2019

Annual Report

Fagron
personalizing medicine

www.fagron.com

Addendum – 16 April 2020

Following the decision of the Board of Directors on 13 April 2020 to propose to the Annual General Meeting to reduce the dividend from 0.15 euro to 0.08 euro per share, the annual report has been amended on pages 13, 35, 111, 135 and 136.

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Chairman's message

In 2019, Fagron took important steps on an operational, financial and strategic level. The successful acquisitions in both Latin America and Europe have contributed strategically to the further expansion of our leading global market position. In financial terms, Fagron has developed well, with a solid organic turnover growth.

In addition, we were able to conclude a number of ongoing issues from the past. The resulting settlements with the U.S. Department of Justice and the former owner of AnazaoHealth do not in any way constitute an acknowledgment of any wrongdoing, blame or liability of any kind, but prevent further uncertainty and mounting legal and (internal) investigation costs. We believe these settlements are therefore in the interest of our shareholders.

We also sold the activities of HL Technology to management in October. We are pleased that all outstanding issues from the past – the so-called 'legacy issues' – have thus been completed.

In addition, two major shareholders, Waterland Private Equity Fund VI C.V. and Baltisse NV, gradually decreased their interest in Fagron over the course of 2019. As a result, the representatives of these shareholders, Mr Frank Vlayen, Mr Matthias Geyssens, Ms Judy Martins and Mr Marc Janssens, have resigned as non-executive directors of Fagron NV. We are grateful to them for their commitment and active participation on the Board of Directors and its committees.

In December we, as the Board of Directors of Fagron, acting on the advice of the Nomination and Remuneration Committee, decided to co-opt Mr Rob ten Hoedt as a non-executive and independent director of Fagron. We are pleased to welcome him to the Board. With his broad, international management experience and extensive background in the medical technology industry, he is a valuable addition to our Board of Directors. The final appointment of Mr Ten Hoedt will be submitted to the next General Meeting of Shareholders.

Personalised medicine is becoming increasingly important. Fagron plays a leading role in this market, thanks in part to Fagron Genomics whose genetic tests enable medicines to be increasingly tailored to the individual patient. The combination of continuous focus on quality and strong innovative strength ensure that Fagron is positioned extremely well in the markets in which we operate.

Looking ahead, the year 2020 will be marked by the coronavirus. Indeed, in the first months of 2020, the COVID-19 virus is causing a lot of uncertainty worldwide. Fagron is fully focused on the safety of our employees and providing maximum support to doctors, pharmacists and nursing staff to enable them to help their patients during these times of crisis.

I am very grateful to all Fagron employees for their dedication and commitment to implementing Fagron's vision, which is creating the future of personalised medicine together.
In addition, I would like to express my gratitude to all our customers, suppliers, shareholders and other stakeholders for placing their confidence in Fagron.

Koen Hoffman
Chairman of the Board of Directors

CEO's message

In many respects, 2019 was a good year for Fagron. It was a year in which we once again took important steps in further strengthening our foundation. Our commitment to the quality of our innovative products, our service and organisation has paid off, resulting in higher efficiency and a strong financial performance.

Our culture, in which quality, innovation and creativity are paramount, is an important factor in the success of Fagron. This strong culture ensures cohesion within the organisation and provides room for entrepreneurship. We have sharpened our strategic approach towards improving personalised medicine and making it accessible to everyone. In doing so, we are strengthening our position as a global market leader.

Fagron achieved good results in 2019. Both sales and REBITDA showed strong growth. Turnover increased by 13.4% to 534.7 million euros, supported by a healthy organic growth and the contribution of a number of important strategic acquisitions in 2019. REBITDA also developed nicely, rising by 9.9% to 117.0 million euros, while we continued to invest in the further development of our organisation and activities.

In 2019, we added five new companies to the Fagron family, in different geographic markets that are important to Fagron. By setting up Fagron Genomics, we have added a promising branch to our activities. Genomics is the driving force behind the future growth of our Brands and Essentials.

In the past year, we successfully introduced several genetic tests, including the NutriGen DNA test for weight management in Europe, South Africa and Mexico. Clearly, R&D is becoming increasingly important within Fagron. With the acquisition of Ortofarma in Brazil, Fagron now also has R&D facilities in Latin America that will further stimulate innovation throughout the entire Fagron organisation. We have a robust pipeline of new applications, vehicles, and formulas that can help prescribers worldwide personalise patient care.

We have also made great progress in North America. At Brands & Essentials, the successful integration of Humco contributed to the very strong performance. And the sterile activities in North America have again delivered solid growth.

In Europe, the acquisition of Dr. Kulich Pharma has been an important strategic step in the consolidation of the attractive Czech market. And since the summer of 2019, the sterile compounding facility in the Netherlands has also been fully operational. Although this had a positive impact on turnover development, it was less than expected. Fagron's quality standards are very high, which means the facility is future-proof and well-equipped to respond to ever-increasing requirements and stricter regulations. However, the process of attracting and retaining new hospitals takes time and is complex.

In Latin America, we have clearly strengthened our position in the past year; with the acquisition of Cedrosa, we gained access to the fast-growing Mexican market and the acquisitions of Levviale, Apace and Ortofarma further expanded our leading position in Brazil.

With the successes we achieved in 2019, we have further reinforced our base. Continuously strengthening the Fagron culture, our values and the way we interact with one another is essential to our success.

We are seeing an increase in the demand for personalised medicine worldwide. Fagron's innovative capacity strongly positions the company to further improve access to and availability of personalised medicine together with prescribers, pharmacists and hospitals.

Since the start of 2020, the impact of the COVID-19 virus has created a new reality. This applies both to the set-up of our operations and the demand for and availability of our products.

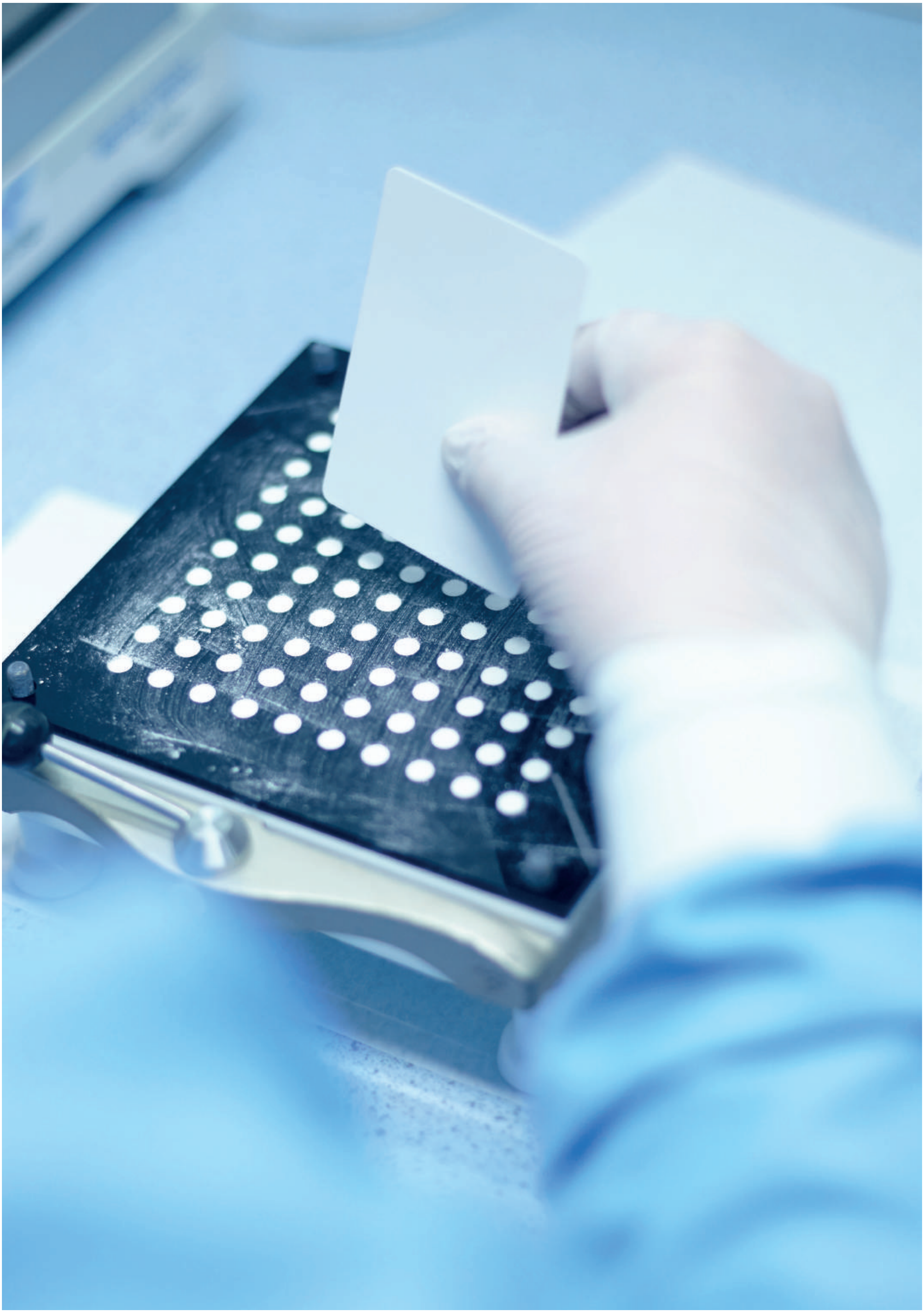
The safety and well-being of our employees is our absolute priority. At the same time, the ability to deliver our products in this time of increasing scarcity and pressure on the healthcare system is more important than ever. We have taken strict measures in all our facilities to optimally protect our employees while at the same time ensuring the continuity of our activities.

We are making every effort to continue delivering our products to our customers. Our facilities and warehouses will continue to be supplied, even in countries where civil life has come to a virtual standstill. Nevertheless, the demand for a number of specific products has increased to such an extent that shortages are occurring in a number of locations, both in Europe and in North America. Through alternative sourcing in other countries or via distributors, we are doing our utmost to continue supplying our customers with the products that are currently in great need.

At the time of publication of this annual report, we classify the ultimate impact of the COVID-19 virus on the performance of Fagron as non-material. The impact in the medium to long term is currently difficult to predict, because in many of the markets in which we operate, the virus is still in the midst of the outbreak phase.

I am very proud that we, as an organisation, with all our committed and motivated employees, are contributing to a healthier future, even in these challenging times.

Rafael Padilla
Chief Executive Officer



Capsule filler, FagronLab®.

Fagron at a glance

Fagron is a leading global company active in personalised medicine.

TURNOVER
(x million euros)

534.7

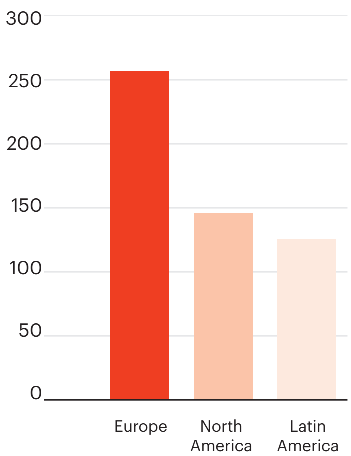
REBITDA
(x million euros)

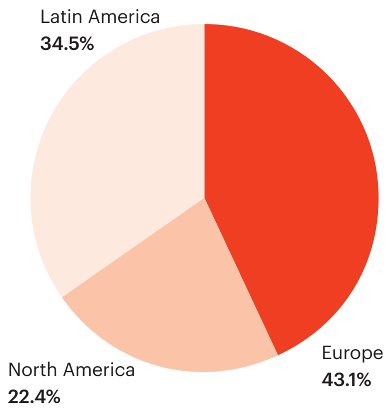
117.0

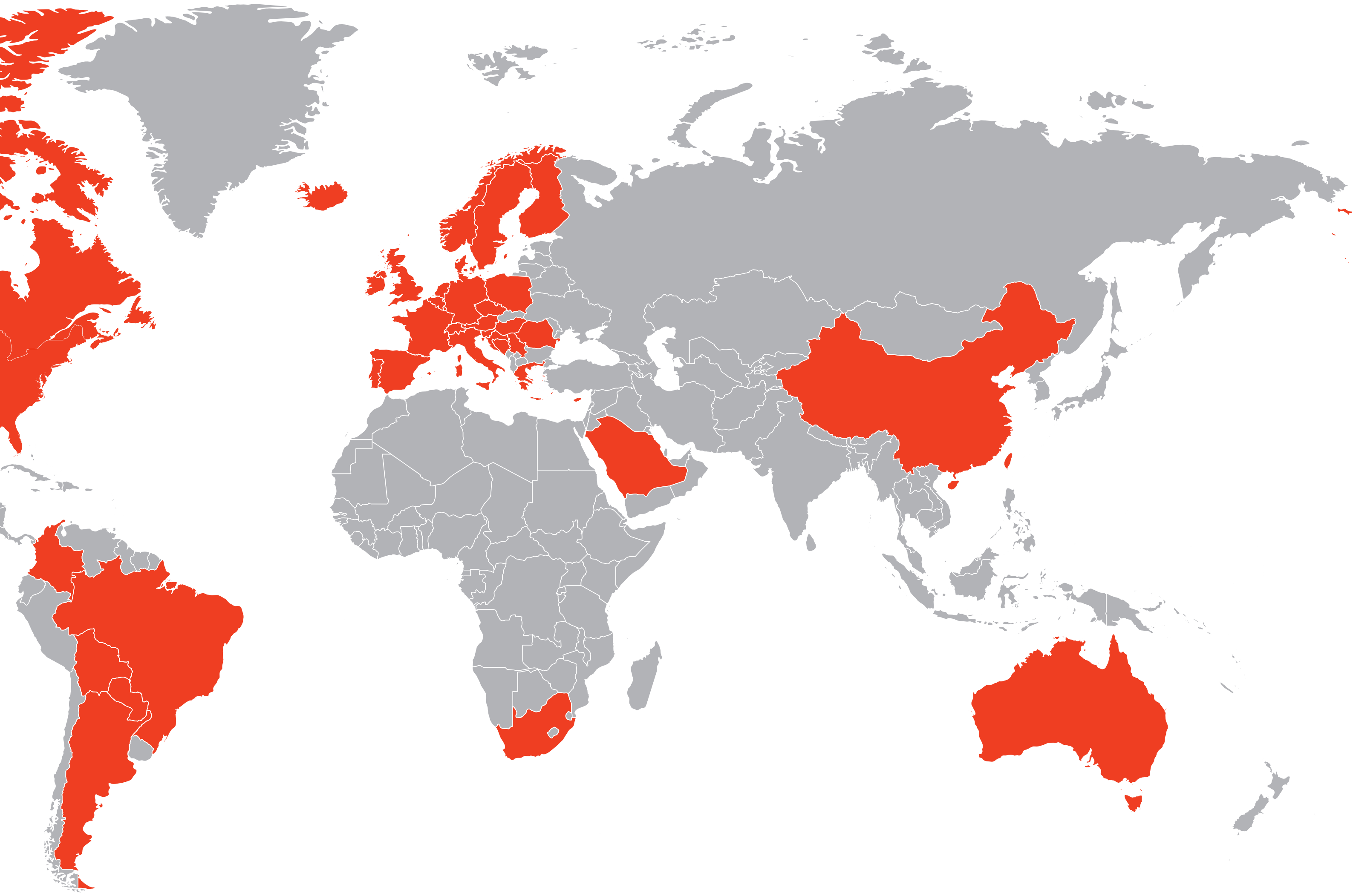
EBIT
(x million euros)

84.4

Turnover 2019
(x million euros)







NET PROFIT
(x million euros)

41.5

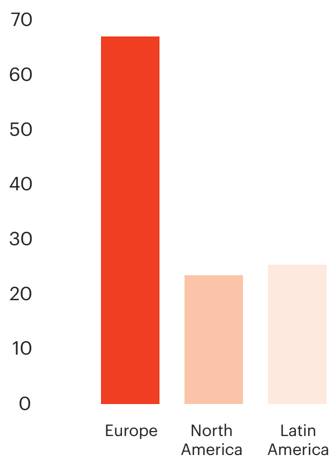
RECURRENT NET PROFIT
(x million euros)

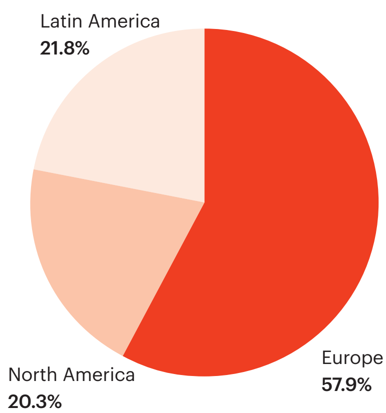
58.1

NUMBER OF EMPLOYEES
(FTE at year-end 2019)

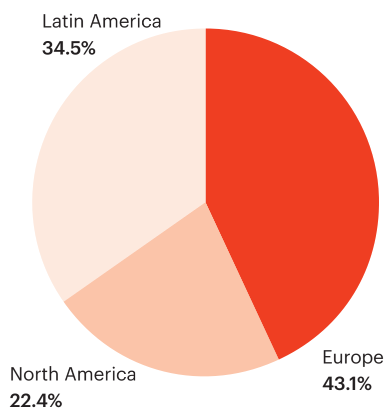
2,615

REBITDA 2019
(x million euros)





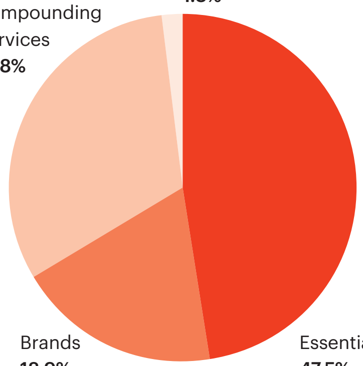
Number of FTE
(year-end 2019)



About Fagron

Fagron is worldwide market leader in pharmaceutical compounding and supplies personalised medicine to hospitals, pharmacies, clinics and patients in over 60 countries in Europe, North America and Latin America.

Turnover 2019



Purpose

Fagron's purpose is: "Together we create the future of personalised medicine". Together with prescribers, pharmacists and customers, Fagron strives to improve personalised medicine and to make and keep it accessible for patients. In doing so, Fagron has a significant impact on the health and welfare of people.

Our areas of work

Fagron is a vertically integrated player that is active throughout the value chain of pharmaceutical compounding. The company delivers, among other things, Compounding Services, Brands, Essentials and Premium Pharmaceuticals to its customers.

Compounding Services
Compounding Services prepares ready-to-use and ready-to-administer medicine that meets the specific needs of patients. Fagron has sterile and non-sterile compounding facilities in Europe, the United States, Colombia and South Africa, which supply personalised medicine to pharmacies, hospitals and clinics, as well as directly to patients in South Africa and Colombia.

Brands
In close cooperation with pharmacists, physicians and universities, Fagron develops new and innovative vehicles such as emulsions, powder mixtures, creams and complete concepts.
In addition to supplying vehicles, Fagron also provides customers with added value in the form of formulations and compounding protocols.

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

Premium Pharmaceuticals
In the Netherlands, Fagron is increasingly focusing on registering certain compounds under the Premium Pharmaceuticals segment. These are long and complex processes that can take one to two years. In 2019, Fagron successfully completed two registration processes. Due to the rapid growth in turnover in this segment, its share in total turnover is increasing. Fagron intends to register more medicines in the Netherlands in the future.

Trends and market developments

Fagron's strategy is aimed at optimising and innovating personalised medicine, a growing market driven by different trends. The demand for medicines in general and for personalised medicines in particular is increasing due to a number of factors:

- Growth in world population.
- Increase in average level of prosperity.
- Increase in life expectancy and ageing population.

The above factors contribute to increasing pressure on both the availability of medicines and efforts to keep healthcare costs under control. As a consequence, healthcare is shifting from treatments and cures towards increased attention to prognostics and prevention. The possibilities for preventive interventions are increasing by making use of genetic analyses linked to patterns in risk factors. Through progressive technology and data analysis, healthcare is shifting towards an increasingly patient-oriented system.

By personalising medicine and making it more specific, a drug is made suitable for a patient (group). Examples of this are adjusting the dosage, administration form or formulation. As a result, there is a rising demand for medicines that must be prepared in small(er) batches, for which generic large pharmaceutical companies are not equipped. In addition, care for (clinical) disorders is increasingly provided outside of the hospital. This increases the quality of life for patients and reduces the costs of healthcare in general, but at the same time imposes requirements on the form on which medication must be made available. Increasing (quality) requirements and regulations regarding pharmaceutical compounds also require high investments, for which (hospital) pharmacies often have insufficient scale, prompting them to outsource their compounds. Fagron is very well positioned and equipped to respond to these developments.

As partner to prescribers, hospitals and pharmacists, Fagron makes personalised medication accessible to both patients and their healthcare providers. Fagron has a leading position in all European markets where it operates, as well as in the markets where it operates in Latin America. Fagron's market share is also growing in North America, where it is one of the top five market players. Continuous focus on innovation, quality and efficiency is essential in perpetuating its leading market positions. In a market in which mainly local parties operate, Fagron enjoys a strong competitive position thanks to its international position and scale, with associated innovation strength and cross-selling opportunities. Fagron is the only vertically integrated market player with the compounding facilities, scale/scalability and geographic coverage to lead the consolidation process in this fragmented market, both organically and through acquisitions.

Our strategy

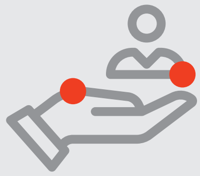
Fagron focuses on innovative and high-quality products and concepts in the market for personalised medicine and wants to strengthen its leading position in this market by realizing sustainable and profitable growth. Innovation is an important driver for growth. An important link in the marketing process involves ensuring that prescribers and pharmacists become familiar with the innovations of Fagron through training and education.

Fagron pursues an active buy-and-build strategy; in addition to organic growth, Fagron opts for selective acquisitions that complement and expand the company's existing strengths. This (international) expansion leads to economies of scale and efficiency.

Innovation and product development
As a leading player, Fagron wants to take the lead and responsibility for further shaping the world of personalised medicine and allowing it to grow. Innovation is the driving force behind Fagron's growth and is essential in Fagron's strategy for meeting the growing worldwide demand for personalised medicine.
By continuously focusing on the development of innovative products and concepts with added value in existing and new indication areas, Fagron stands out among its competitors. The innovations developed by Fagron are protected as well as possible through the use of international patents and trademark registrations, among other things. Fagron currently has more than 20 patents in its patent portfolio.
In addition to responding to new needs

Our core values

Quality and safety are inextricably linked to all the products and services Fagron provides. Our company values are an intrinsic part of this.



Quality
Quality lies at the heart of Fagron's operations; it is our most important benchmark for everything we do. We always strive for the best and optimise our standards and processes to always deliver top quality.

The customer is number 1
By putting our customer first, we can continuously improve our services and products. We respond to the needs of our customers and always focus on customer satisfaction, which enables us to add value.

Creativity
Creativity in our way of thinking and doing to come up with new solutions. This is the key to improving healthcare while achieving sustainable growth and profitability. We are constantly looking at how we can do better and smarter to meet the growing need for personalised medicine.

Speed of execution
We are efficient in our actions, we work quickly and smartly. We have the courage to make decisions and change course if necessary.

Entrepreneurship
An entrepreneurial spirit goes well with our organisation. We take responsibility and the initiative to develop innovative solutions and explore new markets. We challenge our competitors and inspire others.

with product development, this also means anticipating new laws and regulations, which is essential in order to strengthen our leading position.

Knowledge transfer to prescribers and pharmacists
Fagron operates in a knowledge-intensive niche market. It is of great importance for Fagron's commercial success that the link to the final patient, i.e. the prescribers and pharmacists, has thorough knowledge of the range of services and products the company can provide. Providing information to prescribers and pharmacists on pharmaceutical compounding through Academies in the countries in which Fagron operates is therefore an integral part of the strategy. By means of courses and training, Fagron Academy increases and improves the knowledge and skills in compounding of prescribers and pharmacists. Fagron is recognised by the market as a provider of the most extensive training and educational opportunities for, among other things, compounding techniques, the use of materials, administration forms and quality and safety procedures.

