

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

- REBITDA¹ 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%.

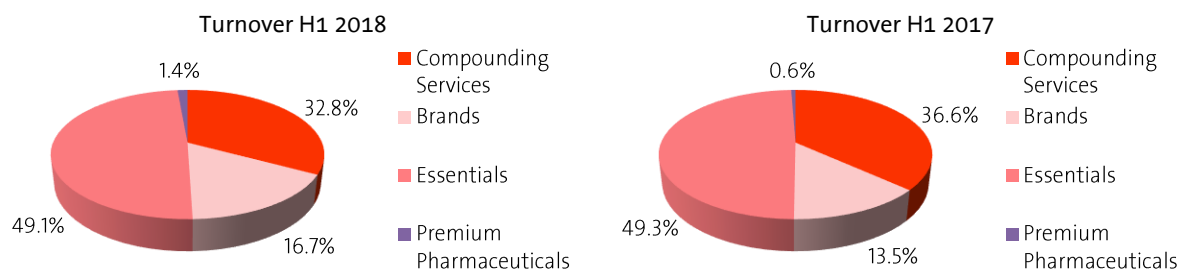
The table below provides a summary of the turnover development and currency effects of Fagron (excluding HL Technology) in the first semester of 2018.

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 Europe⁵

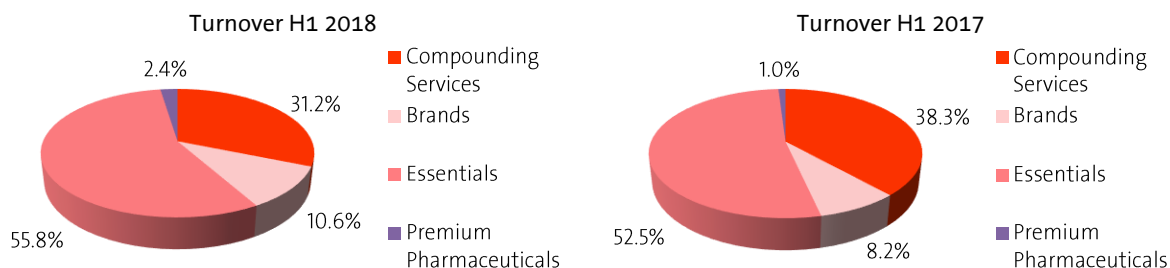
(x € 1,000)	H1 2018	H1 2017	Change
Turnover	127,536	127,220	+0.2%
REBITDA ⁶	32,667	32,724	-0.2%
REBITDA margin	25.6%	25.7%	

	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.





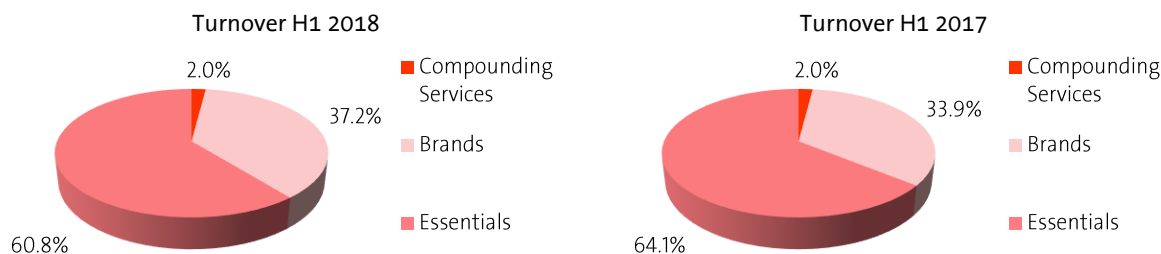
The turnover in the Europe segment increased by 0.2% to € 127.5 million in the first semester of 2018. The organic turnover growth amounted to 2.1% (+1.9% at constant exchange rates). The REBITDA decreased by 0.2% to € 32.7 million. The REBITDA as a percentage of turnover decreased by 10 basis points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

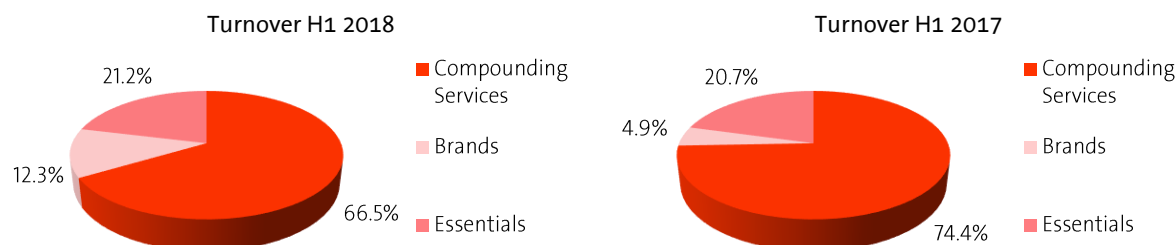
Fagron North America

(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

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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.

