Regulated information | Consolidated results for the first semester of 2018
Nazareth (Belgium)/Rotterdam (the Netherlands), 3 August 2018

Fagron realised organic turnover growth of 8.5%

Organic turnover growth in all regions

Growth acceleration in North and South America in Q2

Key points - Financial

- **REBITDA[1] increased by 1.1% (+6.9% at constant exchange rates) to € 48.7 million**
- **Recurrent net profit increased by 6.6% to € 22.3 million**
- **Operational cash flow of € 34.4 million**
- **Net financial debt/REBITDA ratio of 2.72**

Strategic - operational

- **Expansion of organization to further accelerate growth**
- **Launch of greenfield operations in Canada in Q2**
- **25 innovations introduced at Consulfarma in Brazil**
- **Sterile compounding facility in Wichita (USA) has licenses in 49 states**
- **Co-optation of Judy Martins as non-executive director of Fagron**

Rafael Padilla, CEO of Fagron: *"Fagron performed strong in the first semester of 2018. Organic turnover growth at constant exchange rates increased with 8.5% compared to the same period last year. In the second quarter of 2018, we see a clear growth acceleration. Organic turnover at constant exchange rates increased by 10.0% in the second quarter, driven mainly by our operations in North America and South America. The profitability of our activities in Europe and South America remained strong. In North America, we significantly invested in the first semester and recruited 43 new employees to accelerate the product range in the 503B facility in Wichita, to take full advantage of the growth opportunities in the sterile compounding market in the United States.*

The sterile activities in the United States performed excellent in the first semester of 2018. Turnover against constant exchange rates increased by 27.5%. The strong growth of the 503B facilities in Wichita is driven by an increase in the number of clients, the accelerated growth of the product range, as well as the increased monitoring of 503B-facilities on compliance with requirements by the regulatory authorities. We are pleased that the new 503B facility in Wichita in 2018 received licenses from the states of California and Indiana, bringing the number of licenses to 49 now.

The sale of Essentials and Brands for compounding in the US increased by 7.6% in the first semester of 2018 compared to the same period last year. All activities contributed to the increase in turnover. In the second quarter of 2018, we made good progress with the integration of the American Humco, which was acquired by Fagron in early April 2018. With the integration of Humco, we created a strong platform in order to further strengthen our market position in the USA. In the third quarter, the first innovative pharmaceutical branded products and vehicles from Humco will be introduced in Europe and South America.

[1] EBITDA before non-recurring result.

The organic turnover growth at constant exchange rates in South America amounted to 13.3% and was mainly driven by the strong growth of the underlying markets and the focus on the development and introduction of innovative products and patented concepts. This focus has resulted in strong growth of Brands in the first semester of 2018.

The strategic focus initiated at the end of 2017 on the development and introduction of distinctive innovative products is clearly successful in Europe. The percentage of Brands increased from 8.2% to 10.6%. In Europe, we have invested in further increasing the quality of our facilities and processes, a core value on which Fagron distinguishes itself from its competitors.

We look forward with confidence to the remainder of the year and expect that we can continue the positive trend of the first semester in the second semester of 2018."

Profit and loss account (x € 1,000)	H1 2018	H1 2017[2]	Δ
Net turnover	**230,923**	**220,012**	**+5.0%**
Gross margin	141,929	136,888	+3.7%
As % of the net turnover	*61.5%*	*62.2%*	
Operational costs	93,277	88,777	+5.1%
As % of the net turnover	*40.4%*	*40.4%*	
EBITDA before non-recurring result	**48,652**	**48,111**	**+1.1%**
As % of the net turnover	*21.1%*	*21.9%*	
Non-recurring result	-4,666	-927	+403.2%
EBITDA	**43,986**	**47,183**	**-6.8%**
As % of the net turnover	*19.0%*	*21.4%*	
Depreciation and amortisation	9,499	8,748	+8.6%
EBIT	**34,487**	**38,435**	**-10.3%**
As % of the net turnover	*14.9%*	*17.5%*	
Financial result, excluding revaluation of financial derivatives	-10,474	-13,298	-21.2%
Revaluation of financial derivatives	0	713	-100.0%
Profit before taxes	24,013	25,850	-7.1%
Taxes	-5,241	-4,796	-9.3%
Net profit	**18,773**	**21,054**	**-10.8%**
Recurrent net profit[3]	22,252	20,879	+6.6%
Net profit per share (€)	0.26	0.29	-10.3%
Recurrent net profit per share (€)	0.31	0.29	+6.9%
Average number of shares	71,740,277	71,740,277	0.0%

[2] The figures for the first semester of 2017 were revised for IFRS 15.
[3] Recurrent net profit is defined as the profit before non-recurring items and the revaluation of financial derivatives, corrected for taxes.

Balance (x € 1,000)	30-06-2018	31-12-2017
Intangible fixed assets	389,074	344,495
Property, plant and equipment	67,883	69,535
Deferred tax assets	15,232	11,355
Financial assets	2,406	2,232
Operational working capital	43,748	36,135
Other operating capital	-56,276	-25,266
Equity	183,094	184,881
Provisions	16,894	17,210
Deferred tax liabilities	193	198
Net financial debt	261,885	236,197

Notes to the consolidated interim financial statements

Profit and loss account

With effect from 1 January 2018, Fagron changed the calculation method for organic growth. In the new method, the total turnover of an acquisition in the first year after consolidation is included as acquisitive growth. In the past, turnover growth of an acquisition in the first year after consolidation was included as organic growth.

