently represented by Mr Koen Hoffman	AGM 2019	●	●	●
Vanzel G.Comm.V., permanently represented by Ms Giulia Van Waeyenberge	AGM 2019	●	●	
Holdco FV B.V., permanently represented by Mr Frank Vlayen	AGM 2020		●	
Matthias Geyssens	AGM 2020			●
WPEF VI Holdco III BE B.V., permanently represented by Ms Nathalie Clybouw	AGM 2020			
Marc Janssens	AGM 2020			
Alychlo NV, permanently represented by Mr Marc Coucke	AGM 2020			
Michael Schenck BVBA, permanently represented by Mr Michael Schenck	AGM 2020			●
Johannes (Hans) Stols – CEO	Term ended: 24 November 2017			
Robert Peek (Chairman)	Term ended: 8 May 2017	●		

Abbreviated curricula vitae

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



AHOK BVBA, permanently represented by Koen Hoffman (1968): Chairman of the Board of Directors

Koen Hoffman obtained a master's degree in Applied Economic Sciences from the University of Ghent in 1990 and an MBA from the Limerick Business School in 1991. Mr Hoffman was appointed Chief Executive Officer of Value Square in August 2016. He previously served as Chief Executive Officer of KBC Securities, member of the Supervisory Board of Atria Securities and member of the Board of Directors of Omnia Travel Belgium. Mr Hoffman started his career in the corporate finance department of KBC Bank in 1992. Mr Hoffman is also an independent director at Greenyard Foods, Mithra Pharmaceuticals and Snowworld, among others.



Rafael Padilla (1978): Chief Executive Officer

Rafael Padilla obtained a degree in Pharmaceutical Sciences from the University of Barcelona and followed a Programme for Management Development (PMD) at the IESE Business School. He started his career in 2002 with Fagron in the Netherlands and is a member of the Executive Committee of Fagron. Mr Padilla has a long-time operational and commercial track record throughout the Fagron organisation. Under the leadership of Mr Padilla, Fagron has been able to successfully expand its activities in Southern Europe and South America since 2010 through strong organic growth and acquisitions.



Karin de Jong (1979): Chief Financial Officer

Karin de Jong has been CFO of Fagron since May 2016. Ms De Jong has been with Fagron since 2008, when she started as corporate controller; she was appointed group controller in 2013. After finishing her degree in business administration, accounting and control, Ms De Jong completed the post-doctoral registered controller program at Erasmus University Rotterdam.



Management Deprez BVBA, permanently represented by Veerle Deprez (1960)

In 1987, Veerle Deprez, together with her brother, laid the foundations of what would later become the Univeg Group. Univeg became a vertically integrated group through acquisitions, specialised in the production, packaging and distribution of fruit and vegetables. In 2003 and 2004, Univeg Peltracom acquired Peltracom and Agrofino, manufacturers of potting soil, soil improvers and substrates. In 2005, the Deprez family expanded their activities to Pinguin (listed on Euronext), market leader in frozen vegetables. The range was expanded with preserved vegetables by the acquisition of Noliko in 2011. In 2015, the three branches, Univeg, Pinguin and Peltracom, were merged under the name Greenyard. Greenyard is a market leader in fresh, freshly frozen and prepared vegetables and fruit, flowers and plants, growing media and substrates and serves the majority of European retailers. As permanent representative of Management Deprez BVBA, Veerle has been a non-executive director of Greenyard since 2005. Ms Deprez is also, directly or indirectly via Management Deprez BVBA, director of DS Consult NV, De Kraaiberg NV, Nova Natie NV, De Weide Blik NV, The Fruit Farm Group BV, Deprez Holding NV, Deprez Invest NV and Food Invest International NV.



Vanzel G.Comm.V., permanently represented by Giulia Van Waeyenberge (1982)

Giulia Van Waeyenberge obtained a master's degree in Electrical Engineering from the Catholic University of Leuven in 2005 and a master's degree in Applied Economic Sciences from Singapore Management University in 2006. Ms Van Waeyenberge works as a Senior Investment Manager at investment company Sofina. She worked previously at family-run investment business De Eik and at Sofina as Investment Manager. Prior to that she served as vice president at Bank of America Merrill Lynch, both in London and Singapore. She started her career in investment banking at ABN AMRO Singapore. Ms Van Waeyenberge has already served on a number of boards, among others at Flemish employer's organisation Voka, and is a member of the Board of Directors of Havenbedrijf Antwerpen NV.



Holdco FV B.V., permanently represented by Frank Vlayen (1965)

Frank Vlayen is currently group managing partner/CEO at Waterland Private Equity. In this position, Mr Vlayen serves on Waterland's investment committee and is responsible for Waterland's day-to-day management and its strategy. He is also responsible for investor relations and for Waterland's (investment) activities in Belgium. Mr Vlayen started his career in the corporate finance and trade finance departments at Generale Bank. His positions following that included vice president at Tractebel's international energy division, where he held a number of senior positions in operational management, business development and corporate and project finance. Before joining Waterland, he worked as Engagement Partner at Accenture UK, where he advised utility companies and industrial businesses on mergers and acquisitions and corporate strategy, and prior to that at Citigroup in London, where he was responsible for corporate development within the European consumer division. Mr Vlayen has worked in Belgium, the United Kingdom, Hong Kong and Central and Eastern Europe.



Matthias Geyssens (1984)

Matthias Geyssens is currently Investment Manager at Waterland Private Equity in Belgium. Prior to this, he worked at Deloitte Corporate Finance in London as Assistant Director, in which position he advised companies in Europe on mergers and acquisitions. Mr Geyssens started his career at Deloitte as an auditor and later moved to the corporate finance division. Mr Geyssens obtained a degree in Management Science and Finance from the University of Kent and an MBA from Cambridge University. He worked as a consultant at Warburg Pincus during his MBA study.



WPEF VI Holdco III BE B.V., permanently represented by Nathalie Clybouw (1965)

Nathalie Clybouw is currently Associate Principal at Waterland Private Equity NV in Belgium. Over the past 10 years, Ms Clybouw has served as CFO and M&A professional and has held various management positions in a number of business sectors including outdoor retail, building materials and telecommunications. Prior to that, she served as CFO at Latexco, global market leader in the manufacturing of latex mattresses, senior investment manager at Fortis Private Equity (ex-VIV) and auditor at Arthur Anderson. Ms Clybouw holds a master's degree in Applied Economics with a major in Accountancy from the University of Antwerp, as well as an executive master's degree in Interim Management from the University of Antwerp Management School.


Marc Janssens (1959)

Marc Janssens has been director of asset management and member of the Executive Committee at Baltisse since 2015. Baltisse is the family-run investment business of Filiep Balcaen and family. In 1988, Mr Janssens joined Petercam (now DeGroof Petercam), where he became partner in 1996 and was appointed to the Board of Directors in 2011. From 1984 to 1988, he served as economics editor at the Belgian newspaper De Standaard. Mr Janssens graduated in Economic Sciences from the Catholic University of Leuven.


Alychlo NV, permanently represented by Marc Coucke (1965)

Marc Coucke is the founder of Omega Pharma. Since its sale, he has invested in various listed and non-listed companies via Alychlo NV, at which he serves as chairman. Mr Coucke graduated as a pharmacist from the University of Ghent and obtained an MBA from the Vlerick Management School in Ghent.


Michael Schenck BVBA, permanently represented by Michael Schenck (1982)

Michael Schenck is currently Investment Manager at Alychlo NV, the investment company of Marc Coucke. Mr Schenck previously served as Investment Manager at Waterland Private Equity. He started his career in corporate finance in France and has worked in Africa as both volunteer and entrepreneur. Mr Schenck holds master's degrees in business administration and international management from Erasmus University Rotterdam and HEC Paris.


Johannes (Hans) Stols (1959): Chief Executive Officer – end of term: 24 November 2017

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 12 December 2015.


Robert Peek (1945) – end of term: 8 May 2017

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 1 July 1989. Starting 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 1 March 2003, the position he held until his retirement at the end of 2005. Mr Peek has been Chairman of the Board of Directors of Fagron NV (originally: Arseus NV) since 2007.

Board of Directors

The composition and functioning of the Fagron Board of Directors 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, with at least one third of the members of the Board of Directors being of a different gender than the other members. The Board of Directors is composed of executive, non-executive and independent directors, who do not necessarily have to be shareholders.

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. In accordance with Article 518bis of the Belgian Companies Code, at least one third of the members of the Board of Directors must be of a different gender than the other members.

Executive and non-executive directors are appointed by a meeting of shareholders for a renewable term of a maximum of 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.

Functioning and role of the Board of Directors

The Board of Directors established its internal regulations as part of its preparation of the Corporate Governance Charter. In addition to what it is legally obligated to do, the Board of Directors is specifically responsible for the following: determining the strategy, the risk profile, the values and the main high-level policies, 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 Group's operating results, approving the framework for internal control and risk management, structuring the Executive Committee, establishing its powers and duties 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 specialised Committees, establishing their internal regulations and assessing their effectiveness, promoting an effective dialogue with the shareholders and potential shareholders, approving the contracts for the appointment of the CEO and other members of the Executive Committee, selecting the Statutory Auditor upon nomination from the Audit Committee and supervising his/her performance and supervising the internal audit function if an independent internal audit function was established.

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

Specialised Committees within the Board of Directors

These Committees have an advisory role. They assist the Board of Directors in specific circumstances which they monitor carefully and for which they submit recommendations to the Board of Directors. The ultimate decision-making is the responsibility of the Board of Directors. The composition, powers and operation 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 independent internal audit function has been established) 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 specifically 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 as stated by the Statutory Auditor;
6. assessing and monitoring the independence of the Statutory Auditor, taking particular note of additional services provided to the Company.

After internal discussion, the Audit Committee found that there was no need to set up an independent internal audit function for 2017.

Nomination and Remuneration Committee

In 2010, the Board of Directors decided 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 field of remuneration policy.

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

The main duties with regard to remuneration consist of:

1. preparing, assessing and making proposals to the Board of Directors regarding the remuneration policy to be implemented regarding the directors, the members of the Executive Committee, the other executives specified in Article 96 §3, last paragraph, of the Belgian Companies Code and the persons responsible for the daily management and, where applicable, regarding the ensuing proposals that must be presented to the shareholders by the Board of Directors;
2. preparing, assessing and making proposals to the Board of Directors about the individual remuneration of the directors, the members of the Executive Committee, the other executives specified in Article 96 §3, last paragraph, of the Belgian Companies Code and the persons responsible for the daily management, including variable remuneration and long-term premiums, which may or may not be associated with shares, in the form of share options or other financial instruments, as well as severance payments and, where applicable, regarding the ensuing proposals that must 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 the allocation of bonuses and long-term incentives for the CEO and the other members of the Executive Committee;
5. discussing the operation and performance of the Executive Committee;
6. reviewing both the operation 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 disclosing 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 there is no such committee, 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 operation 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 2 August 2002.

The Board of Directors appoints the members of the Executive Committee based on the recommendations from 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 management of the Company. It exercises the management powers that the Board of Directors has delegated to it (within the limits of the general and strategic policy and if 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, administrative and financial matters, treasury, supervision

and control of the business units (managers), legal matters, intellectual property, environment and permits, human resources, insurance, tax and subsidy matters and the creation 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 on the corporate website (www.fagron.com) in the section entitled “Corporate Governance”. The Executive Committee meets as often as the interests of the Company require, within fourteen days after a request for that purpose from two members of the Executive Committee. The Executive Committee also provides quarterly reports on its activities to the Board of Directors.

Activity report from the Board of Directors and the Committees in 2017

Board of Directors

In 2017, in addition to discussing the financial reporting, the Board of Directors devoted a great deal of attention to determining the corporate strategy, its organisation, taking into account the future, the strengthening of the company's balance sheet and the composition of the Board of Directors in light of Article 518bis of the Belgian Companies Code.

The executive and non-executive members of the Board of Directors convened ten times in 2017 (6 February, 2 April (via conference call), 7 April, 8 May, 6 July, 3 August, 25 September (via conference call), 25 October, 7 December and 21 December (via conference call)).

All directors were present at these meetings, unless stated otherwise below:

- 8 May 2017: Vanzel G.Comm.V., permanently represented by Giulia Van Waeyenberge and WPEF VI Holdco III BE B.V., permanently represented by Ms Nathalie Clybouw, were unable to attend;
- 6 July 2017: WPEF VI Holdco III BE B.V., permanently represented by Ms Nathalie Clybouw, was unable to attend;
- 3 August 2017: WPEF VI Holdco III BE B.V., permanently represented by Ms Nathalie Clybouw, was unable to attend;
- 7 December 2017: WPEF VI Holdco III BE B.V., permanently represented by Ms Nathalie Clybouw and Vanzel G.Comm.V., permanently represented by Giulia Van Waeyenberge, were unable to attend;

The non-executive directors convened separately on two occasions in 2017 (8 August and 22 November). The key topics discussed were the organisation with a view to the future, and the company's remuneration policy. All non-executive members of the Board of Directors were in attendance at these meetings.

Audit Committee

The Audit Committee, consisting of Mr Matthias Geyssens (Chairman), Michael Schenck BVBA, permanently represented by Mr Michael Schenck and AHOK BVBA, permanently represented by Mr Koen Hoffman, met three times in 2017 (6 February, 3 August and 7 December). All members of the Audit Committee in office attended these meetings. Also in attendance at these meetings, upon the Audit Committee's request, were Mr Stols (on 6 February and 3 August) and Mr Padilla (on 7 December) and Ms De Jong.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, consisting of Holdco FV B.V., permanently represented by Mr Frank Vlayen (Chairman), AHOK BVBA, permanently represented by Mr Koen Hoffman and Vanzel G.Comm.V., permanently represented by Ms Giulia Van Waeyenberge, convened four times in 2017 (14 March, 8 May (via conference call), 3 August and 22 November).

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

Evaluation process for 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 scope, composition and operation and that of its Committees, as well as its interaction with the Executive Committee. The Chairman of the Board of Directors and the performance of his/her 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 from each director to the work of the Board of Directors, his or her presence at the Board and Committee meetings and his or her constructive involvement in the discussions and the decision-making process;
4. to assess the existing composition of the Board of Directors and the Committees in light of the required composition of the Board of Directors and of the Committees.

The evaluation of the functioning of the Board of Directors in terms of its scope, composition, operation and that of its Committees, as well as of its interaction with the Executive Committee, took place on 28 March 2018 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 assess the operation as well as the performance of the Executive Committee on an annual basis. The evaluation of the Executive Committee occurs in the context of determining the variable remuneration of the Executive Committee members.

Policy regarding transactions and other contractual relationships between the Company and its directors or members of the Executive Committee that are not covered by the conflicts of interest regulation

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 that are not covered by the conflicts of interest regulation.

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 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 from the Board of Directors. When 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 Company decision or

activity, they must also notify the Chairman of the Board of Directors as quickly as possible.

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

Rules for the prevention of insider trading and market abuse

The Board of Directors has established rules in order to prevent privileged information from being used illegally by directors, shareholders, members of the management, employees and certain third parties (jointly referred to as the “Insiders”). These rules are an integral part of the Corporate Governance Charter and can be accessed on the corporate website (www.fagron.com) in the section entitled “Corporate Governance”. The Board of Directors has also appointed a Compliance Officer in this context, who, among other things, monitors the observance of the rules by the Insiders. The position of Compliance Officer is currently performed by Ms De Jong. Insiders and persons closely related to them may not conduct any transactions with respect to the Company’s securities during the so-called Closed Periods and Blocked Periods.

A Closed Period is:

- (i) the period of 30 calendar days before the publication of the Company’s annual results for the previous financial year;
- (ii) the period of 30 calendar days before the publication of the Company’s semi-annual results for the previous six months; and
- (iii) the period of 15 days immediately preceding the publication of the Company’s quarterly results, or, if shorter, the period starting from the closing date of the relevant quarter up to and including the moment of publication of the quarterly results.

The Blocked Period is considered to be the period that is communicated as such by the Compliance Officer upon the instructions from the Board of Directors or the Executive Committee and which commences from the date on which the Insider Knowledge becomes known to the Board of Directors or the Executive Committee and lasts until immediately after the Insider Knowledge has been announced or until the date on which the Insider Knowledge is no longer price-sensitive in nature.

Certain transactions, to be stated specifically, remain possible in exceptional cases during the Closed Periods and Blocked Periods. Insiders who wish to acquire or sell Company securities 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 recommendation 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 have a sensitive impact on the stock market price of the Company's shares will be announced in accordance with the rules regarding 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 accordance 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 remains continually subject to further refinement and improvement, also considering the development of the environment and the company itself.

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 professionalised, with attention devoted to the governance structure, processes, systems and controls, as well as to awareness by management and employees regarding the importance their proper application. In concrete terms, the Fagron internal governance is constructed from the following elements:

Development of strategy

Fagron's strategy and the associated objectives and aims are critically assessed each year, and adjusted where necessary, on the basis of market developments, the opportunities and threats that are identified, an analysis of strengths and weaknesses and a strategic risk assessment. The Board of Directors is responsible for this task.

Budgets

The strategic objectives, including the main opportunities and risks, are discussed with the Executive Committee. Fagron's strategic objectives 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 objectives 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 analysed each month at local as well as central level, using the Fagron Management Information System. This system is available to the management and the business controllers, as well as to the Executive Committee and the Corporate Controlling department.

The management and the business controllers report to the Executive Committee and the Corporate Controlling department on a monthly basis regarding the progress in achieving their business plans, the resulting KPIs and financial performance. Progress meetings based on these reports are held on a regular basis, where at least the following is discussed: the actions agreed upon in earlier reviews, the financial results, the updated forecasts, employee turnover and recruitment and the progress and developments in the business.

Global Policies and Code of Ethics

Responsibilities, powers, guidelines and procedures at Fagron have been clearly established in an accessible manner in Fagron's Global Policies and Code of Ethics. Every important process is addressed. The management and business controllers of the business units are responsible for the proper application of the processes and systems. Acquisitions, as soon further integration takes place, are also integrated in terms of guidelines, procedures, processes and systems.

Information regarding diversity

Diversity is very important at Fagron. For further explanation, please refer to the Chapter "Non-financial information and diversity information", starting on page 78 of this Annual Report.

Compliance reviews and external audits

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

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

The Audit Committee found that there was no need to establish an independent internal audit function for 2017.

Corporate Governance information

Corporate Governance Charter

The Board of Directors approved the first version of the Company's Corporate Governance Charter on 4 October 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, with the Board of Directors making compliance with the principles and provisions of this Code, as fully and closely as possible, its primary goal. On 24 April 2008, the Board of Directors then approved an updated 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 to the Belgian Corporate Governance Code of 12 March 2009 and the Board of Directors then approved the revised version of the Corporate Governance Charter on 23 March 2010.

In a decision by the Board of Directors on 27 October 2010, the Nomination Committee and the Remuneration Committee were formally merged to create the Nomination and Remuneration Committee. 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.