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

Progress in 2019

Again in 2019, Fagron took important steps to strengthen its foundation. Acquisitions in various geographic markets further reinforced both the product proposition and the positioning of Fagron as a global leader in niche markets.

In Latin America, Fagron has significantly bolstered its position through a number of acquisitions. With the acquisition of Cedrosa, Fagron has gained access to the fast-growing Mexican market. Fagron has strengthened its leading position in Brazil with the acquisitions of Levviale, Apace and Ortofarma. The integration of these companies started in the second half of 2019. In North America, Fagron completed the integration of Humco, which was acquired in 2018, achieving economies of scale and efficiency and further developing commercial synergies.

In Europe, Fagron acquired Dr. Kulich Pharma in the Czech Republic. Fagron expects that the integration that has started will lead to significant operational synergies.

Fagron Genomics, specialised in the development, production and marketing of innovative genetic tests, started late 2018 and showed promising development in 2019 with the successful launch of various DNA tests, with increasing growth during the course of the year. The tests, through which genetic variations can be identified, allow the prescriber to prescribe the most suitable and effective personalised therapy to patients. Fagron sees a lot of potential for Fagron Genomics to play an important role in the future of personalised medicine.

In addition to these tests, many new products have been introduced in the various regions.

Focus in 2020

Fagron strives to further expand its leading market positions in Europe, North America and Latin America in 2020 through organic growth and targeted strategic acquisitions. After the balance sheet date (January 2020), Fagron completed the acquisition of the activities of Gako in Germany, thus strengthening its position in Brands.

In markets where Fagron is not directly represented, or where a collaboration offers better commercial opportunities, it enters into partnerships with distributors. For example, after the balance sheet date (February 2020), Fagron entered into a partnership with Azelis for the distribution of Essentials and Brands in Australia and New Zealand, making Fagron commercially active in 36 countries. Fagron strives to further increase its geographical coverage.

Innovation is an ongoing strategic priority for Fagron, and this will continue to be a major focus in 2020. In addition to the many product innovations that Fagron achieves on an annual basis, the company sees a lot of potential for Fagron Genomics to play an important role in the future of personalised medicine. In 2020, Fagron will expand the activities of Fagron Genomics, including through the development and launch of new products and tests, and the introduction of Fagron Genomics products in all regions where Fagron operates. We also see many opportunities for our Phusion software, which was developed in-house by Fagron Tech. This is an SaaS ERP platform that provides control over every link in the compounding process.

In addition, Fagron will continue to exploit cross-selling opportunities, particularly from the product portfolios of the recently acquired companies.

Why personalised medicine?

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

- Dose adjustment. A dose is determined, among other things, by height and weight. Children and the elderly therefore 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 group of patients 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 for 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 nature 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 medicine.
- 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.

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.
The aim is to create a customised or personalised medicine (that is not commercially available) based on a doctor's prescription. Pharmaceutical compounding can be non-sterile as well as sterile.

Although a pharmaceutical compound is a personalised medicine, pharmaceutical compounding companies like Fagron can prepare medications on a large scale, for example to provide inventory to hospital pharmacies of the most commonly prescribed personalised medicines. Even for these types of common medicines, the batch is generally too small to make such compounds a lucrative market for traditional pharmaceutical companies (including manufacturers of generic medications).

Pharmaceutical compounding offers prescribers the opportunity to offer patients a personalised treatment. Preparing a drug gives a prescriber the ability to prescribe other means of administering and other dosages that are appropriate to the specific needs of a patient. Many patients are unable to use the commercially available administration forms of existing medications, due, for example, to problems with swallowing or side effects.
In addition, 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, such as when treating pain for example.

Non-sterile compounds
Non-sterile pharmaceutical compounds include tablets, capsules, liquids, suppositories, creams/ointments and suspensions. These options are usually prepared using APIs (Active Pharmaceutical Ingredients) in powder form.
For example, existing commercial medications can also be included in ointments, creams or suspensions through the grinding and mixing of tablets in an ointment base.

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. Sterilisation, the active validated process to kill microorganisms, is the most critical step in preparing sterile products. Examples of sterile pharmaceutical compounds are injections packaged in syringes, vials, ampoules and IV bags.

Key figures

Results (x 1,000 euros)	2019	2018	2017[1] revised	2017	2016	2015[2] revised	2015
Net turnover	534,695	471,679	433,529	436,934	421,839	427,560	472,996
REBITDA[3]	117,001	99,059	95,727	95,727	90,597	98,733	106,546
EBITDA	113,706	93,047	92,157	92,157	87,364	92,294	98,845
Impairment	0	0	0	0	-48,364	-47,338	-225,564
EBIT	84,388	73,472	74,607	74,607	17,881	28,845	-150,338
Net profit (loss)	41,540	43,282	47,047	47,047	-18,112	-24,948	-202,283
Recurrent net profit[4]	58,082	49,491	49,060	49,060	29,603	44,249	44,249
Gross margin	60.2%	61.6%	61.5%	61.8%	62.9%	63.1%	65.4%
REBITDA margin	21.9%	21.0%	22.1%	21.9%	21.5%	23.1%	22.5%
EBITDA margin	21.3%	19.7%	21.3%	21.1%	20.7%	21.6%	20.9%

Balance sheet (x 1,000 euros)	2019	2018	2017	2016	2015
Total assets	801,240	682,772	594,047	868,053	689,381
Equity	246,440	209,716	184,881	152,875	-64,772
Operational working capital[5]	44,764	49,029	36,135	39,770	38,298
Net operational capex[6]	22,174	15,694	10,032	14,777	22,052
Net financial debt[7]	284,847	252,294	236,197	285,408	523,846
Net financial debt / annualised REBITDA	2.33	2.63	2.48	3.18	-
Average number of outstanding shares	71,797,971	71,740,277	71,740,277	53,956,847	31,303,765

Cash flow (x 1,000 euros)	2019	2018	2017	2016	2015[8] revised	2015
Cash flow from operating activities	77,175	73,278	84,247	67,504	73,311	73,311
Cash flow from investing activities	-43,588	-54,611	-11,741	-22,932	-46,276	-46,276
Cash flow from financing activities	-4,486	1,789	-304,391	171,438	-61,460	-61,460
Net cash flow for the period	29,102	20,456	-231,885	216,010	-34,426	-34,426

Data per share (euros)	2019	2018	2017	2016	2015[9] revised	2015
Net profit[10]	0.58	0.60	0.65	-0.38	-6.46	-6.47
Recurrent net profit	0.81	0.69	0.68	0.55	1.41	1.41
Dividends	0.08[14]	0.12	0.10	0.00	0.00	0.00
Closing price (year-end)	19.33	14.28	11.42	9.71	7.06	7.06
Market capitalisation[11]	1,395,218,214	1,025,930,949	820,098,164	697,819,840	226,709,499	226,709,499

Personnel	2019	2018	2017	2016	2015[12] revised	2015
FTEs as at 31 December[13]	2,615	2,360	2,054	1,991	2,017	2,184

1. The consolidated income statement has been revised for the application of IFRS 15.
2. 2015 results are on the basis of continued operations. The consolidated income statement has been revised for the application of IFRS 5.
3. REBITDA refers to EBITDA after corporate costs and before non-recurrent result.
4. Recurrent net profit is defined as net profit from continued operations before non-recurring items and the revaluation of financial derivatives, corrected for taxes.
5. Operational working capital is the sum of stock and trade receivables, less trade payables.
6. Net operational capex is defined as intangible assets and property, plant and equipment that have been acquired or produced (excluding acquisitions), less assets sold.
7. Net financial debt is the sum of long-term and short-term financial liabilities, less cash (excluding financial instruments) and cash equivalents.
8. The 2015 cash flows have been revised for application of IFRS 5.
9. The 2015 data per share have been revised for application of IFRS 5.
10. Net profit is on the basis of continued operations.
11. Market capitalisation is calculated by multiplying the number of shares outstanding at year-end by the closing price of the share on 31 December.
12. The 2015 FTEs have been revised for the application of IFRS 5.
13. FTEs are on the basis of continued operations.
14. The dividend proposal was 0.15 euro in the previous version of the annual report on 10 April 2020. By resolution of the Board of Directors of 13 April 2020, a dividend of 0.08 euro per share will be proposed to the General Meeting of Shareholders.

RTA (ready to administer) sterile syringe from the Fagron Steriele Bereidingsapotheek (FSS in The Netherlands).

Fagron Europe

Fagron Europe

Fagron has been active in Europe since the foundation of the company in 1990. In addition to the activities in Europe, Fagron Europe includes the activities in South Africa and Australia. The company provides Essentials and Brands to its customers in all these markets. Fagron is also active in the Netherlands, Belgium, Czech Republic and South Africa in the area of Compounding Services. In 2019, the Europe segment generated turnover of 257.0 million euros and represents 48% of the total group turnover.

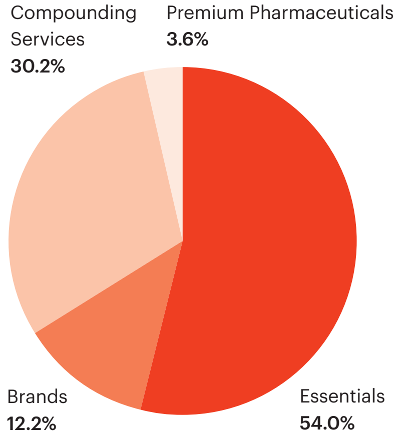
Financial

- Turnover increased by 2.8% (+2.9% at constant exchange rates) to 257.0 million euros
- Organic growth was 1.9% (+2.1% at constant exchange rates)
- REBITDA increased by 0.6% to 66.7 million euros
- REBITDA margin decreased by 60 basis points compared to 2018 to 26.1%

Strategic and operational

- The sterile GMP compounding facility in the Netherlands has been fully operational since July after a major upgrade and GMP certification
- Fagron Genomics made a successful start in 2019, with growth accelerating in the course of the year
- In July, the acquisition of the Czech Dr. Kulich Pharma was completed and the integration started

Turnover 2019



(x 1,000 euros)	2019	2018	Δ
Turnover	257,001	250,086	+2.8%
REBITDA[1]	67,133	66,708	+0.6%
REBITDA margin	26.1%	26.7%	

[1] EBITDA before non-recurrent result.

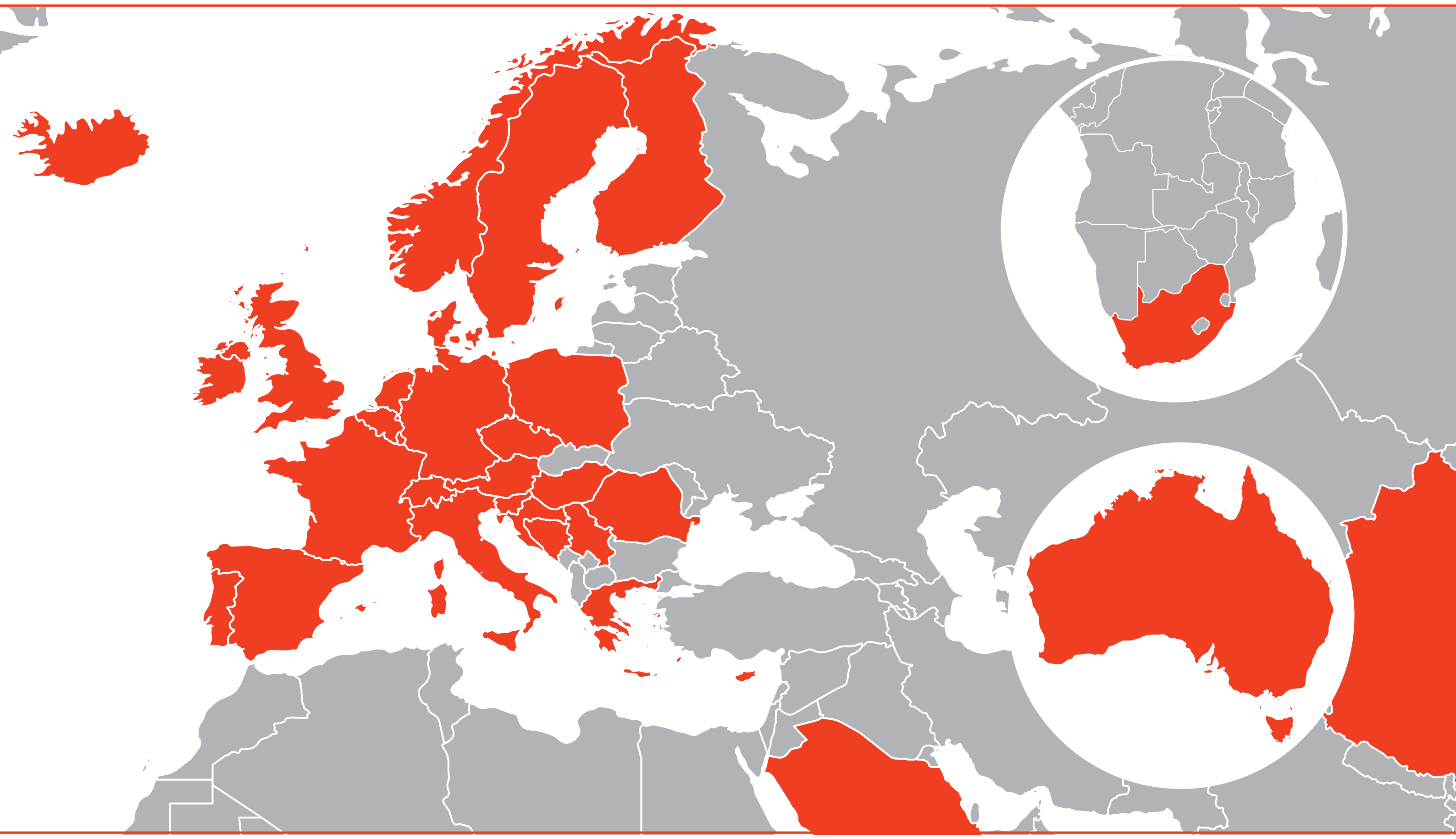
Fagron Europe

Turnover in the Europe segment increased slightly in 2019, both due to organic growth and the acquisition of Dr. Kulich Pharma in the Czech Republic. The GMP certification of the compounding facility in the Netherlands, Fagron's successful registration of a number of medicines and the strong development of Brands have been important developments in 2019. Furthermore, Fagron has been able to provide a solution for shortages of a number of medicines.

In 2019, a great deal of attention was devoted to improving efficiency in order to increase operational performance. The supply chain has been optimised, resulting in better product availability, through standardisation of processes, better coordination between production and sales and increased use of data and business intelligence, among other things. The impact of this will gradually become visible in 2020, particularly in the Essentials segment.

Compounding Services
Fagron also offers Compounding Services to pharmacies and hospitals in the Netherlands, Belgium, the Czech Republic and South Africa.

Throughout 2019, the turnover of Compounding Services decreased slightly at constant exchange rates due to the increasing number of registrations of non-sterile compounds and the impact of temporarily reducing capacity at one of the Dutch sterile compounding facilities. Although Compounding Services is still relatively small in the rest of Europe, this segment is growing quickly in Belgium, the Czech Republic and South Africa.



In April 2018, one of the sterile compounding facilities in the Netherlands initiated efforts to further improve the quality of both the facility and the processes. The facility was successfully audited and GMP-certified in June 2019 by the Health and Youth Care Inspectorate (Inspectie Gezondheidszorg en Jeugd, IGJ). As a result of this, turnover was still held back during the first six months of the year. The facility has been fully operational again since July. With these investments, Fagron responds effectively to the ever-stricter quality requirements that inspections set for the compounding of personalised medicine. These stricter requirements have further increased the need for hospitals to outsource this process.

Since Fagron already meets the high quality standards, it has an excellent starting position in this attractive market. Still, the outsourcing process is complex for hospitals, which means that it takes a lot of time for hospitals to proceed to (complete) outsourcing.

Many countries are facing increasing shortages when it comes to medicines. In the Netherlands, Fagron has started providing a solution for these shortages by preparing these medicines in-house and/or importing them from abroad with the help of its extensive international network. Fagron has therefore been able to play an important role in solving the shortage of a number of medicines.

Premium Pharmaceuticals
Fagron is increasingly focused on registering certain compounds. These are long and complex processes that can take one to two years. In 2019, Fagron was able to successfully complete two registration processes; one in the area of vitamins and one for melatonin. Turnover from registered medicines falls under the Premium Pharmaceuticals segment. Due to the rapid growth in turnover in this segment, its share in total turnover is increasing. Fagron intends to register more medicines in the future.

Brands:

Fagron personalizing medicine
spruyt hillen
Pharmaline GMP Bereidingsapotheek
apotheek Pharma Assist
infinity pharma
Fagron genomics
ACA PHARMA all your pharmacy needs
GALFARM
Dr. Kulich Pharma, s.r.o. Hradec Králové
Acquired in 2019

Brands and Essentials
Turnover fell slightly at Essentials, mainly due to turnover development in the Netherlands. The Brands segment showed good growth, with Fagron Genomics making an important contribution.

Fagron Genomics
Fagron Genomics, which specialises in the development, production and marketing of innovative genetic tests, started late 2018. The genetic analysis takes place in Fagron Genomics' state-of-the-art laboratory in Barcelona. This analysis is done with algorithm-based software developed by Fagron. The genetic tests, through which genetic variations can be identified, allow the prescriber to prescribe the most suitable and effective personalised therapy to patients. Genomics showed promising development in 2019, with growth accelerating in the course of the year. With over 8,200 DNA tests sold, Fagron Genomics contributed to the strong development at Brands. Fagron sees a lot of potential for Fagron Genomics to play an important role in the future of personalised medicine. Fagron Genomics also acts as a driver for the demand for personalised medicine.

Acquisition of Dr. Kulich Pharma
Dr. Kulich Pharma is a supplier of pharmaceutical raw materials, creams, ointments and packaging materials to compounding pharmacies in the Czech Republic. Dr. Kulich Pharma is, after Fagron as market leader, the number two in the Czech Republic and with this acquisition, Fagron now plays a leading role in the consolidation of the Czech market. The company has 66 FTEs, is based in Prague and has warehouses and repackaging facilities in both Hradec Králové and Otrokovice.
The integration started in the second half of the year, providing significant operational synergies for Fagron.

New repackaging facility in Poland
In the first half of 2019, Fagron began construction of a new GMP facility for repackaging raw materials in Krakow, Poland. The 5,000 m² facility is designed based on the highest quality requirements and will have 1,000 m² of clean rooms for the repackaging of raw materials under GMP and 800 m² of laboratory for analysing raw materials. The new facility will not only replace the current Polish repackaging facility, but is also an important step in the process to better centralise the repackaging of raw materials in Europe.

The location in Poland is very suitable for this purpose, given its central position in Europe and the high-quality standards that are used here. The total investment is currently estimated at 8 million euros. The new facility is expected to be operational in the second half of 2020 and a structural annual improvement in margin of 2 million euros is expected, starting in 2021.

Product introductions

In 2019, Fagron launched various innovations across all segments.
The aim is for 10% of turnover to come from new products that have been introduced in the past two years.
The basis for this is the entrepreneurship that plays an important role throughout the organisation. In addition to new product innovations, more – existing – global Brands will be launched in Europe.

- In 2019, the CountAir was brought to market. The CountAir is a solution that is as simple as it is effective for people with asthma and COPD. With this device, they will always know how many puffs are left in their inhaler and will therefore never run out of their necessary medicines.

DNA sampling kit from Fagron Genomics.

The CountAir by Spruyt Hillen: the solution for dose aerosol inhalers without a built-in counter.

- In 2019, new solutions for wound healing were launched within dermatology (EGFactor Repair).
- Within gynaecology, focused on the administration of hormones, a number of Humco® vehicles have been introduced alongside Pentravan®: Liposomal Heavy and Liposomal HRT.
- At the end of October, Fagron Genomics introduced the NutriGen DNA test for weight management in Europe, South Africa and Mexico.
- Fagron is the first company to introduce the active ingredient CBD as a pharmaceutical ingredient in a number of European markets. For both oral and transdermal applications (through the skin).

Events after the balance sheet date

Acquisition of Gako

At the end of January 2020, Fagron completed the acquisition of the activities of Gako in Germany, thus strengthening its position in Brands. Gako is a leading developer, manufacturer and supplier worldwide of mixing instruments with which semi-solid dermatics, in particular creams and ointments, can be prepared directly by the pharmacist in the final packaging or storage container. The acquisition includes all technologies, scientific data and patents and trademarks, as well as Gako's production facility in Bamberg.

Azelis partnership

At the beginning of February 2020, Fagron entered into a partnership with Azelis for the distribution of Essentials and Brands in Australia and New Zealand. Fagron's local activities were transferred to Azelis via an asset deal. This enables Azelis and Fagron to strengthen their joint positioning in the competitive Australian market.

Ellen van Sprundel, Area General Manager Netherlands

"Medication shortages will become increasingly frequent and urgent. I am proud that we, as Fagron, were able to solve some of these shortages in the Dutch market. We will continue to be fully committed to this in the future."

Marcello Bergamini, Area General Manager Europe

"In the past year, we have paid a lot of attention to strengthening the Fagron brand in Europe. Offering good quality and service – making good on our promises – is what we stand for. And a continuous focus on innovation, thanks to which we again launched a large number of new products in 2019, distinguishes us as a brand."

European market for personalised medicine

In 2017, the size of the European pharmaceutical market was 164 billion euros (source: European Federation of Pharmaceutical Industries and Associations, The Pharmaceutical Industry in Figures, 2017). Fagron estimates that approximately 1.5% – 2% of all prescriptions in Europe involved pharmaceutical compounds. This means that the European market for sterile and non-sterile pharmaceutical compounds was worth approximately 3.0 billion euros in 2017 (including pharmaceutical compounds in hospital pharmacies and public pharmacies). This is the available market for Compounding Services in Europe. Furthermore, the Group estimates (based on the cost of goods sold in the Group's compounding facilities) that in 2018 approximately 10% of this market, or approximately 300 million euros, concerns the costs of pharmaceutical raw materials and administration vehicles, the available market of Brands and Essentials.

Based on these estimates, Fagron believes that it has a market share in 2019 of approximately 50% in Europe with Brands and Essentials. Most of the Compounding Services activities take place in the Netherlands. Fagron believes that it has a market share of approximately 50% in Compounding Services in the Netherlands.

Gako Unguator Pro – making creams and other semi-solid preparations quick, safe and hygienic.

Fagron Latin America

Fagron Latin America

The Latin America segment includes the activities in Brazil (Essentials and Brands), where Fagron is market leader, and Colombia (Compounding Services). With the completion of the acquisition of Central de Drogas (Cedrosa), a supplier of raw materials (Essentials) in mid-2019, Fagron has entered the growing Mexican market for personalised medicine. As a developer, Fagron Tech offers digital solutions and other innovative tools for compounding pharmacies and prescribers. The shared service centre for Latin America is based in São Paulo. In 2019, the Latin America segment generated turnover of 125.6 million euros and represents over 23% of the total group turnover.

Financial

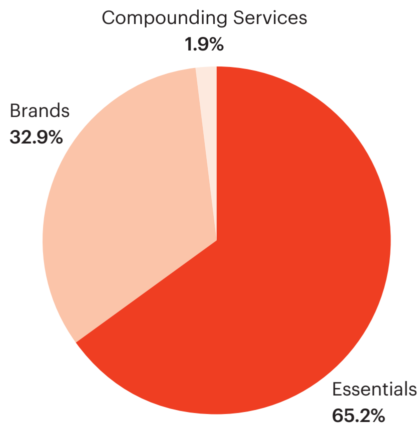
- The turnover of Latin America increased by 24.4% (+27.1% at constant exchange rates) to 125.6 million euros; organic growth was 7.7% (+10.4% at constant exchange rates)
- The further weakening of the Brazilian real against the euro has had a negative impact on the reported turnover
- REBITDA increased by 20.5% to 25.4 million euros
- REBITDA margin decreased by 60 basis points compared to 2018 and amounted to 20.2% in 2019; this was primarily due to the acquisition of companies that currently have lower margins than Fagron

Strategic and operational

- Fagron's position in the Latin American market has been significantly strengthened with several acquisitions:
    - Acquisitions of suppliers Levviale and Apace and – provider of innovative solutions and training – Ortofarma, strengthen the leading position in Brazil
    - Acquisition of Cedrosa provides access to the fast-growing Mexican market

  The integration of these companies has now been successfully completed
- With more than 30 products, a record number of innovations introduced at Consulfarma, the world's leading trade fair for pharmaceutical compounding
- The Compounding Services activities in Colombia again showed strong growth in 2019; Fagron also sees interesting opportunities in the field of compounding in countries like Chile and Peru

Turnover 2019



Latin America

Fagron's position in Latin America was significantly strengthened in 2019 through a number of acquisitions. The integration of these acquisitions was successfully completed in the second half of the year. Latin America continued to show strong results in the past year, including organically. By responding to the increasing growth in the compounding market with the introduction of innovative products and the development of new indication areas, Fagron was able to further strengthen its position in 2019.