The **consolidated turnover** amounted to € 230.9 million, an increase of 5.0% (+12.1% at constant exchange rates) compared to the first semester of 2017. Organic growth amounted to 1.7% (+8.5% at constant exchange rates). The turnover development per segment is explained in more detail in 'Key figures per segment'.

(x € 1,000)	H1 2018	H1 2017	Total growth	Total growth CER	Org. growth	Org. growth CER
Fagron	227,285	216,551	+5.0%	+12.1%	+1.7%	+8.4%
HL Technology	3,638	3,461	+5.1%	+14.2%	+5.1%	+14.2%
Fagron Group	**230,923**	**220,012**	**+5.0%**	**+12.1%**	**+1.7%**	**+8.5%**

(x € 1,000)	Q2 2018	Q2 2017	Total growth	Total growth CER	Org. growth	Org. growth CER
Fagron	119,944	109,234	9.8%	17.3%	3.2%	9.9%
HL Technology	1,909	1,738	9.8%	19.1%	9.8%	19.1%
Fagron Group	**121,853**	**110,972**	**9.8%**	**17.3%**	**3.3%**	**10.0%**

CER = Constant Exchange Rates

The **gross margin** increased by € 5.0 million or 3.7% to € 141.9 million. The gross margin as a percentage of turnover decreased by 70 basis points to 61.5% compared to the same period last year. This decrease is mainly caused by the sale of a compounding facility with a high gross margin in Paris (France) in July 2017. The gross margin increases by 70 basis points compared to the second semester of 2017.

The **operating costs** as a percentage of the turnover remained unchanged and amounted to 40.4% in the first semester of 2018. Operational costs increased by 5.1% or € 4.5 million to € 93.3 million. This increase is caused by the acquisition and integration of Humco (USA) and the growth of the number of employees at the new sterile 503B facility in Wichita (USA).

The **EBITDA before non-recurring result** increased with € 0.5 million or 1.1% (+6.9% at constant exchange rates) to € 48.7 million. The EBITDA before non-recurring result as a percentage of the turnover decreased with 80 basis points to 21.1%.

The **non-recurring result** amounted to -€ 4.7 million and consists mainly of the settlement with the former owners of JCB Laboratories in the United States in the first quarter of 2018, dismissal costs and acquisition costs.

The **EBITDA** decreased by € 3.2 million or 6.8% to € 44.0 million. The EBITDA, as a percentage of the turnover, decreased to 19.0%.

The **depreciation and amortization** amounted to € 9.5 million, an increase of 8.6% compared to € 8.7 million in the first semester of 2017.

The **EBIT** amounted to € 34.5 million, a decrease of 10.3% compared to € 38.4 million in the first semester of 2017.

The **financial result excluding the revaluation of financial derivatives** was -€ 10.5 million, a decrease of 21.2% compared to the first semester of 2017.

The **effective tax rate** as a percentage of the profit before taxes was 21.8% in the first semester of 2018 compared to 18.6% the same period last year. The **effective cash tax rate** amounted to 15.1%.

In the first semester of 2018, the **net profit** amounted to € 18.8 million, a decrease of 10.8% compared to € 21.1 million in the first semester of 2017. The **recurring net profit** increased by 6.6% to € 22.3 million.

Balance sheet

At balance sheet level, the most important changes can be summarised as follows.

The **intangible fixed assets** increased by € 44.6 million in the first semester of 2018. This increase is mainly caused by the recognition of goodwill as a result of the acquisition of Humco in the United States.

Property, plant and equipment decreased by € 1.7 million in the first semester of 2018. The proceeds of the sale of a business premises in Boom (Belgium) and the depreciation of the Group, were in total higher than the takeover of assets on the acquisition of Humco (USA).

The **operational working capital** as a percentage of turnover amounted to 9.4%. Adjusted for the takeover of Humco (USA), operational working capital amounted to 8.7%.

The **net financial debt** increased by € 25.7 million to € 261.9 million in the first semester of 2018. The net financial debt/REBITDA ratio on 30 June 2018 was 2.72, well below the level of 3.25 as determined in the

Revolving Credit Facility and the Note Purchase Agreement. The table below gives an overview of the development of the net financial debt in the first semester of 2018.

(x € 1,000)	
Net financial debt on 31 December 2017	**-236,197**
Operational cash flow	+34,416
Acquisitions	-38,787
Investments	-4,169
Dividends paid	-2,767
Net interest	-8,430
Exchange rate differences	-5,951
Net financial debt on 30 June 2018	**-261,885**

The **net operational capex** amounted to € 4.2 million (1.8% of turnover) in the first semester of 2018. The capex mainly consists of investments in existing compounding facilities in the United States and the Netherlands, improvements to facilities in Brazil, automation of logistics processes and software implementations.

Key figures per segment

Fagron (excluding HL Technology)

(x € 1,000)	H1 2018	H1 2017	Change
Turnover	227,285	216,551	+5.0%
REBITDA[4]	47,968	48,230	-0.5%
REBITDA margin	21.1%	22.3%	

	Total growth	Total growth CER	Org. growth	Org. growth CER
Turnover development H1 2018	+5.0%	+12.1%	+1.7%	+8.4%
Turnover development Q2 2018	+9.8%	+17.3%	+3.2%	+9.9%

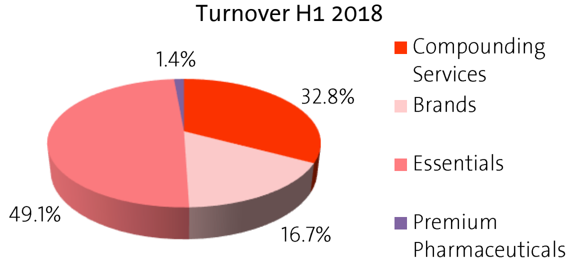
The turnover of Fagron (excluding HL Technology) increased by 5.0% (+12.1% at constant exchange rates) to € 227.3 million in the first semester of 2018. The organic turnover growth was 1.7% (+8.4% at constant exchange rates). The REBITDA decreased by 0.5% to € 48.0 million. The REBITDA as a percentage of turnover decreased by 120 basis points to 21.1%.