In the subsequent decision by the Board of Directors on 14 May 2012, Article 3.3.2. of Annex 3 to the Corporate Governance Charter (Rules for the prevention of insider trading and market manipulation) was amended to allow not only the exercise of warrants, but also the exercise of stock options during a Closed Period or Blocked Period. Finally, in the decision by the Board of Directors on 6 February 2017, the Corporate Governance Charter was updated and, in particular, Articles 3.1 through 3.7 of Annex 3 (Rules for the prevention of insider trading and market manipulation) were amended in accordance with the provisions of the Market Abuse Regulation. The current version of the Corporate Governance Charter was approved by the Board of Directors on 6 February 2017.

The Company is of the opinion that it satisfies all of the principles and provisions of the Belgian Corporate Governance Code 2009 (with one specific exception being the lack of an internal audit function), as well as all of the provisions of the Act of 6 April 2010.

The complete Corporate Governance Charter, including the Annexes, is available on the corporate website (www.fagron.com) in the section entitled "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 p.m. 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 time as aforementioned serve as the registration date. Shareholders shall report, to the Company or to the relevant person appointed by the Company, their intention to attend the General Meeting no later than the sixth day before the date of the meeting. The certified account holder or intermediary shall provide the shareholder with a certificate from which it is apparent with how many dematerialised shares, registered in its accounts in the shareholder's name on the registration date, the shareholder has indicated to wish to participate in the General Meeting.

For each shareholder who expressed a wish to attend the General Meeting, a register designated by the Board of Directors will serve to record his/her name and address or registered office, the number of shares in his/her possession on the registration date and with which he/she has indicated for participation in the General Meeting, as well as a description of the documents that prove that he/she held the relevant shares on that registration date.

Holders of bonds, warrants or certificates issued with the Company's cooperation are permitted to attend the General Meeting with an advisory vote, on the condition that the admission conditions which apply to the shareholders are fulfilled.

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, within the limits as specified in the Belgian Companies Code, the Board of Directors defines the procedure for voting by proxy and the proxy form that must be used when granting the proxy.

The Company must receive the proxies no later than on the sixth day before the date of the General Meeting, in accordance with the procedure established by the Board of Directors. The calculation of the rules regarding quorum and majority shall be based solely on the proxies from the shareholders that comply with the admission formalities as specified in the Articles of Association.

One or more shareholders, who together hold at least 3% of the authorised share capital, may have items placed on the agenda of the General Meeting and may 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 in the application of Article 533 §2, paragraph 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 institution from which it is apparent that the relevant number of dematerialised shares has been registered to their name and account. The subjects to be placed on the agenda and the motions to vote that have been placed on the agenda will only be discussed if the aforementioned 3% of the capital has been registered in accordance with Article 536 §2 of the Belgian Companies Code.

The requests must be made 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 these requests no later than on the 22nd day before the date of the General Meeting. Requests are sent to the Company in an electronic format to 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 to be calculated as of that receipt.

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

The provision contained in Article 533ter of the Belgian Companies Code must be applied in good faith by the shareholders as well as by the Company. It may only be invoked in the interest of the Company.

The directors shall answer the questions that are asked by the shareholders during the meeting or in writing regarding their report, or regarding the agenda items, insofar as the communication of information or facts would not be detrimental to the Company's business interests or to the confidentiality to which the Company, its directors or the Statutory Auditor(s) are obligated.

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 specified 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 that had to be completed before being admitted to the meeting. The questions may be sent electronically to the Company address as stated in the convocation notice for the General Meeting.

The Company must have received the questions in writing no later than on the sixth day before the meeting.

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

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

On 12 December 2014, concerning the:

- Change of the company name from Arseus to Fagron;
- Renewal of the authorisation 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 14 December 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 19 March 2012 and 25 April 2014).

On 29 June 2015, in order to increase the capital within the context of the authorised capital through contribution in kind upon the issuance of new shares.

On 5 August 2015, in order to increase the capital within the context of the authorised capital through contribution in kind upon the issuance of new shares.

On 20 May 2016, in order to increase the capital against the issuance of new shares, as approved during the Extraordinary General Meeting of 4 May 2016.

On 1 July 2016, in order to reduce the capital by making up transferred losses without the cancellation of shares.

On 7 July 2016, in order to increase the capital against the issuance of new shares, as approved during the Extraordinary General Meeting of 4 May 2016.

On 8 May 2017, in order to renew the authorisation in the context of the authorised capital for a period of five years.

The coordinated Articles of Association can be accessed on the corporate website (www.fagron.com) in the section entitled "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 disclosed for the benefit of the shareholders are available free of charge from the Company's registered office.

The Articles of Association can be accessed on the corporate website (www.fagron.com) in the section entitled "Investors".

Number of shares and authorised share capital

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

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

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

This resulted in the issuance 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 authorised capital to 319,810,475.00 euros.

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

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

share capital amounted to 320,023,050.35 euros.

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

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

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

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

On 29 June 2015, 224,133 new shares were issued in the context of the authorised 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 authorised share capital amounted to 324,514,856.31 euros in order to increase the capital within the context of the authorised capital through contribution in kind upon the issuance of new shares.

On 4 August 2015, 444,033 new shares were issued in the context of the authorised 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 authorised share capital amounted to 329,066,194.56 euros in order to increase the capital within the context of the authorised capital through contribution in kind upon the issuance of new shares.

On 20 May 2016, there were 22,626,387 new shares issued in the context of the decisions made for that purpose by the Extraordinary General Meeting of 4 May 2016. The number of Fagron voting securities amounted to 54,738,214. The total number of voting rights (denominator) amounted to 54,738,214. The authorised share capital amounted to 460,109,177.55 euros.

On 1 July 2016, the authorised share capital was reduced by 54,182,316.27 euros by making up transferred losses without the cancellation of shares. The number of Fagron voting securities amounted to 54,738,214. The total number of voting rights (denominator) amounted to 54,738,214. The authorised share capital amounted to 405,926,861.28 euros.

On 7 July 2016, there were 17,105,690 new shares issued in the context of the decisions made for that purpose by the Extraordinary General Meeting of 4 May 2016. The number of Fagron voting securities amounted to 71,843,904. The total number of voting rights (denominator) amounted to 71,843,904. The authorised share capital amounted to 494,192,221.68 euros.

At the time of creation of this annual report, the capital therefore amounts to four hundred ninety-four million one hundred ninety-two thousand two hundred twenty-one euros and sixty-eight euro cents (494,192,221.68 euros), represented by seventy-one million eight hundred forty-three thousand nine hundred four (71,843,904) shares, without indication of nominal value but with an accounting par value of one seventy-one million eight hundred forty-three thousand nine hundred fourth (1/71,843,904th) part of the capital.

Shareholder structure and notifications of shareholding

Based on the notifications of shareholding received by the Company as of 31 March 2018 and taking into account the denominator, the Company's shareholder structure is as shown in the table on the next page.

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

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

	Number of shares	% of effective voting rights
Waterland Private Equity Fund VI C.V., Filiep Balcaen and Fagron NV	22,656,725	31.54%
Alychlo NV / Marc Coucke	10,749,267	14.96%
JPMorgan Asset Management Holdings Inc.	2,461,438	3.43%
Evermore Global Advisors, LCC	2,203,472	3.07%
Adrianus van Herk	2,171,279	3.00%
Carmignac Gestion*	1,492,006	4.65%

* The notification of Carmignac Gestion's participating interest was received on 18 March 2016 and is based on a denominator of 32,111,827.

Conflicts of interest

The procedure from Article 523 of the Belgian Companies Code was applied twice in 2017, more specifically during the meeting of the Board of Directors on 2 April (Addition of an exercise period to the 2016 Warrants Plan) and 8 May (Granting discharge to the members of the Executive Committee). 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 2 April 2017:

Addition of an exercise period to the Warrant Plan 2016

Before the discussion regarding the agenda commences, Mr Hans Stols and Karin de Jong, executive directors of the Company, announce that they believe a conflict of interest of a property law nature could arise in relation to the decisions that the Board of Directors will take considering the modification to the exercise periods in the "Warrant Plan 2016", since they are also beneficiaries of that plan.

The Board of Directors takes note of this conflict of interest and the fact that this was also communicated by the relevant directors to the Company's Statutory Auditor. In accordance with the provisions of Article 523 of the Belgian Companies Code – and taking into account the fact that the Company has drawn publicly on the savings

system – the relevant directors were asked to refrain from participating in the further deliberations and vote regarding the approval of the change to the exercise periods in the "Warrant Plan 2016".

The relevant directors consequently refrained from participating in the deliberations and the vote regarding that agenda point.

The grounds for justification concerning the aforementioned conflict of interest are:

The change proposed by the Board of Directors, following the proposal of the Nomination and Remuneration Committee, regards a change in the manner of exercising the "Warrant Plan 2016" approved earlier by the Board of Directors, specifically the change to the time frame of the existing exercise period and the provision of an additional exercise period. The change to the time frame of the existing exercise period enables the holders of warrants to exercise the warrants at a logical moment, given the anniversary of the plan. The provision of an additional exercise period (i) ensures that the vesting of the warrants and the exercise period are aligned and (ii) corrects a gap in the already approved plan where the last exercise period runs after expiration of the warrants.

The Board of Directors is of the opinion that this is not a significant change and, regarding the grounds for justification, also refers to the earlier decision-making of 13 June 2016 regarding the "Warrant Plan 2016".

The property law consequences are as follows:

The property law consequences for the Company are no different than those that were already discouraged in the decision-making of 13 June 2016, in the approval of the "Warrant Plan 2016".

Interest of the Company:

The Board of Directors refers to the recommendation from the Nomination and Remuneration Committee as a result of the issuance of the "Warrant Plan 2016", which indicates that the work, the initiative and the entrepreneurship of each of the beneficiaries make an important contribution to the development of the Company's activities and results and that they therefore want to give the beneficiaries the chance to acquire (additional) shares in the Company at a registration price specified in advance, allowing them to participate financially in the Company's added value and growth.

After all, experience over the past years has shown that options and warrants and participation as shareholders are important elements of motivation and involvement for the Company's employees regarding the business. Such a plan has the objective of promoting the effort and motivation in the longer term, allowing the effort to contribute to implementing the strategy and to the success and growth of the enterprise.

The addition of another exercise period to the “Warrant Plan 2016” seeks to ensure the actual financial participation of the holders of Warrants by providing an additional exercise period. As such, this initiative directly serves the Company’s interests.

The Board of Directors acknowledges this information and will discuss the proposal to change the “Warrant Plan 2016”.

RESOLUTION: In accordance with its authority in Articles 8 and 10.1 of the “Warrant Plan 2016”, the Board of Directors resolves to change the time period of the existing exercise period and to add an additional exercise period in Article 8.1 of the “Warrant Plan 2016”, in accordance with the subject in Annex 1.

Extract from the minutes of the Board of Directors of 8 May 2017:

Granting of discharge to board members

Prior to the discussion of this agenda item, Mr Stols and Ms De Jong reported that they may have a conflict of interest in the sense of Article 523 of the Belgian Companies Code in the granting of discharge in their capacity as members of the Company’s Executive Committee during the 2016 financial year.

For both members, this conflict of interest stems from the fact that on the one hand they are directors of the Company, and on the other hand they served as members of the Company’s Executive Committee during (part of) the 2016 financial year.

Mr Stols and Ms De Jong will notify the Company’s Statutory Auditor of their conflict of interest.

They will not participate further in the deliberations, nor in the vote regarding the granting of discharge to themselves and will leave the meeting when the resolution regarding the discharge is taken.

Description of the decision and justification:

The proposed decision regards the granting of discharge to each of the Executive Committee members individually for the manner in which he/she performed his/her mandate as director during the 2016 financial year.

During the course of the 2016 financial year, the Board of Directors was given full insight at regular times into all important resolutions by the Executive Committee and the Board of Directors, on this basis, was able to determine sufficiently that each of the individual members of the Executive Committee properly performed his/her duties during the 2016 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 or her duties.

RESOLUTION: In individual votes (one for each Executive Committee member), the Board of Directors unanimously resolved to grant discharge individually to each member of the Executive Committee (Hans Stols, Karin de Jong, Constantijn van Rietschoten, Rafael Padilla, Michaël Hillaert, Kalman Petro and Rita Hoke) for the manner in which they performed their mandate and duties during the 2016 financial year.

Acquisition of treasury shares

The Extraordinary General Meeting of 16 June 2009 granted the Company’s Board of Directors the additional authorisation to buy back treasury shares for a period of five years starting from 16 June 2009, for a price of no less than one 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 shall at no time own shares in its own capital with an accounting par value in excess of 20% of the Company’s issued capital. This authorisation expired on 16 June 2014, and the Extraordinary General Meeting of 12 December 2014 subsequently granted the Board of Directors a new authorisation to buy back treasury shares up to a maximum of ten per cent (10%) of the issued capital, through acquisition or exchange, directly or through an intermediary acting on its own account or on the company’s behalf, for a price of no less than one 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 shall at no time own shares in its own capital with an accounting par value in excess of 10% of the Company’s issued capital.

The Company did not purchase any treasury shares in 2017 and did not provide any treasury shares. As of 31 December 2017, Fagron held 103,627 treasury shares.

Warrants

On 6 September 2007, the Company's Board of Directors approved three warrant plans for employees, directors/ managers/ consultants of Fagron NV and/or its subsidiaries and 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 option for employees, key third parties and consultants to participate is a key stimulus for the Company's further expansion and growth.

The warrants from the Offer expired in January 2011. As a result of the exercise of warrants under the Offer's Warrant Plan, there were 1,018 new shares issued on 16 February 2011. Pursuant to a decision by the Board of Directors on 11 May 2009, which was held in the presence of the Civil-law Notary, Dirk van Haesebrouck, the exercise period for the warrants granted to the beneficiaries before 31 August 2008 in the context of Warrant Plan 1 (plan for employees) was extended by five years to 17 December 2020, in accordance with the Amendment Act (Herstelwet).

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

In 2011, a total of 20,749 warrants were exercised under Warrant Plans 1 and 2. On 16 June 2011, there were 20,749 new shares 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 14 June 2012, there were 61,626 new shares 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 13 June 2013, there were 79,844 new shares 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 13 June 2014, there were 73,002 new shares issued as a result of the exercise of warrants under Warrant Plans 1 and 2. In addition, 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 5 June 2015, there were 12,301 new shares issued as a result of the exercise of warrants under Warrant Plans 1 and 2. In addition, 10,000 warrants were exercised under Warrant Plan 2, for which existing shares of the Company were provided. Since 2016, no warrants under the Warrant Plans 1 and 2 have been exercised.

On 3 June 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 the Board of Directors' resolution of 2 September 2014 in the presence of Civil-law Notary, Luc De Ferm. The Board of Directors is of the opinion that the option for employees and managers/consultants to participate is a key stimulus for the Company's further expansion and growth.

On 13 June 2016, the Company's Board of Directors approved the Warrant Plan 2016 for employees and managers/ consultants of Fagron NV and/or its subsidiaries, which decision was ratified by resolution by the Extraordinary General Meeting of 1 July 2016 in the presence of Civil-law Notary, Liesbet Degroote, where it was resolved to issue 1,000,000 warrants. In accordance with its authority in Articles 8 and 10.1 of the "Warrant Plan 2016", the Board of Directors resolved to change the time period of the existing exercise period and to add an additional exercise period in Article 8.1 of the "Warrant Plan 2016", in particular, on 1 July 2021.

The Board of Directors is of the opinion that the option for employees and managers/consultants to participate is a key stimulus for the Company's further expansion and growth.

For further details regarding the conditions of the Warrant Plans 1, 2, 2014 and 2016 and the movements in the number of warrants during the 2017 financial year, see Note 21 to the consolidated financial statements.

Stock options

On 7 December 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 27 January 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 considered an important retention tool and is intended to create a common interest between the Company's option holders on the one hand and the shareholders on the other hand, which is aimed at increasing the value of the Company's shares.

The Stock Option Plan 2009 can be viewed on the corporate website (www.fagron.com) in the section entitled “Investors”.

In 2010, there were 987,500 stock options allocated 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, there were 328,250 stock options exercised under the Stock Option Plan 2009.

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

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

Since 2016, there have been no stock options exercised under the Stock Option Plan 2009.

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, under the suspensive condition of approval by the General Meeting. The Stock Option Plan 2011 was presented for approval to the Annual General Meeting of 14 May 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 offer existing managers an extra financial incentive when they are promoted by offering options.

The Stock Option Plan 2011 can be viewed on the corporate website (www.fagron.com) in the section entitled “Investors”.

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

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

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

Since 2016, there have been no stock options exercised under the Stock Option Plan 2011.

For further details regarding the conditions of the Stock Option Plans 2009 and 2011 and the movements in the number of stock options during the 2017 financial year, see Note 21 to the consolidated financial statements.

Authorised capital

The Extraordinary General Meeting on 8 May 2017 resolved to renew the Board of Directors’ authorisation to increase the authorised share capital, with a majority of at least three-fourths of the votes and within the limits of the authorisation specified in Article 5bis of the Articles of Association, in one or more rounds by a maximum amount of 494,192,221.68 euros, within a period of five years starting from the date of publication of the decision in the Appendices to the Belgian Official Gazette (19 May 2017).

No use was made during the 2017 financial year of the authorised capital authorisation.

If the capital is increased within the limits of the authorised capital, then the Board of Directors will be competent to request payment of a share premium. If the Board of Directors so decides, then 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 authorised capital, and which can only be accessed, subject to the option to convert this premium into capital, in accordance with the conditions for reducing the authorised

capital stipulated by the Belgian Companies Code.

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 capitalisation 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 authorised capital.

This Board of Directors’ authorisation to increase the authorised share capital, within a period of five years starting from the date of publication of the decision in the Appendices to the Belgian Official Gazette (19 May 2017), with a majority of at least three-fourths of the votes and within the limits of the authorisation specified in Article 5bis of the Articles of Association, expires on 19 May 2022.

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, Auditor, as representative who is authorised to represent the company 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 2016 as Fagron’s Statutory Auditor for a term of three financial years, ending on the date after the Annual General Meeting to be held in 2019.

PricewaterhouseCoopers received a total annual Audit fee of 450,616.00 euros in 2017. Of this amount, 110,390.00 euros concerned Fagron NV. A proposal to approve this remuneration will be presented to the General Meeting of Shareholders on 14 May 2018.

Details about the remuneration of the Statutory Auditor in 2017 are contained in Note 30 to the financial statements.

Remuneration Report

Remuneration for non-executive directors

The non-executive directors do not receive any performance-based remuneration, nor any benefits in kind or benefits that are tied to pension schemes.

The Chairman of the Board of Directors receives an annual remuneration of 60,000 euros, regardless of the number of Committees of which the Chairman is a member, and the Company's other non-executive directors receive an annual remuneration of 30,000 euros, plus 7,200 euros for each Committee of which they are a member.

In concrete terms, this means that the remunerations as shown in the table on page 74 were paid in 2017.

Remuneration policy for executive directors and members of the Executive Committee

The remuneration for executive directors entirely results from their executive positions. The members of the Executive Committee do not receive any separate remuneration for their membership in the Board of Directors. The following principles were applied in 2017 for the policy regarding 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 into account the size of the company, the industry, 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. For the other members of the Executive Committee, this remuneration amounts to a maximum of 60% of the fixed annual remuneration.