Brands and Essentials
Fagron's activities in Latin America in the area of Brands and Essentials are primarily located in Brazil. Fagron has eight brands here: Fagron (São Paulo), Infinity Pharma (Campinas), Florien (Piracicaba City), Via Farma (São Paulo), Levviale (São Paulo), Apace (São Paulo), Ortofarma (Juiz de Fora) and Organic Compounding (São Paulo). The repackaging of pharmaceutical raw materials also takes place in Brazil, at Fagron's GMP repackaging facilities in Anápolis.

With the acquisition of Central de Drogas (Cedrosa) in July 2019, Fagron has gained access to the fast-growing Mexican market. Cedrosa is a leading supplier of raw materials to compounding pharmacies and the pharmaceutical industry in Mexico and is located in Naucalpan. Due to favourable demographic developments, the fast-growing middle class and the focus on prevention and lifestyle, the Mexican market represents significant growth potential and this acquisition fits perfectly into Fagron's buy-and-build strategy. Meanwhile, the first "Fagron Academies" in Mexico have started to inform prescribers and pharmacists

(x 1,000 euros)	2019	2018	Δ
Turnover	125,552	100,930	+24.4%
REBITDA[1]	25,351	21,032	+20.5%
REBITDA margin	20.2%	20.8%	

[1] EBITDA before non-recurrent result.

Brands:

about the possibilities and developments in personalised medicine.

The acquisitions of Levviale, Apace and Ortofarma and the strong focus on the development and introduction of innovative and distinctive Brands contributed significantly to strengthening Fagron's leading position in Brazil in 2019:

Ortofarma Laboratories – Juiz de Fora
Ortofarma offers a broad range of services, from analytical test solutions and consulting to the development of innovative products and training.
The strong strategic fit with Ortofarma further strengthens Fagron's position in meeting the increasing demand for Brands used in compounding.

Levviale – São Paulo
Levviale is a supplier of active pharmaceutical ingredients, excipients and Brands for compounding pharmacies in Brazil. Levviale also has a repackaging facility for raw materials in Anápolis.

Apace – São Paulo
Apace is a developer and supplier of packaging materials to compounding pharmacies and the pharmaceutical industry in Brazil. Apace's product offering fully complements Fagron's comprehensive range. Both activities will be merged mid-year and launched under the My Pack brand.

Fagron also sees a promising market in Latin America for the services of Fagron Genomics, which is responsible for the development, production and marketing of innovative genetic tests.

In 2019, the turnover of Brands and Essentials again showed strong growth. The decrease in the share of Brands in total turnover is primarily due to the acquisitions that are mainly active in Essentials. Brands realised a turnover increase of 15% compared to 2018. Turnover at Essentials grew by 30% in 2019. Essentials also showed solid organic turnover growth which confirms the good product availability in Brazil, resulting in a clear increase in market share.

Fagron Colombia – Compounding Services
The Compounding Services activities, Fagron's compounding facilities, are located in the Colombian cities of Bogota and Medellin.
The Compounding Services activities in Colombia continued to show strong growth with a revenue increase of 19.0% in 2019 (at constant exchange rates).
There are also plenty of opportunities for Fagron in the field of Compounding Services in other countries in Latin America. This sector is still in its infancy in countries like Colombia,

Ivan Maróstica, Area Manager Fagron Latin America

"Despite a busy year with political unrest, we as a team in Latin America were able to show good results. We have completed four successful acquisitions and with one of these acquisitions we created a significant geographical presence in Mexico, a new promising market with great growth potential."

Latin American market for personalised medicine

Average disposable income is increasing in much of Latin America. In Brazil, this is associated among other things with an increasing life expectancy and the rise of lifestyle-related disorders, providing growth in the segments in which Fagron operates in this region.

It is estimated that the total market for pharmaceutical raw materials and vehicles in Brazil was approximately 200 million euros in 2019. This estimate is based on the total turnover of the Fagron Group and that of the main competitors. Taking into account the situation and pricing in the local market, it is estimated that the market for pharmaceutical raw material and vehicles for pharmaceutical compounds represented approximately 10% of the Brazilian market for pharmaceutical compounds in 2019. Based on these estimates, Fagron realised a market share through Brands and Essentials of over 50% in Brazil in 2019. Given the growing number of pharmacies where only pharmaceutical compounds are available, Fagron will not develop any Compounding Services in Brazil. In view of the limited presence of compounding pharmacies in this region, the market for Compounding Services in Colombia, Chile and Peru is a very interesting growth market for Fagron.

Chile and Peru, with a limited presence of compounding pharmacies. It can be compared to the situation in Brazil 30 years ago, which is now home to more than 8,000 compounding pharmacies.

Fagron Tech is the market leader in software and digital, personalised solutions for compounding pharmacies and patients. Since 2019, Fagron Tech has been working with the Phusion software, which was developed in-house by Fagron Tech. This is an SaaS ERP platform that provides control over every link in the production chain. Fagron Tech is located in Jundiai (Brazil).

Product introductions

In 2019, Fagron Latin America presented more than 30 innovations at the Consulfarma – the world's largest trade fair for pharmaceutical compounding. With the eight brands with which Fagron is active in the Brazilian market, the following products were introduced:

- Nano Pearl Symbiocaps: A skin-restoring serum based on probiotics to combat the skin's ageing process and to help regulate the pH value and fight acne.
- Diglothin®: A regulation hormone that aids in weight management and metabolic control.
- Teamfast®: A versatile supplement that can be used as an antioxidant to support the natural immune system.

Many of the Brands developed by Fagron in Brazil are also marketed in North America and Europe.

Hydrated Resveratrol Nano Pearls combat ageing.

L-Carnitine, produced by AnazaoHealth, supports the heart and blood vessels.

Fagron North America

Fagron North America

In North America, Fagron is active in the sale of Brands, Essentials and Compounding Services. In 2019, the North America segment generated turnover of 145.9 million euros and represents over 27% of the total group turnover.

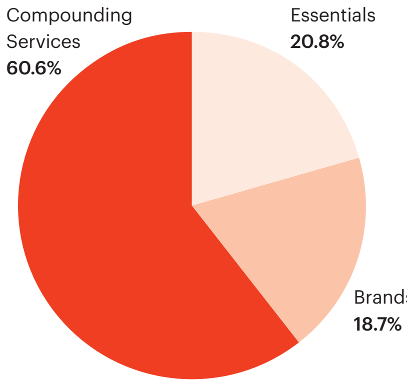
Financial

- Turnover increased by 28.6% (+21.8% at constant exchange rates) to 145.9 million euros
- Organic growth was 22.7% (+16.5% at constant exchange rates)
- REBITDA increased by 32.6% to 23.5 million euros
- REBITDA margin rose 50 basis points compared to 2018 and amounted to 16.1%

Strategic and operational

- Fagron North America is optimally positioned to take advantage of the continuing outsourcing trend in hospitals with a sharper focus and organisation
- Brand and Essentials has strengthened its competitive position and achieved strong results thanks to the successful integration of Humco
- Wichita 503B facility on track to achieve turnover target by 2022 at the latest

Turnover 2019



(x 1,000 euros)	2019	2018	Δ
Turnover	145,910	113,488	+28.6%
REBITDA[1]	23,534	17,754	+32.6%
REBITDA margin	16.1%	15.6%	

[1] EBITDA before non-recurrent result.

Fagron North America

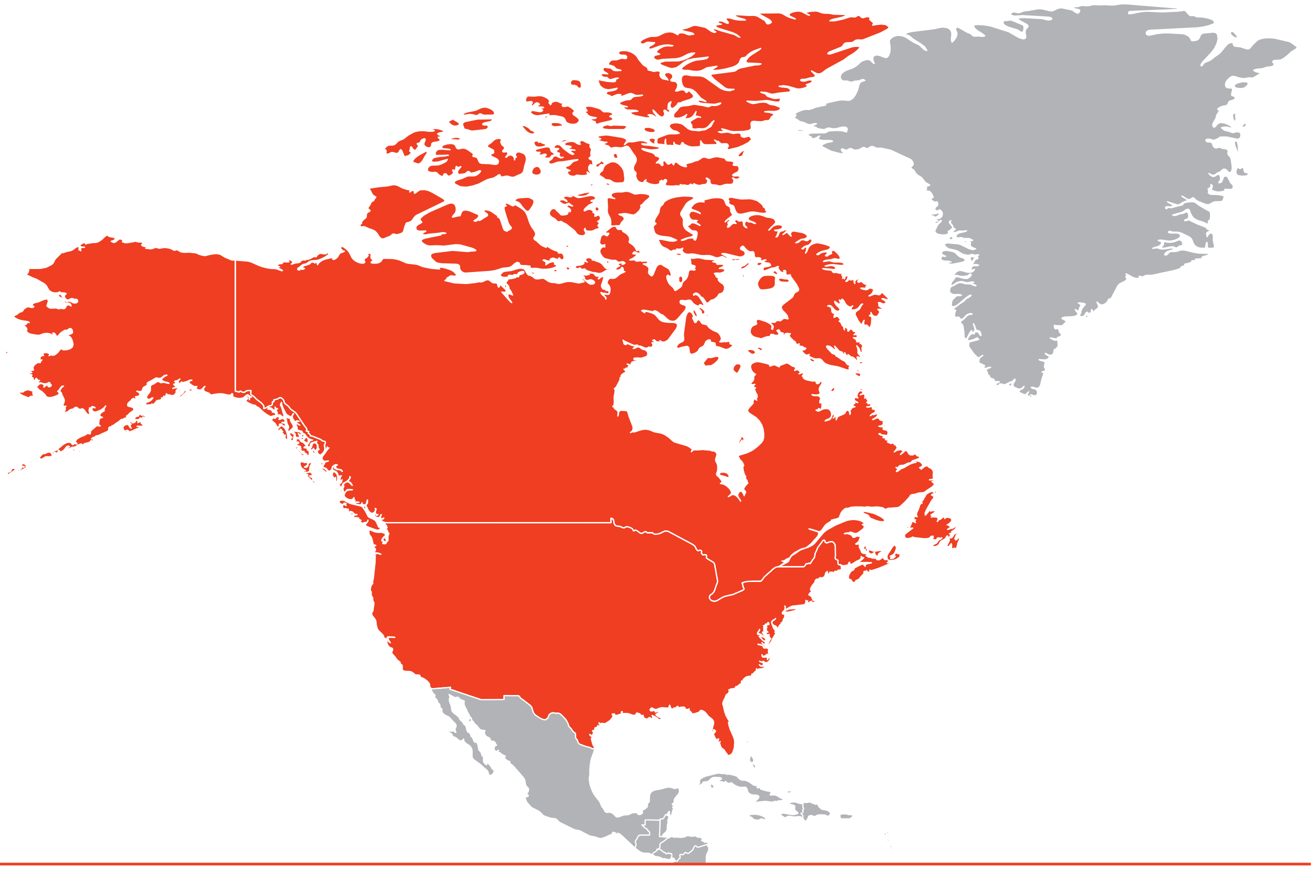
In 2019, Fagron North America developed well, with all activities contributing to the realised improvement in results.
During the year, the focus of the entire organisation was further sharpened. The purchasing and IT organisation has been improved under the leadership of a strengthened and experienced management team, including the appointment of new experts in these areas. Fagron North America has a strong corporate culture based on quality, entrepreneurship and collaboration.

Compounding Services
In the United States, Fagron has four compounding facilities. The two Fagron Sterile Services facilities are located in Wichita (Kansas). The two AnazaoHealth facilities are located in Las Vegas (Nevada) and Tampa (Florida). Las Vegas and Wichita are registered with the FDA as a Section 503B facilities, the facility in Tampa complies with Section 503A of the Federal Food, Drug and Cosmetic Act (FD&C Act).

Compounding Services performed in line with expectations in 2019 and showed revenue growth of 21.7% compared to the previous year (+15.3% at constant exchange rates).

The sterile compounding facilities in Wichita achieved turnover growth of 35.8% (+28.7% at constant exchange rates) in 2019, on track for meeting the issued turnover target in 2022. In the fourth quarter, turnover growth lagged slightly, mainly as a result of a change in services to a few of large customers, for which a higher margin was nevertheless achieved.

The turnover growth for AnazaoHealth was 12.9% (+7.0% at constant exchange rates). In the fourth quarter of 2019, there was further focus on the product range of the 503A facility in Tampa.
A number of relatively low-margin nuclear products have been removed from the product range, the impact of



which will be approximately 5 million US dollars annually.

In 2019, Fagron Sterile Services implemented an electronic quality system (MasterControl) which has resulted in important progress in the field of product development and further automation of the operational process. Over the past year, a large number of regulators, Integrated Delivery Networks (IDNs) and hospital groups successfully audited the Wichita facility, which is an important indicator for future growth.

Because Wichita was built as a 503B facility and equipped to the latest quality standards, it continues to benefit from the ever-increasing stringent laws and regulations and authorities' compliance checks. Wichita now has full coverage in the United States and its competitive position has been further strengthened by both the expansion of the product line and an improved distribution network.

Brands and Essentials

Fagron sells and develops Brands and Essentials in North America under the Fagron, Humco and B&B Pharmaceuticals brands. Fagron is based in St. Paul (Minnesota) and B&B Pharmaceuticals in Denver (Colorado). Humco, a leading developer, manufacturer and supplier of innovative patented vehicles such as creams and suspensions as well as branded pharmaceutical products which was acquired in 2018, has locations in Austin and Texarkana (Texas).

Brands and Essentials achieved a strong result in 2019, with growth of 40.6% (+33.2% at constant exchange rates). The organic turnover growth was 24.6% (+18.4% at constant exchange rates). Humco's activities have now been successfully integrated and the integrated marketing and sales department offers significant

Brands:

Fagron personalizing medicine

B&B Pharmaceuticals Inc.

HUMCO

cGMP Fagron Sterile Services

AnazaoHealth Corporation Create. Heal. Live.

commercial synergies and economies of scale, further strengthening its competitive position in Brands and Essentials.

In addition to further growth through product development, the large customer base of more than 45,000 pharmacies and wholesalers offers an attractive broadening of the sales channel. The innovative pharmaceutical brand products and Humco's vehicles are being successfully introduced outside the United States by Fagron Europe and Fagron Latin America. In 2019, the distribution network was further expanded due to an increase in the number of wholesalers, which also contributed to market share growth in 2019.

Together with the fast-growing trend of outsourcing sterile compounds in the United States, the increasing focus on prevention and lifestyle and the shortage of certain drugs has highlighted the need for compounding. These developments also contribute to the success of Fagron Genomics – the development, production and marketing of innovative genetic tests. The genetic analysis is now only done using algorithm-based software developed by Fagron, in Fagron Genomics' state-of-the-art laboratory in Barcelona (Spain). This is a promising development that creates opportunities in the North America as well.

Product introductions

In 2019, Fagron North America again introduced various innovative products within Compounding Services as well as Brand and Essentials.

Compounding Services
At Fagron Sterile Services in Wichita, the focus was on expanding the supply of sterile medications for hospitals, including products for the OR environment in particular.

In the past year, the first robots (syringe fillers) were installed and qualified. The final tests will be completed this year, with production expected to start later this year.
The automated labelling system has also been successfully used for the labelling and packaging of OR syringes.

At AnazaoHealth, particular emphasis was placed on developments regarding health and well-being in 2019. In the past year, a lot of hard work went into introducing a new BLT cream for local anaesthetisation of the skin. In early 2020, the first non-sterile composition from the 503B facility was introduced. In total, AnazaoHealth developed and introduced 17 new 503A preparations and four new 503B preparations in the past year.

Brands and Essentials
In the past year, the focus at Brand and Essentials was on the development of new vehicles, particularly for dermatological products. Cleoderm is the latest vehicle from FAUS.
It contains plant-based, antibacterial ingredients that accelerate skin cell renewal and help reduce inflammation and scarring.

And Fagron has developed UniSpend® Anhydrous TripleFish for the regular market and the veterinary market. It is

North American market for personalised medicine

The North American pharmaceutical market totalled 374 billion euros in 2017 (source: European Federation of Pharmaceutical Industries and Associations, The Pharmaceutical Industry in Figures, 2017). Fagron estimates that approximately 1.2% of all prescriptions in North America involved pharmaceutical compounds. This means that the North American market for sterile and non-sterile pharmaceutical compounds was valued at approximately 4.5 billion euros in 2017. This is the available market for Compounding Services in North America.
Based on the cost of goods sold in Fagron Group's compounding facilities, it is estimated that in 2019 approximately 10% of this market, or approximately 450 million euros, concerned the costs of pharmaceutical raw materials and administration forms. This represents the available market for Brands and Essentials. Based on these estimates, Fagron achieved a market share in 2019 of approximately 15% in North America with Brands and Essentials.

The estimate for the market share of Fagron in the available market for sterile compounds that hospitals outsource to 503B compounding facilities was approximately 10% in 2019.
Hospitals in North America have not prepared medicines for a long time. This activity is being outsourced to companies such as Fagron, a development that will further increase due to increasingly strict legal and regulatory requirements in the United States.

an unsweetened, vegetable, oral suspension suitable for use with Active Pharmaceutical Ingredients (APIs) that are unstable in water or for which the stability in water is unknown. It also addresses requests from pharmacists and insurers regarding longer BUD (beyond Use Dating) for compounded medicines.

SyrSpend® SF is a series of innovative vehicles developed by Fagron for compounding a liquid formulation for oral administration. As in recent years, Fagron has invested in conducting compatibility studies in SyrSpend SF. To date, more than 140 different compatibility studies demonstrate that SyrSpend SF is compatible with a wide variety of APIs. Fagron aims to publish the studied data in a peer-reviewed manner in scientific journals.

In the fourth quarter of 2019, following the successful introduction of a personalised system for pharmacists and customers by Fagron Tech in Latin America, development on a similar system was started for the North American pharmacy environment. Its development will be accomplished by adapting the system to laws and regulations applicable in the United States and use will be adapted to local requirements and standards.

Hal Weaver, President Fagron North America

"In 2019, as a team, we were able to build a working environment with a strong, pleasant corporate culture where we really presented ourselves as one company. I am proud to lead a group of people who are motivated to encourage each other in terms of quality and innovation. Together we continuously strive to provide the best service for our customers."

AnazaoHealth's Zao Supplement Line.

Fagron Hellas (Greece).

Information about the Fagron share

Information about the Fagron share

Stock exchange listing

Fagron shares are listed on Euronext Brussels and Euronext Amsterdam. The share is included in the BEL Mid index and the AMX index.

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 2019, the market capitalisation of Fagron amounted to 1,395.2 million euros, a 35.4% increase compared to 31 December 2018. There were 72,178,904 shares issued on 31 December 2019.

Average number of shares outstanding

The number of voting securities was 72,178,904 on 31 December 2019. The total number of voting rights (denominator) is 72,178,904. The authorised capital amounts to 496,496,586.18 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 2019 was 19.33 euros per share, 35.4% higher than the closing price in 2018 (14.28 euros per share). In the same period, the BEL Mid index increased by 31.6% while the AMX index increased by 38.4% in 2019.

Shareholder structure

Fagron received notifications of shareholding pursuant to the Belgian Act of 2 May 2007 concerning the disclosure of major shareholdings in listed companies.

The table below shows the shareholder structure as of 10 April 2020.

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.

Dividends

Notwithstanding that the Company announced on 13 February 2020 a dividend proposal of 0.15 euro per share as reflected in the previous version of this annual report of 10 April 2020, the Board of Directors decided

Shareholder structure

	Number of shares	% of effective voting rights
Alychlo NV / Marc Coucke	10,749,267	14.96%
NN Group NV	5,457,883	7.60%
The Capital Group Companies	4,700,276	6.54%

on 13 April 2020 to propose to the Annual Meeting to reduce the dividend from 0.15 euro to 0.08 euro per share. Fagron's Board of Directors will propose to the General Meeting of Shareholders on 11 May to pay a gross dividend of 0.08 euro per share over the 2019 financial year, a decrease of 34% compared to 0.12 euro per share over the 2018 financial year.

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 April 2020*	Trading update, first quarter 2020
11 May 2020	Annual General Meeting of Shareholders
6 August 2020*	Half-year figures 2020
13 October 2020*	Trading update, third quarter 2020

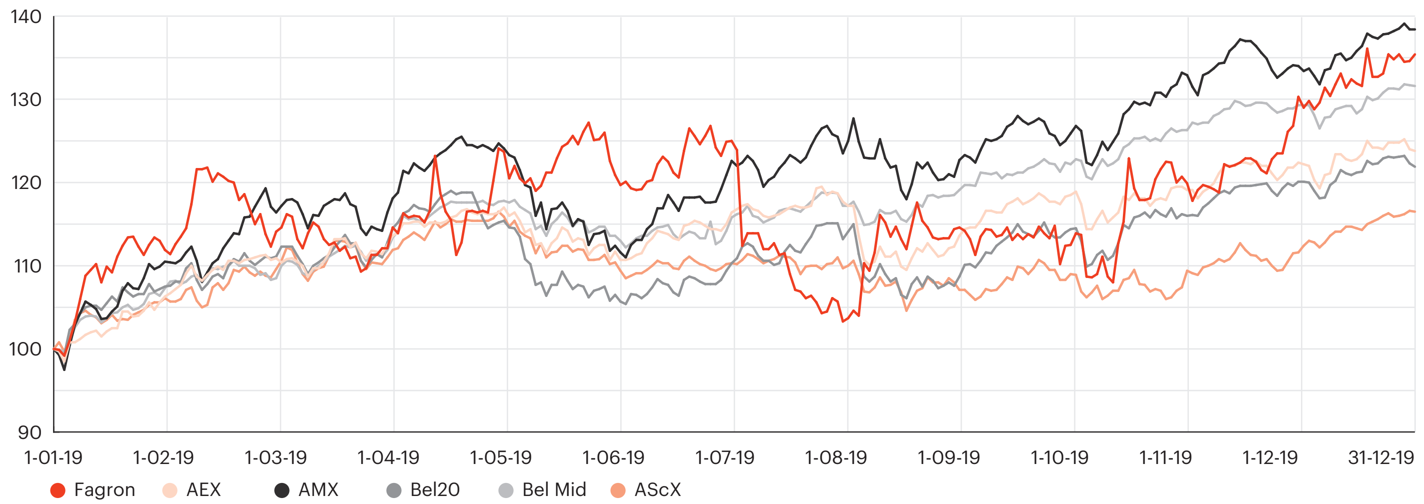
* Results and trading updates are published at 7:00 CET.

Trading

	2019	2018	2017	2016	2015	2014
Highest price	€ 19.33	€ 17.10	€ 13.50	€ 10.59	€ 43.92	€ 44.98
Lowest price	€ 14.17	€ 10.02	€ 9.00	€ 4.08	€ 3.70	€ 24.63
Closing price end of the financial year	€ 19.33	€ 14.28	€ 11.42	€ 9.71	€ 7.06	€ 34.72
Highest day volume	1,789,353	1,370,323	1,758,530	1,729,879	5,759,396	705,581
Lowest day volume	37,587	23,859	45,321	56,184	8,792	13,635
Dividends	€ 0.08[1]	€ 0.12	€ 0.10	–	–	€ 1.00
Dividend yield at closing price	0.4%[1]	0.8%	0.9%	–	–	2.9%
Market capitalisation at the end of the financial year	€ 1,395,218,214	€ 1,025,930,949	€ 820,098,164	€ 697,819,840	€ 226,709,499	€ 1,091,296,819

1. The dividend proposal was 0.15 euro in the previous version of the annual report (10 April 2020). By resolution of the Board of Directors of 13 April 2020, a dividend of 0.08 euro per share will be proposed to the General Meeting of Shareholders.