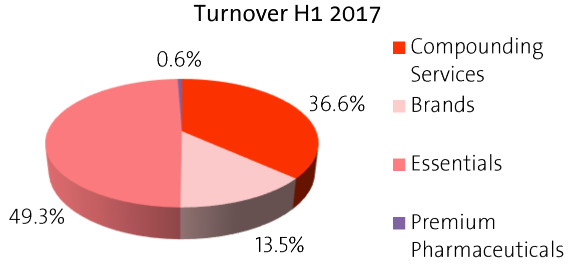
The table below provides a summary of the turnover development and currency effects of Fagron (excluding HL Technology) in the first semester of 2018.

[4] EBITDA before non-recurring result.

(x € 1,000)	Impact
Turnover in H1 2017	**216,551**
Development Europe	+2,278
Development South America	+6,554
Development North America	+8,910
Currency effect Brazilian Real/Euro	-9,261
Currency effect US Dollar/Euro	-5,156
Currency effect other	+246
Contribution of acquisitions	+12,298
Contribution of divestments	-5,134
Turnover in H1 2018	**227,285**

In 2017, a strategic decision was taken to register a limited number of non-sterile preparations that are delivered to pharmacies in the Netherlands. The turnover realised with the sale of registered products is reported under Premium Pharmaceuticals.



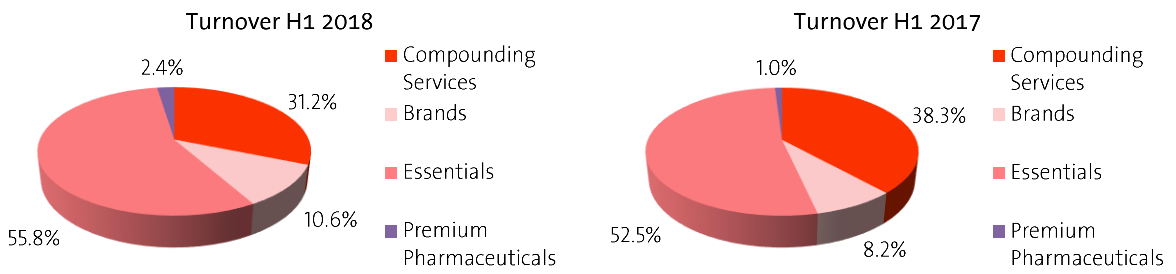


***Fagron Europe*[5]**

(x € 1,000)	H1 2018	H1 2017	Change
Turnover	127,536	127,220	+0.2%
REBITDA[6]	32,667	32,724	-0.2%
REBITDA margin	25.6%	25.7%	

	Total growth	Total growth CER	Org. growth	Org. growth CER
Turnover development H1 2018	+0.2%	0.0%	+2.1%	+1.9%
Turnover development Q2 2018	-1.5%	-1.5%	+0.2%	+0.2%

[5] The Europe segment includes the Fagron activities in Europe, South Africa and Australia.
[6] EBITDA before non-recurring result.



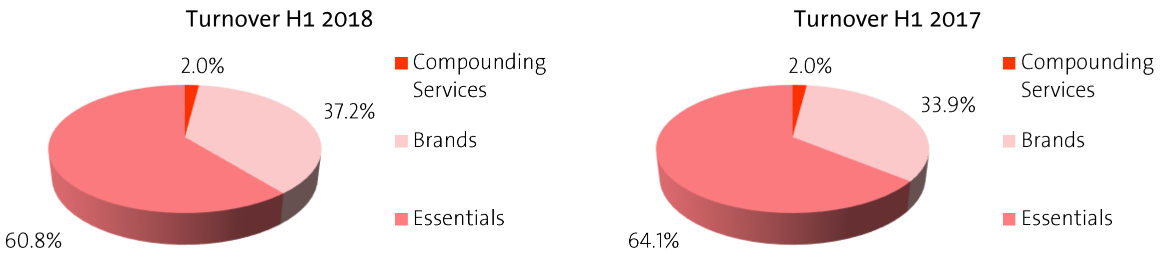
The turnover in the Europe segment increased by 0.2% to € 127.5 million in the first semester of 2018. The organic turnover growth amounted to 2.1% (+1.9% at constant exchange rates). The REBITDA decreased by 0.2% to € 32.7 million. The REBITDA as a percentage of turnover decreased by 10 basis points to 25.6%.

The strategic focus on the development and introduction of distinctive innovative products in the first semester of 2018 resulted in a strong increase in turnover of Brands. The turnover decrease in the compounding activities (Compounding Services) is the result of the divestment of a compounding facility in France in July 2017, the strategic decision to register a limited number of non-sterile preparations in the Netherlands, and temporarily reducing the capacity at one of the Dutch compounding facilities to be able to invest in further increasing the quality of the facility and the processes. This project started in April 2018 and is expected to take nine months.