The executive directors and members of the Executive Committee do not receive any long-term results-related share-related incentive programmes. Currently, there is no intention to implement any amendments to the remuneration policies in the next two years for the executive directors and the members of the Executive Committee.

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

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

The plan was approved by the Extraordinary General Meeting of Shareholders on 27 January 2010.

The executive members of the Board of Directors and the members of the Executive Committee were granted stock options in January 2010.

During the year 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. During the year 2013, a total of 295,000 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.

During the year 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. During the year 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. During the year 2016, no stock options were exercised under the Stock Option Plan 2009 by the executive members of the Board of Directors or members of the Executive Committee.

During the year 2017, no 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.

The Annual General Meeting of 14 May 2012 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 Company's directors and management. The Stock Option Plan 2011 can be viewed on the corporate website (www.fagron.com) in the section entitled "Investors".

During the year 2012, there were 105,000 stock options allocated to the executive members of the Board of Directors under the Stock Option Plan 2011. During the year 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. During the year 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. During the year 2015, there were 8,750 stock options exercised under the Stock Option Plan 2011 by the executive members of the Board of Directors and members of the Executive Committee. During the year 2016, 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.

During the year 2017, 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.

On 2 September 2014, the Board of Directors approved and signed 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 Company's directors and management. The Warrant Plan 2014 can be viewed on the corporate website (www.fagron.com) in the section entitled "Investors".

During the year 2015, no warrants were allocated under the Warrant Plan 2014 to specific directors and the Company's management. During the year 2016, no warrants were allocated under the Warrant Plan 2014 to specific directors and the Company's management. During the year 2017, no warrants were allocated under the Warrant Plan 2014 to specific directors and the Company's management.

During the year 2017, no warrants were exercised under the Warrant Plan 2014 by the executive members of the Board of Directors and members of the Executive Committee.

The Extraordinary General Meeting of 1 July 2016 approved the Warrant Plan 2016 for consultants and employees of Fagron NV and/or its subsidiaries. This warrant plan aims to provide an additional incentive to the Company's directors and management. The Warrant Plan 2016 can be viewed on the corporate website (www.fagron.com) in the section entitled "Investors".

During the year 2016, 983,091 warrants were allocated under the Warrant Plan 2016 to specific directors and the Company's management.

During the year 2017, no warrants were exercised under the Warrant Plan 2016 by the executive members of the Board of Directors and members of the Executive Committee.

For further details regarding the warrants/ stock options, see Note 21 to the consolidated financial statements.

(in euros)

AHOK BVBA, permanently represented by Mr Koen Hoffman	54,335
Vanzel G.Comm.V., permanently represented by Ms Giulia Van Waeyenberge	37,200
Deprez Management BVBA, permanently represented by Ms Veerle Deprez*	19,286
Holdco FV B.V., permanently represented by Mr Frank Vlayen	37,200
Matthias Geysens	37,200
WPEF VI Holdco III BE B.V., permanently represented by Ms Nathalie Clybouw	30,000
Marc Janssens	30,000
Alychlo NV, permanently represented by Mr Marc Coucke	30,000
Michael Schenck BVBA, permanently represented by Mr Michael Schenck	37,200
Robert Peek*	21,429

* Amounts prorated to the term served by the directors.

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 to be taken into account in 2017 for the allocation of performance-related bonuses to the members of the Executive Committee are based for 75% on financial targets, particularly on (1) turnover, (2) and REBITDA, where each of these two components is evaluated on an equal basis. For the remaining 25%, the criteria are based on personal/ discretionary targets that are clearly defined and recorded in writing on an annual basis.

The variable remuneration is allocated on the basis of these financial and personal targets that are established and evaluated on an annual basis. The management agreements do not explicitly provide a right of reclaim for the Company regarding any variable remunerations that have been allocated on the basis of incorrect financial data.

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

- 50% of the variable remunerations may be related to performance in the relevant year (in this case, 2017) and will therefore be paid out after one year;
- the remainder must be distributed over at least the next two years, whereby at least 25% must be based on performance over a period of at least three years, therefore 25% in 2018 and 25% in 2019. This mandatory distribution does not apply if the variable remuneration amounts to 25% or less of the annual remuneration. However, the Nomination and Remuneration Committee is of the opinion that there are justified reasons why it

would not be expedient 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 recommended that Fagron's current bonus system based on annual targets be retained:

- First of all, Fagron's Executive Committee is already well aligned with Fagron's long-term

performance via the current warrant and stock option plans;

- In addition, 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, for example, be pointless if significant acquisitions were to take place over the course of the next years.

The Extraordinary General Meeting of 14 May 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 distributed variable remuneration as specified in Article 520ter of the Belgian Companies Code.

Remuneration package

Information about remuneration (in euros)	CEO*	Total excluding CEO	Note
Base salary/remuneration		1,239,653	Regards gross salary of the other members of the Executive Committee for the duration of the mandate.
Hans Stols (until 24 November)	550,000		
Rafael Padilla (starting 27 November)	34,806		
Variable remuneration	0	155,416	Regards the variable remuneration over 2017 for the duration of the mandate, paid out in 2018.
Pension and other components		129,603	Regards costs for pensions, insurance and the cash value of the other benefits in kind. A maximum pensionable salary of 100,000 euros applies.
Hans Stols (until 24 November)	33,000		
Rafael Padilla (starting 27 November)	2,048		
Share options/warrants	0	0	

* Upon his appointment, Mr Stols received the same remuneration package as Mr Van Jeveren. More information in this context can be found in the section entitled "Remuneration of the CEO".

Information regarding stock options / warrants

Information regarding stock options / warrants	Balance at 31/12/2016	Allocated in 2017	Exercised in 2017	Expired in 2017	Balance at 31/12/2017
CEO – Hans Stols	513,091 (warrants)	0	0	363,091	150,000 (warrants)
CEO – Rafael Padilla	282,500 (stock options and warrants)	0	0	7,500 (stock options)	275,000 (warrants)
CFO – Karin de Jong	85,000 (warrants)	0	0	0	85,000 (warrants)
Other members of the Executive Committee (as of 31 December 2017)	160,000 (stock options and warrants)	0	0	80,000 (stock options and warrants)	80,000 (warrants)

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

The table on page 75 provides information regarding the remuneration package for 2017.

The table on page 76 provides information regarding the allocated warrants and the allocated stock options.

Note 21 to this Annual Report contains a further explanation regarding the warrants and the stock option plan.

Information regarding severance pay

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

The management contract with Mr Stols was terminated in mutual consultation as of 24 November 2017, on the condition of payment of a notice period of 12 months fixed and variable remuneration based on the prior financial year.

As of 1 January 2015, none of the other members of the Executive Committee is entitled to a severance package that exceeds an amount equal to 12 months of fixed and variable remuneration.

Annual information

A summary of the “annual information”, as specified in Title X of the Prospectus Act in accordance with the Belgian Act of 16 June 2006 on the public offer of investment instruments and the acceptance of trading investment instruments on the regulated market (the “Prospectus Act”), is provided below. All of this information can be viewed on the corporate website (www.fagron.com) in the section entitled “Investors”. Some of this information may now be out of date.

Prospectus

Fagron NV (at the time: Arseus NV) issued a prospectus on 11 September 2007 for the IPO as an independent company. On 12 June 2012, Fagron NV (at the time: Arseus NV) issued a prospectus with a view to the Public Offering and admission to the trading of Bonds on the regulated market of Euronext Brussels. On 16 June 2016, Fagron NV issued a prospectus with a view to the Public Offering and admission to the trading of new shares on the regulated market of Euronext Brussels.

Information to the shareholders

Is part of the prospectus of 11 September 2007 and of 16 June 2016.

Periodic press releases and information 2017

7 February 2017	Annual figures 2016: Fagron realises turnover of 421.8 million euros – REBITDA of 90.6 million euros or 21.5% of turnover
13 April 2017	Trading update, first quarter 2017: Turnover increases by 7.1% to 109.9 million euros
4 August 2017	Semi-annual figures 2017: Higher turnover and profit for Fagron
12 October 2017	Trading update, third quarter 2017: Turnover growth supported by key regions Europe, South America and North America

Periodic press releases and information in the period from 1 January 2018 through 12 April 2018

7 February 2018	Annual figures 2017: Fagron turnover increased by 3.6% to 436.9 million euros and net profit increased to 47.0 million euros
12 April 2018	Trading update, first quarter 2018: Fagron realises organic turnover growth of 6.8%

Occasional press releases and information 2017

7 April 2017	Convocation Annual Meeting and Extraordinary General Meeting
30 April 2017	Publication of Guarantor List and Compliance Certificate
9 May 2017	Fagron shareholders approve all proposed resolutions
3 July 2017	Fagron redeems bond loan
15 September 2017	Disclosure of received notification
5 October 2017	Fagron further executes buy-and-build strategy with acquisition of All Chemistry in Brazil
9 October 2017	Disclosure of received notification
27 November 2017	Rafael Padilla succeeds Hans Stols as CEO
6 December 2017	Disclosure of received notification

Occasional press releases and information in the period from 1 January 2018 through 12 April 2018

3 April 2018	Fagron strengthens strategic position in the USA through highly complementary acquisition of Humco
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Notifications of shareholding received in 2017

12 September 2017	Alychlo NV
9 October 2017	Evermore Global Advisors
29 November 2017	JPMorgan Asset Management Holdings Inc.

Non-financial information and diversity information

Introduction of non-financial information

Starting this year, Fagron reports non-financial information in the Annual Report for the first time. With this, Fagron satisfies the EU Directive (2014/95/EU) that obligates large organisations in Europe to be open regarding non-financial information such as environmental and social policy and diversity at the top. This European Directive was translated into national law in Belgium at the end of 2017. No specific reporting framework has been applied for 2017. The goal is to begin applying GRI Standards in the 2018 financial year.

The next paragraphs explain the relevant environmental, social and personnel aspects, human rights, corruption and bribery issues. Information related to Fagron's business model is located in the section entitled "Who we are and what we do".

Quality and safety are foremost (social issues)

Our greatest impact is that from our products on the health and welfare of the user. This means that in the pharmaceutical industry, quality also equals safety: we can only guarantee the health of end users with the highest quality standards.

In order to make our products, more than 2,500 raw materials are purchased in bulk from selected and qualified suppliers and manufacturers. All of the purchased raw materials and packaging go through an acceptance and quality control in accordance with the most recent guidelines, or pharmacopoeia, and are provided with an analysis certificate after release by a Qualified Person (QP), as certification of a comprehensive quality management system. The products are released by the Qualified Person (QP). Approximately 150 employees in local quality departments and the Global Quality Management Team are

continuously working in this area, starting from the selection and on-site audit inspection of manufacturers up to the delivery at the customer.

The dependence on suppliers also entails risks. Timely delivery of products can become disrupted by, among other things, market conditions, natural disasters and strikes, local quality problems and (temporary) closings of facilities. These situations can result in potential product liability claims. Fagron tries to address these issues by qualifying multiple suppliers for its products. The facilities of Fagron and of its suppliers must also satisfy manufacturing and (inter-)national GMP (Good Manufacturing Practices) quality standards, such as standards from the European Union, the American FDA and other supervisory bodies. Fagron and supervisory bodies periodically inspect facilities in order to check compliance. In our own manufacturing and compounding facilities, we are also dependent on the ability to comply with GMP, GDP (Good Distribution Practices) and other quality standards that are subject to change.

The quality and safety is guaranteed through robust quality systems and registration of all observations, including laboratory analyses and internal and external complaints and their monitoring. We trend the quality and safety of our products using the number of internal and external complaints. This process must ultimately result in a high product availability (percentage of product orders that are delivered immediately). In addition, our manufacturing facilities are GMP-certified, and the audits that customers and the authorities frequently perform at Fagron itself, are successfully passed in all cases. In order to guarantee quality in the chain, an integral part of our strategy is informing prescribers and pharmacists about pharmaceutical compounding techniques. We do this through the organisation of Academies in the countries where we are active. Fagron

Academy organises courses and training programs to increase and improve prescribers' and pharmacists' knowledge and skills in relation to compounding. Fagron believes that it offers the most extensive training and educational opportunities for, among other things, compounding techniques and the use of materials.

Our people (personnel issues)

At the end of 2017, there were 2,054 FTE employed at Fagron, of whom 42.5% were male and 57.5% were female. This proportion is satisfactory and a confirmation of Fagron's commitment to focusing on diversity in terms of personnel. This focus on diversity is not only important through all of the layers of our organisation, but also once again at the top, in particular, in management positions and in the composition of the Board of Directors.

In accordance with Article 518bis of the Belgian Companies Code, Fagron will at all times endeavour to have at least one-third of the members of the Board of Directors be of a different gender than the other members. In 2017, the Board of Directors consisted of four women and seven men.

Fagron also has a good balance between male and female managers in its management positions, including 13 female General Managers who are responsible for activities in Brazil (3), China (1), Colombia (1), Germany (1), Italy (1), the Netherlands (5) and the United States (1).

We are also a diverse company in terms of age. The average age in 2017 was 40.5 years.

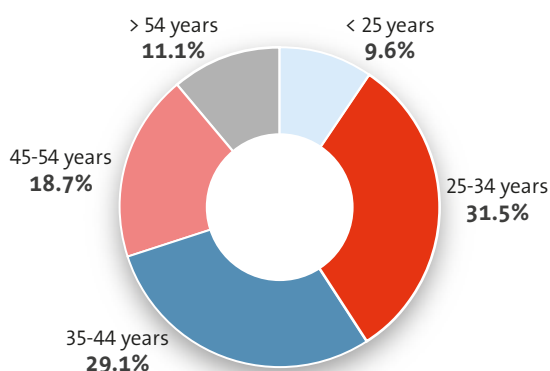
In order to be able to continue to develop new products, concepts and dosage forms, Fagron is constantly searching for the best people in order to further expand our leading market positions. This is sometimes a challenge, because we are active in a labour market with many competitors in which specialised personnel is scarce, including laboratory technicians, pharmacists with commercial experience and employees who have been trained in the dealing with and manufacturing pharmaceutical compounds in GMP and GDP environments. Fagron's success depends on our ability to recruit and to maintain the senior management team and other key employees with considerable experience, particularly in view of the continued developments and changes in the business.

That is why, in terms of HR, our focus includes development and retention. Fagron wants to retain talented employees by giving them the internal opportunity to grow and to develop themselves as broadly as possible. Through talent reviews, we identify talent and the proper ways in which we can utilise that talent. In 2017, the average time of employment amounted to 7.2 years and employees remained on average 4.5 years in the same position. That means that our employees go through at least one growth step within the company.

One way for us to secure future talent is our program of activities focused on students. We organise at least two "Meet Fagron" events each year, where students with a pharmaceutical education can acquaint themselves with Fagron. We also offer students the opportunity to gain work experience in our industry providing them with an internship. In 2017, we welcomed 22 interns worldwide.

In addition to attracting and retaining talent, we endeavour to have a safe and healthy work environment. Since we work in accordance with quality standards such as GMP, and since regional legislation differs considerably, there has not yet been any group-wide formulation of policy or performance indicators. However, Health and Safety procedures and emergency plans are present at all Fagron facilities. In 2017, there were no safety-related incidents.

Diversity according to age



Every two years, we measure the employee involvement of all of our employees. We do this through an anonymous questionnaire, conducted by a well-established external party. In addition to the level of involvement, we also examine how people perceive the content of their work, their salary and other conditions of employment, health at work and leadership development.

In the examination conducted in 2016, Fagron scored 82% on empowerment and 80% on sustainable engagement. The subjects of communication (about vision and strategy), compensation and conditions of employment and training and development received a lower

score. As a result, an action plan was developed. In this way, there is now an effort to further professionalise the onboarding process and a training catalogue will be developed. This examination will be conducted once again in 2018.

Space for people with poor job prospects

Fagron's subsidiary Spruyt Hillen (Netherlands) focuses on wholesale pharmaceutical packaging materials and raw materials and other products that are used in pharmaceutical compounding. In collaboration with Stichting Reinaerde (Reinaerde Foundation), we offer work here for people with a mental or physical impairment. Fourteen employees here make customised small packaging for Fagron. They do this very precisely and to the great satisfaction of all parties involved.

Our approach to human rights

As a pharmaceutical company, we have a significant impact on the health and well-being of people in the markets in which we are active. Our mission is the optimisation and innovation of compounding in order to improve the quality of life of patients worldwide and to improve the access to personalised care.

We want to achieve this goal in an ethical, honourable and responsible manner. We believe that human rights, as defined by the United Nations in its Universal Declaration of Human Rights, are a general standard to which all employees must be held, and we encourage our employees and partners in the supply chain to respect these rights by committing to them. However, even though human rights have been integrated in various parts of our business operation and no risks have been identified, a specific human rights policy has not been formulated yet. Below we explain the areas regarding human rights.

We are dependent on a large number of suppliers for the manufacture of our product. Fagron has a complete view of the supply chain of more than 2,500 pharmaceutical raw materials, which

results in 100% traceability. However, approximately 70% of the purchase value of raw materials is produced in Asia, mainly in China and India (by local suppliers). For this reason, it is important to be aware of differences in laws and standards with regard to human rights and labour laws.

In this context, Fagron employs a comprehensive supplier selection procedure. New suppliers are screened extensively, of which the compliance with social standards is a part. All of our suppliers must be ISO 9001 or GMP certified. Both are quality management systems. Suppliers of specific risk products are audited on site, in addition to a "paper audit", by a Fagron auditor from the Quality department. Risk is also determined by factors such as the application, for example sterile uses of the product, or because a supplier not yet fully complies with the comprehensive documentation requirements of the qualification process. These audits, approximately 100 of which were performed in 2017, focus primarily on the quality and safety of the product, but in accordance with the comprehensive requirements of GMP certification, they also evaluate the presence of training procedures and aspects regarding health, safety and the environment.

Specific risks are immediately excluded due to the stringent GMP requirements.

Within our organisation, we have set ourselves a goal to prevent discrimination and intimidation and to offer all employees equal opportunities. That goal has been recorded in our Code of Conduct, which is applicable to all Fagron employees and its subsidiaries.

Elements related to human rights also play a role in other parts of our processes. For our patient-specific compounding activities, we use confidential medical and other health-related information. Fagron also uses collected and anonymised data for research and analysis purposes. We endeavour to satisfy applicable privacy laws and regulations at all times. An internal project group is currently working on full compliance with the GDPR (General Data Protection Regulation) or Algemene Verordening Gegevensbescherming (AVG) starting in May 2018. The GDPR regards the management and security of personal data of European citizens.

Finally, Fagron actively ensures that our products are not used for nor delivered to parties that manufacture products for the implementation of the death penalty. Fagron places great value and interest in the medically responsible use of its products in order to improve the lives and quality of life of patients.

Integrity in our organisation (corruption and bribery)

Fagron has a Code of Conduct & Ethics that set out our policies with regard to conflict of interests, bribery and corruption, among other things. This Code is applicable to all employees from the various companies within the Fagron Group, regardless of the type of contract that the employees may have.