Development in Fagron share price and the indices in 2019



Microbiological analysis – Fagron Sterile Services Netherlands.

Report of the Board of Directors

Report of the Board of Directors on the consolidated financial statements

Consolidated income statement

Fagron's total turnover in 2019 was 534,695 million euros, an increase of 13.4% compared to 471,679 million euros in 2018. The organic turnover growth was 8.3% (+7.5% at constant exchange rates), to which all continents on which Fagron is active have contributed.

Fagron Europe (including RoW)
The Europe segment turnover increased by 2.8% in 2019 (+2.9% at constant exchange rates) to 257,001 million euros. Adjusted for the acquisition in July 2019 of Dr. Kulich Pharma (Czech Republic), the organic turnover growth was 1.9% (+2.1% at constant exchange rates). The REBITDA increased slightly and totalled 67.133 million euros. The REBITDA as a percentage of the turnover decreased by 60 basis points to 26.1%.

Turnover at Compounding Services decreased slightly as a result of the increasing number of registrations of non-sterile compounds by Fagron. As a result, this turnover now falls in the Premium Pharmaceuticals segment, which is seeing an increase in its share of total turnover. In Europe, the sterile GMP compounding facility in the Netherlands, which has been fully operational again since July, saw turnover growth flatten slightly in the fourth quarter due to the complex process of attracting and retaining new hospitals as Fagron customers.

The success of Fagron Genomics is reflected in the growth of the Brands share. The sale of genetic tests totalled more than 8,200 tests in 2019.

In October, Fagron Genomics introduced the NutriGen DNA test for professional nutrigenomic advice in Europe, South Africa and Mexico. Initial sales figures are very promising.

Fagron completed the acquisition of Dr. Kulich Pharma in the Czech Republic in July 2019. Dr. Kulich Pharma is a supplier of pharmaceutical raw materials, creams, ointments and packaging materials to compounding pharmacies in the Czech Republic. Dr. Kulich Pharma is the number two in the Czech Republic, after market leader Fagron. Established in 1992, Dr Kulich employs 66 employees (in FTE), is situated in Prague and has warehouses and repackaging facilities in Hradec Králové as well as in Otrokovice. Dr. Kulich Pharma realised a turnover of approximately 5.1 million euros in 2018 and EBITDA margin of approximately 17.8%. The acquisition of Dr. Kulich Pharma provides significant operational synergies for Fagron. The integration of Dr. Kulich Pharma started immediately after the acquisition was completed.

Fagron Latin America
The Latin America segment turnover increased by 24.4% in 2019 (+27.1% at constant exchange rates) to 125.552 million euros. The organic turnover growth was 10.4% at constant exchange rates. The REBITDA increased by 20.5% to 25.351 million euros. The REBITDA as a percentage of the turnover decreased by 60 basis points to 20.2%.

The decrease in the share of Brands in total turnover is mainly due to the acquisitions in 2019, which are mainly active in Essentials.

At 19.0% (at constant exchange rates), the Compounding Services activities in Colombia also showed strong growth.

The integration of the companies acquired in Mexico (Cedrosa) and Brazil (Levviale, Apace and Ortofarma) started in the second half of the year.

Central de Drogas, S.A. de C.V. ('Cedrosa') is a leading supplier of raw materials (Essentials) to compounding pharmacies and the pharmaceutical industry in Mexico. With the acquisition of Cedrosa, Fagron enters the attractive (growing) Mexican market for personalised medicine and strengthens its position on the Latin American continent. Based in Naucalpan, a city northwest of Mexico City, Cedrosa employs 98 people (in FTEs), and generated 2018 turnover of Mex$ 480.0 million (approximately 22.5 million euros) and EBITDA margin of 14.5%.

Ortofarma is an innovative company that provides a wide range of services to more than 1,000 compounding pharmacies in Brazil. This provision ranges from analytical test solutions and consulting to the development of innovative products and training. The strong strategic fit between Ortofarma and Fagron, combined with the capacity expansion in product development, ensures that Fagron's position is further reinforced in the growing demand for Brands that are used in compounding. Ortofarma was established in 1999 and has 39 employees (in FTE). Ortofarma is situated in Juiz de Fora, a city in the southeast of Brazil.

Levviale is a supplier of pharmaceutical raw materials, excipients and Brands for compounding pharmacies in Brazil. The innovative Levviale Brands, such as Baseffer®, Celulomax® and Oro-tab®, are all based on excipients to increase the biological availability of drugs. The Levviale Brands will also be introduced in Europe and North America at the beginning of 2020. Levviale was established in 1992 and has 75 employees (in FTE). Levviale is situated in São Paulo and has a repackaging facility for raw materials in Anápolis.

Apace is a developer and supplier of packaging materials to compounding pharmacies and the pharmaceutical industry in Brazil. Apace's product offering fully complements Fagron's comprehensive range. Apace, situated in São Paulo, was established in 1983 and has 41 employees (in FTE).

Fagron North America
The North America segment turnover increased by 28.6% in 2019 (+21.8% at constant exchange rates) to 145.910 million euros. The organic turnover growth was 22.7% (+16.5% at constant exchange rates). The REBITDA increased by 32.6% to 23.534 million euros. The REBITDA margin increased by 50 basis points to 16.1% compared to 2018.

The Fagron (Compounding Services) sterile activities in the United States are performing in line with expectations and achieved a 21.7% growth in turnover in 2019 (+15.3% at constant exchange rates). The turnover growth of the sterile compounding facilities in Wichita was 35.8% (+28.7% at constant exchange rates) in 2019. The sterile compounding facilities in Wichita are on track to achieve the stated turnover target in 2022 at the latest. As a result of a different service model to certain major customers, sales growth in Wichita in the fourth quarter was somewhat lower, but with higher profitability. AnazaoHealth achieved turnover growth of 12.9% (+7.0% at constant exchange rates). In the fourth quarter of 2019, Anazao increased the focus on the product range of the 503A facility in Tampa (Florida). As a result, Anazao discontinued a number of low-margin nuclear products. The impact on turnover will be approximately 5 million US dollars annually.

Turnover at Brands and Essentials grew over the full year 2019 by 40.6% (+33.2% at constant exchange rates) compared to 2018. The organic turnover growth was 24.6% (+18.4% at constant exchange rates).
The intensive collaboration between Fagron and Humco, which was acquired in April 2018, creates commercial synergies and economies of scale, and results in a highly competitive player in the American market.

HL Technology
On 10 October 2019, Fagron signed an agreement with the management of HL Technology concerning the sale of the activities for 5.2 million euros. The transaction was completed on 24 October 2019. HL Technology was deconsolidated as at 1 October 2019.

The consolidated gross margin (the difference between turnover on the one hand and trade goods on the other) amounted to 322.010 million euros in 2019. This represents 60.2% of the turnover compared to a gross margin of 61.6% in 2018.

The total operational costs, defined as services and other goods, personnel costs and other operational costs minus other operating income, were 208.304 million euros, an increase of 5.5% compared to 2018. The cost coverage, defined as operational costs versus gross margin, was 64.7% in 2019.

Depreciation and amortisation increased by 49.8% from 19.575 million euros in 2018 to 29.319 million euros in 2019.

The operating profit amounted to 84.388 million euros in 2019, an increase of 14.9% or 10.916 million euros compared to 2018.

The financial result amounted to -14.502 million euros, a decrease of 4.135 million euros compared to 2018.

This brought the result before taxes to 69.886 million euros, an increase of 15.051 million euros compared to 2018. The effective tax rate as a percentage of the profit before taxes was 20.3% in 2019 compared to 21.1% in 2018. Taxes increased in 2019 to 14.199 million euros compared to 11.553 million euros in 2018.

The result for discontinued operations of -14.147 million euros primarily relates to the final settlement with the U.S. Department of Justice. The net result is 41.540 million euros, a decrease of 1.365 million euros compared to 2018.

Consolidated statement of financial position

The consolidated balance sheet total increased by 17.4% from 682.772 million euros in 2018 to 801.240 million euros in 2019.

Assets
Total non-current assets were 562,052 million euros, an increase of 79.006 million euros compared to 2018.

Goodwill increased by 24.191 million euros to 389.326 million euros. This increase was mainly the result of the acquisitions in 2019. Intangible fixed assets increased by 2.559 million euros to 28.811 million euros.

Property, plant and equipment increased by 14.304 million euros to 87.606 million euros.

The net operational capex amounted to 22.174 million euros or 4.1% of the turnover in 2019. The net operational capex mainly consist of investments in a new repackaging facility for raw materials in Poland, existing facilities in the United States, Brazil and Spain (Fagron Genomics), automation of logistics processes and software implementations. Excluding the investment of 5.1 million euros in a new repackaging facility in Poland, the net operational investments were 3.2% of turnover in 2019.

The financial fixed assets, consisting of financial fixed assets and other fixed assets available for sale, amounted to 4.287 million euros in 2019, an increase of 2.128 million euros compared to 2018.

The leasing and similar rights increased by 33.465 million euros to 33.601 million euros due to the application of IFRS 16.

Deferred tax assets represented a value of 18.420 million euros.

The total current assets amount to 239.189 million euros in 2019 compared to 199.726 million euros in 2018, an increase of 39.463 million euros. Inventories increased by 2.821 million euros, trade receivables increased by 6.299 million euros, the other receivables were 1.238 million euros less, while cash and cash equivalents increased by 29.105 million euros.

Equity and liabilities
Total equity amounted to 246.440 million euros. This is an increase of 36.724 million euros compared to 2018. This increase was caused by the 2019 result (41.692 million euros), the capital increase (2.472 million euros), the dividend made payable (-8.621 million euros) and share-based payments (1.182 million euros).

Total liabilities increased from 473.056 million euros in 2018 to 554.800 million euros in 2019. This is an increase of 81.744 million euros.

Provisions decreased by 8.106 million euros to 5.653 million euros.

Pension obligations in 2019 were 5.778 million euros, an increase of 0.595 million euros compared to 2018.

Deferred tax liabilities relate to, among other things, temporary differences between reporting and tax accounting at the local entities. These amounted to 0.339 million euros in 2019 compared to 0.259 million euros in 2018.

Non-current interest-bearing financial liabilities (long-term borrowings and leasing liabilities) amounted to 350.808 million euros in 2019, an increase of 84.890 million euros compared to 2018. Current interest-bearing financial liabilities (short-term borrowings and leasing liabilities) amounted to 40.723 million euros in 2019, a decrease of 23.232 million euros compared to 2018.

On 31 December 2019, the net financial debt (total current and non-current interest-bearing financial liabilities plus other non-current liabilities minus cash and cash equivalents) amounted to 284.847 million euros, compared to 252.294 million euros at end of year 2018.

The short-term trade payables were 13.385 million euros higher than in 2018 and amounted to 77.303 million euros.

The tax liabilities for the current year amounted to 9.736 million euros, an increase of 0.282 million euros compared to 2018.

Other current taxes, remuneration and social security amounted to 22.106 million euros, an increase of 0.165 million euros compared to 2018.

Other (current) debt amounted to 41.847 million euros in 2019 compared to 28.538 million euros in 2018.

Consolidated cash flow statement

The consolidated cash flow statement begins with the result before taxes of 55.739 million euros.

This amount is decreased by the outgoing cash flows before taxes of 15.741 million euros. Subsequently, the elements from operating activities not having a cash flow effect or not directly related to operating activities are reintroduced. This was a total of 37.287 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 changes in working capital are then adjusted in the cash flow statement (a negative effect of 0.110 million euros). The total cash flow from operating activities amounted to 77.175 million euros, an increase of 5.3% compared to 73.278 million euros in 2018.

Total cash flows from investment activities produced an outflow of 43.588 million euros related to net investments of 22.174 million euros and payments for existing (subsequent payments) and new holdings of 24.554 million euros. Proceeds from holdings sold resulted in an inflow of 3.140 million euros.

The total of cash flows from financing activities represented an outflow of 4.486 million euros. The new borrowings (418.315 million euros) and capital increases (2.472 million euros) resulted in an inflow of 420.787 million euros. The outgoing cash flows consisted of the payment of interest on loans and other financial elements such as financial discounts of 14.941 million euros, the payment of the dividend (8.609 million euros) and the repayment on loans of 401.723 million euros.
In total, the cash and cash equivalents increased in 2019 by 29.102 million euros: from 77.579 million euros at the start of the period to 106.684 million euros at the end of the period.

The difference of 3 thousand euros between the changes in cash and cash equivalents of 29.102 million euros and the increase in cash and cash equivalents of 29.105 million euros was caused by currency translation differences.

Significant events after balance sheet date

For significant events after the balance sheet date, see Note 35 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.

Non-financial information

The non-financial information is included in the chapter 'Our responsibility (non-financial information and information regarding diversity)'.

Cleanroom at Fagron Sterile Services U.S.

Corporate Governance Statement

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Application of the Belgian Corporate Governance Code

In this annual report for the financial year 2019, 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 2019 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.
In 2019, the Audit Committee began to set up an independent internal audit function. During the 2019 financial year, the first steps were taken to create the framework for the operation of an independent internal audit function.
For the financial year 2020, Fagron will use the Belgian Corporate Governance Code 2020 as reference code.
This code is available at the website www.corporategovernancecommittee.be in the section Code 2020.

Composition of the Board of Directors

On 13 May 2019, the General Meeting confirmed the co-opting of Ms Judy Martins as Executive Director.
In addition, the mandates of AHOK BV, permanently represented by Mr Koen Hoffman and Vanzel G. Comm.V, permanently represented by Ms Guilia Van Waeyenberge were renewed for a period of four years, to be terminated immediately after the Annual Meeting in 2023.

On 18 October 2019, Holdco FV B.V., permanently represented by Mr Frank Vlayen, Ms Judy Martins and Mr Matthias Geyssens and Mr Marc Janssens ended their mandate as directors. These former directors have made a significant contribution as non-executive directors to Fagron's development and growth. On 20 December 2019, the Board of Directors decided to co-opt Mr Robert ten Hoedt as independent non-executive director of Fagron in order to complete the term of Holdco FV B.V., permanently represented by Mr Frank Vlayen.
The final appointment of Mr Ten Hoedt will be submitted to the General Meeting of Shareholders.

The current mandates of Mr Robert ten Hoedt (subject to of confirmation by the General Meeting), Alychlo NV, permanently represented by Mr Marc Coucke and Michael Schenck BV, permanently represented by Mr Michael Schenck, end after the General Meeting of 2020.
The reappointment of these directors for a period of four years will be proposed to the General Meeting of Shareholders.

The current mandates of Management Deprez BV, permanently represented by Mrs Veerle Deprez, Ms Karin de Jong and of Mr Rafael Padilla terminate after the General Meeting of 2022.
The current mandates of AHOK BV, permanently represented by Mr Koen Hoffman and Vanzel G. Comm.V., permanently represented by Ms Giulia Van Waeyenberge, end after the General Meeting of 2023.

Composition of the Executive Committee

There were no changes in the composition of the Executive Committee during the financial year 2019.

Composition of the Executive Committee

Composition during the financial year 2019

Name and position	Term of the position
Rafael Padilla – Chief Executive Officer	4 years
Karin de Jong – Chief Financial Officer	4 years
Constantijn van Rietschoten – Chief Communications Officer	4 years

Composition of the Board of Directors

Composition during the financial year 2019

	Term of the position	Independent director	Nomination and Remuneration Committee	Audit Committee
Rafael Padilla – CEO	AGM 2022			
Karin de Jong – CFO	AGM 2022			
Management Deprez BV, permanently represented by Ms Veerle Deprez	AGM 2022	●	●*	
AHOK BV, permanently represented by Mr Koen Hoffman	AGM 2023	●	●	●
Vanzel G. Comm.V., permanently represented by Ms Giulia Van Waeyenberge	AGM 2023	●	●**	●*
Holdco FV BV, permanently represented by Mr Frank Vlayen	Mandate ended: 18 October 2019		●**	
Matthias Geyssens	Mandate ended: 18 October 2019			●**
Judy Martins	Mandate ended: 18 October 2019			
Marc Janssens	Mandate ended: 18 October 2019			
Alychlo NV, permanently represented by Mr Marc Coucke	AGM 2020			
Michael Schenck B.V., permanently represented by Mr Michael Schenck	AGM 2020		●*	●
Robert ten Hoedt	AGM 2020 (subject to confirmation by the AGM)	●		

* From 18 October 2019.
** To 18 October 2019.

Abbreviated curricula vitae

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

AHOK BV, 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 and member of the Supervisory Board of Patria Securities. 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, MDX Health 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 Latin 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. Mrs 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, Mrs De Jong completed the post-doctoral registered controller program at Erasmus University Rotterdam.

Management Deprez BV, 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 BV, Veerle has been a non-executive director of Greenyard since 2005. Ms Deprez is also, directly or indirectly via Management Deprez BV, 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. Mrs 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. Mrs 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) – mandate ended: 18 October 2019
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) – mandate ended: 18 October 2019
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.

Judy Martins (1971) - mandate ended: 18 October 2019
Ms Martins has been working at Waterland since 2006 and currently fulfils the role of General Counsel and Compliance Officer for 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 accounting management.

Marc Janssens (1959) – mandate ended: 18 October 2019
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 BV, 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.

Robert ten Hoedt (1960) – from 20 December 2019
Robert (Rob) ten Hoedt is President of Europe, Middle East and Africa and a member of the Medtronic Executive Committee. Mr ten Hoedt has held numerous international sales, marketing and general management positions in the medical technology industry and has been at Medtronic since 1991. He is also chairman of the Board of Directors of Medtech Europe, the European interest group for the medical technology industry. Mr Ten Hoedt holds a bachelor's degree in commercial economics and business administration and a Master's degree in marketing from the Netherlands Institute for Marketing (NIMA).

Board of Directors

For the 2019 financial year, the composition and operation 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 7:87 of the Belgian Companies Code. In accordance with Article 7:86 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.

Function 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
For the 2019 financial year, the composition of the Audit Committee complies with all provisions of the Belgian Corporate Governance Code and the Belgian Companies Code.

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.

In 2019, the Audit Committee began to set up an independent internal audit function. During the 2019 financial year, the first steps were taken to create the framework for the operation of an independent internal audit function.

Nomination and Remuneration Committee

In 2010, the Board of Directors decided to merge the Nomination Committee and the Remuneration Committee. For the 2019 financial year, the composition of the Nomination and Remuneration Committee complies with all provisions of the Belgian Corporate Governance Code and the Belgian Companies Code. 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 executives with a management function 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 executives with a management function 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 and executives with a management function;
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

For the 2019 financial year, the composition and operation of the Executive Committee complies with all provisions of the Belgian Corporate Governance Code 2009.

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 2019

Board of Directors
In 2019, in addition to discussing the financial reporting and the operational development of the Company, the Board of Directors devoted a great deal of attention to refining the corporate strategy, its organisation, taking into account the future, the composition of the Board of Directors and the further expansion of the Company’s growth and acquisition strategy.

The executive and non-executive members of the Board of Directors convened eleven times in 2019 (6 February, 13 and 14 March, 12 April, 29 April (via conference call), 13 May, 1 August, 18 October, 28 October, 2 December and 20 December (via conference call).

All directors were present at these meetings.

The non-executive directors convened separately on two occasions in 2019 (13 March and 20 December). The key topics discussed were the organisation, taking into account the future and specifically the composition of the Board of Directors, the company’s remuneration policy and the further expansion of the Company’s growth and acquisition strategy. 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 – 18 October 2019), Michael Schenck BV, permanently represented by Mr Michael Schenck, AHOK BV, permanently represented by Mr Koen Hoffman and Vanzel G. Comm.V., permanently represented by Ms Guilia Van Waeyenberge (Chairman – from 18 October 2019), met three times in 2019 (6 February, 1 August and 2 December). All members of the Audit Committee and the Statutory Auditor in office attended these meetings.
Also in attendance at these meetings, upon the Audit Committee’s request, were Mr Padilla 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 – to 18 October 2019), AHOK BV, permanently represented by Mr Koen Hoffman, Vanzel G. Comm.V, permanently represented by Ms Giulia Van Waeyenberge (to 18 October 2019), Management Deprez BV, permanently represented by Ms Veerle Deprez (Chairman – from 18 October 2019), and Michael Schenck BV, permanently represented by Mr Michael Schenck (from 18 October 2019), met two times in 2019 (13 March and 2 December). All members of the Nomination and Remuneration Committee and the CEO in office attended these meetings.

Process for the evaluation of 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 operation 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 operation 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 13 March, 2019 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 on transactions and other contractual relationships between the Company and its directors or members of the Executive Committee not covered by the conflicts of interest arrangement

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 7:96 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 thirty calendar days before the publication of the Company's annual results for the previous financial year;
(ii) the period of thirty calendar days before the publication of the Company's semi-annual results for the previous six months; and
(iii) the period of fifteen 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.

Diversity information
Diversity is very important at Fagron. For further explanation, please refer to the Chapter 'Non-financial information and information regarding diversity', starting on page 66 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.

In 2019, the Audit Committee began to set up an independent internal audit function. During the 2019 financial year, the first steps were taken to create the framework for the operation of an independent internal audit function.

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.

For the 2019 financial year, 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.

For the financial year 2020, Fagron will use the Belgian Corporate Governance Code 2020 as reference code.
This code is available at the website www.corporategovernancecommittee.be in the section Code 2020.

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 7:129 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 7:130 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 7:134 Section 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 twenty-second 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 7:129 of the Belgian Companies Code.
The provision contained in Article 7:129 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.
On 13 May 2019, in order to renew the authorisation for the acquisition and disposal of treasury shares for a period of 5 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 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 of shares of Fagron BV (previously Arseus BV) by Omega Pharma, 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 voting securities of Fagron 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 voting securities of Fagron 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 voting securities of Fagron 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 voting securities of Fagron 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 voting securities of Fagron 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 voting securities of Fagron 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 voting securities of Fagron 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 voting securities of Fagron 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 voting securities of Fagron 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.

On 29 October 2019, there were 335,000 new shares issued as a result of the exercise of warrants under the Warrant Plan 2016, approved by the Board of Directors on 13 June 2016. The number of voting securities of Fagron amounted to 72,178,904. The total number of voting rights (denominator) amounted to 72,178,904. The authorised share capital amounted to 496,496,586.18 euros.

At the time of creation of this annual report, the capital therefore amounts to four hundred ninety-six million four hundred ninety-six thousand five hundred eighty-six euros and eighteen euro cents (496,496,586.18 euros), represented by seventy-two million one hundred seventy-eight thousand nine hundred four (72,178,904) shares, without indication of nominal value but with an accounting par value of one seventy-two million one hundred seventy-eight thousand nine hundred fourth (1/72,178,904th) part of the capital.

Shareholder structure and notifications of shareholding

Based on the notifications of shareholding received by the Company up to 10 April 2020 and taking into account the denominator, the Company's shareholder structure is as shown in the table below.

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

In accordance with Article 11 of the articles of association of the Company, for the application of Article 6 of the Act of 2 May 2007 on the disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market and containing various provisions, the applicable quota is set at 3%, 5% and multiples of 5%.

	Number of shares	% of effective voting rights
Alychlo NV/Marc Coucke	10,749,267	14.96%
NN Group NV	5,457,883	7.60%
The Capital Group Companies	4,700,276	6.54%

Conflicts of interest

The procedure in Article 7:96 of the Belgian Companies Code was applied twice in 2019, specifically during the meeting of the Board of Directors on 12 April (Approval of "2019 Warrant Plan") and 13 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 potential financial consequences for the Company.

Extract from the minutes of the Board of Directors of 12 April 2019:
Approval "2019 Warrant Plan"
Before the discussion regarding the agenda commences, Mr Rafael Padilla and Ms Karin de Jong announce that they believe a conflict of interest of a financial nature could possibly arise in relation to the decisions that the Board of Directors will make considering the approval of the "2019 Warrant Plan ", since they are also potential 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 made a public appeal on savings – the relevant directors were asked to refrain from participating in the further deliberations and vote regarding the approval of the "2019 Warrant Plan".