Fagron South America

(x € 1,000)	H1 2018	H1 2017	Change
Turnover	48,880	49,450	-1.2%
REBITDA[7]	9,691	10,054	-3.6%
REBITDA margin	19.8%	20.3%	

	Total growth	Total growth CER	Org. growth	Org. growth CER
Turnover development H1 2018	-1.2%	+18.7%	-5.7%	+13.3%
Turnover development Q2 2018	+2.9%	+24.4%	-1.8%	+18.7%



[7] EBITDA before non-recurring result.

The turnover in the South America segment decreased by 1.2% (+18.7% at constant exchange rates) in the first semester of 2018 to € 48.9 million. Organic turnover development amounted to -5.7% (+13.3% at constant exchange rates). The REBITDA decreased by 3.6% to € 9.7 million. The REBITDA as a percentage of turnover decreased by 50 basis points to 19.8%.

The strong increase in turnover at constant exchange rates in South America was mainly driven by the strong growth of the underlying markets and the growth of the number of compounding pharmacies in Brazil. The number of compounding pharmacies increased by 8.8% to 7,545 compared to 2017. The focus of Fagron on the development and introduction of innovative products and patented concepts has resulted in strong growth of Brands in the first semester of 2018. The five Fagron companies active in the Brazilian market launched 25 innovations (Brands) during Consulfarma (the largest fair for pharmaceutical compounding worldwide), including Pomage™ (anti-aging) and Pinetonina™ (stress relief and insomnia). Fagron Technologies, market leader in software and digital solutions for compounding pharmacies, launched new versions of FórmulaCerta™ (software for financial, technical and operational management of pharmacies), mobyPharma™ (software for direct contact with patients, directly linked to FórmulaCerta™), and LogiPrix™ (software to calculate the sales price of compounded products).

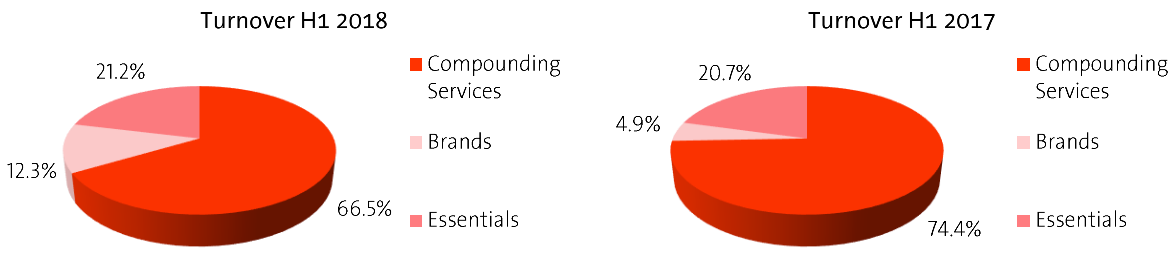
In the second quarter of 2018, the integration process of All Chemistry, acquired in October 2017, was completed. The back office of All Chemistry is centralised in the shared services centre of Fagron in São Paulo, while the repackaging activities have been moved to the GMP facilities of Fagron in Anápolis. During the Consulfarma in June 2018, the name change to Organic Compounding and a complete re-branding was introduced.

Fagron North America

(x € 1,000)	H1 2018	H1 2017	Change
Turnover	50,869	39,880	+27.6%
REBITDA[8]	5,610	5,452	+2.9%
REBITDA margin	11.0%	13.7%	

	Total growth	Total growth CER	Org. growth	Org. growth CER
Turnover development H1 2018	+27.6%	+42.6%	+9.4%	+22.3%
Turnover development Q2 2018	+55.4%	+70.1%	+19.0%	+29.4%

[8] EBITDA before non-recurring result.



The turnover in the North America segment increased by 27.6% (+42.6% at constant exchange rates) to € 50.9 million in the first semester of 2018. The organic increase in turnover amounted to 9.4% (+22.3% at constant exchange rates). REBITDA increased by 2.9% to € 5.6 million. REBITDA as a percentage of turnover decreased by 270 basis points to 11.0% compared to the first semester of 2017. This decrease was caused by the growth of the number of employees at the new sterile 503B facility in Wichita (USA). The 43 new employees in Wichita will contribute to an accelerated expansion of the product range to take full advantage of the growth opportunities for sterile compounding in the United States.

Fagron's sterile compounding activities in the United States realized a turnover increase at constant exchange rates of 27.5% (Q2-18: 34.6%) in the first semester of 2018. Growth at constant exchange rates of Fagron's facilities in Wichita amounted to 76.2% (Q2-18: 90.9%). The strong acceleration in growth of the 503B facilities in Wichita is driven by an increase in the number of customers, the accelerated growth of the product range, as well as the increased monitoring of 503B-facilities on compliance with requirements by the regulatory authorities.

The sterile activities are developing in line with expectations. In the first semester of 2018, the new 503B facility in Wichita received licenses from California and Indiana, bringing the number of licenses received from the new 503B facility in Wichita to 49. The license of the District of Columbia was also received. It is expected that the remaining license from the State of North Dakota will be received in the course of 2018. The other 503B facility in Wichita and the 503B facility in Las Vegas both have all licences.

The sale of Essentials and Brands for compounding increased by 67.4% (+87.2% at constant exchange rates) in the first semester of 2018 compared to the first semester of 2017. The organic growth at constant exchange rates amounted to 7.6%. All activities contributed to the growth in turnover.