Unethical or dishonest behaviour may, for instance, involve errors or negligence in the compliance with

pharmaceutical regulations, the provision of financial information or data to supervisory bodies and other stakeholders, and the disclosure of unauthorised activities. Extensive laws and regulations against fraud, bribery, acting in one's own interest, and other forms of abuse, are particularly applicable for sales, marketing and company regulations in the healthcare sector. These laws and regulations restrict or prohibit a large number of activities regarding price setting, discounts, marketing, promotional activities, sales commissions, customer incentive programmes and other corporate regulations. Still, it is not always possible to identify and prevent unethical behaviour. By establishing our guidelines and procedures in a clear and accessible manner, Fagron reduces the risk of inappropriate behaviour.

The management and business controllers of the business units are responsible for the proper application of this policy. Employees are encouraged to report suspicious situations regarding (potential) conflicts of interest to their immediate supervisor or to the Human Resources department. We want to measure our performance in 2018 regarding this subject, including by testing new and existing employees about how much they know about the Code of Conduct. Each employee will also be requested to formally sign the Code of Conduct to comply with. By doing this, we try to identify and to manage risks that exist regarding fraud or other unethical behaviour.

In addition to the Code of Conduct, Fagron has established additional rules of conduct regarding conflict of interests and abuse of insider knowledge for the Board of Directors and the Executive Committee. In 2017, there were two occurrences in which members of the Board of Directors did not participate in deliberations or voting due to conflict of interests. In both cases, the law was fully complied with. The specifics of the procedures followed are explained in

detail in the Corporate Governance Statement. By doing so, Article 523 from the Belgian Companies Code has been satisfied.

As soon as further integration takes place, acquisitions are also aligned in terms of guidelines, procedures, processes and systems. This creates a uniform policy for the entire group.

How we deal with our environmental impact (environmental issues)

Fagron has an impact on the environment, with ten GMP facilities for the conditioning of pharmaceutical raw materials and 14 facilities for the preparation of sterile and non-sterile medication, as well as through our logistics chain. In our processes, we strive for compliance with national and international environmental laws and regulations, such as requirements regarding air emissions, discharge of waste water, health and safety of the employees and use, production, management, storage, processing, transport, treatment and disposal of hazardous substances and other materials.

In addition, we want to minimise energy use and waste as much as possible. Various local initiatives that satisfy local and national laws have been established for the reduction of waste. In addition, all waste materials and used chemicals are only removed by approved contractors who have experience with the environmentally friendly removal and processing of waste. For some years, the local Fagron subsidiaries have developed and implemented their own region-specific sustainability initiatives in order to reduce their impact on the living environment. For example, the Fagron subsidiaries in Brazil have a major focus on rainwater recuperation and reuse, the American subsidiaries focus particularly on recycling and separation of waste regarding ink cartridges, laboratory clothing and materials and

the European subsidiaries focus particularly on the use of green energy.

Currently, however, there is still no group-wide environmental policy and we do not yet direct our environmental performance at group level. Also, no explicit environmental risks have been identified so far. Early 2018, we started to identify our CO₂ emissions in our entire chain (scope 1, 2 and 3). In addition, Fagron supports the use of green energy and is committed to minimising paper use in its locations. We want to develop these initiatives into a scalable environmental policy at the group level, in which the existing local initiatives are rolled out worldwide, supported by a group-wide policy that will be measured and for which objectives will be specified on an annual basis.

When we have clarified our current carbon footprint, we will implement a strategic step-by-step plan and KPIs that we will monitor in the coming years. This will make it clearer where there is potential for improvement and what the possible risks might be in this regard.



Consolidated Financial Statements 2017



Consolidated Financial Statements

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Consolidated financial statements

The Report from the Board of Directors and the Corporate Governance Statement, as reported before, constitute 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 2017, 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, 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, and provides a description of the main risks and uncertainties that they face.

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

Rafael Padilla, CEO

Karin de Jong, CFO

13 April 2018

Consolidated income statement

(x 1,000 euros)	Note	2017	2016
Operating income		441,550	425,054
Turnover	6	436,934	421,839
Other operating income	7	4,616	3,215
Operating expenses		366,942	407,173
Trade goods		167,718	158,191
Services and other goods		79,858	79,218
Employee benefit expenses	8	100,700	96,801
Depreciation and amortisation	9	17,550	21,119
Impairment	9	0	48,364
Other operating expenses	10	1,116	3,480
Operating profit		74,607	17,881
Financial income	11	3,154	12,996
Financial expenses	11	-21,796	-37,242
Profit before income tax		55,965	-6,364
Taxes	12	8,918	11,748
Net result from continued operations		47,047	-18,112
Net result from discontinued operations (attributable to equity holders of the company)	13	0	-2,045
Net result		47,047	-20,157
Attributable to:			
Equity holders of the company (net result)		46,658	-20,562
Non-controlling interest		389	405
Earnings (loss) per share attributable to owners of the parent entity during the period			
Profit (loss) per share (in euros)	14	0.65	-0.38
From continued operations	14	0.65	-0.34
From discontinued operations	14	0.00	-0.04
Diluted profit (loss) per share (in euros)	14	0.65	-0.38
From continued operations	14	0.65	-0.34
From discontinued operations	14	0.00	-0.04

Consolidated statement of comprehensive income

(x 1,000 euros)	Note	2017	2016
Profit for the year		47,047	-20,157
Other comprehensive income			
Items that will not be reclassified to profit or loss	23		
• Remeasurements of post-employment benefit obligations		1,497	-599
• Tax relating to items that will not be reclassified		-374	150
Items that may be subsequently reclassified to profit or loss			
• Currency translation differences		-16,534	22,077
Other comprehensive income for the year net of tax		-15,411	21,628
Total comprehensive income for the year		31,636	1,471
Attributable to:			
Equity holders of the company		31,237	1,088
Non-controlling interest		399	384
Total comprehensive income for the year		31,636	1,471
Total comprehensive income for the year attributable to equity holders of the company:			
From continued operations		31,237	3,133
From discontinued operations	13	0	-2,045
Total comprehensive income for the equity holders		31,237	1,088

The unrealised currency translation differences of -16.5 million euros are primarily the result of the weakening of the Brazilian real compared to the euro as of 31 December 2017.

Consolidated statement of financial position

(x 1,000 euros)	Note	2017	2016
Non-current assets		427,617	455,707
Intangible fixed assets	15	344,495	371,006
Property, plant and equipment	16	69,535	72,879
Financial fixed assets	17	2,232	2,123
Deferred tax assets	18	11,355	9,698
Current assets		166,430	412,346
Inventories	19	62,865	60,054
Trade receivables	20	32,220	32,879
Other receivables	20	10,574	23,829
Restricted cash	20	0	220,622
Cash and cash equivalents	20	60,771	74,962
Total assets		594,047	868,053
Equity	21	184,881	152,875
Shareholders' equity (parent)		181,398	149,792
Non-controlling interest		3,483	3,083
Non-current liabilities		300,925	309,125
Provisions	22	12,476	12,776
Pension obligations	23	4,733	5,680
Deferred tax liabilities	18	198	236
Borrowings	24	283,518	290,433
Current liabilities		108,241	406,053
Borrowings	24	13,450	290,559
Trade payables	25	58,950	53,163
Taxes, remuneration and social security	18	27,168	34,977
Other current payables	26	8,673	18,825
Financial instruments	24	0	8,530
Total liabilities		409,166	715,178
Total equity and liabilities		594,047	868,053

Consolidated statement of changes in equity

(x 1,000 euros)	Note	Share capital & share premium	Other reserves	Treasury shares	Profit carried forward	Total	Non-controlling 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		0	0	0	-20,562	-20,562	405	-20,157
Other comprehensive income		0	21,650	0	0	21,650	-22	21,628
Total comprehensive income for the period		0	21,650	0	-20,562	1,088	384	1,471
Capital increase		216,092	0	0	0	216,092	0	216,092
Share-based payments		0	85	0	0	85	0	85
Reclassification		0	0	0	0	0	0	0
Balance at 31 December 2016		561,852	-218,174	-18,823	-175,063	149,792	3,083	152,875
Profit for the period		0	0	0	46,658	46,658	389	47,047
Other comprehensive income		0	-15,422	0	0	-15,422	10	-15,411
Total comprehensive income for the period		0	-15,422	0	46,658	31,236	399	31,636
Capital increase	21	0	0	0	0	0	0	0
Share-based payments	21	0	370	0	0	370	0	370
Reclassification		-54,182	0	0	54,182	0	0	0
Balance at 31 December 2017		507,670	-233,226	-18,823	-74,223	181,398	3,483	184,881

Consolidated cash flow statement

(x 1,000 euros)	Note	2017	2016
Operating activities			
Profit before income taxes from continued operations		55,965	-6,364
Profit before income taxes from discontinued operations		0	-2,422
Taxes paid		3,398	-12,831
Adjustments for financial items		18,643	24,103
Total adjustments for non-cash items		16,169	62,049
Total changes in working capital		-9,927	2,969
Total cash flow from operating activities		84,247	67,504
Investment activities			
Capital expenditure		-10,032	-14,777
Proceeds from sold shareholdings		6,400	0
Investments in existing shareholdings (subsequent payments) and in new holdings		-8,109	-8,155
Total cash flow from investment activities		-11,741	-22,932
Financing activities			
Capital increase		0	216,092
New borrowings	24	122,193	147,814
Reimbursement of borrowings	24	-398,023	-156,206
Interest received		3,154	2,240
Interest paid		-31,713	-38,501
Total cash flow from financing activities		-304,391	171,438
Total net cash flow for the period		-231,885	216,010
Cash and cash equivalents – start of the period (including restricted cash)		295,585	75,474
Gains (or losses) from currency translation differences		-2,929	4,100
Cash and cash equivalents – end of the period (including restricted cash)		60,771	295,585
Changes in cash and cash equivalents (including restricted cash)		-231,885	216,010
Net cash flow from discontinued operations			
Total cash flow from operating activities		0	-9,279
Total cash flow from investment activities		0	-6,147
Total cash flow from financing activities		0	0
Total net cash flow from discontinued operations		0	-15,426

In April 2016, the Board of Directors decided to close Bellevue Pharmacy; consequently the cash flows from Bellevue Pharmacy were classified under discontinued operations for 2016.

The item “adjustments for financial items” relates to interest paid and received and to other financial expenses and income that are not cash flows, such as the revaluation of the financial instruments. The item “total adjustments for non-cash flow items” relates in particular to depreciation, amortisation, impairment and changes in provisions. The item “total changes in working capital” concerns movements 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 necessary 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 leading global company active in pharmaceutical compounding and focused on delivering personalised 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. Fagron's operational activities are directed by the Dutch company Fagron BV. Fagron BV's headquarters 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 12 April 2018.

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 Fagron consolidated financial statements 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 listed at fair value.

The consolidated financial statements for Fagron NV and its subsidiaries for 2017 as a whole have been prepared on the going concern basis, which assumes that the company will continue to be able to meet its liabilities as they become due in the foreseeable future.

IFRS developments

No new standards, new interpretations or amendments to standards have been issued or approved by the EU and are mandatory for the first time for the financial year beginning 1 January 2017.

The following amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2017 but have not yet been approved by the EU.

Published, mandatory but not yet approved by the EU		Anticipated impact
Amendments to IAS 12 Income taxes <i>1 January 2017</i>	These amendments clarify the accounting for deferred tax claims arising from debt instruments valued at fair value.	Upon final approval by the EU, Fagron will process the amendments if applicable.
Amendments to IAS 7 Statement of cash flows <i>1 January 2017</i>	The amendments introduce an additional disclosure that will prompt readers of the financial statements to evaluate changes in liabilities originating from financing activities. These amendments are part of the IASB “Disclosure initiative”, which has the goal of constantly seeking to improve the notes to the financial statements.	Upon final approval by the EU, Fagron will process the amendments if applicable.
Annual improvements to IFRS standards 2014-2016 <i>1 January 2017</i>	These improvements resulted in the adjustment to three standards: IFRS 1 “First application of International Financial Reporting Standards” regarding the short-term exceptions for the first applicers of IFRS 7, IAS 19, IFRS 10 and IAS 28 “Investments in associated participations and interests in joint ventures” regarding the valuation of associated participations and joint ventures at their actual value, which are both applicable as of 1 January 2018. These improvement also regard IFRS 12 “Explanation of interest in other entities” about the clarification of the standard’s area of applicability. These adjustments must be applied retrospectively for the financial year starting on 1 January 2017.	Upon final approval by the EU, Fagron will process the amendments if applicable.

The following new standards, changes to standards and interpretations have been issued and approved by the EU, but are not yet mandatory for the first time for the financial year beginning 1 January 2017.

Issued and approved by the EU, but not yet mandatory		Anticipated impact
IFRS 9 Financial Instruments <i>1 January 2018</i>	This standard, which regards financial instruments on the asset side as well as liability side, describes the conditions for incorporation, classification and disposal of this type of instrument, as well as the permitted valuation methods.	Fagron has established that the application of these standards will not have a material impact on the consolidated financial statements.
IFRS 15 Revenues from contracts with customers <i>1 January 2018</i>	The IASB and FASB have jointly published a standard concerning the recognition of revenue from contracts with customers. The standard will improve the financial reporting of revenues and deliver a better global comparison of the revenues that are reported in the financial statements. Entities that apply IFRS are required to apply this standard.	Fagron conducted an analysis for 2017 and determined that the application of this standard only has a negative performance effect of less than one per cent of the revenue and has no effect on the operating income. Fagron will apply this change as of 1 January 2018. The comparable figures from 2017 will be adjusted in the reporting.

The following new standards, changes to standards and interpretations have been issued, not yet approved by the EU and are not yet mandatory for the first time for the financial year beginning 1 January 2017.

Published, not yet approved by the EU and not yet mandatory		Anticipated impact
IFRS 16 Lease agreements 1 January 2019	The standard replaces the current standard, IAS 17, and contains a major change to the accounting processing for lease agreements by the lessee. According to IAS 17, the lessee had to make a distinction between a financial lease (to be recognised in the balance sheet) and an operational lease (should not be recognised in balance sheet). IFRS 16, on the other hand, requires the lessee to recognize a debt in the balance sheet equal to the future lease payments and a “right-of-use asset” for virtually all leases. For lessors, the recording in the accounts remains almost entirely the same. However, the IASB has amended the definition of a lease (as well as the sections concerning the combination and segregation of contracts), which means lessors are also impacted by the new standard. According to IFRS 16, a contract contains a lease if the contract includes a right to control an identified asset for a specified period of time in exchange for compensation.	Fagron expects the new standard will have a significant impact. Fagron is currently analysing the impact on the consolidated financial statements.
Amendments to IFRS 15 Revenue from contracts with customers 1 January 2018	These amendments clarify the identification of the various performance obligations, the accounting for licenses relating to intellectual property and the differences between principal and agent relations. The amendment also contains examples for clarification.	Fagron will review the effects of these amendments and process them if applicable.
Amendments to IFRS 2 Share-based payments 1 January 2018	The amendment clarifies the valuation method for cash-settled share-based payment transactions and the accounting for adjustments of the payment transaction of cash-settled to equity-settled share-based payment transactions. The amendment also provides for deviation from the IFRS 2 principles to regard a payment transaction for which the employer must withhold part of the payment for tax reasons and must pay this to the tax authorities as an equity-settled share-based payment transaction.	Fagron has established that the application of these standards will not have a material impact on the consolidated financial statements.
IFRIC 22 Foreign currency transactions and advance payments 1 January 2018	This interpretation relates to transactions in foreign currencies or parts of transactions in foreign currencies where the advance payment is expressed in a foreign currency. The interpretation contains additional information if a single payment/receipt occurs as well as if multiple payments/receipts occur. The purpose of this interpretation is to reduce the current diversity in the processing of these transactions.	Fagron has established that the application of these standards will not have a material impact on the consolidated financial statements.
IFRIC 23 Uncertainty regarding the treatment of income taxes 1 January 2019	This interpretation clarifies the accounting treatment of uncertainties regarding income taxes. This interpretation must be applied for the determination of taxable profits (tax losses), the taxable basis, tax losses not used, tax credits and tax bases not used, in the event of any uncertainty regarding its treatment under IAS 12.	Fagron will review the effects of these amendments and process them if applicable.

Published, not yet approved by the EU and not yet mandatory		Anticipated impact
Changes to IAS 28 Long-term interests in associated entities and joint ventures <i>1 January 2019</i>	Clarification with regard to the treatment of long-term interests in an associated entity or joint venture on which the equity method is not applied under IFRS 9. More specifically whether the valuation and reduction in value of such interests should have to occur using IFRS 9, IAS 28 or a combination of both.	Fagron will review the effects of these amendments and process 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 2017, are not applicable for Fagron.

Consolidation criteria

The consolidated financial statements comprise Fagron and its subsidiaries. Subsidiaries are entities which the Group controls. The Group controls an entity when the Group has power over the entity and is exposed to, or has rights to, variable income from the entity and has the ability to affect the amount of variable income through its power over the entity. Subsidiaries are fully consolidated as of the date on which control is transferred to Fagron. They are no longer consolidated as of the date on which Fagron no longer has control.

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

An acquisition is recognised 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 recognised 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 acquisition costs already incurred are recognised 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 constitutes goodwill and is recognised as an asset.

Intra-group transactions, balances and unrealised gains on transactions between companies of the Group are eliminated. Unrealised 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 recognised in equity. Gains or losses on disposals to minority interests are also recognised in equity.

Foreign currency translation

Items included in the financial statements of all Fagron entities 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;
- Equity components at their historical exchange rates.

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

Transactions in foreign currencies

Transactions in foreign currencies are converted 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 recognised in the income statement.

Exchange rates of key currencies

	Balance sheet		Income statement	
	2017	2016	2017	2016
US dollar	1.199	1.054	1.129	1.107
Brazilian real	3.973	3.431	3.603	3.859
Polish zloty	4.177	4.410	4.257	4.363
Swiss franc	1.170	1.074	1.111	1.090

Fixed assets held for sale and discontinued operations (13)

Non-current assets and disposal groups are classified as fixed assets held for sale when the carrying amount will be recovered principally through a sales transaction or through continued use of that asset.

In order to be classified as fixed asset held for sale, the following criteria must be satisfied in accordance with IFRS 5:

- Management has committed to the sale;
- An active programme is initiated to locate a buyer for the assets;
- The assets (or groups of assets that will be sold) are immediately available for sale, taking into account the usual conditions for sale;
- The sale is highly probable, expected to occur within 12 months after first classification as a fixed asset available for sale;
- The asset is offered for sale in the market at a reasonable price; the price is in line with the fair value;
- The actions required to complete the sale of the assets indicate that it is unlikely that the plan will significantly change or be withdrawn.

If Fagron has committed to a plan to sell a subsidiary which results in Fagron relinquishing control over a subsidiary and the aforementioned criteria are satisfied, then all of the assets and obligations from that subsidiary are classified as fixed assets held for sale and obligations related to assets held for sale, regardless of whether Fagron will retain a non-controlling interest after the sale.

Assets held for sale and obligations related to assets held for sale (or groups of assets that will be sold) are recognised at the lower of the original book value and the fair value less the costs to sell the asset.