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 initiative taken by the Board of Directors on the proposal of the Nomination and Remuneration Committee to launch the "2019 Warrant Plan" has the objective of encouraging the beneficiaries of the plan to contribute to the growth of the business on the one hand, and to promote and strengthen their loyalty to the business on the other.

The financial consequences are as follows:
The financial consequences for the Company arising from the fact in order to grant warrants to the aforementioned executive directors are at a minimum, taking into account that the granting of the warrants to the aforementioned executive directors in fact regards the granting by the Board of Directors of a variable remuneration, where the Company will transfer new shares in the context of the exercising of the warrants by the aforementioned directors, as a result of which a limited dilution will occur under existing shares due to this issue of new shares.

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 "2019 Warrant Plan", 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 so that they can 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.

Extract from the minutes of the Board of Directors of 13 May 2019:
Granting of discharge to board members
Prior to the discussion of this agenda item, Mr Rafael Padilla and Ms Karin de Jong reported that they may have a conflict of interest in the sense of Article 523 of the Belgian Companies Code when granting discharge to Mr Rafael Padilla and Ms Karin de Jong, respectively, in their capacity as members of the Company's Executive Committee during the 2018 financial year.

For both Rafael Padilla and Karin de Jong, this conflict of interest stems from the fact that on the one hand, they are directors of the Company and on the other hand, served as members of the Company's Executive Committee during the 2018 financial year.

The relevant directors will notify the Company's Statutory Auditor of their conflict of interest.

Mr Rafael Padilla and Ms Karin de Jong will not participate further in the deliberation nor in the vote about granting discharge to Mr Rafael Padilla and Ms Karin de Jong, respectively, and each will leave the meeting when the decision about the discharge to Rafael Padilla and Karin de Jong, respectively, is made.

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 2018 financial year.

During the course of the 2018 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, and, on this basis, was able to determine sufficiently that each of the individual members of the Executive Committee performed his/her assignment properly during the 2018 financial year.

The financial 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 (Rafael Padilla, Karin de Jong and Constantijn van Rietschoten) for the manner in which they performed their mandate and duties during the 2018 financial year.

Acquisition of treasury shares

The Extraordinary General Meeting of 13 May 2019 granted the Board of Directors a new authorisation to buy back treasury shares up to a maximum of ten percent (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 possess treasury 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 2019 and did not provide any treasury shares. As of 31 December 2019, Fagron held 103,627 treasury shares.

Warrants

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 Director's 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 2016 Warrant Plan for employees and managers/ consultants of Fagron NV and/or its subsidiaries, where this decision was ratified by resolution of 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.

On 13 April 2018, the Company's Board of Directors approved the Warrant Plan 2018 for employees and managers/ consultants of Fagron NV and/or its subsidiaries, where this decision was ratified by resolution of the Extraordinary General Meeting of 14 May 2018 in the presence of Civil-law Notary, Liesbet Degroote, where it was resolved to issue 1,300,000 warrants.

On 12 April 2019, the Company's Board of Directors approved the Warrant Plan 2019 for employees and managers/ consultants of Fagron NV and/or its subsidiaries, where this decision was ratified by resolution of the Extraordinary General Meeting of 13 May 2019 in the presence of Civil-law Notary, Liesbet Degroote, where it was resolved to issue 300,000 warrants.

For further details regarding the conditions of the Warrant Plans 2014, 2016, 2018 and 2019 and the movements in the number of warrants during the 2019 financial year, see Note 22 to the consolidated financial statements.

Stock options

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 Plan 2011 and the movements in the number of stock options during the 2019 financial year, see Note 22 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).

The authorised capital authorisation was not used during the 2019 financial year.

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 Deloitte Bedrijfsrevisoren CVBA, with its registered office at Luchthaven Brussel Nationaal 1, Bus 1J, 1930 Zaventem and registered in the C.B.E. (Crossroad Bank for Enterprises) under number 0429.053.863, represented by Ms Ine Nuyts. Ms Ine Nuyts, Auditor, was designated 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 CVBA. Deloitte Bedrijfsrevisoren CVBA was appointed starting in 2019 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 2022.

Deloitte Bedrijfsrevisoren received a total annual Audit fee of 463,169 euros in 2019. Of this amount, 113,000 euros concerned Fagron NV. It will be proposed to the General Meeting of Shareholders on 11 May 2020 to approve this remuneration.

Details about the remuneration of the Statutory Auditor in 2019 are contained in Note 34 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 100,000 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 62 were paid in 2019.

The Board of Directors proposes to the annual meeting of 11 May 2020 to keep the remuneration of the non-executive members of the Board of Directors for the financial year 2020 at the same level as for the financial year 2019.
On 13 April 2020, the non-executive members of the Board of Directors decided to voluntarily relinquish 25% of their remuneration for fiscal 2020 and use the funds to combat the COVID-19 virus.

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 2019 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 50% 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.
Pending the implementation of the Shareholders' Rights Directive under Belgian law, there is currently no intention to implement any amendments to the remuneration policies for the executive directors and the members of the Executive Committee. The Company has made the necessary preparations for the implementation of a remuneration

policy within the meaning of the Shareholders' Rights Directive, which is expected to apply from the 2020 financial year.

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".
Since 2015, no warrants were allocated under the Warrant Plan 2014 to specific directors and the Company's management.
During the year 2019, 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, there were 983,091 warrants allocated under the Warrant Plan 2016 to specific directors and the Company's management.
During the years 2017 and 2018, no warrants were exercised under the Warrant Plan 2016 by the executive members of the Board of Directors and members of the Executive Committee.
During the year 2019, 117,500 warrants were exercised under the Warrant Plan 2016 by the members of the Executive Committee.
The Extraordinary General Meeting of 14 May 2018 approved the Warrant Plan 2018 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 2018 can be viewed on the corporate website (www.fagron.com) in the section entitled "Investors".

During the year 2018, there were 1,294,500 warrants allocated under the Warrant Plan 2018 to specific directors and the Company's management.
During the years 2018 and 2019, no warrants were exercised under the Warrant Plan 2018 by the executive members of the Board of Directors and members of the Executive Committee.
The Extraordinary General Meeting of 13 May 2019 approved the Warrant Plan 2019 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 2019 can be viewed on the corporate website (www.fagron.com) in the section entitled "Investors".

During the year 2019, no warrants were granted under the Warrant Plan 2019 to the executive directors or members of the Executive Committee.

For further details regarding the warrants/ stock options, see Note 22 to the consolidated financial statements.

(in euros)	
AHOK BV, permanently represented by Mr Koen Hoffman	100,000
Vanzel G. Comm.V., permanently represented by Ms Giulia Van Waeyenberge	38,400
Management Deprez BV, permanently represented by Ms Veerle Deprez	31,200
Holdco FV BV, permanently represented by Mr Frank Vlayen*	27,900
Matthias Geyssens*	27,900
Marc Janssens*	22,500
Alychlo NV, permanently represented by Mr Marc Coucke	30,000
Michael Schenck BV, permanently represented by Mr Michael Schenck	38,400
Judy Martins*	22,500
Robert ten Hoedt*	0

* Amounts pro rata to the term that the directors served in function of the date of their dismissal or appointment.

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 2019 for the allocation of performance-related bonuses to the members of the Executive Committee are based 90% on financial targets, particularly on (1) turnover, (2) REBITDA and (3) OWC, where each of these three components are evaluated on an equal basis.
For the remaining 10%, 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.

Articles 7:90 et seq. of the Belgian Companies Code state that, 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, 2019) 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 2020 and 25% in 2021. 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 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 Articles 7:90 et seq. of the Belgian Companies Code.

Remuneration package

Information about remuneration (in euros)	CEO	Total excluding CEO	Note
Base salary/remuneration		529,000	Regards gross salary of the other members of the Executive Committee for the duration of the mandate.
Rafael Padilla	475,000		
Variable remuneration	280,000	120,000	Regards the variable remuneration over 2019 for the duration of the mandate, paid out in 2020.
Pension and other components		54,000	Regards costs for pensions (defined contribution plans), insurance and the cash value of the other benefits in kind. A maximum pensionable salary of 100,000 euros applies.
Rafael Padilla	13,000		
Share options/warrants	0	0	

Information regarding stock options/warrants

Information regarding stock options / warrants	Balance as of 31/12/2018	Allocated in 2019	Exercised in 2019	Expired in 2019	Balance as of 31/12/2019
CEO – Rafael Padilla	525,000 (warrants)	0	37,500	200,000	287,500 (warrants)
CFO – Karin de Jong	185,000 (warrants)	0	50,000	35,000	100,000 (warrants)
Other members of the Executive Committee (as of 31 December 2019)	130,000 (warrants)	0	30,000	50,000 (warrants)	50,000 (warrants)

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

The first table on page 63 provides information regarding the remuneration package for 2019.

The second table on page 63 provides information regarding the allocated warrants and the allocated stock options.

Note 22 to this Annual Report contains a further explanation regarding the warrants and the stock option plan.

Information regarding severance pay

Since 1 January 2015, none of the 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 in 2019

7 February 2020	Annual figures 2018: Fagron realised turnover growth of 14.5%; REBITDA increased to 99.1 million euros
12 April 2019	Trading update Q1 2019: Fagron continues strong turnover growth in the first quarter of 2019
5 August 2019	Semi-annual figures 2019: Turnover increase of 10.6%; REBITDA increased to 55.6 million euros
11 October 2019	Trading update Q3 2019: Strong turnover growth of 19.7% to 137.5 million euros

Periodic press releases and information in the period from 1 January 2020 through 10 April 2020

13 February 2020	Annual figures 2019: Fagron realised turnover growth of 13.4%; REBITDA increased to 117.0 million euros

Occasional press releases and information in 2019

11 April 2019	Disclosure of received notification
12 April 2019	Call for Annual Meeting and Extraordinary General Meeting
13 May 2019	Fagron enters Mexican market with the acquisition of Cedrosa
14 May 2019	Fagron shareholders approve all proposed resolutions
26 June 2019	Fagron concludes principle settlement with the U.S. Department of Justice
2 July 2019	Waterland and Baltisse announce a private placement of shares in Fagron
3 July 2019	Waterland and Baltisse have successfully concluded the private placement of shares in Fagron
16 July 2019	Disclosure of received notification
9 September 2019	Waterland and Baltisse have successfully concluded a private sale of shares in Fagron
16 September 2019	Disclosure of received notifications
11 October 2019	Waterland and Baltisse announce a private placement of shares in Fagron
11 October 2019	Waterland and Baltisse have successfully concluded the private placement of shares in Fagron
21 October 2019	Disclosure of received notifications
24 October 2019	Disclosure of received notification
25 October 2019	Changes in the composition of Fagron's Board of Directors
28 October 2019	Disclosure of received notification
30 October 2019	Fagron increases capital by exercising warrants
31 October 2019	Fagron reaches settlement with former owner AnazaoHealth
1 November 2019	Disclosure of received notification
7 November 2019	Definitive settlement with the U.S. Department of Justice
7 November 2019	Disclosure of received notifications
26 November 2019	Disclosure of received notifications
6 December 2019	Disclosure of received notifications
20 December 2019	Rob ten Hoedt non-executive director of Fagron
20 December 2019	Disclosure of received notifications
30 December 2019	Disclosure of received notifications

Occasional press releases and information in the period from 1 January 2020 through 10 April 2020

4 March 2020	Disclosure of received notifications
18 March 2020	Disclosure of received notifications
23 March 2020	Disclosure of received notifications
6 April 2020	Disclosure of received notification

Received notifications of shareholding in 2019

8 April 2019	JP Morgan Asset Management Holdings Inc.
11 July 2019	Waterland Private Equity Fund IV C.V., Filiep Balcaen and Fagron NV
10 September 2019	The Capital Group Companies
12 September 2019	Waterland Private Equity Fund IV C.V. and Filiep Balcaen
17 October 2019	NN Group NV
18 October 2019	Norges Bank
18 October 2019	Waterland Private Equity Fund IV C.V. and Filiep Balcaen
21 October 2019	Norges Bank
25 October 2019	Norges Bank
31 October 2019	Norges Bank
4 November 2019	Carmignac Gestion
5 November 2019	Norges Bank
20 November 2019	Norges Bank
21 November 2019	Norges Bank
22 November 2019	Norges Bank
25 November 2019	Norges Bank
2 December 2019	Norges Bank
5 December 2019	Norges Bank
17 December 2019	Norges Bank
18 December 2019	Norges Bank
23 December 2019	Norges Bank
24 December 2019	Norges Bank
26 December 2019	Norges Bank

Received notifications of shareholding in the period from 1 January 2020 through 10 April 2020

28 February 2020	Norges Bank
2 March 2020	Norges Bank
4 March 2020	Norges Bank
13 March 2020	Norges Bank
16 March 2020	Norges Bank
18 March 2020	Norges Bank
19 March 2020	Norges Bank
2 April 2020	Evermore Global Advisors, LLC

Our responsibility (non-financial information and information regarding diversity)

Introduction

In line with the EU Directive (2014/95/EU) and the resulting legislation in Belgium, Fagron reports on non-financial information. These are topics that for the Fagron organisation as a whole are inextricably linked to who we are and what we do.
This includes well-being and safety, social policy, diversity and our impact on the environment.

Quality

As the worldwide market leader in pharmaceutical compounding, delivering quality equals delivering safety at Fagron. The greatest impact on the user of our products is that on the health and welfare. Only by applying the highest quality standards can we ensure the health of end-users and employees.

Quality processes
In the compounding of our products, more than 2,500 raw materials are purchased in bulk from a selection of qualified suppliers and manufacturers. All of the purchased raw materials and packaging are subject to Fagron's most recent quality control guidelines, and are provided with an analysis certificate after release by a Qualified Person (QP). The comprehensive quality management system covers the entire process, from the selection and on-site audit inspection of manufacturers to delivery to the customer. The quality controls are carried out on a continuous basis by approximately 270 employees worldwide, in coordination with the Global Quality Management team.

The facilities of Fagron and of its suppliers must satisfy manufacturing and (inter-)national GMP (Good Manufacturing Practices) quality standards, such as the standards of the European Union, the American FDA, the Brazilian ANVISA and other supervisory bodies. Our manufacturing facilities are GMP-certified and quality processes are arranged in compliance with regulations and other quality standards, such as GDP (Good Distribution Practices) and constantly anticipate changes in laws and regulations. Fagron and supervisory bodies inspect the facilities on a periodic basis in order to check compliance. All audits conducted by customers and by authorities, frequently at Fagron, have been carried out successfully.

The quality and safety are guaranteed through robust quality systems and registration of all observations, including laboratory analyses and internal and external complaints and their monitoring. We analyse the quality and safety of our products using the internal and external complaints.

Chain responsibility
Fagron uses an extensive supplier selection procedure to ensure 100% traceability of the more than 2,500 pharmaceutical raw materials.
New suppliers are screened extensively, which includes compliance with social standards.
All of our suppliers must be ISO 9001 or GMP-certified. In addition, for suppliers of products with a higher risk profile, an on-site audit by the Quality department of Fagron applies. These audits 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. Part of GMP's stringent requirements is to exclude human rights risks as much as possible. Fagron attaches great value and interest to the medically responsible use of its products in order to improve the lives and quality of life of patients.

Sharing knowledge in the chain
In order to guarantee quality in the chain, informing prescribers and pharmacists about pharmaceutical compounding techniques is inextricably linked to Fagron's activities. Knowledge sharing is provided through the organisation of Fagron Academies and via other relevant organisations and institutes in the countries where Fagron is active. Fagron Academy makes a significant contribution to the knowledge of prescribers and pharmacist through various courses and extensive trainings, including in the field of compounding techniques and the use of materials.

Product availability
Fagron uses different suppliers to ensure the availability of our products. A careful selection of local and globally operating suppliers makes a major contribution to the timely delivery of pharmaceutical raw materials.

Our employees

The leading market positions of Fagron, the quality of the products and the sharing of knowledge in the chain are all inextricably linked to the expertise, experience and motivation of our employees. Fagron's success depends on our senior management and committed employees.

Talent development
To contribute to individual development, all our employees are given the opportunity to grow internally and to develop as broadly as possible. We use talent reviews to identify ambition, potential and the right ways to use it. By offering a customised development process, we can retain employees with experience and expertise for a longer period of time. In 2019, the average employment term was 7.1 years (2018: 7.0 years), and the average time performing a particular position was 4.9 years on average (2018: 4.1 years).

Recruitment
In view of the continuous developments and changes in the business, and to be able to continue developing new products, concepts and forms of administration, Fagron is constantly looking for the best people. This is sometimes a challenge because we are operating in a labour market with many competitors in which specialised personnel are scarce, including laboratory technicians, pharmacists with commercial experience and employees who have been trained to deal with and manufacture pharmaceutical compounds in GMP and GDP environments.

In order to recruit (future) talent, Fagron builds a strong employer branding in order to allow potential employees to get to know Fagron. To this end, "Meet Fagron" events are organised, where students with a pharmaceutical education are introduced to Fagron as a company and an employer. In addition, students gain work experience each year through internships. In 2019, Fagron facilitated 63 internships worldwide.

Employee satisfaction
To create a pleasant organisation where people can work well together, Fagron has introduced a biannual satisfaction survey. On the basis of anonymity, a renowned external party compiles a questionnaire which, in addition to the level of involvement, examines how our employees assess their work in terms of content. This concerns the salary and other working conditions, health at work and leadership development. The latest survey was conducted in 2018, with a participation level of 79%. In response to the areas for improvement in training opportunities and leadership development, a two-year action plan has been created with initiatives at global and local level in order to achieve further improvements. A new study will be conducted in 2020 with a focus on leadership with feedback, recognition, communication and talent development.

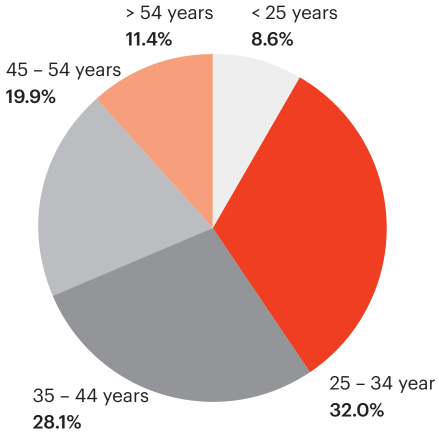
Diversity in our organisation
Fagron strives for a diverse composition of the organisation with the aim of creating a positive, transparent work environment that is free from discrimination and provides equal opportunity for all employees, regardless of gender, age, religion or cultural background. In 2019, 15 nationalities were represented within Fagron, with 2,714 FTE at year-end (2018: 2,360 FTE), with a male / female ratio of 45% / 55% (2018: 43% men and 57% women), a balance that also reflects Fagron's diversity policy.

Diversity is important at all levels of our organisation. Fagron aims to have at least one-third of the members of the Board of Directors of a different gender than the other members. At the end of 2019, the Board of Directors consisted of three women and five men.

Fagron also has a good balance between male and female managers in management positions, with 44% female Business Leaders responsible for activities in Brazil, Italy, the Netherlands, Poland and the United States. In addition, Fagron has a diverse workforce in terms of age and nationality. In 2019, the average age was 39.9 years (2018: 40.1 years).

Within the Fagron organisation we are pleased to make room for colleagues with a distance to the labour market. Our subsidiary, Spruyt Hillen (Netherlands) focuses on wholesale pharmaceutical packaging materials, raw materials and other products that are used in pharmaceutical compounds. In collaboration with Stichting Reinaerde (Reinaerde

Diversity according to age



Foundation), we offer work here for people with a mental or physical impairment. Eight employees here make customised small packaging for Fagron. They do this very precisely and to the great satisfaction of all parties involved. At Fagron in Belgium, we also offer employment for people with a mental or physical disability. Fagron works with three social workshops where we send bulk orders for repackaging of, among other things, bottles, capsules and caps. Depending on the size of the order, an average of six to eight people work on one order. It is also possible that a full workshop works on our orders. In total, the social workshops provide an average of 10 to 15 pallets on a weekly basis to Fagron.

Workplace Safety
Fagron endeavours to have a safe and healthy work environment. In addition, in terms of safety, health and welfare (SHW), we use quality standards such as GMP and local standards and regulations are met. At all of our facilities, procedures and emergency response plans are in place to ensure the safety, health and welfare of our employees. In 2019, there were no safety-related incidents.

Integrity

Fagron does business in an ethical, honourable and responsible manner. Fagron has a Code of Conduct & Ethics that describes the policy regarding, among other things, conflict of interests, bribery and corruption. This Code is applicable to all employees from the various companies within the Fagron Group, regardless of the type of contract they may have.

Compliance with the Code of Conduct
Management and Business Controllers of the business units are responsible for the compliance with the Code of Conduct. Employees must formally sign the Code of Conduct with which they commit themselves to compliance. Employees are encouraged to report suspicious situations regarding (potential) conflicts of interest to their immediate supervisor or to the Human Resources department.

To ensure familiarity with the Code of Conduct, both for new and existing employees, each employee is periodically invited to undergo online training in support of the Code of Conduct and other policies related to fraud and human rights. In this way, we try to identify and to manage risks that exist regarding unethical behaviour. In addition, a Whistleblower tool was introduced in 2019 to give employees the opportunity to report possible abuses anonymously.

Unethical or dishonest behaviour can include, for example, errors or negligence in the compliance with pharmaceutical regulations, the provision of incorrect (financial) information or data to supervisory bodies and other stakeholders and the performance of unauthorised activities. Extensive laws and regulations against fraud, bribes, acting in own interest and other forms of misuse are applicable for 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. Although the risk of unethical behaviour is not completely excluded, Fagron reduces this risk by establishing guidelines and procedures in a clear and accessible manner.

Human rights
Part of the Code of Conduct involves respecting human rights, as defined by the United Nations in its Universal Declaration of Human Rights. We also encourage our supply chain partners to respect these rights by committing to them. The respect for human rights is integrated into our business operation and our conduct rules.

Corporate Governance and additional conduct rules
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 2019, there were two occurrences of members of the Board of Directors not participating 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.

Confidential (personal) data
For our patient-specific compounding activities, we use confidential medical and other health-related information. Fagron also uses data collected and anonymised for research and analysis purposes. In doing so, applicable privacy laws are strictly observed. Following the implementation of the GDPR, the General Data Protection Regulation (GDPR) that took effect in May 2018, processes and procedures in all areas are again evaluated to protect (personal) data at all times.

Impact on the environment

In Fagron's processes, compliance with national and international environmental laws and regulations is key. Within our organisation, everyone is aware of the impact on the environment in general and the local living environment in particular. On a continuous basis, we are concerned, among other things, with minimising air emissions, energy consumption and waste, at both regional and international level.
For some years, Fagron subsidiaries have developed and implemented their own region-specific sustainability initiatives in order to reduce their impact on the local living environment. In Brazil, for example, Fagron focuses on rainwater recovery and reuse, in North America this focus is on recycling and waste separation in the field of ink cartridges, laboratory clothing and laboratory materials, and in Europe the use of green energy is producing good results.

Various initiatives are also taken group-wide to better monitor the impact on the environment and minimise it where possible and relevant. In addition, a great deal of effort was devoted in the past year to shaping and implementing an environmental policy at group level, with support for initiatives at regional or local level.

Climate change
The first environmental aspect that is taken into account in the environmental objectives is climate change. That is why we started mapping our greenhouse gas emissions in 2018. The baseline measurement was carried out on the basis of the 2017 data, taking into account Scope 1 and 2 according to the GHG Protocol. Scope 1 concerns emissions from natural gas use, diesel use, use of own means of transport and coolants; Scope 2 concerns emissions from electricity consumption, which also include emissions from business travel (both air traffic and cars). Central to this is the sustainability objective to reduce the emission intensity (Scope 1 and Scope 2) by approximately 30% in six years compared to 2019.

Using an established monitoring protocol, the annual CO_2 footprint will be easily calculated and monitored.

In addition, a strategic step-by-step plan with clear short- and long-term goals was determined in the past year to further reduce the CO_2 footprint. This step-by-step plan also takes account of cost-effectiveness and the influence on business operations.

Short-term objectives
Short-term objectives related to climate change have been determined and associated KPIs set. These KPIs are integrated into the Fagron management system and, in underlining Fagron's ambition to put sustainability at the heart of all aspects of its business operations, it is also aligned with a sustainable loan agreement that Fagron concluded in November 2019 (see below and page 116 for a detailed explanation).