In early April 2018, Fagron announced the acquisition of the American Humco, a leading developer, manufacturer and supplier of innovative patented vehicles (including topical and transdermal creams, syrups and suspensions) and pharmaceutical branded products that are paid in cash by the customer (no reimbursement). Established in 1872, Humco realised a turnover of approximately US$ 32 million in 2017 (approximately € 26 million). Good progress was realized in the second quarter of 2018 with the integration of Humco.

In the second quarter of 2018, Fagron started activities in Canada. The Canadian compounding market has developed significantly in recent years and offers considerable growth potential for the Essentials and Brands of both Fagron and Humco.

HL Technology

(x € 1,000)	H1 2018	H1 2017	Change
Turnover	3,638	3,461	+5.1%
REBITDA[9]	685	-119	+675.1%
REBITDA margin	18.8%	-3.4%	

The turnover in the HL Technology segment increased by 5.1% (+14.2% at constant exchange rates) to € 3.6 million in the first semester of 2018. REBITDA increased by € 0.8 million to € 0.7 million or 18.8% of the turnover. The growth in both turnover and profitability was mainly driven by the optimisation of the production process and the strengthening of the underlying markets.

Change of composition of the board of directors

The board of directors is deeply touched by the sudden death of Mrs Nathalie Clybouw. As non-executive director of Fagron, Mrs Clybouw has made a significant contribution to the development and growth of Fagron the past years.

The board of directors decided, in accordance with article 15 of the articles of association of Fagron, to co-opt Mrs Judy Martins as non-executive director of Fagron. The final appointment of Mrs Martins will be submitted to the next general meeting of shareholders of Fagron.

Mrs Martins has been working at Waterland since 2006 and currently fulfils the role of general counsel and compliance officer of the Waterland Group. Before this, she worked for ten years in the trust sector, at Rokin Corporate Services (Stibbe) and ATC Trustees (now Intertrust). She studied Dutch Law (Corporate Law) at the Free University of Amsterdam. Before the Dutch Law degree, she completed the propaedeutic course in Cultural Anthropology at the University of Amsterdam and subsequently followed higher education Culture, Organization and Management, at VU University Amsterdam with a focus on change management.

Live webcast

Rafael Padilla (CEO) and Karin de Jong (CFO) will present the results for the first semester of 2018 during an analyst meeting today. The analysts' meeting starts at 11.00 a.m. CET and can be followed via a live video webcast. The details of the video webcast can be found on the website (click here).

Financial calendar 2018

11 October Trading update, third quarter 2018

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

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

[9] EBITDA before non-recurring result.

For more information

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

Fagron profile

Fagron is a leading global company active in pharmaceutical preparations and focuses on delivering personalized pharmaceutical care to hospitals, pharmacies, clinics and patients in 35 countries worldwide.

The Belgian company Fagron NV is located in Nazareth and is listed on Euronext Brussels and Euronext Amsterdam (stock exchange code 'FAGR'). The Dutch company Fagron BV directs Fagron's operational activities. Fagron BV's headquarters is located in Rotterdam.

Important information regarding future-oriented statements

Certain statements in this press release might be considered to be future-oriented. Such future-oriented statements are based on current expectations and are influenced by various risks and uncertainties. Fagron therefore can not guarantee that such future-oriented statements will materialise and does not undertake any obligation to update or revise any future-oriented statement, whether as a result of new information, future events or any other reason.

Interim financial statements

First semester of 2018

Contents

The undersigned hereby declare that, to the best of their knowledge, the condensed consolidated financial statements for the six-month period ended 30 June 2018, which have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the company and the undertakings included in the consolidation as a whole, and that the interim management report includes a fair review of the important events that have occurred during the first semester of the financial year and of other legal necessary information.

Rafael Padilla, CEO
Karin de Jong, CFO

1. Interim management report

A detailed report on the turnover of the first semester of 2018 can be found in the Fagron press release of the 3rd of August 2018.

2. Condensed consolidated income statement

(x 1,000 euros)	Note	June 2018	June 2017[1]
Operating income		**231,576**	**222,172**
Turnover		230,923	220,012
Other operating income		652	2,161
Operating expenses		**197,088**	**183,737**
Trade goods		89,228	83,336
Services and other goods		40,625	39,378
Employee benefit expenses		53,894	51,864
Depreciation and amortization		9,499	8,748
Other operating expenses		3,843	411
Operating profit		**34,487**	**38,435**
Financial income	8	399	2,117
Financial expenses	8	-10,873	-14,702
Profit before income tax		**24,013**	**25,850**
Taxes	17	5,241	4,796
Net result		**18,773**	**21,054**
Attributable to:			
Equity holders of the company (net result)		18,604	20,704
Non-controlling interest		169	351
Earnings (loss) per share attributable to owners of the parent entity during the period			
Profit (loss) per share (in euros)	9	0.26	0.29
Diluted profit (loss) per share (in euros)	9	0.26	0.29

[1] The condensed consolidated income statement has been revised for the application of IFRS 15.

3. Condensed consolidated statement of comprehensive income

(x 1,000 euros)	June 2018	June 2017
Profit for the period	**18,773**	**21,054**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	-13,605	-9,625
Other comprehensive income for the period	**-13,605**	**-9,625**
Total comprehensive income for the period	**5,168**	**11,429**
Attributable to:		
Equity holders of the company	5,068	11,152
Non-controlling interest	100	277

The unrealised currency translation differences in 2018 of 13.6 million euros are mainly due to the weakening of the Brazilian real against the euro at 31 December 2017.