A discontinued operation is a component of the Group that represents a separate, important operation or geographic business area, is part of a single coordination plan to dispose of a separate, important operation or geographic business area, or concerns a subsidiary that was acquired exclusively with the intention of selling it.

The classification as a discontinued operation will occur on the date when the transaction satisfies the conditions in order to be recognised as being held for sale or when an operation has been sold.

When an operation has been classified as a discontinued operation, the result from the discontinued operations over the reporting period will be presented separately in the income statement and in the statement of comprehensive income.

In addition to the requirements for the presentation in the balance sheet of groups of assets that will be sold, comparable figures are included in the income statement and in the statement of comprehensive income for the presentation of the results of discontinued operations. Furthermore, the net cash flows that can be attributed to the operating, investment and financing activities of the discontinued operations are reported separately.

Intangible fixed assets (15)

Intangible fixed assets are valued at cost price less accumulated amortisation and impairment. All intangible fixed assets are checked for impairment when there is an indication that the intangible asset may require impairment.

Goodwill

Goodwill represents the positive difference between the cost of an acquisition and the fair value of the Fagron share in the net identifiable assets of the acquired subsidiary on the acquisition date. Goodwill on acquisitions of subsidiaries is recognised under intangible fixed assets. Goodwill is checked at least once per year for impairment, but also each time a trigger event occurs. Goodwill is recognised 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, licences, patents and other

Intangible fixed assets are recognised 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 capitalised and amortised 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 and customer files, these 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 recognised 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 capitalised when, 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;
- Likelihood that the asset will generate future economic benefits;
- Adequate resources to complete the asset;
- Ability to measure the reliability of the costs.

Development costs are amortised using the straight-line method over the period of their expected benefit, which is currently a maximum of 5 years. Amortisation starts at the moment these assets are ready for use.

In-house development

Unique products developed in-house, including software controlled by Fagron, which are expected to generate future economic benefits, are capitalised 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 capitalised at cost price and then valued at cost price less accumulated depreciations and impairment losses. 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 amortisation and are checked for impairment on an annual basis. Amortised assets are reviewed for impairment when events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognised for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value less the sale costs and its 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 calculated prorated in time based on the useful life of the asset in accordance with the following amortisation parameters: 3 to 20 years for equipment and machinery and between 25 and 33 years for buildings. Land is not depreciated.

In general, all assets are depreciated using the straight-line method, based on the estimated economic life. Any residual value taken into account when calculating the depreciation is reviewed on an annual basis. Assets that have been acquired in the context of financial lease agreements will be depreciated over the economic usage period. This period may exceed the duration of the lease if it is practically certain that the ownership will be acquired at the end of the lease.

Financial fixed 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 evaluates them once again at each reporting date. The Group does not have any financial fixed assets in the category that is held until maturity or any (non-derivative) financial fixed assets that are 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 fixed assets with fixed or determinable payments that are not quoted in an active market and that 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 amortised costs using the effective interest method.

Taxes, remuneration and social security (18)

Income taxes as recognised in the income statement include the income tax on the current year and deferred taxes. Current income taxes include the expected tax liabilities on Fagron's taxable income 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 recognised when a liability to pay the dividend is recognised.

Deferred taxes are recognised using the balance sheet liability method and are calculated on the basis of the temporary differences between the book value and the tax basis. This method is applied to all temporary differences arising from investments in subsidiaries and associates, except for differences where the timing of settling the temporary difference is controlled by Fagron and where 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 is realised 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 book value for tax purposes resulting from any acquisitions. Deferred taxes are recognised to the extent that the tax losses carried forward are likely to be offset 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 realised. Fagron will offset tax assets and tax liabilities if, and only if, Fagron has a legally enforceable right to offset the recognised amounts; and either (a) intends to settle on a net basis, or (b) to realise 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 realisable value (NRV) at the balance sheet date, whichever is lower. Work in progress and finished products are valued at production cost. In addition to the 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 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 amortised costs. Significant financial difficulties on the part of the debtor, the probability of the debtor becoming insolvent or undergoing financial restructuring, and non-payment or overdue payments are considered indicators for recognising an impairment 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 rights and risks. The factoring balance at 31 December 2017 amounted to 20.0 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 recognised at cost. Adjustments are made to the book value when at balance sheet date the realisation value is less than the book value.

Capital (21)

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are recognised 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 (22)

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 recognises a provision if:

- Fagron has an existing legal or actual obligation as a result of past events;
- 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 recognised for future operating losses.

Provisions are recognised 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 (21)

Fagron operates an equity-based compensation plan, which is paid in shares. The total amount to be recognised 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 recognises 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 (23)

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 recognised 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 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 recognised immediately, in the period in which they arise, being added or deducted to or from the equity via the unrealised 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 recognised as costs in the income statement at the moment they are made.

Borrowings (24)

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently recognised at amortised costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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. Consultancy costs for the refinancing are part of the financial costs.

Lease contracts – Operating leases (24)

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 (24)

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 capitalised 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 included in the non-current (payable after 1 year) and current (payable within the year) borrowings. The interest component of the financing costs is recognised 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 finance leases are depreciated over the useful life of the asset. This may exceed the remaining duration of the lease if it is fairly certain that the property will be acquired at the end of the lease.

Derivative financial instruments (24)

Fagron uses derivative financial instruments to limit risks relating to unfavourable fluctuations in interest rates and exchange rates. No derivatives are employed for trade purposes.

Derivative financial instruments are recognised 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 IAS 39 to be regarded as hedging instruments, changes in fair value of derivatives are recognised in the income statement.

Revenue recognition

Revenue from the sale of goods is recognised 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 recognised in the accounting period in which the services have been provided. Revenue from the sale of software is recognised as revenue at the time of delivery. The revenues from software service contracts are recognised 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;
- whereby the 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 concrete financial information is available.

Fagron determines and presents operating segments on the basis of information that is internally provided to the Executive Committee, the body that was Chief Operating Decision Maker during 2017. 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.

Effective the first quarter of 2017, Fagron has adjusted the reporting structure and presentation of the financial results per segment to bring these in line with the way in which the business is managed. The financial information of the Fagron segments provided to the Executive Committee is split into Fagron Europe, Fagron North America, Fagron South America and HL Technology.

Earnings per share (EPS) (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 sum of the weighted average number of common shares outstanding during the period. Dividend distribution to the shareholders of Fagron is recognised 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 is 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 extremely important for 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 realisation and feasibility of the forecasts issued and strategic decisions. With regard to tax regulations, Fagron makes use of the possibilities offered by the tax laws and regulations without taking any unnecessary risks in doing so. Fagron has the support of external tax 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 were listed on Euronext Brussels under ISIN code BE0002180462 on 2 July 2012. The issue price of the bonds was 101.875%. The bonds had a maturity of five years and offered a fixed annual gross interest of 4.75%. The bonds were redeemable at 100% of the nominal value on 2 July 2017. As the only covenant, Fagron had to ensure that total EBITDA, calculated as result before interest, taxes, depreciation, amortisation and impairment, of the guarantors was at least 70 per cent of the consolidated Group EBITDA. The companies that acted as guarantors for the Fagron loans are listed in note 24. In 2017, the bonds were fully repaid.

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 a maturity date in July 2017. The amended multi-currency facility of 220 million euros was given a term until December 2019 with two one-year extension options via a consortium of existing and new international banks. In 2016, this facility, along with the long-term waiver of 5 May 2016, was renewed until April 2021 for an amount of at least 180 million euros by exercising the extension options. 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 up to and including the test period ending on 30 June 2018. For every test period ending after 30 June 2018, the levels of both financial covenants revert to the original levels. The remaining test periods and accompanying levels are shown below. In addition, the total EBITDA, calculated as result before interest, taxes, depreciation and amortisation, of the guarantors should be at least 70 per cent of the consolidated Group EBITDA. In the last quarter of 2017, Fagron agreed a term loan for 80 million euros with a syndicate of banks. The term of this loan is equal to the multi-currency facility and has an expiration date in April 2021. The repayment will take place at the end of the term and the agreements on financial covenants are the same as those of the multi-currency facility.

Financial covenants

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

At year-end 2017, an amount of 114 million euros had been withdrawn (2016: 191 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, 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 Series A Senior Notes and the Series B Senior Notes were fully repaid in 2017.

The agreement dated 15 April 2014 was amended in 2016 as a result of the long-term waiver of 5 May 2016. The key covenants of this credit facility are the net financial debt/recurring EBITDA ratio and the recurring EBITDA/net interest expenses ratio. 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 up to and including the test period ending on 30 June 2018. For every test period ending after 30 June 2018, the levels of both financial covenants revert to the original levels. The remaining test periods and accompanying levels are shown below. In addition, the total EBITDA, calculated as result before interest, taxes, depreciation and amortisation, of the guarantors should be at least 70 per cent of the consolidated Group EBITDA.

Financial covenants

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

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 21) 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.

The covenant levels above were temporarily relaxed by the signed waivers of 5 May 2016, after which the above levels will once again apply. These temporary levels are reported in the chapter 'Multi currency facility' and 'Privately placed loans (senior unsecured notes)'.

The policy regarding capital management strives for continuity in business operations. The Group maintains a healthy financial structure while doing so. On the other hand, the Group also strives to provide an interesting return to shareholders. To ensure a healthy financial position, the dividend to be distributed to the shareholders can, for example, be adjusted. The company may also choose to redeem loans early or to increase external financing or equity. Fagron monitors the relevant financial covenants on a continuous basis. The company ensures that sufficient scope remains with regard to the agreements with its financiers.

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 optimise the financial position and keep the related interest charges to a minimum, the cash flows of the companies are centralised as much as possible by means of domestic and cross border cash pooling. Fagron has a total of three local cash pools in the regions of North America and Europe (the Netherlands and Belgium). These are used by the operating companies, whereby zero balancing is applied in Europe and target balancing in North America. The three local cash pools are pooled daily into one central notional cash pool.

Liquidity risk

Liquidity risk is the risk that Fagron is unable to meet its financial obligations. The expected cash flow is assessed and analysed on a regular basis. The goal is to have sufficient financial resources available at all times to meet the liquidity needs.

Credit risk

Credit risk involves the risk that a debtor or other counterparty is unable to fulfil 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 borrowings with fixed and variable interest rates. At this moment, the financing consists in part of financing with a variable interest rate ranging from 1 to 6 months. A higher Euribor rate of 10 base points would have increased the variable interest charges by approximately 167 thousand euros before tax (2016: 91 thousand euros).

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, Croatian kuna and Argentinian pesos. In 2017, these entities collectively represent approximately 55.2% of the consolidated turnover.

Some of the Group's revenue is realised 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 2017 and its subsequent effect on profit before tax and equity capital.

(x 1,000 euros)	Profit before tax		Equity	
	Strength- ening	Weakening	Strength- ening	Weakening
US dollar	379	-463	-3,252	3,974
Brazilian real	-1,785	2,183	-9,523	11,639
Polish zloty	-1,140	1,394	-3,167	3,871
Swiss franc	-62	76	-419	512

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 Fagron's customers 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.

Currency risks in relation to debt in foreign currency, privately placed loans (senior unsecured notes), some of which were borrowed in US dollars, have been hedged in part with intercompany loans to the US subsidiary.

Fair value risk

In 2017, Fagron used financial derivatives to hedge interest and currency risks. Fagron hedged the variable interest rate for 70 million euros of financing. Derivatives (FX forwards) with nominal value of 157 million US dollars are used to hedge the US dollar debt. In accordance with IFRS, all financial derivatives are recognised either as assets or as liabilities. In accordance with IAS 39, financial derivatives are recognised at fair value. Changes in fair value are recognised by Fagron directly in the income statement because these are financial derivatives that do not qualify as cash flow hedging instruments. In 2017, a portion of the US dollar loans was repaid and the FX derivatives expired. The interest rate swap also expired in 2017. At the end of 2017, Fagron had no financial derivatives (2016: -8.5 million euros).

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 book value of assets and liabilities within the next financial year are discussed below.

Estimated impairment loss for goodwill and other intangible fixed assets

Fagron performs an annual goodwill impairment test in accordance with the accounting policies specified in note 15. The recoverable amount of cash flow-generating units is the higher of the asset's fair value less the costs of sales and enterprise value. These calculations require the application of estimates. Mainly as a consequence of the impact of the changes to the reimbursement system in the United States, Fagron had to recognize an impairment loss of 48.4 million euros in 2016. In 2017, no impairment loss was recognised.

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 offset within a reasonable time, they will be written off. A deferred tax asset is recognised 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.

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 2017 is 4.7 million euros (2016: 5.7 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. Judgments and estimates 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.

Uncertain tax positions

The company is subject to tax on profits in different jurisdictions. Significant judgments must be made in determining the provision for tax on profits. 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

Effective 2017, Fagron has adjusted the reporting structure and presentation of the financial results per segment to align these with the way in which the business is managed. As a result of this change in operational segments, the comparative financial results per segment of 2016 have also been adjusted. Fagron's results are reported in the segments Fagron Europe, Fagron North America, Fagron South America and HL Technology. This 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 is organised into four main operational segments:

1. **Fagron Europe** refers to Fagron's European activities in the Netherlands, Belgium, Poland, Germany, Italy, Czech Republic, Spain, France, Denmark, Greece, Croatia and the United Kingdom as well as the activities in South Africa, Australia and China. Fagron Europe is active in every Fagron activity category;
2. **Fagron North America** encompasses all Fagron activities in the United States. Fagron North America is also active in every Fagron activity category;
3. **Fagron South America** refers to all Fagron activities in Brazil and Columbia. In South America, Fagron is primarily active in Fagron Brands and Fagron Essentials; and
4. **HL Technology** is located in Switzerland and develops and produces innovative precision components and orthopedic tools for dental and medical industry professionals.

Fagron's activities can be subdivided into three categories:

1. **Fagron Compounding Services** refers to all personalised medication that is prepared in Fagron's sterile and non-sterile facilities;
2. **Fagron Brands** encompasses the innovative concepts, products and vehicles developed by Fagron, often in close cooperation with prescribers, pharmacies and universities; and
3. **Fagron Essentials** refers to all pharmaceutical raw materials, equipment and supplies a pharmacist needs to prepare medication in his own pharmacy.

The segment results for continued operations for the reporting period ending 31 December 2017 are as follows:

2017

(x 1,000 euros)	Fagron Europe	Fagron North America	Fagron South America	HL Technology	Total
Turnover	249,082	77,769	103,282	6,802	436,934
Intersegment turnover	399	138	44	0	581
Total turnover	249,481	77,906	103,326	6,802	437,515
Operating result per segment	53,859	3,763	17,541	-556	74,607
Financial result					-18,643
Profit before taxes					55,965
Taxes on profits					8,918
Net result from continued operations					47,047

The segment results for continued operations for the reporting period ending 31 December 2016 are as follows:

2016

(x 1,000 euros)	Fagron Europe	Fagron North America	Fagron South America	HL Technology	Total
Turnover	246,904	76,147	91,130	7,659	421,839
Intersegment turnover	269	441	61	0	772
Total turnover	247,173	76,588	91,191	7,659	422,611
Operating result per segment	55,330	-49,415	15,406	-3,440	17,881
Financial result					-24,245
Profit before taxes					-6,364
Taxes on profits					11,748
Net result from continued operations					-18,112

Other segmented items recognised in the income statement for continued operations are as follows:

2017

(x 1,000 euros)	Fagron Europe	Fagron North America	Fagron South America	HL Tech- nology	Total
Depreciation, amortisation and impairment	6,792	5,210	2,560	528	15,091
Write-down on inventories	512	291	421	810	2,034
Write-down on receivables	-7	303	128	0	424

2016

(x 1,000 euros)	Fagron Europe	Fagron North America	Fagron South America	HL Tech- nology	Total
Depreciation, amortisation and impairment	7,368	55,351	2,245	1,579	66,543
Write-down on inventories	509	953	144	826	2,432
Write-down on receivables	5	430	64	9	508

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

2017

(x 1,000 euros)	Fagron Europe	Fagron North America	Fagron South America	HL Tech- nology	Un- assigned/ inter- segment elimina- tion	Total
Total assets	290,159	126,423	133,786	5,507	38,172	594,047
Total liabilities	78,687	90,653	25,800	897	213,130	409,166
Capital expenditure	4,054	2,502	2,603	447	0	9,607

2016

(x 1,000 euros)	Fagron Europe	Fagron North America	Fagron South America	HL Tech- nology	Un- assigned/ inter- segment elimina- tion	Total
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
Capital expenditure	7,248	3,708	2,533	118	0	13,606

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

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

6 Turnover

(x 1,000 euros)	2017	2016
Sale of goods	436,934	421,839
Turnover	436,934	421,839

7 Other operating income

(x 1,000 euros)	2017	2016
Gain on disposal of fixed assets	695	219
Other operating income	3,920	2,995
Total other operating income	4,616	3,215

The other operating income in both 2016 and 2017 related mainly to income from the sale of activities in the past. The increase in other operating income mainly relates to higher income in 2017 as a result of the sale of activities in the past and the sale of assets in Switzerland.

8 Employee benefit expenses

(x 1,000 euros)	2017	2016
Wages and salaries	68,283	65,882
Social security costs	14,577	14,042
Pension costs – defined benefit plans	483	58
Pension costs – defined contribution plans	2,045	2,242
Other post-employment benefit contributions	3,451	2,527
Other employee expenses	11,863	12,050
Total employee benefit expenses	100,700	96,801

At 31 December 2017, Fagron's workforce (fully consolidated companies), for continued operations, comprised 2,172 (2016: 2,106) employees or 2,053.9 (2016: 1,990.7) full-time equivalents. The distribution of the number of full-time equivalents per operating segment is as follows:

Full-time equivalents (rounded to one unit)	2017	2016
Europa (incl. Rest of the World)	997	1,042
North America	379	313
South America	622	575
HL Technology	56	61
Total	2,054	1,991

9 Depreciation, amortisation and impairment

(x 1,000 euros)	2017	2016
Depreciation, amortisation and impairment	15,091	18,179
Impairment	0	48,364
Write-down on inventories	2,034	2,432
Write-down on receivables	424	508
Total depreciation, amortisation and impairment	17,550	69,483

Depreciation, amortisation and impairments decreased in 2017, partly as a result of accelerated depreciation in the United States and Switzerland in 2016.

Fagron recognised an impairment of 48.4 million euros in 2016, mainly as a result of the changed reimbursement system for non-sterile compounding in the United States and the consequences of this change for the profitability of Freedom Pharmaceuticals. Further details involving the impairment loss are stated in note 15.

10 Other operating expenses

(x 1,000 euros)	2017	2016
Increase (decrease) in provisions for current liabilities	-1,889	-4,022
Increase (decrease) in provisions for pension liabilities	103	109
Taxes and levies (excluding income tax)	940	1,101
Other operating expenses	1,962	6,292
Total other operating expenses	1,116	3,480

The decrease in provisions for current liabilities in 2017 mainly relates to a release of a provision relating to the lapsing of social and tax risks and the use for loss-making contracts in the United States. An amount of 4.4 million euros of the decrease in provisions for current liabilities in 2016 relates to a release of a provision following a settlement with Henry Schein concerning a dispute on the sale of several companies in 2013. This decrease was compensated in part by the creation of a provision for a tax assessment in Brazil (0.8 million euros).