Annual KPIs (compared to 2019), effective from 1 January 2020:
- Energy consumption: 3% reduction in CO_2 intensity / GHG intensity;
- Business travel:
  - Car emissions: 10% reduction in carbon intensity;
  - Flight emissions: 4% reduction in carbon intensity.
- Installation of solar panels that reduce the carbon intensity by 0.4 tons of CO_2-eq per million euros turnover.

First initiatives
The first initiatives to reduce the carbon footprint have now been rolled out. At the beginning of 2020, a new (lease) car policy was introduced for all Fagron locations in the Netherlands, guaranteeing a transition to fully electric lease cars in the coming years. In Belgium, too, work is currently underway to revise the (lease) car policy.

In addition, based on an inventory of current existing initiatives, an analysis is made of how new ideas can be implemented in a simple manner and how the roll-out of local initiatives, in all regions where Fagron is active, can make a positive contribution to achieving the different short-term goals.

Objectives for the medium and long term
In 2020, based on current initiatives and monitoring, research will be conducted into an ambitious, but realistic ESG (Environmental, Social and Governance) strategy, which is aligned with the DNA and core values of Fagron and in accordance with both national and international regulations and best practices. Based on this, KPIs for the long and medium-term will also be defined.

Sustainability Linked Loan
In August 2019, Fagron concluded a new credit facility where the interest level is linked to Fagron's sustainability objective to reduce greenhouse gas emissions (Scope 1 and Scope 2 of the GHG protocol) in six years by approximately 30%. Based on the measured annual progress, a discount or an addition can be applied to the interest on the credit facility.

It concerns a multi-currency syndicated loan of 375 million euros with improved conditions, resulting in greater flexibility and lower financing costs. This sustainable credit facility has a five-year term with two one-year extension options. The new credit facility will eventually expire in 2026 and will replace the current facility of 325 million euros.

DNA samples are prepared for analysis at Fagron Genomics.

Consolidated Financial Statements 2019

Financial Annual Report 2019

Consolidated financial statements

The Report from the Board of Directors and the Corporate Governance Statement, as reported above, 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 2019, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with 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
10 April 2020

Consolidated income statement

(x 1,000 euros)	Note	2019	2018
Operating income		**536,681**	**473,395**
Turnover	6	534,695	471,679
Other operating income	7	1,985	1,716
Operating expenses		**452,293**	**399,923**
Trade goods		212,685	181,253
Services and other goods	8	81,995	82,144
Employee benefit expenses	9	124,695	112,573
Depreciation and amortisation	10	29,319	19,575
Other operating expenses	11	3,600	4,379
Operating profit		**84,388**	**73,472**
Financial income	12	1,682	643
Financial expenses	12	–16,183	–19,279
Profit before income tax		**69,886**	**54,835**
Taxes	13	14,199	11,553
Net profit from continued operations		**55,687**	**43,282**
Net result from discontinued operations (attributable to equity holders of the company)	14	–14,147	–377
Net result		**41,540**	**42,905**
Attributable to:			
Equity holders of the company (net result)		41,056	42,486
Non-controlling interest		485	419
Earnings (loss) per share from continued and discontinued operations attributable to the shareholders during the year			
Profit (loss) per share (in euros)	15	**0.57**	**0.59**
From continued operations	15	0.77	0.60
From discontinued operations	15	–0.20	–0.01
Diluted profit (loss) per share (in euros)	15	**0.56**	**0.59**
From continued operations	15	0.75	0.60
From discontinued operations	15	–0.19	–0.01

Consolidated statement of comprehensive income

(x 1,000 euros)	Note	2019	2018
Net result for the financial year		**41,540**	**42,905**
Other comprehensive income			
Items that will not be reclassified to profit or loss	24		
• Remeasurements of post-employment benefit obligations		–540	–352
• Tax relating to items that will not be reclassified to profit or loss		135	88
Items that may be subsequently reclassified to profit or loss			
• Currency translation differences		556	–11,647
Other comprehensive income for the year net of tax		**151**	**–11,911**
Total comprehensive income for the year		**41,692**	**30,994**
Attributable to:			
Equity holders of the company		42,207	30,575
Non-controlling interest		485	419
Total comprehensive income for the year		**41,692**	**30,994**
Total comprehensive income for the year attributable to equity holders of the company:			
From continued operations		55,354	30,952
From discontinued operations	14	–14,147	–377
Total comprehensive income for the equity holders		**41,207**	**30,575**

The unrealised currency translation differences of 0.6 million euros in 2019 are primarily the result of the strengthening of the US dollar compared to the euro in 2019. In 2018, the negative result of -11.6 million euros was mainly caused by a weakening of the Brazilian real compared to the euro.

Consolidated statement of financial position

(x 1,000 euros)	Note	2019	2018
Non-current assets		**562,052**	**483,046**
Goodwill	16	389,326	365,135
Intangible fixed assets	16	28,811	26,252
Property, plant and equipment	17	87,606	73,302
Leasing and similar rights	28	33,601	137
Financial fixed assets	18	4,287	2,158
Deferred tax liabilities	19	18,420	16,061
Current assets		**239,189**	**199,726**
Inventories	20	77,479	74,658
Trade receivables	21	44,588	38,289
Other receivables	21	10,438	9,200
Cash and cash equivalents	21	106,684	77,579
Total assets		**801,240**	**682,772**
Equity	22	**246,440**	**209,716**
Shareholders' equity (parent)		242,028	205,841
Non-controlling interest		4,413	3,875
Non-current liabilities		**363,029**	**285,250**
Provisions	23	5,653	13,759
Pension obligations	24	5,778	5,183
Deferred tax liabilities	19	339	259
Borrowings	25	322,619	265,883
Lease liabilities	28	28,189	35
Financial instruments	25	451	131
Current liabilities		**191,771**	**187,806**
Borrowings	25	34,119	63,889
Lease liabilities	28	6,604	66
Trade payables	26	77,303	63,918
Tax liabilities for the current year		9,736	9,454
Other current taxes, remuneration and social security	19	22,106	21,941
Other current payables	25	41,847	28,538
Financial instruments		56	0
Total liabilities		**554,800**	**473,056**
Total equity and liabilities		**801,240**	**682,772**

Consolidated statement of changes in equity

(x 1,000 euros)	Note	Share capital & share premium	Other reserves	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
Balance as of 1 January 2018		**507,670**	**–233,226**	**–18,823**	**–74,223**	**181,398**	**3,483**	**184,881**
Profit for the period		0	0	0	42,486	42,486	419	42,905
Other comprehensive income		0	–11,884	0		–11,884	–27	–11,911
Total comprehensive income for the period			**–11,884**		**42,486**	**30,602**	**392**	**30,995**
Capital increase								
Declared dividends	22	0	0	0	–7,184	–7,184	0	–7,184
Share-based payments	22	0	1,025	0	0	1,025	0	1,025
Reclassification								
Balance as of 31 December 2018		**507,670**	**–244,085**	**–18,823**	**–38,921**	**205,841**	**3,875**	**209,716**
Profit for the period		0	0	0	41,056	41,056	485	41,540
Other comprehensive income		0	98	0		98	53	151
Total comprehensive income for the period		**0**	**98**	**0**	**41,056**	**41,154**	**538**	**41,692**
Capital increase		2,472	0	0	0	2,472	0	2,472
Declared dividends	22	0	0	0	–8,621	–8,621	0	–8,621
Share-based payments	22	0	1,182	0	0	1,182	0	1,182
Reclassification		0	0	0	0	0	0	0
Balance as of 31 December 2019		**510,142**	**–242,805**	**–18,823**	**–6,486**	**242,028**	**4,413**	**246,440**

Consolidated cash flow statement

(x 1,000 euros)	Note	2019	2018
Operating activities			
Profit before income taxes from continued operations		69,886	54,835
Profit before income taxes from discontinued operations		–14,147	–377
Taxes paid		–15,741	–11,928
Adjustments for financial items		14,502	18,636
Total adjustments for non-cash items	29	22,785	19,837
Total changes in working capital	30	–110	–7,727
Total cash flow from operating activities		**77,175**	**73,278**
Investment activities			
Capital expenditure		–22,174	–15,694
Proceeds from sold shareholdings		3,140	
Investments in existing shareholdings (subsequent payments) and in new holdings		–24,554	–38,917
Total cash flow from investment activities		**–43,588**	**–54,611**
Financing activities			
Capital increase		2,472	
Dividends		–8,609	–7,174
New borrowings	25	418,315	71,624
Reimbursement of borrowings	25	–401,723	–44,290
Interest received		1,682	643
Interest paid		–16,623	–19,014
Total cash flow from financing activities		**–4,486**	**1,789**
Total net cash flow for the period		**29,102**	**20,456**
Cash and cash equivalents - start of the period		77,579	60,771
Gains or losses on currency translation differences		3	–3,648
Cash and cash equivalents - end of the period		106,684	77,579
Changes in cash and cash equivalents		**29,102**	**20,456**
Net cash flow from discontinued operations			
Total cash flow from operating activities		–21,610	–377
Total cash flow from investment activities			
Total cash flow from financing activities			
Total net cash flow from discontinued operations		**–21,610**	**–377**

In April 2016, the Board of Directors decided to close Bellevue Pharmacy. The Bellevue Pharmacy cash flows were classified under net cash flows for discontinued operations. The negative net cash flow from discontinued activities in 2019 relates to the payment of a final settlement with the U.S. Department of Justice concerning a civil law investigation in the context of an industry-wide investigation into the pricing of pharmaceutical products.

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 and amortisation and changes in provisions.
The item “total changes in working capital” concerns movements in the inventories, trade receivables and trade 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 profile Fagron is a leading global company active in pharmaceutical compounding, focusing on delivering personalised medicine to hospitals, pharmacies, clinics and patients in 36 countries around the world.

The Belgian company Fagron NV is based in Nazareth and is listed on Euronext Brussels and Euronext Amsterdam under the ticker symbol 'FAGR'. Fagron's operational activities are managed through the Dutch company Fagron BV. Fagron BV's head office is located in Rotterdam.

These consolidated financial statements were approved for publication by the Board of Directors on 9 April 2020.

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 the entire year of 2019 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

The following amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2019 and have been approved by the EU.

Published, mandatory and approved by the EU		Anticipated impact
IFRS 16 Leases 1 January 2019	The standard replaces the current standard, IAS 17, and is 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 recognise 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 regarding the combination and segregation of contracts), as a result of which 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 has applied the modified retrospective method for the implementation of IFRS 16, without adjusting comparative figures for 2018. Fagron elects to use the exemptions for lease agreements where the lease period ends within 12 months after the date of first application and for lease agreements where the underlying assets have a low value. As a result of the implementation of IFRS 16, interest paid is included as part of the lease liability of the financing activities and the payment of the principal for a lease payment as part of the financing activities. Under IAS 17, all operating lease payments were presented as part of the cash flow from operating activities. Under IFRS 16, the net cash flow from operating activities would be 7.4 million euros higher in 2018 and the cash flow from financing activities would have decreased by the same amount. The application of IFRS 16 has no impact on the net cash flows. If IFRS 16 had been applied in 2018, the EBITDA in 2018 would have been 7.4 million euros higher. The incremental loan rate applied to the opening balance sheet as at 1 January 2019 amounts to between 0.7% and 8.92%, depending on the region where Fagron is active. The reclassifications and adjustments resulting from the application of the new lease rules have been incorporated in the opening balance sheet as at 1 January 2019, whereby the Lease and similar rights and lease liabilities have increased by 38.1 million euros. Due to the application of IFRS 16, the net financial debt/REBITDA ratio changed from 2.63 to 2.81 as at 1 January 2019. The application of IFRS 16 has a limited impact on the net result and diluted earnings per share.

Published, mandatory and approved by the EU		Anticipated impact
IFRIC 23 Uncertainty over Income Tax Treatments 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 has established that the application of these standards will not have a material impact on the consolidated financial statements.
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement 1 January 2019	The changes require that an entity use updated assumptions to determine the current pension costs and the net interest value allocated to the service year for the remaining period after a change, containment or settlement of the plan. In addition, an entity must include any reduction in the proceeds in the income statement as part of the pension costs of elapsed service time or as a profit or loss upon settlement, even if that excess was not previously recorded due to the impact of the asset ceiling. The changes affect any entity that modifies the terms and conditions or the membership of a defined benefit plan in such a way that there are past service pension costs or a profit or loss at the settlement.	Fagron has established that the application of these standards will not have a material impact on the consolidated financial statements.
Amendments to IAS 28 Long term interests in Associates and Joint Ventures 1 January 2019	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 has established that the application of these standards will not have a material impact on the consolidated financial statements.
Amendments to IFRS 9 Prepayment Features with Negative Compensation 1 January 2019	Amendment that allows companies to value certain advance payable financial assets with so-called negative compensation at amortised cost price or at fair value via unrealised results, instead of at fair value through profit or loss, as they would otherwise not pass the SPPI test. In addition, this amendment explains an aspect of the accounting treatment of a change to a financial liability.	Fagron has established that the application of these standards will not have a material impact on the consolidated financial statements.
Annual improvements to IFRS Standards 2015-2017 Cycle 1 January 2019	• IFRS 3 “Business Combinations” and IFRS 11 “Joint Arrangements”. The amendments regarding IFRS 3 clarify that when an entity acquires control over a joint operation, previous interests in that company must be revalued. The amendments regarding IFRS 11 clarify that when an entity acquires joint control over a joint operation, the entity does not revalue the previous interests in that company.	Fagron has established that the application of these standards will not have a material impact on the consolidated financial statements.
	• IAS 12 “Income taxes”. The amendments clarify that all dividend consequences on the income taxes must be recognised in the income statement, regardless of how this tax arises.	Fagron has established that the application of these standards will not have a material impact on the consolidated financial statements.
	IAS 23 “Borrowing costs”. The amendments clarify that if one of the loans remains open after the relevant asset is ready for its intended use or sale, this loan will belong to the funds that an entity normally borrows for calculating capitalisation interest rate on general loans.	Fagron has established that the application of these standards will not have a material impact on the consolidated financial statements.

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 2019.

Published, not yet approved by the EU and not yet mandatory		Anticipated impact
Amendments to IAS 1 and IAS 8 Definition of Material 1 January 2020	The changes clarify the definition of "material" and increase the consistency between the IFRS. The amendment clarifies that the reference to unclear information regards situations in which the effect is comparable to omission or misrepresentation of that information. It also states that an entity must assess materiality in the context of the financial statements as a whole. In addition, the change also clarifies the meaning of "primary users of financial statements for general purposes to whom those financial statements are directed", by defining them as "existing and potential investors, credit providers and other creditors" who must appeal to the financial statements in order to also obtain a large portion of the financial information they need. The changes are not expected to have any significant impact on the preparation of the financial statements.	Fagron has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements.
Amendments to IFRS 3 Business Combinations 1 January 2020	These changes revise the definition of "a company". The new guideline provides a framework in order to evaluate when an input and substantive process are present (including start-up companies that have not yet generated any outputs). In order to be a company without output, there must now be an organised workforce. The changes in the definition of a company will likely result in more acquisitions being considered "asset acquisitions" in all sectors, but particularly in the real estate, pharmaceutical and petrochemical sectors. Application of the changes will also affect the processing of disposal operations.	Fagron will review the effects of these amendments and process them if applicable.
Amendment to IAS 1 Classification of Liabilities as Current or Non-Current 1 January 2022	The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retroactively. Earlier application is permitted.	Fagron will review the effects of these amendments and process them if applicable.

The other new standards, amendments of standards and interpretations that were published but are not yet mandatory for this financial year starting 1 January 2019, 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 IFRS 9 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 conversion

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	
	2019	2018	2019	2018
US dollar	1.123	1.145	1.119	1.181
Brazilian real	4.516	4.444	4.414	4.306
Polish zloty	4.257	4.301	4.297	4.261

Fixed Assets held for sale and discontinued operations (14)

Non-current assets and groups of assets to be sold are classified as fixed assets held for sale when the book value 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 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 liabilities from that subsidiary are classified as fixed assets held for sale and liabilities related to assets held for sale, regardless of whether Fagron will retain a non-controlling interest after the sale.

Assets held for sale and liabilities 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.

Goodwill (16)
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.

Intangible fixed assets (16)
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.

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 amortisation, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Property, plant and equipment (17)

Property, plant and equipment are valued at the acquisition value or production costs plus directly attributable costs, if applicable. Depreciation is calculated pro rata based on the useful life of the asset in accordance with the following amortisation parameters: 3 to 5 years for equipment and machinery and between 25 and 33 years for buildings. Land is not depreciated.

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. The "right to use" assets are depreciated over the shorter period of the lease period and the useful life. When it is fairly certain that the ownership will be obtained at the end of the lease, the "right to use" assets is depreciated over the useful life.

Financial fixed assets (18)

Financial assets are recognised in the balance sheet of Fagron when Fagron becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, if applicable, at initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Income taxes (19)

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 (20)
Raw materials, auxiliary materials, and trade goods are valued at the acquisition value in accordance with the FIFO method or 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 (21)
Trade receivables are initially valued at transaction price. After the initial valuation, trade receivables are valued at amortised cost. Provisions are made based on the lifetime expected loss allowance for all customers based on historical payment behaviour and forward-looking information.

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 risks and rewards.

Cash and cash equivalents (21)
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 (22)
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 (23)
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 liabilities 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 (22)

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 (24)

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 will cease to have any further liabilities. Contributions to defined contribution plans are recognised as costs in the income statement at the moment they are made.

Borrowings (25)

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.

Debt instruments that meet the following conditions are subsequently valued at amortised cost price:

- The financial asset is held within a business model that aims to hold financial assets to collect contractual cash flows; and
- The contractual terms and conditions of the financial asset give rise to cash flows on specified dates that are exclusively payments of principal and interest on the principal outstanding.

In 2019, Fagron group entered into a new (sustainable) syndicated credit facility with its financiers. If a new credit facility is refinanced on substantially different terms, a new debt position will be recognised on the balance sheet and the old debt position replaced. If the newly agreed terms and conditions of an existing credit facility change substantially, a new debt position will also be included on the balance sheet. Substantial change means a change in net present value of future cash flows (including fees paid and received) from the new facility of at least 10 percent compared to the net present value of cash flows from the old facility. If the changes in new terms and conditions do not differ substantially, the difference between (1) the current debt position on the balance sheet; and (2) the net present value of cash flows after changes to the terms and conditions are included in the income statement under 'Other Gains and Losses'.

Derivative financial instruments (25)

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. Since the Fagron derivative contracts do not satisfy the criteria as specified in IFRS 9 to be considered as hedging instruments, changes in the fair value of derivatives are recognised in the income statement.

Leases (28)

With effect from 1 January 2019, IFRS 16 Leases supersedes current reporting requirements for lease agreements and introduces significant changes in reporting for lessees. The new standard requires lessees to include a "right to use" asset and a lease obligation. IFRS 16 also requires that depreciation costs linked to the "right to use" assets and interest expenses on these lease liabilities be recognised compared to the recognition of rental costs on a straight-line basis over the lease period under the previous standard.

Fagron assesses whether a contract is or contains a lease at the start of the contract. Fagron recognises a "right of use" asset and a lease liability in respect of all leases in which it is the lessee, except for short-term leases (defined as leases with a lease period of 12 months or less) and leases of low-value assets. For these leases, the Group recognises lease payments on a straight-line basis as operational costs over the lease period, unless another systematic basis is more representative of the time pattern in which the economic benefits of the leased assets are consumed.

For 2018, the following leasing principles were applied:

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 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.

Revenue recognition

Fagron uses the five-step model in order to recognise revenue that results from sales to customers. The revenue is recognised at the value that we expect to receive for the delivery of the goods or services. Any liabilities related to these sales will be deducted here. Contracts for the sale of goods to customers have only one performance obligation.

Sales of goods are recognised at the moment that control over the goods has transferred to the customer, the customer has accepted the goods and the related receivables are likely to be collectable. This is normally the case at the time the goods are delivered. Turnover of services is recognised in the accounting period in which the services have been provided.

Segment reporting

IFRS 8 defines an operating segment as:

- a component of an entity that engages in business activities from which it may earn turnover 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 operational segments based on the information that is provided internally to the Executive Committee, Fagron's decision-making body in 2019. 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.

The reporting structure and presentation of the financial results per Fagron segment are 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 Latin America and HL Technology.

Earnings per share (EPS) (15)

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.

Sustainable syndicated credit facility

On 1 August 2019, Fagron refinanced the existing bank loans. The old multi-currency and term loan facilities were repaid through a new (sustainable) syndicated credit facility consisting of a revolving credit line of 245 million euros and a term loan facility of 130 million euros. The term of the new financing is 5 years with the option to extend twice for a year. The new credit lines have been agreed on improved terms and conditions and offer Fagron more flexibility and lower financing expenses.

Financial covenants syndicated credit facility

Test period	Net financial debt/REBITDA	REBITDA/net interest expenses
Semi-annual test periods (June/December)	Max. 3.50x	Min. 4.00x

As at the end of 2019, an amount of 140 million euros had been withdrawn under the syndicated credit facility (2018: 131 million euros) and Fagron complied with the aforementioned financial covenants.

The credit facility is a so-called Sustainability Linked Loan, whereby the interest is linked to Fagron's sustainability aim to reduce greenhouse emissions (Scope 1 and Scope 2 of the GHG protocol) in six years by approximately 30%. Based on the annual progress measured, a discount or an addition can be applied to the credit facility's interest rate.
From 2020, the sustainability aim to reduce Fagron's greenhouse emissions by approximately 30% in six years also linked to the variable fee-based system for management.

Privately placed loans

Fagron NV issued a series of privately placed loans pursuant to a loan agreement originally dated April 15, 2014, which includes 45.0 million US dollars 4.15% Series A Senior Notes due April 15, 2017, 22.5 million euros 3.55% Series B Senior Notes due April 15, 2017, 15.0 million euros 4.04% Series C Senior Notes due April 15, 2019, 5.0 million euros Floating Rate Series D Senior Notes due April 15, 2019, 20.0 million US dollars 5.07% Series E Senior Notes due April 15, 2019 and 60.0 million US dollars 5.78% Series F Senior Notes due April 15, 2021. The Series A Senior Notes and the Series B Senior Notes were fully repaid in 2017. The other Senior Notes, with the exception of the Series F Notes, were fully repaid on 15 April 2019.

The total EBITDA, calculated as a result before interest, taxes, depreciation and amortisation, of the guarantors should be at least 70 percent of the consolidated Group EBITDA. At the end of 2019, Fagron complied with the financial covenants below.

Financial covenants privately placed loans

Test period	Net financial debt/REBITDA	REBITDA/net interest expenses
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 22) in order to retain or adjust the capital structure. It may also issue new shares or dispose of assets in order to reduce indebtedness.

Fagron has a dividend policy that takes into account the profitability of the company and its underlying growth, as well as capital requirements and cash flows, where sufficient liquidity is maintained in order to follow the buy-and-build strategy. Fagron hereby expects to reinvest most of its free cash flow in the coming years and to pay out a relatively low, steady level of dividends to its shareholders.

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 liabilities 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.

Below is an overview of the category, level, net book value of financial assets and the term of financial instruments. Where GK stands for Financial liabilities measured at amortised cost price and Level 2 method means that the valuation is based on inputs other than quoted prices in active markets as included in Level 1.

Net book value financial assets	Category	Level	Gross value	Impairment	Net book value
Trade receivables	GK	2	46,203	–1,615	44,588
Other receivables	GK	2	11,434	–996	10,438
Cash and cash equivalents	GK	2			106,684

Term of financial instruments	Category	Level	Average effective interest	Total book value	< 1 year	1 -5 years	< 5 years
Leasing liabilities	GK	2	3.6%	34,793	6,604	21,171	7,018
Credit institutions	GK	2	2.5%	356,697	34,119	322,578	
Other financial debt	GK	2		40		40	

Interest risk

Fagron regularly assesses the maintained mix of financial debts 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 of approximately 183 thousand euros before tax (2018: 137 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 regarding the Fagron entities that operate in a functional currency other than the euro involves entities that operate 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, Canadian dollars and Mexican pesos. In 2019, these entities collectively represent 64.0% of the consolidated turnover.