4. Condensed consolidated statement of financial position

(x 1,000 euros)	Note	June 2018	December 2017
Non-current assets		**474,595**	**427,617**
Intangible fixed assets		389,074	344,495
Property, plant and equipment		67,883	69,535
Financial fixed assets		2,406	2,232
Deferred tax assets		15,232	11,355
Current assets		**204,469**	**166,430**
Inventories		75,628	62,865
Trade receivables		43,036	32,220
Other receivables		9,376	10,574
Cash and cash equivalents		76,428	60,771
Total assets		**679,063**	**594,047**
Equity		**183,094**	**184,881**
Shareholders' equity (parent)		179,511	181,398
Non-controlling interest		3,583	3,483
Non-current liabilities		**300,557**	**300,925**
Provisions	12	12,073	12,476
Pension obligations		4,821	4,733
Deferred tax liabilities		193	198
Borrowings	13	283,470	283,518
Current liabilities		**195,413**	**108,241**
Borrowings	13	54,844	13,450
Trade payables		74,917	58,950
Taxes, remuneration and social security		30,505	27,168
Other current payables	14	35,148	8,673
Total liabilities		**495,970**	**409,166**
Total equity and liabilities		**679,063**	**594,047**

5. Condensed consolidated statement of changes in equity

(x 1,000 euros)	Share capital & share premium	Other reserves	Treasury shares	Retained earnings	Total	Non-control-ling interest	Total equity
Balance at 1 January 2017	**561,852**	**-218,174**	**-18,823**	**-175,063**	**149,792**	**3,083**	**152,875**
Profit for the period	0	0	0	20,704	20,704	351	21,054
Other comprehensive income	0	-9,552	0	0	-9,552	-73	-9,625
Total comprehensive income for the period	**0**	**-9,552**	**0**	**20,704**	**11,152**	**277**	**11,429**
Dividends	0	0	0	0	0	0	0
Share-based payments	0	408	0	0	408	0	408
Reclassification	0	0	0	0	0	0	0
Balance at 30 June 2017	**561,852**	**-227,318**	**-18,823**	**-154,359**	**161,352**	**3,360**	**164,712**
Profit for the period	0	0	0	25,954	25,954	38	25,993
Other comprehensive income	0	-5,870	0	0	-5,870	83	-5,786
Total comprehensive income for the period	**0**	**-5,870**	**0**	**25,954**	**20,084**	**121**	**20,207**
Dividends	0	0	0	0	0	0	0
Share-based payments	0	-38	0	0	-38	0	-38
Reclassification	-54,182	0	0	54,182	0	0	0
Balance at 1 January 2018	**507,670**	**-233,226**	**-18,823**	**-74,223**	**181,398**	**3,483**	**184,881**
Profit for the period	0	0	0	18,604	18,604	169	18,773
Other comprehensive income	0	-13,536	0	0	-13,536	-68	-13,605
Total comprehensive income for the period	**0**	**-13,536**	**0**	**18,604**	**5,068**	**100**	**5,168**
Dividends	0	0	0	-7,184	-7,184	0	-7,184
Share-based payments	0	229	0	0	229	0	229
Balance at 30 June 2018	**507,670**	**-246,533**	**-18,823**	**-62,804**	**179,511**	**3,583**	**183,094**

6. Condensed consolidated statement of cash flows

(x 1,000 euros)	June 2018	June 2017
Operating activities		
Profit before income taxes	24,013	25,850
Taxes paid	-3,630	7,537
Adjustments for financial items	10,474	12,585
Total adjustments for non-cash items	9,265	8,415
Total changes in working capital	-5,707	-4,886
Total cash flow from operating activities	**34,416**	**49,501**
Investment activities		
Capital expenditure	-4,169	-5,066
Proceeds from sold shareholdings	0	6,400
Investments in existing shareholdings (subsequent payments) and in new holdings	-38,787	-1,437
Total cash flow from investing activities	**-42,957**	**-103**
Financing activities		
Dividends paid	-2,767	0
New borrowings	39,058	29,021
Reimbursement of borrowings	-1,300	-64,905
Interest received	399	2,117
Interest paid	-8,829	-14,787
Total cash flow from financing activities	**26,561**	**-48,553**
Total net cash flow for the period	**18,020**	**845**
Cash and cash equivalents – start of the period	60,771	295,585
Gains or losses from currency translation differences	-2,363	-2,910
Cash and cash equivalents – end of the period	76,428	293,520
Change in cash and cash equivalents	**18,020**	**845**

7. Notes to the interim financial information

1. General information

Fagron is a leading global company active in pharmaceutical preparations and focuses on delivering personalized pharmaceutical care to hospitals, pharmacies, clinics and patients in 35 countries worldwide.

The Belgian company Fagron NV is located in Nazareth and listed on Euronext Brussels and Euronext Amsterdam (stock exchange code 'FAGR'). The Dutch company Fagron BV directs Fagron's operational activities. Fagron BV's headquarters is located in Rotterdam.

These consolidated financial statements were approved for publication by the Board of Directors on the 2nd of August 2018.

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

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

This condensed consolidated interim financial information for the first semester of 2018, including the comparative figures for 2017, has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information must be read in conjunction with the annual financial statements for the year 2017 (including the principles for financial reporting) which is available at www.fagron.com.

3. Summary of the most important accounting policies

The most important accounting policies used to prepare the consolidated interim financial statements for the first semester of 2018 are consistent with those applied in the Fagron consolidated financial statements for the year ended 31 December 2017.