In 2016, the line 'Other operating expenses' includes 5.3 million euros relating to the settlement with Henry Schein. In 2017, the line 'Other operating expenses' primarily relates to the termination of a contract with a third party.

11 Financial result

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

(x 1,000 euros)	2017	2016
Financial income	2,441	11,713
Revaluation of financial derivatives	713	1,284
Total financial income	3,154	12,996
Financial expenses	-4,212	-7,994
Interest expenses	-17,124	-29,714
Currency translation differences	-461	467
Total financial expenses	-21,796	-37,242
Total financial result	-18,643	-24,245

The positive revaluation of financial derivatives of 0.7 million euros in 2017 (2016: 1.3 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. These instruments expired in 2017.

The financial result, excluding the revaluation of the financial derivatives, amounts to -19.4 million euros in 2017 (2016: -25.5 million euros). This decrease is mainly caused by lower interest expenses as a result of lower average net debt and a lower interest rate (-12.6 million euros). In addition, the costs related to the refinancing in 2016 were not recurring in 2017 (-4.5 million euros). Financial income decreased by 9.3 million euros to 2.4 million euros. This decrease is mainly caused by the one-off recognition of revenue amounting to 10 million euros in 2016 as a result of the waivers that resulted in a change in the expected cash flows.

12 Income taxes

Income taxes from continued operations are as follows:

(x 1,000 euros)	2017	2016
Current tax expenses	11,666	7,939
Deferred taxes	-2,748	3,809
Tax on profits	8,918	11,748
Effective tax rate	15.93%	-184.59%
Profit before income tax from continued operations	55,965	-6,364
Tax calculated at weighted Fagron NV's statutory tax rate	19,022	-2,163
Effect of rate differences compared with foreign jurisdictions	-4,238	-3,959
Income not subject to taxes	-3,477	1,177
Expenses not deductible for tax purposes	1,359	960
Tax on profit previous years	52	-571
Effect of impairment	0	16,439
Other	-3,800	-135
Tax on profits	8,918	11,748

The 'Tax calculated based on Fagron NV's statutory tax rate' is the taxes expected based on the Belgian statutory rate. The 'Effect of rate differences compared with foreign jurisdictions' pertains to the impact of the statutory rates to which the entities in the Group are subject compared to the Belgian statutory rate.

The 'Income not subject to taxes' concerns the exempt income and expenses and is mainly related to ICMS in Brazil.

The 'Expenses not deductible for tax purposes' are all costs that are not tax-deductible and relate mainly to non-deductible intercompany expenses and other non-deductible expenses.

The 'Tax on profit previous years' is a reflection of all adjustments to earlier estimates for taxes.

The 'Effect of impairment' concerns the impact of the impairments. In 2016, this concerns the impairment on Fagron United States Essentials & Brands. The impairment is not tax-deductible.

The item 'Other' concerns all other movements that impact the effective tax rate. This primarily pertains to the use of tax losses that were not recognised earlier as a deferred tax claim and tax losses in the current year which have not been recognised because of insufficient expected future tax profits.

13 Discontinued operations

Fagron announced in April 2016 it would be closing Bellevue Pharmacy. The changed reimbursement system in the United States had a major impact on the turnover and profitability of Bellevue Pharmacy. After the impairment on Bellevue Pharmacy at the end of 2015 and the losses in the first quarter of 2016, the Group decided to close Bellevue Pharmacy. Bellevue was included in the discontinued operations for 2016. Because Bellevue Pharmacy is being shut down, it has not been included as an asset or liability held for sale. In 2017, no entities were included under discontinued operations.

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

Net result from discontinued operations

(x 1,000 euros)	2017	2016
Operating income	0	4,340
Turnover	0	4,192
Other operating income	0	148
Expenses	0	6,762
Profit before taxes	0	-2,422
Attributable income taxes	0	3,317
Profit / (loss) from fair value revaluation, settlement costs and selling costs	0	-2,940
Profit / (loss) for the year from discontinued operations (attributable to the company's shareholders)	0	-2,045

Net cash flows from discontinued operations

(x 1,000 euros)	2017	2016
Total cash flow from operating activities	0	-9,279
Total cash flow from investment activities	0	-6,147
Total cash flow from financing activities	0	0
Total net cash flows from discontinued operations	0	-15,426

14 Earnings per share

(in euros)	2017	2016
Basic earnings (loss) per share	0.65	-0.38
• from continued operations	0.65	-0.34
• from discontinued operations	0.00	-0.04
Diluted earnings (loss) per share	0.65	-0.38
• from continued operations	0.65	-0.34
• from discontinued operations	0.00	-0.04

The earnings used in the calculations are as follows:

(x 1,000 euros)	2017	2016
Profit (loss) attributable to equity holders of the company	46,658	-20,562
• from continued operations	46,658	-18,518
• from discontinued operations	0	-2,045

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

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

(number of shares x 1,000)	2017	2016
Weighted average number of ordinary shares	71,740	53,957
Effect of warrants and stock options	137	0
Weighted average number of ordinary shares (diluted)	71,877	53,957

The increase in the weighted average of the number of ordinary shares was the result of the capital increases in May 2016 and July 2016.

No ordinary share transactions were executed after the balance sheet date which have impacted on earnings per share. 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 419,650. These are warrants and stock options with an exercise price higher than the average stock price of Fagron in 2017.

15 Intangible fixed assets

(x 1,000 euros)	Goodwill	Develop- ment	Conces- sions & patents	Brands and customer relations	Software	Other	Total
Net book value as at 1 January 2016	373,608	2,302	1,392	25,163	8,136	0	410,601
Investments	0	2,215	97	89	635	0	3,035
Acquisitions	0	0	0	0	0	0	0
Transfers and disposals	371	215	13	-1,515	644	0	-271
Amortization	0	-960	-164	-6,677	-4,245	0	-12,046
Impairment	-48,364	0	0	0	0	0	-48,364
Exchange differences	17,169	25	29	387	439	0	18,050
Net book value as at 31 December 2016	342,785	3,797	1,368	17,447	5,610	0	371,006
Gross book value	591,828	5,678	2,117	89,324	17,159	22	706,128
Accumulated amortization	-249,043	-1,881	-749	-71,877	-11,549	-22	-335,122
Net book value	342,785	3,797	1,368	17,447	5,610	0	371,006
Net book value as at 1 January 2017	342,785	3,797	1,368	17,447	5,610	0	371,006
Investments	0	1,328	56	49	910	17	2,360
Acquisitions	4,738	0	13	0	6	0	4,758
Transfers and disposals	-5,105	-4	-21	-1	-1	1	-5,133
Amortization	0	-1,240	-183	-3,607	-1,745	0	-6,775
Impairment	0	0	0	0	0	0	0
Exchange differences	-19,581	-10	-33	-1,763	-334	-2	-21,722
Net book value as at 31 December 2017	322,837	3,870	1,200	12,125	4,447	16	344,495
Gross book value	571,881	6,980	2,113	81,812	16,980	38	679,803
Accumulated amortization	-249,043	-3,110	-913	-69,687	-12,533	-22	-335,309
Net book value	322,837	3,870	1,200	12,125	4,447	16	344,495

The intangible fixed assets have not been encumbered with collateral.

The category 'Development' consists mainly of unique software developed in-house in full control of Fagron. The development costs were fully capitalised in 2017. These are mainly related to employee costs.

Impairment

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

The negative impact of the changed reimbursement system in the United States on the turnover and profitability of Fagron United States Essentials & Brands emerged to be greater and more structural than initially estimated. This resulted in 2016 in an impairment of the goodwill (48.4 million euros). In 2017, this did not lead to a further impairment of the goodwill.

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. Goodwill is recognised 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 2017	December 2016
Fagron Europe Essentials and Brands	113.4	111.6
Fagron Europe Compounding Services	58.7	63.8
Fagron United States Essentials and Brands	27.2	30.9
JCB Laboratories	16.1	18.3
AnazaoHealth	28.7	32.7
Fagron Brazil Essentials and Brands	70.6	76.7
Fagron Rest of the World	8.2	8.8
HL Technology	0.0	0.0
Total	322.8	342.8

The decrease in goodwill relates to the sale of a non-sterile compounding facility in Paris (France) and to exchange differences.

Goodwill impairment test

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. When the goodwill impairment test is conducted, the realisable value, being the value in use, is calculated per cash-generating unit.

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 or using a business plan. The 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 Compounding Services, Fagron Europe Essentials and Brands, Fagron United States Essentials and Brands, JCB Laboratories and AnazaoHealth, and 7% for Fagron Brazil Essentials and Brands. The same growth rates were used in 2016.
- 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: 9.3% (pre-tax: 11.8%) for Fagron Europe Compounding Services, 9.3% (pre-tax: 11.9%) for Fagron Europe Essentials and Brands, 10.3% (pre-tax: 12.5%) for Fagron United States Essentials and Brands, 10.3% (pre-tax: 12.6%) for JCB Laboratories, 10.3% (pre-tax: 12.3%) for AnazaoHealth, and 17.5% (pre-tax: 23.9%) for Fagron Brazil Essentials and Brands.
- The corporate assets and goodwill have been allocated on the basis of turnover to the cash-generating units Fagron Europe Compounding Services and Fagron Europe Essentials and Brands. It would have no material impact on the results if the assets and goodwill were allocated to all cash-generating units.

Of the main cash-generating units, Fagron United States Essentials and Brands and Fagron Brazil Essentials and Brands have the smallest relative difference between the net book value of the asset and its enterprise value. The difference is estimated at 4.6 million euros and 23.0 million euros, respectively. The following changes in assumptions could individually decrease the enterprise value to its net book value.

	Increase in maintenance capex as % of sales (basis points)	Increase in discount rate (basis points)	Decrease in long-term growth (basis points)	Decrease in gross margin (basis points)
Fagron United States Essentials and Brands	730	105	143	189
Fagron Brazil Essentials and Brands	918	248	377	365

The outcome of the impairment test for Fagron Europe Compounding Services, Fagron Europe Essentials and Brands, JCB Laboratories and AnazaoHealth shows that a reasonable change in the assumptions used will not lead to an impairment.

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 2016	35,119	15,694	6,119	719	3,504	9,978	71,133
Investments	1,000	1,359	1,183	0	310	6,719	10,571
Acquisitions	0	0	0	0	0	0	0
Transfers and disposals	5,308	2,843	-242	7	2,857	-6,516	4,257
Depreciation	-4,423	-3,553	-2,599	-580	-3,756	-460	-15,371
Other movements	0	-326	-49	0	0	0	-375
Exchange differences	1,482	571	301	7	-1	305	2,666
Net book value as at 31 December 2016	38,485	16,587	4,713	153	2,915	10,026	72,879
Gross book value	54,420	40,746	15,903	6,572	8,018	10,026	135,686
Accumulated depreciation	-15,935	-24,159	-11,190	-6,420	-5,103	0	-62,807
Net book value	38,485	16,587	4,713	153	2,915	10,026	72,879
Net book value as at 1 January 2017	38,485	16,587	4,713	153	2,915	10,026	72,879
Investments	872	2,568	1,149	26	248	2,383	7,247
Acquisitions	2,448	274	50	105	0	16	2,894
Transfers and disposals	4,782	324	-50	0	-438	-6,724	-2,107
Depreciation	-2,993	-3,378	-1,453	-77	-414	0	-8,316
Other movements	0	0	0	0	0	0	0
Exchange differences	-1,164	-1,079	-289	-14	-70	-446	-3,062
Net book value as at 31 December 2017	42,431	15,297	4,120	192	2,241	5,255	69,535
Gross book value	60,286	41,979	15,724	322	6,749	5,255	130,315
Accumulated depreciation	-17,855	-26,682	-11,604	-131	-4,508	0	-60,780
Net book value	42,431	15,297	4,120	192	2,241	5,255	69,535

The Group's liability regarding financial leasing is guaranteed on account of the lessor holding the legal property title to 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 the buildings owned by HL Technology, Fagron Services BV and ABC Chemicals SA, see note 32: additional notes.

17 Financial fixed assets

(x 1,000 euros)	Financial fixed assets available for sale	Loans and receivables	Total
Net book value as at 1 January 2016	1,540	4,319	5,859
Investments	3	822	825
Transfers and disposals	-272	-4,304	-4,576
Other movements	0	16	16
Net book value as at 31 December 2016	1,271	853	2,123
Investments	26	442	467
Transfers and disposals	-83	-234	-229
Other movements	0	-42	-130
Net book value as at 31 December 2017	1,214	1,018	2,232

The assets available for sale mainly consist of a minority interest participation of 1.1 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 2017 and 2016.

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)	2017	2016
Tax liabilities for the current year	6,984	7,333
Other current tax and VAT payable	9,320	12,767
Remuneration and social security payable	10,863	14,876
Current taxes, remuneration and social security	27,168	34,977

b) Deferred tax assets

(x 1,000 euros)	Difference in depreci- ation rates	Employee benefits	Provisions	Tax losses	Other	Total
Balance at 1 January 2016	7,915	1,221	155	9,019	-4,369	13,942
Result	12,426	-269	1,193	59,838	2,102	75,291
Change in scope of consolidation	0	0	0	0	0	0
Impairment	-18,620	0	0	-60,914	0	-79,534
Balance at 31 December 2016	1,721	952	1,348	7,943	-2,266	9,698
Result	-448	327	-1,008	4,893	-433	3,330
Change in scope of consolidation	0	0	0	0	0	0
Impairment	0	0	0	-1,673	0	-1,673
Balance at 31 December 2017	1,273	1,279	340	11,162	-2,699	11,355

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

An impairment test on tax losses is performed twice per year. If it becomes clear that the losses cannot be offset 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 through fifth year. Extending the result projections for one year will result in the deferred taxes increasing by 3.1 million euros.

In 2016, goodwill was impaired at Fagron United States Essentials and Brands for an amount of 48.4 million euros. For tax purposes, the goodwill can be amortised 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 18.6 million euros. No impairment occurred in 2017.

Based on the impairment test in 2017 on tax losses, an impairment occurred amounting to 1.7 million euros (2016: 60.9 million euros). This is related to deferred tax claims for tax losses of the current year not being assessed, or the (further) write-down of deferred tax claims for losses of previous years. This concerns, among others, Fagron Italia SrL, Fagron Compounding Services NV and HL Technology SA. At year-end 2017, the tax losses came to 259.6 million euros, of which 46.5 million euros have been assessed, resulting in a deferred tax claim of 11.2 million euros.

The impact of the changes in the set tax rates as a result of changing tax regulations in Belgium and the United States lower the deferred tax assets of the Fagron Group by 4.3 million euros.

c) Deferred tax liabilities

(x 1,000 euros)	Differences in depreciation rates	Other	Total
Balance at 1 January 2016	8,148	-6,629	1,519
Result	-5,469	4,186	-1,283
Change in scope of consolidation	0	0	0
Discontinued operations	0	0	0
Balance at 31 December 2016	2,679	-2,443	236
Result	273	-311	-38
Change in scope of consolidation	0	0	0
Discontinued operations	0	0	0
Balance at 31 December 2017	2,952	-2,754	198

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

On the balance sheet date, the Group has not included any deferred tax liability for taxes payable as the result of any dividend payment. The Group has not included any deferred tax liability because no adopted intercompany dividend policy applies, and an autonomous decision can therefore be made as to when a dividend will be paid and in what amount. The deferred tax liability not assessed amounts to 2.2 million euros. There were no indications on the balance sheet date that these deferred tax liabilities would materialise.

19 Inventories

(x 1,000 euros)	2017	2016
Raw materials	17,881	19,609
Work in progress	1,086	1,690
Finished goods	9,416	9,441
Trade goods	34,482	29,314
Inventories	62,865	60,054

The increase in inventories is primarily explained by the higher product availability in Brazil. 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)	2017	2016
Trade receivables	34,761	35,375
Provision for impairment of receivables	-2,541	-2,496
Total trade receivables	32,220	32,879
Other receivables	10,574	23,829

There is no concentration of credit risk with respect to trade receivables, as a large number of Fagron's customers are internationally dispersed. If there are indications that trade receivables will be uncollectible, a provision has been made.

The decrease in the other receivables is mainly attributable to the receipt of a large part of the income taxes that can be claimed back in the United States (1.9 million euros in 2017, 15.2 million euros in 2016). Other receivables also include value-added tax, prepayments and various smaller receivables.

Fagron applies a strict credit policy with regard to its customers, ensuring that the company controls and minimises 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	Less than 30 days	Of which due at year-end		
				Between 31 and 90 days	Between 91 and 150 days	More than 150 days
Trade receivables at 31 December 2017	32,220	21,222	6,673	3,124	827	374
Trade receivables at 31 December 2016	32,879	25,588	4,377	1,837	486	591

(x 1,000 euros)	Provision for impairment of receivables
Balance at 1 January 2016	-2,133
Additions:	
• Through business combinations	0
• Other	-982
Amounts used	684
Sale of operations	0
Other	-65
Balance at 31 December 2016	-2,496
Additions:	
• Through business combinations	0
• Other	-429
Amounts used	192
Sale of operations	16
Other	176
Balance at 31 December 2017	-2,541

b) Cash and cash equivalents

(x 1,000 euros)	2017	2016
Investments with a maturity of less than three months	855	1,668
Cash and cash equivalents	59,916	73,294
Restricted cash	0	220,622
Cash and cash equivalents	60,771	295,585

The decrease in cash and cash equivalents is mainly explained by the decrease in restricted cash. These were used to repay the 4.15% Series A Notes (45.0 million US dollars), the 3.55% Series B notes (22.5 million euros) and the bond loan (225.0 million euros) in 2017 as agreed in the waivers concluded on 5 May 2016.

The majority of the cash comprises cash and cash equivalents in bank accounts and cash. The cash and cash equivalents are centralised 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 Equity

Authorised capital

The Extraordinary General Meeting decided on 14 May 2012 to renew the Board of Director's authorisation to increase the authorised share capital, such within the limits of the existing authorisation 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.

On 29 June 2015, 224,133 new shares were issued in the context of the authorised 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 authorised capital amounted

to 322,217,493.06 euros in order to increase the capital by 2,297,363.25 euros in the context of the authorised capital by contribution in kind upon the issue of new shares bringing it to 324,514,856.31 euros.

On 4 August 2015, 444,033 new shares were issued in the context of the authorised 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 authorised capital amounted to 324,514,856.31 euros in order to increase the capital by 4,551,338.25 euros in the context of the authorised capital by contribution in kind upon the issue of new shares bringing it to 329,066,194.56 euros.

Since the granting of the authorised capital authorisation to the Board of Directors, the Company's capital was therefore increased by 6,848,701.50 euros (on 29 June 2015 and 4 August 2015). No use was made during the 2017 financial year of the authorised capital authorisation.