Some of the Group's turnover is realised in currencies other than the euro, such as in Brazil, the United States, Poland, Switzerland and Mexico. The table below sets out the hypothetical supplementary effect of the euro strengthening or weakening by 10% against the US dollar, the Brazilian real and the Polish zloty for the year 2019 and its subsequent effect on profit before tax and equity.

	Profit before tax		Equity	
(x 1,000 euros)	Strength-ening	Weakening	Strength-ening	Weakening
US dollar	219	–268	–4,187	5,118
Brazilian real	–1,910	2,334	–10,805	13,206
Polish zloty	–1,416	1,730	–4,422	5,405

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 2019, Fagron used financial derivatives in order to hedge interest and currency risks. Fagron hedged the variable interest rate for 42.5 million US dollars of financing. In accordance with IFRS, all financial derivatives are recognised either as assets or as liabilities. In accordance with IFRS 9, 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.

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. No significant estimates have been identified; an overview of the important judgments is provided 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 16. The recoverable amount of cash flow-generating units is the higher of the asset's fair value less the costs to sell and enterprise value. These calculations require the application of estimates. In 2018 and 2019, no impairment loss was recognised. Of the main cash flow-generating units, Fagron United States Essentials and Brands has the smallest relative difference between the net book value of the asset and its enterprise value, namely 31.6 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. Hypotheses 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. See also note 23: Provisions and note 31: Contingencies.

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. See also note 19: Taxes, remuneration and social security and note 31: Contingencies.

5 Segment information

Fagron has adjusted the reporting structure and presentation of the financial results per segment bring these in line with the way in which the business is managed. Fagron's results are reported in the segments Fagron Europe, Fagron North America, Fagron Latin 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 and Australia. Fagron Europe is active in all product groups of Fagron;
2. **Fagron North America** encompasses all Fagron activities in the United States and Canada. Fagron North America is active in all product groups of Fagron;
3. **Fagron Latin America** refers to the Fagron activities in Brazil, Colombia and Mexico. In Latin 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 orthopaedic tools for dental and medical industry professionals. On 10 October, Fagron signed an agreement with the management of HL Technology concerning the sale of the activities. The transaction was completed on 24 October. HL Technology was deconsolidated as at 1 October 2019.

Fagron's activities can be subdivided into four categories:

1. **Fagron Compounding Services** refers to all personalised medicine 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;
3. **Fagron Essentials** refers to all pharmaceutical raw materials, equipment and supplies that a pharmacist needs in order to prepare medication himself/herself in the pharmacy; and
4. **Fagron Premium Pharmaceuticals** is a limited number of non-sterile drugs registered by Fagron in the Netherlands.

The segment results for continued operations for the period ending 31 December 2019 are as follows:

2019 (x 1,000 euros)	Fagron Europe	Fagron North America	Fagron Latin America	HL Technology	Total
Turnover	257,001	145,910	125,552	6,233	**534,695**
Intersegment turnover	298	276	60	0	**635**
Total turnover	**257,299**	**146,186**	**125,612**	**6,233**	**535,330**
Operating result per segment	55,115	7,988	20,655	630	**84,388**
Financial result					**–14,502**
Profit before taxes					**69,886**
Taxes on profits					**14,199**
Net profit from continued operations					**55,687**

The segment results for continued operations for the period ending 31 December 2018 are as follows:

2018 (x 1,000 euros)	Fagron Europe	Fagron North America	Fagron Latin America	HL Technology	Total
Turnover	250,086	113,488	100,930	7,174	**471,679**
Intersegment turnover	468	248	34	0	**751**
Total turnover	**250,554**	**113,736**	**100,964**	**7,174**	**472,430**
Operating result per segment	54,862	2,366	17,259	–1,015	**73,472**
Financial result					**–18,636**
Profit before taxes					**54,835**
Taxes on profits					**11,553**
Net profit from continued operations					**43,282**

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

2019 (x 1,000 euros)	Fagron Europe	Fagron North America	Fagron Latin America	HL Technology	Total
Depreciation and amortisation	9,871	11,560	4,179	353	**25,962**
Depreciation on inventories	1,225	2,105	0	0	**3,329**
Depreciation on receivables	–26	113	–59	0	**27**

2018 (x 1,000 euros)	Fagron Europe	Fagron North America	Fagron Latin America	HL Technology	Total
Depreciation and amortisation	6,549	7,218	2,126	345	**16,237**
Depreciation on inventories	910	588	0	1,299	**2,796**
Depreciation on receivables	68	434	39	0	**542**

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

2019 (x 1,000 euros)	Fagron Europe	Fagron North America	Fagron Latin America	HL Technology	Unassigned/ intersegment elimination	Total
Total assets	329,234	240,399	189,212	0	42,395	**801,240**
Total liabilities	72,486	194,340	43,470	0	244,505	**554,800**
Capital expenditure	9,000	12,518	5,296	891	0	**27,706**

2018 (x 1,000 euros)	Fagron Europe	Fagron North America	Fagron Latin America	HL Technology	Unassigned/ intersegment elimination	Total
Total assets	293,608	214,453	129,085	6,111	39,514	**682,772**
Total liabilities	53,752	176,495	20,101	2,466	220,242	**473,056**
Capital expenditure	7,005	6,251	2,916	1,506	0	**17,678**

The segment assets consist primarily of property, plant and equipment, intangible fixed assets, inventories, receivables and cash from operations. The difference between the aforementioned capital expenditure and the capital expenditure in the cash flow statement relates particularly to the impact of capital expenditure still to be paid at the end of 2018 and 2019 and proceeds from disposals.

Fagron has a large number of customers that are spread internationally, with a substantial portion of turnover realised with a wide range of smaller customers and no customer accounts for more than 10% of Fagron's income.

6 Turnover

(x 1,000 euros)	2019	2018
Sale of goods	534,695	471,679
Turnover	**534,695**	**471,679**

7 Other operating income

(x 1,000 euros)	2019	2018
Gain on disposal of fixed assets	277	267
Other operating income	1,708	1,449
Total other operating income	**1,985**	**1,716**

8 Services and other goods

(x 1,000 euros)	2019	2018
Sale and distribution costs	28,367	25,631
Contracted services	22,663	20,467
Other services and goods	30,961	31,386
Total services and other goods	**81,991**	**77,484**

Other services and goods covers a wide range of services and goods such as maintenance, utilities, office supplies and travel expenses.

9 Employee benefit expenses

(x 1,000 euros)	2019	2018
Wages and salaries	86,663	76,732
Social security costs	15,987	14,172
Pension costs – defined benefit plans	389	432
Pension costs – defined contribution plans	2,377	2,339
Other post-employment benefit contributions	1,889	2,168
Other employee expenses	17,390	16,731
Total employee benefit expenses	**124,695**	**112,573**

On 31 December 2019, Fagron's workforce (fully consolidated companies) for continued operations amounted to 2,728 (2018: 2,488) employees or 2,614.9 (2018: 2,360.4) 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)	2019	2018
Europe (incl. Rest of the World)	1,128	1,057
North America	585	596
Latin America	902	651
HL Technology	0	56
Total	**2,615**	**2,360**

10 Depreciation, amortisation and impairment

(x 1,000 euros)	2019	2018
Depreciation and amortisation	18,201	16,004
Depreciation leasing and similar rights	7,761	233
Write-down on inventories	3,329	2,796
Write-down on receivables	27	542
Depreciation and amortisation	**29,319**	**19,575**

Depreciation, amortisation and impairment increased in 2019, mainly due to the application of IFRS 16 and acquisitions.

11 Other operating expenses

(x 1,000 euros)	2019	2018
Increase (decrease) in provisions for current liabilities	–32	–625
Increase (decrease) in provisions for pension liabilities	81	82
Taxes and levies (excluding income tax)	1,127	985
Other operating expenses	2,423	3,937
Total other operating expenses	**3,600**	**4,379**

The decrease in other costs in 2018 primarily relate to the (non-recurring) settlement with the former owners of JCB Laboratories in the United States.

12 Financial result

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

(x 1,000 euros)	2019	2018
Financial income	1,447	643
Currency translation differences	235	
Total financial income	**1,682**	**643**
Financial expenses	–3,666	–4,921
Interest expenses	–10,928	–11,174
Interest on leasing liabilities	–1,268	0
Currency translation differences		–3,054
Revaluation of financial derivatives	–320	–131
Total financial expenses	**–16,183**	**–19,279**
Total financial result	**–14,502**	**–18,636**

The revaluation of financial derivatives of -0.3 million euros in 2019 (2018: -0.1 million euros) relates to the change in the market value of the interest rate derivatives that are not a cash flow and cannot be presented as a hedge instrument in accordance with IFRS 9. The derivatives were valued on the basis of discounted cash flows.

The financial result, excluding the revaluation of the financial derivatives, amounts to -14.2 million euros in 2019 (2018: -18.5 million euros). On the one hand, this decrease is caused by an increase in financial income from 1.0 million euros to 1.7 million euros due to positive currency translation differences and higher cash deposits.

13 Income taxes

Income taxes from continued operations are as follows:

(x 1,000 euros)	2019	2018
Current tax expenses	17,242	15,918
Deferred taxes	–3,043	–4,364
Tax on profits	**14,199**	**11,553**
Effective tax rate	20.32%	21.07%
Profit before income tax from continued operations	**69,886**	**54,835**
Tax calculated at weighted Fagron NV's statutory tax rate	20,672	16,220
Effect of rate differences compared with foreign jurisdictions	–1,882	–1,350
Income not subject to taxes	–1,439	–695
Expenses not deductible for tax purposes	723	1,669
Tax on profit previous years	–109	–4
Other	–3,766	–4,287
Tax on profits	**14,199**	**11,553**

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 "Income tax previous years" is a reflection of all adjustments to earlier estimates for taxes.

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.

14 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 since 2016. Because Bellevue Pharmacy is being shut down, it has not been included as an asset or liability held for sale.

The total result for the discontinued operations and the total of cash flows from the discontinued operations are shown below. The result in 2019 primarily relates to the final settlement with the U.S. Department of Justice.

Net result from discontinued operations

(x 1,000 euros)	2019	2018
Operating income	**0**	**0**
Turnover	0	0
Other operating income	0	0
Expenses	**14,147**	**377**
Profit before income tax	**–14,147**	**–377**
Attributable income taxes	0	0
Profit (loss) from revaluation to fair value, settlement costs and costs of sale	0	0
Profit (loss) for the year from discontinued operations (attributable to the company's shareholders)	**–14,147**	**–377**

Net cash flows from discontinued operations

(x 1,000 euros)	2019	2018
Total cash flow from operating activities	–21,610	–377
Total cash flow from investment activities	0	0
Total cash flow from financing activities	0	0
Total net cash flows from discontinued operations	**–21,610**	**–377**

15 Earnings per share

(in euros)	2019	2018
Basic earnings (loss) per share	**0.57**	**0.59**
• from continued operations	0.77	0.60
• from discontinued operations	–0.20	–0.01
Diluted earnings (loss) per share	**0.56**	**0.59**
• from continued operations	0.75	0.60
• from discontinued operations	–0.19	–0.01

The earnings used in the calculations are as follows:

(x 1,000 euros)	2019	2018
Profit (loss) attributable to equity holders of the company	**41,056**	**42,486**
• from continued operations	55,202	42,863
• from discontinued operations	–14,147	–377

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)	2019	2018
Weighted average number of ordinary shares	71,798	71,740
Effect of warrants and stock options	1,208	229
Weighted average number of ordinary shares (diluted)	**73,006**	**71,969**

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 do not have any dilutive impact during the period, but which could possibly have an impact in the future, is equal to zero. These are warrants and stock options for which the exercise price is higher than the average Fagron stock price in 2019.

16 Intangible fixed assets

(x 1,000 euros)	Goodwill	Development	Concessions & patents	Brands and customer relations	Software	Other	Intangible fixed assets	Total
Net book value as at 1 January 2018	**322,837**	**3,870**	**1,200**	**12,125**	**4,447**	**16**	**21,658**	**344,495**
Investments	0	2,289	4	242	1,474	25	4,035	4,035
Acquisitions	44,404	0	0	6,087	545	0	6,632	51,036
Transfers and disposals	0	143	–2	0	736	–13	865	865
Amortisation	0	–1,185	–187	–4,424	–1,832	–2	–7,629	–7,629
Exchange differences	–2,106	15	0	854	–176	–0	693	–1,413
Net book value as at 31 December 2018	**365,135**	**5,132**	**1,015**	**14,884**	**5,195**	**26**	**26,252**	**391,388**
Gross book value	**614,179**	**9,254**	**2,020**	**91,202**	**20,074**	**48**	**122,597**	**736,776**
Accumulated amortisation	–249,043	–4,122	–1,005	–76,317	–14,879	–22	–96,345	–345,388
Net book value	**365,135**	**5,132**	**1,015**	**14,884**	**5,195**	**26**	**26,252**	**391,388**
Net book value as at 1 January 2019	**365,135**	**5,132**	**1,015**	**14,884**	**5,195**	**26**	**26,252**	**391,388**
Investments	0	2,722	142	209	894	0	3,968	3,968
Acquisitions	29,540	0	0	6,190	0	0	6,190	35,731
Transfers and disposals	–6,916	–251	–4	1,227	120	0	1,092	–5,824
Amortisation	0	–1,351	–177	–5,732	–1,880	0	–9,141	–9,141
Exchange differences	1,566	14	2	445	–11	0	450	2,016
Net book value as at 31 December 2019	**389,326**	**6,265**	**978**	**17,224**	**4,318**	**26**	**28,811**	**418,137**
Gross book value	**638,369**	**11,448**	**2,145**	**40,023**	**16,650**	**48**	**70,314**	**708,683**
Accumulated amortisation	–249,043	–5,183	–1,167	–22,799	–12,333	–22	–41,503	–290,547
Net book value	**389,326**	**6,265**	**978**	**17,224**	**4,318**	**26**	**28,811**	**418,137**

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 (mainly employee benefit expenses) were fully capitalised in 2018 and 2019.

Impairment

Goodwill is checked at least once per year for impairment, but also each time a trigger event occurs. In 2018 and 2019, this did not lead to an 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:

(in miljoen euros)	December 2019	December 2018
Fagron Europe Essentials and Brands	113.6	112.5
Fagron Europe Compounding Services and Premium Pharmaceuticals	58.7	58.7
Fagron United States Essentials and Brands	77.8	76.3
Fagron Sterile Services	17.1	16.8
AnazaoHealth	30.6	30.1
Fagron Latin America Essentials and Brands	83.2	63.1
Fagron Rest of the World	7.9	7.6
Total	**389.3**	**365.1**

The increase in goodwill mainly relates to the acquisitions of Cedrosa in Mexico, Levviale, Apace and Ortofarma in Brazil and Dr Kulich Pharma in the Czech Republic.

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 recoverable amount, being the value in use, is calculated per cash-generating unit. In 2019, as a result of IFRS 16, the book value, through leasing and similar rights, and the EBITDA were adjusted.

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, turnover and expenses, capital expenditures and working capital.
- For the following years, an estimate of the perpetual growth is used. For the main cash flow-generating units, the following long-term growth rates were used: 2% for Fagron Europe Compounding Services and Premium Pharmaceuticals, Fagron Europe Essentials and Brands, Fagron United States Essentials and Brands, Fagron Sterile Services and AnazaoHealth and 7% for Fagron Brazil Essentials and Brands. The same growth rates were used in 2019.
- 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 flow-generating units, the following weighted average cost of capital was used: 8.0% (pre-tax: 9.9%) for Fagron Europe Compounding Services and Premium Pharmaceuticals, 8.0% (pre-tax: 10.1%) for Fagron Europe Essentials and Brands, 9.4% (pre-tax: 11.3%) for Fagron United States Essentials and Brands, 9.4% (pre-tax: 11.3%) for Fagron Sterile Services, 9.4% (pre-tax: 11.1%) for AnazaoHealth and 15.8% (pre-tax: 21.1%) for Fagron Latin America Essentials and Brands.

Of the main cash flow-generating units, Fagron United States Essentials and Brands has the smallest relative difference between the net book value of the asset and its enterprise value. The difference is estimated at 31.6 million euros. In order to estimate the risk of amortisation of goodwill, a sensitivity analysis was performed on each important assumption.
The main assumptions are the maintenance capex as a % of sales, the discount rate, long-term growth and the gross margin.
The sensitivity analysis presented below represents the change (in basis points) of each individual assumption that is necessary to have the difference between the enterprise value and the net book value become nil.

	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	1,669	233	437	381

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

17 Property, plant and equipment

(x 1,000 euros)	Land and buildings	Machinery and installations	Furniture and vehicles	Leasing and other similar rights	Other property, plant and equipment	Assets under construction	Total
Net book value as at 1 January 2018	**42,431**	**15,297**	**4,120**	**192**	**2,241**	**5,255**	**69,535**
Investments	3,376	4,972	1,769	0	143	3,383	13,643
Acquisitions	544	324	144	0	0	0	1,012
Transfers and disposals	–1,269	2,210	587	413	28	–3,879	–1,910
Depreciation	–2,791	–3,719	–1,474	–233	–390	0	–8,608
Exchange differences	–82	181	–148	–235	17	34	–233
Net book value as at 31 December 2018	**42,209**	**19,264**	**4,998**	**137**	**2,039**	**4,793**	**73,439**
Gross book value	**62,640**	**52,953**	**18,234**	**316**	**7,049**	**4,793**	**145,985**
Accumulated depreciation	–20,431	–33,689	–13,236	–179	–5,010	0	–72,546
Net book value	**42,209**	**19,264**	**4,998**	**137**	**2,039**	**4,793**	**73,439**
Net book value as at 1 January 2019	**42,209**	**19,264**	**4,998**	**137**	**2,039**	**4,793**	**73,439**
Changes to the financial reporting principles (IFRS 16)	0	0	0	38,113	0	0	38,113
Investments, including additions for IFRS 16	1,204	2,300	2,133	4,817	105	17,996	28,555
Acquisitions	2,633	635	269	531	0	4	4,071
Transfers and disposals	–2,303	335	–41	–2,185	47	–2,341	–6,488
Depreciation and amortisation	–2,900	–4,188	–1,562	–7,761	–409	0	–16,821
Exchange differences	203	174	–16	–49	12	15	339
Net book value as at 31 December 2019	**41,046**	**18,519**	**5,782**	**33,601**	**1,794**	**20,466**	**121,208**
Gross book value	**61,696**	**48,506**	**19,150**	**41,397**	**5,145**	**20,466**	**196,361**
Accumulated depreciation	–20,651	–29,988	–13,368	–7,795	–3,351	0	–75,153
Net book value	**41,046**	**18,519**	**5,782**	**33,601**	**1,794**	**20,466**	**121,208**

The Group's liability regarding leasing is guaranteed on account of the lessor holding the legal property title to the leased assets. The other property, plant and equipment have no restrictions on the title of ownership. These assets have also not been pledged as security for liabilities, with the exception of the building owned by Fagron Services BV, see note 36: additional notes.

18 Financial fixed assets

(x 1,000 euros)	Investments	Loans and receivables	Total
Net book value as at 1 January 2018	**1,214**	**1,018**	**2,232**
Investments	0	76	76
Transfers and disposals	–271	144	–127
Other movements	0	–22	–22
Net book value as at 31 December 2018	**943**	**1,216**	**2,158**
Investments	13	2,072	2,084
Transfers and disposals	–7	37	31
Other movements	0	13	13
Net book value as at 31 December 2019	**948**	**3,338**	**4,287**

The investments mainly consist of a minority interest of 0.9 million euros, whereby the investments are valued on a fair value basis and differences with respect to the fair value are shown in the income statement.

An analysis of the aforementioned assets showed that none of these assets need to be impaired in 2018 and 2019.

Loans and receivables concern receivables with different due dates. The book value approximates the fair value.

19 Taxes, remuneration and social security

a) Current taxes, remuneration and social security

(x 1,000 euros)	2019	2018
Tax liabilities for the current year	9,736	9,454
Other current tax and VAT payable	8,981	8,418
Remuneration and social security payable	13,125	13,522
Current taxes, remuneration and social security	**31,842**	**31,395**

b) Deferred tax assets

(x 1,000 euros)	Differences in depreciation rates	Employee benefits	Provisions	Tax losses	Other	Total
Balance on 1 January 2018	**1,273**	**1,279**	**340**	**11,162**	**–2,699**	**11,355**
Result	–672	–1,194	539	4,160	1,713	4,546
Change in scope of consolidation	160	0	0	0	0	160
Impairment	0	0	0	0	0	0
Balance on 31 December 2018	**761**	**85**	**879**	**15,322**	**–986**	**16,061**
Result	37	1,335	–253	1,863	–805	2,177
Change in scope of consolidation	0	0	0	0	183	183
Impairment	0	0	0	0	0	0
Balance on 31 December 2019	798	1,420	626	17,185	–1,608	18,420

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 projection for one year in the region with the most significant deferred tax asset will result in its increase by approximately 5.0 million euros.

Based on the impairment test in 2019 on tax losses, no impairment occurred. At the end of 2019, the tax losses came to 293.1 million euros, of which 79.1 million euros were assessed, resulting in a deferred tax asset of 17.2 million euros.

c) Deferred tax liabilities

(x 1,000 euros)	Differences in depreciation rates	Other	Total
Balance on 1 January 2018	**2,952**	**–2,754**	**198**
Result	61	0	61
Change in scope of consolidation	0	0	0
Discontinued operations	0	0	0
Balance on 31 December 2018	**3,013**	**–2,754**	**259**
Result	108	0	108
Change in scope of consolidation	–28	0	–28
Discontinued operations	0	0	0
Balance on 31 December 2019	**3,093**	**–2,754**	**339**

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 unvalued deferred tax liability is nil.

20 Inventories

(x 1,000 euros)	2019	2018
Raw materials	20,575	27,146
Work in progress	413	369
Finished goods	15,006	15,199
Trade goods	41,485	31,944
Inventories	**77,479**	**74,658**

The increase in inventories is primarily explained by acquisitions. This increase is compensated by lower inventories in Brazil. The inventories are not encumbered with collateral.

21 Trade receivables, other receivables, cash and cash equivalents

a) Trade receivables and other receivables

(x 1,000 euros)	2019	2018
Trade receivables	46,203	40,989
Provision for impairment of receivables	–1,615	–2,701
Total trade receivables	**44,588**	**38,289**
Other receivables	10,438	9,200

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 increase in trade receivables is mainly attributable to acquisitions.

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. Fagron uses factoring. The factoring balance on 31 December 2019 amounted to 20.4 million euros (22.2 million in 2018).
In 2018, Fagron adopted the simplified approach to IFRS 9 to determine expected credit losses, using a provision for expected losses over the life of all trade receivables based on historical losses and future expectations. Fagron analysed the impact of IFRS 9 and concluded that there was no material impact on the provision made for doubtful debts.

(x 1,000 euros)	**Carrying amount**	**Of which not overdue at year-end**	**Of which due at year-end**			
			less than 30 days	between 31 and 90 days	between 91 and 150 days	more than 150 days
Trade receivables at 31 December 2019	44,588	31,367	7,072	4,026	1,176	946
Percentage expected credit losses 2019		0.1%	3.5%	7.5%	15%	50%
Trade receivables at 31 December 2018	38,289	24,311	9,799	3,189	618	372
Percentage expected credit losses 2018		0.1%	3.5%	7.5%	15%	50%

(x 1,000 euros)	Provision for impairment of receivables
Balance as of 1 January 2018	**–2,496**
Additions:	
• Through business combinations	–191
• Other	–506
Amounts used	589
Sale of operations	0
Other	–51
Balance as of 31 December 2018	**–2,541**
Additions:	
• Through business combinations	–125
• Other	–36
Amounts used	1,246
Through business combinations	0
Other	0
Balance as of 31 December 2019	**–1,615**

There is no major write off on trade receivables that have not expired. Fagron adopted the simplified approach to IFRS 9 to determine expected credit losses, using a provision for expected losses over the life of all trade receivables based on historical losses and future expectations. Fagron analysed the impact of IFRS 9 and concluded that there is no material impact on the provision made for doubtful debts. Fagron also assessed whether the historical pattern would change materially in the future and does not expect a significant impact.

b) Cash and cash equivalents

(x 1,000 euros)	2019	2018
Investments with a maturity of less than three months	1,271	2,505
Cash and cash equivalents	105,413	75,074
Cash and cash equivalents	**106,684**	**77,579**

The increase in cash and cash equivalents is explained primarily by the positive cash flow from operations.