The accounting policies were consistently applied for all periods presented.

A summary of the most important accounting policies can be found in the 2017 annual report. The annual report can be consulted through the following web link: www.fagron.com.

This condensed consolidated interim financial information has been prepared in accordance with IFRS standards and IFRIC interpretations that apply, or which are applied early, as of 30 June 2018 and which have been endorsed by the European Union.

IFRS 15 'Revenue from contracts with customers' relates to the recording of revenue from contracts with customers. The application of IFRS 15 is obligatory as of the 1st of January 2018 and this application has only a negative effect on the presentation hereof of less than one percent of the turnover and no impact on the operating profit. The comparable figures of 2017 have been restated for this.

IFRS 9 'Financial instruments' covers financial instruments on both the asset as well as the liability side and describes the criteria for recognition, classification and derecognition of such instruments, in addition to the allowed measurement methods. The application of IFRS 9 is obligatory as of the 1st of January 2018 and this application has no material impact on the consolidated figures of Fagron.

IFRS 16 'Leases' replaces the current standard (IAS 17). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In the first semester of 2018 Fagron has largely conducted a detailed analysis of the impact of IFRS 16. As a result of this analysis Fagron expects that the total assets will increase with less than 5%. The final impact will depend on the number, the size, the remaining duration and possible extension options of the lease contracts on the moment of implementation. The application of IFRS16 will be effective as of the 1st of January 2019.

4. Seasonality

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

8. Financial result

(x 1,000 euros)	June 2018	June 2017
Financial income	399	2,117
Financial expenses	10,873	14,702
Financial result	**10,474**	**12,585**

The financial income decreased compared to the previous year. In 2018 there were no outstanding financial derivatives whereas in 2017 a revaluation of the financial derivatives resulted in an income of 0.7 million euros. The income on interests were also higher in 2017 due to amongst other interest on the restricted funds as a result of the capital increases.

The decrease of the financial expenses can mostly be explained by lower interest expenses on the borrowings, partly offset by exchange rate differences.

9. Earnings per share

(x 1 euro)	June 2018	June 2017
Basic earnings (loss) per share	0.26	0.29
Diluted earnings (loss) per share	0.26	0.29

The earnings used in the calculations are as follows:

(x 1,000 euros)	June 2018	June 2017
Profit (loss) attributable to equity holders of the company	18,604	20,704

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

(number of shares x 1,000)	June 2018	June 2017
Weighted average number of ordinary shares	**71,740**	**71,740**
Effect of warrants and stock options	172	296
Weighted average number of ordinary shares (diluted)	**71,912**	**72,036**

On 30 June 2018 the capital represented 71,843,904 shares, of which 103,627 are treasury shares held by Fagron NV.

10. Non-recurring result

A non-recurring item is an event or transaction that is considered abnormal, not related to ordinary company activities, and unlikely to recur in the foreseeable future. This can be a gain or a loss. The total non-recurring result included in EBITDA amounts to -4.7 million euros (June 2017: -0.9 million euros). The 2018 non-recurring costs include primarily a settlement with the previous owners of JCB Laboratories, restructuring costs and acquisition costs. The 2017 non-recurring costs include primarily restructuring costs, legal costs and the destruction of inventory related to Freedom Pharmaceuticals.

11. Segment information

Fagron's divisional structure is tailored to the various activities of Fagron and also supports effective decision-making and individual responsibility. This is in accordance with IFRS 8, which states that the operational segments must be determined on the basis of the components that the Executive Committee applies to assess the performance of the operational activities and on which the decisions are based. Fagron reports according to the following segments: Fagron Europe, Fagron North America, Fagron South America and HL Technology.

The segment results for the reporting period ending 30 June 2018 are as follows:

(x 1,000 euros)	Fagron Europe	Fagron North America	Fagron South America	Fagron Total	HL Technology	Total
Turnover	127,536	50,869	48,880	227,285	3,638	**230,923**
Intersegment turnover	172	106	16	294	0	294
Total turnover	**127,707**	**50,975**	**48,897**	**227,579**	**3,638**	**231,217**
Operating result per segment	28,282	-1,783	8,329	34,828	-340	**34,487**
Financial result						**-10,474**
Profit before taxes						**24,013**
Taxes on profits						**5,241**
Net result						**18,773**

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

(x 1,000 euros)	Fagron Europe	Fagron North America	Fagron South America	Fagron Total	HL Technology	Total
Turnover	127,220	39,880	49,450	216,551	3,638	**220,012**
Intersegment turnover	197	81	28	306	0	**306**
Total turnover	**127,417**	**39,961**	**49,478**	**216,857**	**3,638**	**220,318**
Operating result per segment	29,961	1,158	8,421	39,539	-1,104	**38,435**
Financial result						**-12,585**
Profit before taxes						**25,850**
Taxes on profits						**4,796**
Net result						**21,054**

On 30 June 2018, the assets and liabilities, as well as the capital expenditures (investments) are as follows:

(x 1.000 euros)	Fagron Europe	Fagron North America	Fagron South America	HL Technology	Unallocated/ inter segment elimination	Total
Total assets	290,137	202,773	130,159	5,600	50,395	**679,063**
Total liabilities	70,121	168,420	28,511	1,301	227,616	**495,970**
Capital expenditure	1,965	1,574	1,261	37	0	**4,837**

The gross capital expenditure in the first semester of 2018 mainly relates to facility improvements in the United States and Brazil and software implementations. The Group is currently engaged in various small investment projects. The capex excludes the change in investment payables for 0.4 million euros, mainly related to the investments mentioned above. The unallocated assets include primarily cash and cash equivalents. The unallocated liabilities include primarily the borrowings.