If the capital is increased within the limits of the authorised capital, then the Board of Directors will be competent 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 capitalisation 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 authorised 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 2017, no treasury shares were bought back (2016: nil). As at 31 December 2017, Fagron NV owned a total of 103,627 treasury shares (2016: 103,627). 622,627 In accordance with IFRS, these shares are deducted from equity and do not affect the income statement. No new shares were issued in the context of the warrant plans in 2017 (2016: nil). The nominal number of shares issued at 31 December 2017 is 71,843,904 (2016: 71,843,904). The nominal number of shares issued at 31 December 2017 is 71,740,277 (2016: 71,740,277).

		2017		2016
	Number of shares x 1,000	x 1,000 euros	Number of shares x 1,000	x 1,000 euros
Number of ordinary shares and the equity value thereof				
Issued shares as at 1 January	71,844	561,852	32,112	345,760
Issue of shares in relation to capital increases	0	0	39,732	216,092
Issued shares as at 31 December	71,844	561,852	71,844	561,852
Treasury shares as at 31 December	104	18,823	104	18,823
Shares outstanding as at 31 December	71,740	543,029	71,740	543,029

All ordinary shares are fully paid. The ordinary shares have no nominal value denotation but have an accounting par value of 1/71,843,904th of the capital as at 31 December 2017 (2016: 1/71,843,904th). Each ordinary share carries one vote and a right to dividends.

Share-based payments

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 the 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.

On 13 June 2016, the company's Board of Directors approved the Warrant Plan 2016 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 1 September 2016 in the presence of notary Liesbet Degroote. In total 1,000,000 warrants were issued. In 2016, 983,091 warrants were granted at an exercise price of 7.38 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 have been determined at the warrants' real value on grant date and are spread over the vesting period of the warrants. The costs are recognised under the item 'Other employee benefits expenses' for the amount of 1.0 million euros for the 2017 financial year and 1.4 million euros for the 2016 financial year. A release of 0.6 million euros occurred in 2017 (2016: 1.3 million euros) for forfeited warrants, however. The warrants are settled via equity instruments.

No shares were issued in 2017 (2016: nil) as a result of the exercise of warrants under the Warrant Plan 2014 or Warrant Plan 2016. The number of Fagron shares with voting rights is currently 71,843,904 (2016: 71,843,904). The total number of voting rights (denominator) is currently 71,843,904 (2016: 71,843,904). The authorised capital amounts to 494,192,221.68 euros (2016: 494,192,221.68 euros).

The movements in the number of outstanding warrants under Warrant Plan 2014 and Warrant Plan 2016 and their related weighted average exercise prices are as follows:

	Average exercise price in euros	Number of warrants
Outstanding as at 1 January 2016	39.04	622,627
Granted	7.38	983,091
Forfeited	10.25	-1,750
Forfeited	7.77	-2,752
Forfeited	8.11	-125
Forfeited	39.37	-80,000
Forfeited	38.06	-50,000
Forfeited	7.38	-15,000
Outstanding as at 31 December 2016	18.10	1,456,091
Forfeited	39.37	-73,000
Forfeited	7.38	-578,091
Outstanding as at 31 December 2017	23.87	805,000

The weighted average exercise price per share at year-end amounted to 23.87 euros in 2017 (2016: 18.10 euros).

As at 31 December 2017, the total number of warrants not yet exercised which could prompt the issue of the same number of shares of the Company amounted to 805,000. Their average exercise price amounts to 23.87 euros. Outstanding warrants at year-end have the following expiry dates and exercise prices:

Expiry date	Average exercise price in euros	Number of warrants
2018 – March	39.37	306,750
2019 – March	39.37	108,250
2019 – November	7.38	195,000
2020 – November	7.38	97,500
2021 – July	7.38	97,500
	23.87	805,000

Stock option plan

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. No new stock options were granted in 2017.

During the financial years 2016 and 2017, the following number of options were forfeited, including their corresponding average exercise price:

	Average exercise price in euros	Number of stock options
Outstanding as at 1 January 2016	14.17	199,650
Forfeited	13.73	-7,500
Outstanding as at 31 December 2016	14.19	192,150
Forfeited	13.73	-187,500
Outstanding as at 31 December 2017	32.82	4,650

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
2018 – April	32.82	2,325
2019 – April	32.82	1,163
2020 – April	32.82	1,162
	32.82	4,650

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.

Dividend

No dividend was made payable in 2017 (2016: nil). A gross dividend for 2017 of 0.10 euros per share will be proposed at the Annual General Meeting of 14 May 2018, representing a total dividend of 7.184 million euros. This dividend is not included in this financial statement.

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

Other reserves

(x 1,000 euros)	Consolidated reserves	Cumulative conversion differences	Transactions with non-controlling interest	Remeasurements of post-employment benefit obligations	Share-based payments	Total
Balance at 1 January 2016	-195,967	-54,321	-377	-1,547	12,302	-239,909
Other comprehensive result	0	22,077	0	-449	0	21,628
Share-based payments	0	0	0	0	85	85
Change in non-controlling interest	0	22	0	0	0	22
Balance at 31 December 2016	-195,967	-32,222	-377	-1,996	12,387	-218,174
Other comprehensive result	0	-16,534	0	1,123	0	-15,411
Share-based payments	0	0	0	0	370	370
Change in non-controlling interest	0	-10	0	0	0	-10
Balance at 31 December 2017	-195,967	-48,766	-377	-873	12,757	-233,226

22 Provisions

(x 1,000 euros)	Taxes	Disputes	Other	Total
Balance at 1 January 2016	252	1,236	14,499	15,987
Additions:				
• Through business combinations	0	0	0	0
• Other	881	14	2,214	3,109
Amounts used	0	-108	-6,165	-6,273
Release	-282	0	-485	-767
Currency translation differences	140	284	296	720
Balance at 31 December 2016	991	1,426	10,359	12,776
Additions:				
• Through business combinations	0	0	0	0
• Other	2,855	96	0	2,951
Amounts used	0	-50	-938	-988
Release	0	-991	0	-991
Currency translation differences	-115	-92	-1,066	-1,273
Balance at 31 December 2017	3,731	390	8,356	12,476

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 the legal and (internal) research costs and the costs of a possible settlement with the government and will be further evaluated in relation to new facts. At year-end 2017, the provision amounts to 6.9 million euros. It is expected that this provision will be further used between 2018 and 2019. The same expectation applies for the other long-term provisions.

The additions to the provision for taxes relate to a reclassification of short-term taxes to the provision for taxes, because it is expected that these will not be settled in the short term. The release of the provision for disputes relates in particular to the lapsing of social and tax risks. The use of the other provisions mainly relates to provisions for loss-making contracts in the United States.

23 Pension obligations

Pension obligations and costs

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

(x 1,000 euros)	2017	2016
Defined benefit pension plans	3,880	4,905
Other defined benefit pension plans	853	775
Pension obligations	4,733	5,680

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 smaller defined benefit plans, which are not further disclosed due to their limited size.

In accordance with IAS19, defined benefit obligations are estimated 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 recognised regarding the Dutch defined benefit plans held by Fagron Services BV and Spruyt Hillen BV are determined as follows:

(x 1,000 euros)	2017	2016
Present value of defined benefit obligations	20,725	21,644
Fair value of plan assets	-16,845	-16,739
Present value of net defined benefit obligations	3,880	4,905
Net liability arising from defined benefit obligations	3,880	4,905

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 of defined benefit obligations	Fair value of plan assets	Total
Balance at 1 January 2016	18,988	-14,630	4,358
Service costs	0	0	0
Interest expense (income)	490	-392	98
Remeasurements:			
• Return on plan assets (excluding interest income)	0	-2,000	-2,000
• (Gains)/losses arising from changes in demographic assumptions	-54	0	-54
• (Gains)/losses arising from changes in financial assumptions	2,503	0	2,503
Employer contributions	0	0	0
Benefit payments from plan	-283	283	0
Balance at 31 December 2016	21,644	-16,739	4,905
Service costs			
Interest expense (income)	428	-330	98
Remeasurements:			
• Return on plan assets (excluding interest income)	0	-261	-261
• (Gains)/losses arising from changes in demographic assumptions	0	0	0
• (Gains)/losses arising from changes in financial assumptions	-862	0	-862
Employer contributions			
Benefit payments from plan	-485	485	0
Balance at 31 December 2017	20,725	-16,845	3,880

The assets comprise qualifying insurance policies and are not part of the in-house financial instruments of Fagron. The pension insurer fully invested the assets 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 2017	31 December 2016
Weighted average discount rate	2.20%	2.00%
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 AG2016'.

Realised and unrealised result

The amounts recognised in the realised and unrealised result in respect of these defined benefit plans are as follows:

(x 1,000 euros)	31 December 2017	31 December 2016
Interest expense	98	98
Defined benefit plan costs recognised in the income statement	98	98
Remeasurements on the present value of non-funded liabilities:		
Return on plan assets (excluding interest income)	-261	-2,000
(Gains)/losses arising from changes in demographic assumptions	0	-54
(Gains)/losses arising from changes in financial assumptions	-862	2,503
Defined benefit plan costs recognised in other comprehensive income	-1,123	449
Total defined benefit costs	-1,025	547

There were no new entrants to the defined benefit plan; further accrual only takes place in a defined contribution plan. New employees are offered a defined contribution plan.

The expected defined benefit costs for 2017 are 0.1 million euros and only concern interest costs.

Sensitivity analysis

The sensitivity analysis shows the sensitivity of the defined benefit obligation as at 31 December 2017 and the 'Pension costs attributed to the year of service' compared to the principal actuarial assumptions.

The following table sets out the defined benefit obligation as at 31 December 2017 for each principal actuarial assumption compared to the corresponding amounts if the actuarial assumption of the various scenarios are applied. Salary increases are not included in the sensitivity analysis.

	Base scenario	Increase base scenario	Decrease base scenario
Weighted average discount rate	2.20%	2.70%	1.70%
Defined benefit obligation	20,725	18,780	22,984
Inflation increase	+2.00%	+2.50%	+1.50%
Defined benefit obligation	20,725	21,671	19,855
Life expectancy	+/- 0 jaar	+ 1 jaar	- 1 jaar
Defined benefit obligation	20,725	21,212	20,230

Pension plans in Belgium

Fagron has nine pension plans in place in Belgium which are legally structured as defined contributions plans. Because of a previous legislative amendment in Belgium applicable to 2nd pillar pension plans (the Supplementary Pensions Act), all Belgian Defined Contribution plans have to be considered as defined benefit plans under IFRS. The Supplementary Pensions Act 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 of 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 in the financing 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 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 on 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 defined benefit plans.

Management made an estimate of the potential additional liabilities as at 31 December 2017. Based on this estimation, it has been established that there are no substantive obligations. The 2017 employer contribution for these Belgian pension plans amounts to 0.1 million euros (2016: 0.1 million euros). The employee contribution for 2017 is nil (2016: nil), the employee contribution was stopped in 2014. The total amount of the plan assets as per 31 December 2017 amounts to 1.0 million euros (2016: 0.9 million euros).

24 Financial debt and financial instruments

(x 1,000 euros)	2017	2016
Non-current		
Financial lease liabilities	74	184
Bank borrowings	283,344	290,149
Other borrowings	100	100
Total non-current	283,518	290,433
Current		
Financial lease liabilities	65	84
Bank borrowings	13,386	290,475
Total current	13,450	290,559
Total financial debts	296,968	580,992

		2017		2016
(x 1,000 euros)	Financial leases	Bank borrowings	Financial leases	Bank borrowings
Non-current borrowings by term				
More than 1 year but less than 5 years	74	282,113	184	288,730
More than 5 years		1,331		1,519
Total non-current borrowings	74	283,444	184	290,249

		Cash flow from financing activities	Non-cash change		
(x 1,000 euros)	2016		Acquisitions	Exchange rates	2017
Non-current borrowings	290,433	901	1,417	-9,234	283,518
Current borrowings	290,559	-276,732	236	-613	13,450
Total borrowings	580,992	-275,831	1,653	-9,846	296,968

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 2017 was 3.32% (2016: 4.50%). The decline in bank borrowings is mainly due to the repayments that took place in 2017.

On 2 July 2012, Fagron NV issued bonds for an amount of 225 million euros. The nominal value of the bonds was 1,000 euros. The bonds had a maturity of five years and offered a fixed annual gross interest of 4.75%. The bonds were redeemable at 100% of the nominal value on 2 July 2017. The total EBITDA, calculated as result before interest, taxes, depreciation and amortisation, of the guarantors is at least 70 per cent of the consolidated Group EBITDA. This loan was fully repaid at the end of the term.

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. Both the Series A and Series B notes were fully repaid at maturity. The total EBITDA, calculated as result before interest, taxes, depreciation and amortisation, of the guarantors is at least 70 per cent of the consolidated Group EBITDA.

On 16 December 2014, Fagron NV amended and extended the existing credit facility with an originating amount of 150 million euros and a maturity date in July 2017. The amended multi-currency facility of 220 million euros was given a term until December 2019 with two one-year extension options via a consortium of existing and new international banks. In 2016, this facility, along with the long-term waiver of 5 May 2016, was renewed until April 2021 by exercising the extension options. The total EBITDA, calculated as result before interest, taxes, depreciation and amortisation, of the guarantors is at least 70 per cent of the consolidated Group EBITDA.

In the last quarter of 2017, Fagron agreed a term loan for 80 million euros with a syndicate of banks. The term of this loan is equal to the multi-currency facility and has an expiration date in April 2021. The repayment will take place at the end of the term and the agreements on financial covenants are the same as those of the multi-currency facility.

The key covenants of the credit facilities are the net financial debt/recurring EBITDA ratio and the recurring EBITDA/net interest expenses ratio. The financial covenants were adjusted in 2016 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 up to and including the test period ending on 30 June 2018. For every test period ending after 30 June 2018, the levels of both financial covenants revert to the original levels. The remaining test periods and accompanying levels are shown below.

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

In 2016 and part of 2017, the interest risk relating to 70 million euros of these loans was hedged with financial derivatives. The currency risk relating to 157 million US dollars was also hedged using financial derivatives. These instruments were valued in accordance with a Level 2 method. This implies that the valuation was 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 were based on valuation methods. These methods maximise the use of detectable market data where available, and minimise 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 was calculated using the discounted cash flows of the nominal value and interest flows.

The fair value of financial derivatives at year-end 2017 was nil (2016: -8.5 million euros). In 2017, the financial instruments relating to the hedging of the interest rate and foreign currency risks have decreased as a result of the settlement of these financial derivatives. Fagron has no other financial derivatives.

All financial instruments are valued at amortised cost except for derivative financial instruments and contingent considerations for acquisitions, which are valued at fair value. The fair value of the financial instruments valued at the amortised cost price approximates the carrying amount.

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	
ACA Pharma NV	Fagron Poland Sp. z o.o.
Arseus Belgie NV	Freedom Pharmaceuticals Inc.
B&B Pharmaceuticals Inc.	GMP Apotheek Mierlo-Hout BV
Fagron België NV	Pharma Cosmetic K.M. Adamowicz Sp. z o.o.
Fagron GmbH & Co KG	SM Empreendimentos Farmaceuticos Ltda
Fagron Inc.	Spruyt hillen BV
Fagron Nederland BV	Pharmaline BV
Galfarm Sp. z o.o.	

b. Financial leases

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

(x 1,000 euros)	2017	2016
Cost-capitalised financial leases	322	6,572
Accumulated depreciation	-131	-6,420
Net amount of assets in leasing	192	153

The Group's liability regarding financial leasing is guaranteed on account of the lessor holding the legal property title to the leased assets. The fair values of the bank borrowings and financial leasing liabilities have been calculated based on the present value of the future payments associated with the debt.

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

(x 1,000 euros)	2017	2016
Machinery and installations	124	150
Furniture and vehicles	68	2
Net amount of assets in leasing	192	153

Financial lease liabilities – minimum lease payments:

(x 1,000 euros)	2017	2016
Within 1 year	71	91
More than 1 year but less than 5 years	93	228
Total	164	319
Future financing costs on financial leases	25	51
Present value of future financial leases	139	268

c. Operating leases

Operating lease liabilities – minimum lease payments:

(x 1,000 euros)	2017	2016
Within 1 year	4,302	4,690
More than 1 year but less than 5 years	10,841	12,226
More than 5 years	5,635	11,930
Total	20,777	28,846

Most of the lease contracts relate to buildings of the US entities. The decline in operational leases in 2017 is reinforced by the exchange rate development of, primarily, the US dollar against the euro.

25 Trade payables

(x 1,000 euros)	2017	2016
Trade payables	58,205	50,292
Investment payables	745	2,871
Total trade payables	58,950	53,163

Trade payables generally have due dates that are close to each other. The reported values approximate their fair values. The increase compared to the previous year can mainly be explained by the increased product availability in Brazil.

26 Other current payables

(x 1,000 euros)	2017	2016
Prepayments	11	30
Other payables	2,763	7,615
Accrued expenses	5,899	11,180
Other current payables	8,673	18,825

The due date for all other current payables is in 2018.

The decrease compared to 2016 mainly relates to the settlement of customer bonuses.

The accrued expenses include an amount of 2.1 million euros (2016: 8.6 million euros) related to interest still to be paid. The remainder of this item concerns various accruals and deferrals. The decrease compared to 2016 mainly relates to the lower interest due to the lower debt position.

The debts generally have due dates that are close to each other. The reported values approximate their fair values. All other current payables are expected to be paid in 2018.

27 Contingencies

Fagron runs certain risks for which no provision has been made (such as the possible tax liabilities with regard to ICMS in Brazil or VAT in Poland) because it is unlikely that these risks will have a negative impact for the group. ICMS is a business tax incentive programme called Produzir for companies based in the Brazilian state of Goiás. This is contested by several Brazilian states. In Poland, a VAT audit was started in 2017 at two subsidiaries. The VAT percentage applied to almost all the products sold by the Polish

subsidiaries is being questioned by the Polish tax authority. We are contesting this assertion. At one of the subsidiaries an assessment of 4 million Polish zloty was issued for the February 2017 period. Fagron objected to the imposed assessment. At the other company, the audit is ongoing for the period February 2017 and March 2017.

Fagron is also involved in a number of claims, disputes and legal proceedings within the normal conduct of its business. Management is of the opinion that it is unlikely that these claims, disputes and lawsuits will have a negative impact on the financial situation at Fagron. A provision has been made for claims where it is deemed probable that they will lead to a payment, and for which a reliable estimate can be made (see note 22).

28 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 2017 and 2016 financial years is as follows:

(x 1,000 euros)	Fixed remuneration component ¹	Variable remuneration component	Other remuneration components ²
2016 financial year			
Hans Stols, CEO	600	720	36
Executive Committee, including the CEO	2,171	1,053	152
Non-executive members of the Board of Directors	266	0	0
2017 financial year			
Hans Stols, CEO until 24 November 2017	550	0	33
Rafael Padilla, CEO as of 27 November 2017	35	0	2
Executive Committee, including the CEO	1,824	155	165
Non-executive members of the Board of Directors	334	0	0
Severance pay Hans Stols	1,303	0	0

¹ Costs incurred by Fagron, i.e. the gross amount including any social security contributions.

² Includes costs for pensions, insurances and the cash value of the other benefits in kind.

The variable remuneration component for the 2017 financial year is the bonus effectively paid out in 2018. The Nomination and Remuneration Committee annually prepares proposals for the remuneration policy and/or other benefits for members of the Executive Committee and the CEO.

In 2017, no warrants or stock options were granted to the members of the Executive Committee, in the composition in effect on 31 December 2017. Mr. Stols, Mr. Padilla and the other members of the Executive Committee exercised no stock options or warrants in 2017. In 2017, 363,091 stock options and warrants belonging to Mr. Stols, 7,500 stock options and warrants belonging to Mr. Padilla and 80,000 stock options and warrants belonging to the other members of the Executive Committee were forfeited. The members of the Executive Committee, in the composition in effect on 31 December 2017, together hold 440,000 stock options and warrants. Mr. Stols holds 150,000 stock options and warrants.

29 Business combinations

Fagron completed two acquisitions in the 2017 financial year. The acquisition of Kemig d.o.o. was completed early August 2017. Kemig d.o.o. is a leading supplier of pharmaceutical raw materials and packaging materials to pharmacies and wholesalers in Croatia and Bosnia Herzegovina. Early October 2016, Fagron announced the acquisition of All Chemistry do Brasil Ltda. All Chemistry do Brasil Ltda is a renowned supplier of pharmaceutical raw materials for compounding pharmacies in Brazil.

Fair value of the acquired assets and liabilities

The acquisitions involved a payment of approximately 7.6 million euros, representing an increase in goodwill of 4.7 million euros. The goodwill is expected to not be tax-deductible. The provisional fair value of the acquired assets and liabilities is detailed below.

(x 1,000 euros)	
Intangible fixed assets	19
Property, plant and equipment	2,894
Other non-current assets	10
Deferred tax assets	13
Inventories	1,323
Trade receivables	1,472
Other receivables	558
Cash and cash equivalents	293
Total assets	6,584
Borrowings	1,653
Trade payables	1,083
Other current payables	942
Total liabilities	3,678
Net acquired assets	2,906
Goodwill	4,738
Total acquisition amount	7,644

The fair value of the acquired assets and liabilities has been provisionally determined for the activities acquired in 2017. The fair values indicated are provisional, because the integration process of the acquired entity and their activities is still ongoing. The provisional fair values of the intangible and tangible fixed assets, deferred taxes and working capital may still change when the acquired assets and liabilities have been definitively determined.

At year-end, the Group had an amount of approximately 1.0 million euros in contingencies. These fees payable to former shareholders were determined on the basis of business plans at the time of acquisition and have due dates in 2018, 2019 and 2020. The contingencies relate to Brazil, Croatia and Colombia.

The contingency ranges from 0 euros to a maximum of 1.0 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.

30 Information on the Statutory Auditor, his remuneration and related services

The Statutory Auditor of the Company is PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, represented by Mr. Peter Van den Eynde.

(x 1,000 euros)	2017	2016
Audit fee for the Group audit		
Fagron Group	450	474
Audit fee for PricewaterhouseCoopers Bedrijfsrevisoren	263	236
Audit fee for parties linked to PricewaterhouseCoopers Bedrijfsrevisoren	187	237
Remuneration for additional services rendered by the Statutory Auditor to Fagron		
Other audit assignments	5	14
Other non-auditing assignments	3	342
Remuneration for additional services rendered by parties linked to the Statutory Auditor		
Tax advisory assignments	33	131
Other non-auditing assignments	35	38

In 2016, the other non-auditing assignments mainly related to special reports, including in the context of the capital increase. In 2017, these mainly relate to special reports in the context of the compliance certificate, guarantor coverage schedule and EMIR.

31 Significant events after the balance sheet date

Acquisition of Humco

On 3 April 2018, Fagron announced the acquisition of Humco, a leading developer, manufacturer and supplier of patented vehicles (dosage forms) and pharmaceutical brand products to more than 45,000 pharmacies in the United States (US). The acquisition price for Humco amounts to 47.5 million US dollars (approximately 38.6 million euros) in cash with the possibility of a performance-related earn-out of a maximum of 22.5 million US dollars (approximately 18.3 million euros) in cash over a period of two years. The total acquisition fee has been capped at 70.0 million US dollars (approximately 56.9 million euros). The transaction includes all technologies, scientific data and patents and trademarks, as well as Humco's manufacturing facility in Texas (US).

Settlement with former owners of JCB Laboratories

In 2016, the former owners of JCB Laboratories ('JCB') started a lawsuit against Fagron in which they claimed to be entitled to the full earn-out payment for 2015. Fagron contested this allegation and lodged a counterclaim. In the first quarter of 2018, Fagron and the former owners of JCB reached a settlement regarding the lawsuit. The confidential settlement agreement includes a payment by Fagron that is significantly lower than the 6 million US dollars claimed.

32 Additional notes

1. Off-balance sheet rights and liabilities – collateral:

HL Technology SA has a current liability in the amount of 0.8 million euros (1.0 million Swiss francs), the initial mortgage loan amounts to 1.8 million Swiss francs. Fagron Services BV has a liability in the amount of 0.6 million euros, the initial mortgage loan amounts to 2.0 million euros. ABC Chemicals SA has a liability in the amount of 0.3 million euros, the initial pledge on the commercial property fund amounts to 1.9 million euros. The Group does not have any material obligations to purchase fixed assets at the moment.

2. Fagron NV signed a liability statement on behalf of a number of Dutch subsidiaries, specifically:

Fagron Brazil Holding BV
 Fagron BV
 Fagron Nederland BV
 Fagron Services BV
 Fagron Steriele Bereidingsapotheek BV
 GMP Apotheek Mierlo-Hout BV
 Hoogeveen Bereidingsapotheek BV
 Panoramix Holding BV
 Pharmaline BV
 Pharma Assist BV
 Spruyt Hillen BV
 Twipe BV

3. Exemption from a German subsidiary:

Fagron GmbH & Co KG in Barsbüttel (Germany) is exempt from the obligation to set up its financial statements and financial report according to §264b of the German commercial code, and to audit and publish these in line with the applicable regulations for businesses.

33 List of the consolidated companies

Name	Address	Ownership
ABC Chemicals NV	Venecoweg 20A, 9810 Nazareth (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%
All Chemistry Do Brasil Ltda	Rua Cocaís 300 – Jardim Oriental, 04347-170 São Paulo (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 Belgie NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Arseus Capital NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Arseus Dental Solutions SAS	37 Rue Helene Muller, 94320 Thiais (France)	100.0%
B&B Pharmaceuticals Inc.	17200 East Ohio Drive, 80017 Aurora, Colorado (United States)	100.0%
Belgophar NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Coast Quality Pharmacy LLC	5710 Hoover Boulevard, 33634 Tampa, Florida (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	55 14th Avenue, Northcliff, Gauteng (South Africa)	100.0%
Euphaco NV	Hillestraat 12, 8800 Roeselare (Belgium)	100.0%
Fagron a.s.	Holická 1098/31M, 77900 Olomouc (Czech Republic)	73.1%
Fagron Academy LLC	1111 Brickell Avenue, Suite 1550, 33131 Miami, Florida (United States)	100.0%
Fagron Belgie 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	8710 E. 34th St. N., 67226 Wichita, Kansas (United States)	100.0%
Fagron Compounding Services NV	Woestijnstraat 53, 2880 Bornem (Belgium)	100.0%
Fagron Compounding Services SAS	37 Rue Helene Muller, 94320 Thiais (France)	100.0%
Fagron Compounding Supplies Australia Pty Ltd	Atkinson Road 2/16, Taren Point, 2229 Sydney (Australia)	100.0%
Fagron GmbH & Co KG	Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)	100.0%
Fagron Hellas A.B.E.E.	12km NR, 42100 Trikala-Larissa (Greece)	100.0%
Fagron Holding USA LLC	2400 Pilot Knob Road, 55120 St. Paul, Minnesota (United States)	100.0%
Fagron Iberica SAU	Carrer de Josep Tapiolas 150, 08226 Terrassa (Spain)	100.0%
Fagron Inc.	2400 Pilot Knob Road, 55120 St. Paul, Minnesota (United States)	100.0%
Fagron Italia Srl	Via Lazzari 4-6, 40057 Granarolo Dell'Emilia, Quarto Inferiore (Italy)	100.0%

Name	Address	Ownership
Fagron Lékárna Holding s.r.o.	Holická 1098/31M, 77900 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	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Fagron Poland Sp. z o.o.	Ul. Pasternik 26, 31354 Krakau (Poland)	100.0%
Fagron Sarl	Intendente Neyer 924, B1643 Beccar (Argentina)	100.0%
Fagron SAS	37 Rue Helene 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	55 14th Avenue, Northcliff, Gauteng (South Africa)	100.0%
Fagron Steriele Bereidingsapotheek BV	Siemensstraat 4, 7903 AZ Hogeveen (The Netherlands)	100.0%
Fagron Technologies Ltda	Avenida 9 de Julho 3575, 13208-056 Jundiai (Brazil)	100.0%
Fagron UK Ltd	4B Coquet Street, NE1 2QB Newcastle upon Tyne (United Kingdom)	100.0%
Flores e Ervas Comercio Farmaceutico Ltda	Estrada Vicente Bellini 175, 13427-225 Piracicaba City (Brazil)	100.0%
Freedom Pharmaceuticals Inc.	801 W. New Orleans Street, 74011 Broken Arrow, Oklahoma (United States)	100.0%
GMP Apotheek Mierlo-Hout BV	Steenovenweg 15, 5708 HN Helmond (The Netherlands)	100.0%
HL Technology SA	Rue Jardiniere 153, 2300 La Chaux-de-Fonds (Switzerland)	100.0%
Hogeveen Bereidingsapotheek (HBA) BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
JCB Laboratories LLC	3510 N. Ridge Road. STE.900, 67205 Wichita, Kansas (United States)	100.0%
Jupiter Health Holding LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Kemig d.o.o.	Donjozelinska ul. 114, 10382 Donja Zeline (Croatia)	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-Kern 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 Holding BV	Munsterstraat 4, 7575 ED Oldenzaal (The Netherlands)	100.0%
Pharma Assist BV	Dieselstraat 3, 7903 AR Hogeveen (The Netherlands)	100.0%
Pharma Cosmetic K.M. Adamowicz Sp. z o.o.	Ul. Pasternik 26, 31354 Krakau (Poland)	100.0%
Pharma Services SAS	37 Rue Helene Muller, 94320 Thiais (France)	100.0%
Pharmacy Services Inc.	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Pharmaline BV	Munsterstraat 4, 7575 ED Oldenzaal (The Netherlands)	100.0%
PPH Galfarm Sp. z o.o.	Ul. Przemystowa, 12, 30701 Krakow (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 Kaapstad (South Africa)	100.0%
SM Empreendimentos Farmaceuticos Ltda	Rua Jurupari, 803 – Jardim Oriental, 04348-070 São 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	Tinbergenlaan 1, 3401 MT IJsselstein (The Netherlands)	100.0%



Statutory Auditor's Report PwC

Statutory auditor's report to the General Shareholders' Meeting of the company Fagron NV on the consolidated financial statements for the year ended 31 December 2017

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated financial statements of Fagron NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the audit of the consolidated financial statements, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting dd. 9 May 2016, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the consolidated financial statements for the year ended 31 December 2018. We have performed the statutory audit of the consolidated financial statements of Fagron NV for eleven consecutive years.

Report on the audit of the consolidated financial statements

Unqualified Opinion

We have performed the statutory audit of the Group's consolidated financial statements, which comprise the consolidated income statement as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 594.0 million and the consolidated income statement shows a profit for the year attributable to the shareholders of EUR 46.7 million.

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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company 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 opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of goodwill and other intangible fixed assets - Note 15

Key audit matter

As per 31 December 2017, the goodwill and other intangible fixed assets amounts to EUR 344.5 million. Goodwill and other intangible assets are tested annually for impairment at the level of cash generating units. The key judgements are the discount rate, the long-term growth rate, the gross margin growth rate and earnings expectations.

We consider the annual impairment test of goodwill and other intangible assets as a key audit matter because of the complexity and the fact that a high level of management judgement is involved. Considering the material size of these financial statement line items, a potential impairment might have a significant impact on the annual accounts.



We focused our impairment assessment on the Fagron United States Essentials and Brands cash generating unit, which has a goodwill carrying value of EUR 27.2 million. The impairment assessment performed in 2015 and 2016 resulted in an impairment charge on goodwill and other intangible assets by EUR 224.8 million and EUR 48.4 million respectively. The 2017 impairment assessment did not result in an additional impairment.

How our audit addressed the key audit matter

Our audit procedures consisted of the evaluation of the impairment methodology, testing of the key assumptions and the supporting calculations. Supported by valuation specialists, we compared the key assumptions to external market data (for example growth expectations) and own independent considerations (for example the discount rate). We have reconciled the data to the approved budget and internal forecasts and assessed the historical accuracy of management's estimates and internal forecasts. We also assessed the adequacy of the disclosures (Note 15) in the financial statements. We further focused on the sensitivity by evaluating whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount and thus result in an impairment.

As a result of our testing, we found that management's assertion, that no impairments are required, is supported by reasonable assumptions and that the disclosures in the financial statements are appropriate.

Disputes and claims (refer to Note 22)

Key audit matter

Fagron holds provisions for an amount of EUR 12.5 million, among others in respect of the ongoing US government investigation and legal proceedings linked to previous acquisitions. Disclosures have been made in Note 22 in relation to these provisions.

We considered the provisions, including the ongoing US government investigation, to be a key audit matter, because the position taken by management is based on judgement and estimates. Any new developments in the ongoing investigation might have a significant impact on the financial statements of Fagron Group.

How our audit addressed the key audit matter

We discussed pending claims and legal proceedings with management and Fagron's general counsel. We assessed the completeness by reading the minutes of meetings of the Board of Directors and by obtaining and reviewing the external lawyer confirmations.

We also discussed the latest status in the US government investigation with management and Fagron's external company lawyer. We assessed the reasonableness of managements' position and the provision accounted for as per 31 December 2017, taking into account the information known to date.

As a result of our testing, we found the judgements, estimates and provisions reasonable and the disclosures appropriate.

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation of consolidated financial statements that give a true and fair view 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.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the separate report on non-financial information and the other information included in the annual report.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated financial statements and the other information included in the annual report and to report on these matters.

Aspects related to the directors' report on the consolidated financial statements and to the other information included in the annual report

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated financial statements and to the other information included in the annual report, this report is consistent with the consolidated financial statements for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.



In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated financial statements and the other information included in the annual report on the consolidated financial statements is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you. We do not express any form of assurance conclusion on this annual report.

The non-financial information is included in a separate report. The report of non-financial information contains the information required by virtue of article 119 §2 of the Companies' Code, and agrees with the consolidated financial statements for the same year. The non-financial information has not been prepared based on a specific reference framework. We do not express assurance on individual elements included in this non-financial information.

Statement related to independence

- We did not provide services which are incompatible with the statutory audit of the consolidated financial statements and we remained independent of the Company in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated financial statements referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated financial statements.

Other statements

This report is consistent with the additional report to the audit committee and the board of directors referred to in article 11 of the Regulation (EU) N° 537/2014.

Antwerp, 13 April 2018

The statutory auditor
PwC Bedrijfsrevisoren bcvba
Represented by

Peter Van den Eynde
Réviseur d'Entreprises / Bedrijfsrevisor



Statutory Financial Statement

Condensed stand-alone income statement Fagron NV

(x 1,000 euros)	2017	2016
Operating income	4,133	14,314
Turnover	0	0
Other operating income	3,833	8,407
Non-recurring operating income	300	5,907
Operating expenses	4,807	13,344
Trade goods, raw and auxiliary materials	0	0
Services and other goods	3,240	3,135
Employee benefit expenses	571	1,412
Depreciation and amortization	28	51
Provisions for risks and costs	-8	-58
Other operating expenses	3	4,312
Non-recurring operating expenses	972	4,492
Operating result	-674	970
Financial result	1,770	5,296
Recurring financial result	1,770	-1,351
Non-recurring financial result	0	6,647
Profit for the financial year before taxes	1,095	6,265
Tax on the result	1	0
Net result for the financial year	1,094	6,265

Condensed stand-alone balance sheet Fagron NV

(x 1,000 euros)	2017	2016
Non-current assets	423,407	460,398
Formation expenses	0	0
Intangible fixed assets	16	43
Property, plant and equipment	0	2
Financial fixed assets	423,391	460,354
Current assets	503,960	396,228
Debtors due after one year	0	123,274
Inventories and orders in progress	0	0
Debtors due within one year	470,392	25,746
Investments	1,183	221,629
Cash and cash equivalents	31,396	23,818
Other receivables	990	1,761
Total assets	927,367	856,626
Equity	496,681	502,772
Capital	494,192	494,192
Share premiums	0	0
Legal reserves	368	313
Unavailable reserves	1,183	1,007
Available reserves	938	7,260
Profit carried forward	0	0
Provisions and deferred tax	13	21
Provision for other risks	13	21
Liabilities	430,673	353,833
Creditors due after one year	86,706	284,327
Creditors due within one year	341,592	67,082
Other current payables	2,375	2,424
Total liabilities	927,367	856,626

Appropriation of profits Fagron NV

(x 1,000 euros)	2017	2016
Profit to be appropriated	1,094	-102,119
Profit for the year to be appropriated	1,094	6,265
Profit carried forward from the previous year	0	-108,385
Transfers from capital and reserves	6,145	108,385
From the capital and share premiums	0	73,384
From the reserves	6,145	35,000
Transfers to capital and reserves	55	6,265
To the statutory reserves	55	313
To the other reserves	0	5,952
Profit to be carried forward	0	0
Profit to be carried forward	0	0
Profit to be distributed as dividends	7,184	0
Dividend	7,184	0

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 its unqualified opinion on the statutory financial statements of Fagron NV for the 2017 financial year.

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*.

Operating result	<i>Result of operating activities, EBIT ('Earnings Before Interests and Taxes')</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
EBIT	'Earnings Before Interests and Taxes', <i>Profit (loss) from operating activities</i>
EBITDA	'Earnings Before Interests, Taxes, Depreciations and Amortisations', <i>Profit (loss) from operating activities</i> plus depreciations and amortisations, including write-downs on inventories and receivables
Financial result	<i>Net financing costs, balance of financing income and financing costs</i>
Net operational capex	Net capital expenditure, <i>intangible assets and property, plant and equipment</i> that have been acquired or produced (excluding acquisitions), less assets sold
Net financial debt	<i>Non-current and current financial liabilities, less cash and cash equivalents (excluding financial instruments)</i>
Non-recurring items	<i>One-off revenue and expenses not related to ordinary operations</i>
Net result	<i>Profit (loss) for the reporting period, consolidated result</i>
Operational working capital	<i>Inventories + Trade receivables – Trade payables</i>
REBITDA	'Recurring Earnings Before Interests, Taxes, Depreciations and Amortisations', <i>Profit (loss) from operating activities</i> plus depreciations and amortisations and adjusted for all non-recurring items
Recurrent net profit	<i>Profit (loss) for the reporting period, adjusted for non-recurring items</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.

In the event of differences between the English translation and the Dutch original of the annual report, the latter prevails.