On 31 December 2017, the assets and liabilities, as well as the capital expenditures (investments) are as follows:

(x 1.000 euros)	Fagron Europe	Fagron North America	Fagron South America	HL Technology	Unallocated/ inter segment elimination	Total
Total assets	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**

The gross capital expenditure in 2017 mainly relates to building and production facilities improvements in all regions and ERP implementations. The capex excludes the change in investment payables for 2.0 million euros, mainly related to the investments mentioned above. The unallocated assets include primarily cash and cash equivalents. The unallocated liabilities include primarily the borrowings.

12. Provisions

The US government is conducting an investigation into the pricing of pharmaceutical products in the period primarily prior to the acquisition of Bellevue Pharmacy and Freedom Pharmaceuticals. The investigation relates to the sector as a whole. In order to limit the uncertainty and further attorneys' fees and (internal) investigation costs, Fagron is considering reaching a settlement with the government. The opening balance sheet of Bellevue Pharmacy included a provision of 10 million US dollars for costs arising from this investigation. The provision is an estimate of attorneys' fees, (internal) investigation costs and the costs of a possible settlement with the government. At the end of the first semester in 2018, the provision amounts to 6.9 million euros.

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

13. Borrowings

In the first semester of 2018 no new borrowings were acquired. The 15.0 million euros 4.04% Serie C Senior Notes, the 5.0 million euros Floating Rate Serie D Senior Notes and the 20.0 million US dollars 5.07% Serie E Senior Notes were classified as short term borrowings. These borrowings will be repaid on the 15th of April 2019.

On 5 May 2016 Fagron received Long Term Waivers under the Revolving Credit Facility and the Note Purchase Agreement. The financial covenants were adjusted to give Fagron extra latitude with respect to the original levels of the financial covenants. The extra latitude in the financial covenants decreases with each six-months test period, starting with the first test period on 31 December 2016 until the test period ending on 30 June 2018. The test periods and accompanying levels are shown below. As of the 1st of July 2018 the original levels of the financial covenants are again in effect.

	Financial covenants	
Test period	Net financial debt / REBITDA	REBITDA / net interest expenses
30 June 2018	Max. 3.60x	Min. 2.80x
After 30 June 2018	Max. 3.25x	Min. 4.00x

On 30 June 2018 the net financial debt / REBITDA is equal to 2.72. The REBITDA / net interest expenses is equal to 5.80.

14. Business combinations

In the first semester of 2018 Fagron acquired a company. Full control was acquired of this company. As the acquired activities were immediately – in their entirety or to a significant degree – integrated in existing entities of Fagron, their respective contribution to the profit of Fagron have not been reported separately.

On April 2018, Fagron announced the acquisition of Humco, a leading developer, manufacturer and supplier of innovative patented pharmaceutical delivery vehicles (suspensions) and pharmaceutical branded products supplied to more than 45,000 pharmacies in the United States. The acquisition amounted to approximately 57.8 million euros, representing an increase in goodwill of 44.0 million euros. Expectation is that the goodwill will be fully tax deductible. The provisional fair value of the acquired assets and liabilities was determined as detailed below:

Fair value of the acquired assets and liabilities (x 1,000 euros)	
Intangible fixed assets	6,628
Property, plant and equipment	1,446
Inventories	4,626
Trade receivables	3,406
Other receivables	293
Cash and cash equivalents	996
Total assets	**17,394**
Borrowings	-39
Trade payables	2,153
Other current payables	1,483
Total liabilities	**3,598**
Net acquired assets	**13,796**
Goodwill	43,973
Total acquisition amount	**57,769**

The determination of the fair value of the assets and liabilities in 2017 did not result in an adjustment of the goodwill.

Contingent considerations

At the semester closing the Group had 20.2 million euros in contingencies. These fees payable to former shareholders were determined on the basis of business plans at the time of acquisition. The increase of these contingent considerations is related to the acquisition of Humco. This is also the primary reason for the increase of other current payables.

The contingent considerations relate primarily to North America and vary between 0 euros and a maximum of 20.2 million euros. The considerations are measured at the fair value at the moment of acquisition. This is estimated based on the maximum compensation if the conditions are met.

15. Related parties

The members of the Executive Committee, the CEO and the non-executive directors are considered as related parties. The remuneration policy is described in the Corporate Governance Statement which is part of the 2017 annual report. The remuneration is determined on a yearly basis, therefore no further details are provided in these interim financial statements.

16. Subsequent events

Fagron received in July 2018 a tax assessment of 15.4 million euros regarding the amortization of goodwill as a result of mergers in Brazil. We are contesting this. Fagron will object to the imposed assessment and did not create a provision for this.

17. Effective tax rate

Recognised income tax expenses are based on management's best estimate of the weighted average annual income tax rate of 21.8% for 2018 (S1 2017: 18.6%).

FREE TRANSLATION

To the Board of Directors
Fagron NV

Statutory auditor's report on review of consolidated condensed financial information for the period ended 30 June 2018

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position of Fagron NV and its subsidiaries as of 30 June 2018 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the 6-month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this consolidated condensed financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed financial information based on our review.

Scope of Review

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

Conclusion

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

Antwerp, 2 August 2018

PwC Reviseurs d'Entreprises sccrl / Bedrijfsrevisoren bcvba
Represented by

Peter Van den Eynde
Réviseur d'Entreprises