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.

22 Equity

Authorised capital

The Extraordinary General Meeting decided on May 14, 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.
By resolution of the Extraordinary General Meeting of 8 May 2017, the authorisation of the Board of Directors was renewed to increase the share capital in one or more times with a maximum amount of 494,192,221.68 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 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 June 29, 2015 and August 4, 2015). The authorised capital authorisation was not used during the 2019 financial year.

If the capital is increased within the limits of the authorised capital, then the Board of Directors will be authorized 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. No treasury shares were bought back in 2019 (2018: nil). As of 31 December 2019, Fagron NV owns 103,627 treasury shares (2018: 103,627).
In accordance with IFRS, these shares are deducted from equity and do not affect the income statement. In 2019, 335,000 new shares were issued in the context of warrant plans (2018: nil). The nominal number of shares on 31 December 2019 was 72,178,904 (2018: 71,843,904). The total number of outstanding shares on 31 December 2019 was 72,075,277 (2018: 71,740,277).

	2019		2018	
Number of ordinary shares and the equity value thereof	Number of shares x 1,000	Value of shares x 1,000 euros	Number of shares x 1,000	Value of shares x 1,000 euros
Issued shares as at 1 January	71,844	507,670	71,844	507,670
Reclassification	0	0	0	0
Issued shares as at 31 December	**72,179**	**510,142**	**71,844**	**507,670**
Treasury shares as at 31 December	104	18,823	104	18,823
Shares outstanding as at 31 December	**72,075**	**491,319**	**71,740**	**488,847**

All ordinary shares are fully paid. The ordinary shares have no nominal value denotation but have an accounting par value of 1/72,178,904th of the capital as of 31 December 2019 (2018: 1/71,843,904th). Each ordinary share carries one vote and a right to dividends.

Share-based payments

On June 3, 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 managers/consultants of Fagron and/or its subsidiaries, where this decision was ratified by resolution of 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 2016, there were 983,091 warrants granted at an exercise price of 7.38 euros.

On 13 April 2018, the company's Board of Directors approved the Warrant Plan 2018 for employees and consultants of Fagron NV and/or its subsidiaries, where this decision was ratified by resolution of the Extraordinary General Meeting of 14 May 2018 in the presence of Civil-law Notary, Liesbet Degroote, where it was resolved to issue 1,300,000 warrants. In 2018, there were 1,294,500 warrants granted at an exercise price of 13.94 euros and 5,500 warrants granted at an exercise price of 16.31 euros.

On 12 April 2019, the company's Board of Directors approved the Warrant Plan 2019 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 13 May 2019 in the presence of notary Barbara Glorieux and her colleague notary Liesbet Degroote. In total 335,000 warrants were issued. In 2019, 110,000 warrants were granted at an exercise price of 17.17 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 incorporated in other employee benefit expenses and amount to 1.2 million euros for the 2019 financial year and 1.0 million euros for the 2018 financial year. The warrants are settled via equity instruments.

In 2019, 335,000 shares (2018: nil) were issued as a result of the exercise of warrants under the Warrant Plan 2016. The number of Fagron shares with voting rights is currently 72,178,904 (2018: 71,843,904). The total number of voting rights (denominator) is currently 72,178,904 (2018: 71,843,904). The authorised capital amounts to 496,496,586.18 euros (2018: 494,192,221.68 euros).

The movements in the number of outstanding warrants under Warrant Plan 2014, Warrant Plan 2016, Warrant Plan 2018, Warrant Plan 2019 and their related weighted average exercise prices are as follows:

	Average exercise price in euros	Number of warrants
Outstanding as at 1 January 2018	**23.87**	**805,000**
Granted	13.94	1,294,500
Granted	16.31	5,500
Forfeited	13.94	–14,500
Forfeited	39.37	–10,000
Outstanding as at 31 December 2018	**17.67**	**2,080,500**
Granted	17.17	110,000
Forfeited	13.94	–130,000
Forfeited	16.31	–3,000
Forfeited	39.37	–405,000
Exercised	7.38	–335,000
Outstanding as at 31 December 2019	**13.94**	**1,317,500**

The weighted average exercise price per share at year-end amounted to 13.94 euros in 2019 (2018: 17.67 euros). All warrant plans are equity settled plans.

As of 31 December 2019, the total number of warrants not yet exercised that could give cause to the issuance of the same number of Company shares amounted to 1,317,500. Their average exercise price amounts to 13.94 euros. Outstanding warrants at year-end have the following expiry dates and exercise prices:

Expiry date	Average exercise price in euros	Number of warrants
2021 – November (Warrant Plan 2016)	7.38	30,000
2021 – July (Warrant Plan 2016)	7.38	25,000
2021 – May (Warrant Plan 2018)	13.94	575,000
2021 – May (Warrant Plan 2018)	16.31	1,250
2022 – May (Warrant Plan 2018)	13.94	575,000
2022 – May (Warrant Plan 2018)	16.31	1,250
2023 – May (Warrant Plan 2019)	17.17	110,000
	13.94	1,317,500

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 Company 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 2019.

During the 2018 and 2019 financial years, no options were expired.

	Average exercise price in euros	Number of stock options
Outstanding as at 1 January 2018	32.82	4,650
Outstanding as at 31 December 2018	**32.82**	**4,650**
Outstanding as at 31 December 2019	**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
2020 – April	32.82	4,650
	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. Costs are recognised using the straight-line method from grant date to exercise date.

Dividends

In 2019, a dividend of 8.6 million euros was made payable (2018: 7.2 million euros). Notwithstanding that the Company announced on 13 February 2020 a dividend proposal of 0.15 euro per share as reflected in the previous version of this annual report of 10 April 2020, the Board of Directors decided on 13 April 2020 to propose to the Annual Meeting to reduce the dividend from 0.15 euro to 0.08 euro per share. A gross dividend of 0.08 euros per share will be proposed for 2019 at the Annual General Meeting of 11 May 2020, which represents a total dividend of 5.774 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 as of 1 January 2018	**–195,967**	**–48,766**	**–377**	**–873**	**12,757**	**–233,226**
Other comprehensive income	0	–11,647	0	–264	0	–11,911
Share-based payments	0	0	0	0	1,025	1,025
Change in non-controlling interest	0	27	0	0	0	27
Balance as of 31 December 2018	**–195,967**	**–60,386**	**–377**	**–1,137**	**13,782**	**–244,085**
Other comprehensive income	0	98	0	0	0	98
Share-based payments	0	0	0	0	1,182	1,182
Change in non-controlling interest	0	0	0	0	0	0
Balance as of 31 December 2019	**–195,967**	**–60,288**	**–377**	**–1,137**	**14,964**	**–242,805**

23 Provisions

(x 1,000 euros)	Taxes	Disputes	Other	Total
Balance as of 1 January 2018	**3,731**	**390**	**8,356**	**12,476**
Additions:				
• Through business combination	0	0	0	0
• Other	1,746	4	0	1,750
Amounts used	–3	–211	–369	–583
Release	0	0	–50	–50
Currency translation differences	–51	–23	240	166
Balance as of 31 December 2018	**5,423**	**160**	**8,177**	**13,759**
Additions:				
• Through business combination	0	0	0	0
• Other	0	114	100	214
Amounts used	0	0	–7,482	–7,482
Release	–526	–67	–419	–1,012
Currency translation differences	–72	–4	250	174
Balance as of 31 December 2019	**4,824**	**203**	**626**	**5,653**

In November 2019, Fagron reached a final settlement with the U.S. Department of Justice regarding the civil investigation into the pricing of pharmaceutical products in the period primarily prior to the acquisition of Bellevue Pharmacy and Freedom Pharmaceuticals. Fagron used 7.5 million euros in provisions in 2019.

24 Pension obligations

Pension obligations and costs

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

(x 1,000 euros)	2019	2018
Defined benefit pension plans	4,727	4,229
Other defined benefit pension plans	1,051	954
Pension obligations	**5,778**	**5,183**

The category “Defined benefit liabilities” include Fagron’s Dutch defined benefit plans held by Fagron Services BV and Spruyt hillen BV. The “Other defined benefit liabilities” include multiple smaller defined benefit plans, which are not further disclosed due to their limited size.

In accordance with IAS19, defined benefit liabilities 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 liabilities.

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)	2019	2018
Present value of defined benefit obligations	22,922	20,218
Fair value of plan assets	–18,195	–15,989
Present value of net defined benefit obligations	4,727	4,229
Net liability arising from defined benefit obligations	**4,727**	**4,229**

Movements in the present value of the defined benefit liabilities 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 as of 1 January 2018	**20,725**	**–16,845**	**3,880**
Pension costs attributed to the year of service			
Interest expense (income)	449	–364	85
Actuarial (gains)/losses:			
• Return on plan assets (excluding interest income)	0	827	827
• Actuarial (gains)/losses arising from changes in demographic assumptions	–203	0	–203
• Actuarial (gains)/losses arising from changes in financial assumptions	–209	0	–209
• Actuarial differences as a result of adjustments in experience	–151	0	–151
Employer contributions			
Plan contribution	–393	393	0
Balance as of 31 December 2018	**20,218**	**–15,989**	**4,229**
Pension costs attributed to the year of service			
Interest expense (income)	439	–346	93
Actuarial (gains)/losses:			
• Return on plan assets (excluding interest income)	0	–2,439	–2,439
• Actuarial (gains)/losses arising from changes in demographic assumptions	–45	0	–45
• Actuarial (gains)/losses arising from changes in financial assumptions	2,889	0	2,889
• Actuarial differences as a result of adjustments in experience	0	0	0
Employer contributions			
Plan contribution	–579	579	0
Balance as of 31 December 2019	**22,922**	**–18,195**	**4,727**

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.

Actuarial assumptions

The principal actuarial assumptions used for the actuarial valuations are:

	31 December 2019	31 December 2018
Weighted average discount rate	1.50%	2.20%
Expected rate of salary increase	N/A	N/A
Expected rate of price inflation	N/A	N/A
Future rate of pension increases actives	1.75%	1.75%

The life expectancy is determined on the basis of the AG2018 Forecast Table.

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 2019	31 December 2018
Interest expense	93	85
Pension costs defined benefit plans recognised in the income statement	**93**	**85**
Actuarial differences on the present value of unfunded liabilities:		
Return on plan assets (excluding interest income)	–2,439	827
Actuarial (gains)/losses arising from changes in demographic assumptions	–45	–203
Actuarial (gains)/losses arising from changes in financial assumptions	2,889	–209
Actuarial differences as a result of adjustments in experience	0	–151
Pension costs defined benefit plans recognised in other comprehensive income	**405**	**264**
Total comprehensive income for the year	**498**	**349**

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 2019 are 0.1 million euros and only concern interest costs.

Sensitivity analysis

The sensitivity analysis shows the sensitivity of the defined benefit obligation on 31 December 2019 and the "pension costs attributed to the year of service" compared to the principal actuarial assumptions.

The following table shows the defined benefit obligation on 31 December 2019 for each principal actuarial assumption compared to the corresponding amounts if the actuarial assumption of the relevant scenarios would be applied. Salary increases are not included in the sensitivity analysis.

	Base scenario	Increase in base scenario	Decrease in base scenario
Weighted average discount rate	1.50%	2.00%	1.00%
Defined benefit obligation	22,922	20,800	25,376
Inflation increase	+1.75%	+2.25%	+1.25%
Defined benefit obligation	22,922	23,460	22,452
Life expectancy	+/– 0 jaar	+ 1 jaar	– 1 jaar
Defined benefit obligation	22,922	23,576	22,262

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 was established 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 December 31, 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 of 31 December 2019. Based on this estimation, it has been established that there are no substantive liabilities. The 2019 employer contribution for these Belgian pension plans amounts to 0.1 million euros (2018: 0.1 million euros). The employee contribution for 2019 is nil (2018: nil); the employee contribution was stopped in 2014. The total amount of the fund investments as of 31 December 2019 amounts to 1.1 million euros (2018: 1.0 million euros).

25 Financial debt and financial instruments

(x 1,000 euros)	2019	2018
Non-current		
Financial lease liabilities	28,189	35
Bank borrowings	322,578	265,682
Other borrowings	40	201
Total non-current	**350,808**	**265,917**
Current		
Financial lease liabilities	6,604	66
Bank borrowings	34,119	63,889
Total current	**40,723**	**63,955**
Total financial debts	**391,531**	**329,872**

(x 1,000 euros)	2019 Financial leases	2019 Bank borrowings	2018 Financial leases	2018 Bank borrowings
Non-current borrowings by term				
More than 1 year but less than 5 years	21,171	322,619	35	261,558
More than 5 years	7,018	0	0	2,163
Total non-current borrowings	**28,189**	**322,619**	**35**	**265,883**

			Non-cash change			
(x 1,000 euros)	2018	Cash flow from financing activities	Additions IFRS 16	Acquisitions/ divestments	Exchange rates	2019
Non-current borrowings	265,917	47,932	35,020	160	1,778	350,808
Current borrowings	63,955	–31,340	6,720	1,149	239	40,723
Total borrowings	**329,872**	**16,592**	**41,740**	**1,309**	**2,017**	**391,531**

The cash flow from financing activities for the non-current borrowings consists of 392 million euros in borrowings and 344 million euros in reimbursement of borrowings. Of the current borrowings, 27 million euros consist of borrowings and 58 million euros in reimbursement of borrowings.

Bank borrowings and financial instruments

The book value of the bank borrowings is expressed in euros. The effective interest rate on the balance sheet date on 31 December 2019 was 2.50% (2018: 2.80%). The increase in the loans (in total) is due to higher drawdowns on the multi-currency facility. The decrease in current borrowings is the result of the reimbursement of privately placed USPP loans.

Privately placed loans

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. The Series A, Series B Notes, Series C Notes, Series D Notes and Series E 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.

Financial covenants privately placed loans

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

Sustainable syndicated credit facility

On 1 August 2019, Fagron refinanced the existing bank loans. The old multi-currency and term loan facilities were repaid through a new (sustainable) syndicated credit facility consisting of a credit line of 245 million euros and a term loan facility of 130 million euros. The term of the new financing is 5 years with the option to extend twice for a year. The new credit lines have been agreed on improved terms and conditions and offer Fagron more flexibility and lower financing expenses.

Financial covenants syndicated credit facility

Test period	Net financial debt/REBITDA	REBITDA/net interest expenses
Semi-annual test periods (June/December)	Max. 3.50x	Min. 4.00x

At the end of 2019, an amount of 140 million euros had been withdrawn under the syndicated credit facility (2018: 131 million euros). In addition to these financial covenants and as is the case with the privately placed loans, the EBITDA of the Guarantors must be at least 70 percent of the Group's consolidated EBITDA.

The credit facility is a so-called Sustainability Linked Loan, whereby the interest is linked to Fagron's sustainability aim to reduce greenhouse emissions (Scope 1 and Scope 2 of the GHG protocol) in six years by 30%. Based on the annual progress measured, a discount or an addition can be applied to the credit facility's interest rate.
From 2020, the sustainability aim to reduce Fagron's greenhouse emissions by 30% in six years also linked to the variable remuneration for management.

In 2018, Fagron used financial derivatives in order to hedge the interest risk for 42.5 million dollars of financing. 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 term to maturity of the financial derivatives runs until March 2021.

The fair value of financial derivatives at year-end 2019 was -0.5 million euros (2018: -0.1 million euros). In 2019, the fair value of the derivatives decreased as a result of the lower interest rate in the U.S. (3m Libor).

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 loans concluded by Fagron:

Company name of guarantors	
ACA Pharma NV	Fagron Sp. Z.o.o.
Arseus Belgie NV	Freedom Pharmaceuticals Inc.
B&B Pharmaceuticals Inc.	Galfarm Sp. z.o.o.
Fagron Belgium NV	Pharma Cosmetic K.M. Adamowicz Sp. Z.o.o.
Fagron GmbH & Co KG	Pharmaline BV
Fagron Inc.	SM Empreendimentos Farmaceuticos Ltda
Fagron Nederland BV	Spruyt hillen BV

26 Trade payables

(x 1,000 euros)	2019	2018
Payables	71,894	62,701
Investment payables	5,409	1,217
Trade payables	**77,303**	**63,918**

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 be explained, in particular, by acquisitions.

27 Other current payables

(x 1,000 euros)	2019	2018
Prepayments	23	77
Other payables	36,796	22,995
Accrued expenses	5,028	5,467
Other current payables	**41,847**	**28,538**

The other debts relate to amounts still to be paid for existing participations (subsequent payments) for 32.9 million euros (2018: 20.0 million euros). This explains the increase compared to 2018.

The accrued expenses include an amount of 1.6 million euros (2018: 1.9 million euros) related to interest still to be paid. The remainder of this item concerns various accruals and deferrals.

The debts generally have due dates that are close to each other. The reported values approximate their fair values.

28 Leases

IFRS 16 "Leases" concerns the new standard for leases, as described in note 2, from 1 January 2019. Fagron has applied the modified retrospective method for the implementation of IFRS 16, without adjusting comparative figures for 2018. Fagron elects to use the exemptions for lease agreements where the lease period ends within 12 months after the date of first application and lease agreements where the underlying assets have a low value. The incremental loan rate applied to the opening balance sheet as at 1 January 2019 amounts to between 0.7% and 8.92%, depending on the region where Fagron is active.

The reclassifications and adjustments resulting from the application of the new lease rules have been incorporated in the opening balance sheet as at 1 January 2019, whereby the lease assets and lease liabilities have increased by 38.1 million euros. Due to the application of IFRS 16, the net financial debt/REBITDA ratio changed from 2.63 to 2.81 as at 1 January 2019.

Adjustments as a result of the application of IFRS 16 are as follows:

(x 1,000 euros)	
Operating leasing liabilities as at 31 December 2018	42,928
Reduced by lessees incremental lending rate on the date of initial application	–4,642
Added: financial lease liability recognised as at 31 December 2018	101
Reduced: short-term lease recognised as operational costs	–167
Reduced: low-value lease recognised as operational costs	–6
Lease liabilities as at 1 January 2019	**38,214**

Opening balance sheet of the leases on 1 January 2019 and closing balance sheet of 31 December 2019.

(x 1,000 euros)	31 December 2018	Initial valuation under IFRS 16	Opening balance sheet of leases on 1 January 2019	Closing balance sheet of leases on 31 December 2019
Assets				
Buildings & land	87	36,012	36,099	31,857
Machinery & installations	35	613	648	515
Furniture and vehicles	14	1,489	1,503	1,229
Total lease assets	**137**	**38,113**	**38,250**	**33,601**
Liabilities				
Lease liabilities - non-current	35	31,874	31,909	28,189
Lease liabilities - current	66	6,239	6,305	6,604
Total lease liabilities	**101**	**38,113**	**38,214**	**34,793**

(x 1,000 euros)	2019
Depreciation and amortisation	
Buildings & land	6,715
Machinery & installations	291
Furniture and vehicles	755
Total depreciation	**7,761**
Costs related to low-value leases	24
Costs related to short-term leases	845
Costs related to variable costs	7
Financial expenses	1,268

29 Total adjustments for non-cash items

(x 1,000 euros)	2019	2018
Amortisation of intangible fixed assets	9,141	7,629
Depreciation of property, plant and equipment	16,821	8,608
Write down on inventories and receivables	3,356	3,338
(Profit)loss on sale of fixed assets	–273	–220
Movements in provisions	–7,442	–543
Share-based payments	1,182	1,025
Total adjustments for non-cash items	**22,785**	**19,837**

30 Total changes in working capital

(x 1,000 euros)	2019	2018
Changes in operational working capital	4,853	–11,821
Changes in other working capital	–4,963	4,094
Total changes in working capital	**–110**	**–7,727**

31 Contingencies

Fagron faces 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 PLN 4 million was issued for the February 2017 period. Fagron objected to the imposed assessment and has appealed this decision to the administrative court. After the legal proceedings, the highest administrative court ruled in favour of Fagron in December 2019, which is considered to be final. An assessment of 3.6 million PLN was imposed at the other company. Fagron objected to the imposed assessment, which was rejected. In October 2019, Fagron appealed to the administrative court against this pronouncement.

Fagron received a tax assessment of 15.4 million euros in July 2018 regarding the amortisation of goodwill due to mergers in Brazil. We are disputing this assessment. Fagron objected to the imposed assessment and has not made any provision in this regard.

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 23).

32 Related parties

The overall remuneration package for members of the Executive Committee and the CEO individually, as well as the non-executive directors, is shown below for the financial years 2019 and 2018:

(x 1,000 euros)	Fixed remuneration component	Variable remuneration component	Other remuneration components[1]
2018 financial year			
Rafael Padilla, CEO	458	270	14
Executive Committee, including the CEO	968	369	75
Non-executive members of the Board of Directors	369	0	0
2019 financial year			
Rafael Padilla, CEO	475	280	13
Executive Committee, including the CEO	1,004	400	67
Non-executive members of the Board of Directors	339	0	0

[1] Includes costs for pensions, insurance and the cash value of the other benefits in kind.

The variable remuneration component regards the bonus realised over the course of 2019 that is paid out in 2020. 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 2019, there were no stock options and no warrants granted to the members of the Executive Committee, in the composition in effect on 31 December 2019. In 2019, Mr Padilla and the other members of the Executive Committee exercised 117,500 warrants. In 2019, 285,000 warrants owned by Mr Padilla and the other members of the Executive Committee expired. The members of the Executive Committee, in the composition in effect on 31 December 2019, together hold 437,500 stock options and warrants.

33 Business combinations

Fagron completed a number of acquisitions in the 2019 financial year. Full control was acquired from all companies.

Fair value of the acquired Humco assets and liabilities

Fagron acquired the American company Humco in April 2018. The acquisitions were paid with approximately 57.6 million euros of cash and cash equivalents, representing an increase in goodwill of 44.4 million euros. Humco was included in the consolidated figures as of April 2018. Humco is a leading developer, manufacturer and supplier of patented vehicles (means of administering) and pharmaceutical brand products.

(x 1,000 euros)	2019	2018
Intangible fixed assets	6,632	6,632
Property, plant and equipment	4,656	993
Deferred tax liabilities	160	160
Inventories	4,707	4,626
Trade receivables	2,944	3,137
Other receivables	321	293
Cash and cash equivalents	996	996
Total assets	**20,416**	**16,837**
Lease liabilities	3,362	
Trade payables	2,153	2,153
Other current payables	1,483	1,483
Total liabilities	**7,298**	**3,636**
Net acquired assets	**13,118**	**13,201**
Goodwill	44,495	44,410
Total acquisition amount	**57,611**	**57,611**

Fair value of the acquired assets and liabilities of other companies in Brazil and Czech Republic

The activities acquired in 2019 in Brazil and Czech Republic were paid with approximately 15.8 million euros of cash and cash equivalents, representing an increase in goodwill of 14.4 million euros. The goodwill is expected to not be tax-deductible. The final fair value of the acquired assets and liabilities is detailed below.

(x 1,000 euros)	2019
Intangible fixed assets	4
Property, plant and equipment	3,393
Other non-current assets	12
Deferred tax liabilities	183
Inventories	2,815
Trade receivables	1,072
Other receivables	130
Cash and cash equivalents	715
Total assets	**8,919**
Borrowings	994
Trade payables	2,326
Other current payables	4,185
Total liabilities	**7,505**
Net acquired assets	**1,242**
Goodwill	14,354
Total acquisition amount	**15,769**

Fair value of the acquired assets and liabilities of Cedrosa

For the acquisition of Cedrosa in Mexico in 2019, approximately 20.8 million euros were paid in cash and cash equivalents, representing an increase in goodwill of 8.0 million euros. The goodwill is expected to not be tax-deductible. The final fair value of the acquired assets and liabilities is detailed below.

(x 1,000 euros)	2019
Intangible fixed assets	6,187
Property, plant and equipment	678
Inventories	5,645
Trade receivables	3,238
Other receivables	124
Cash and cash equivalents	639
Total assets	**16,512**
Borrowings	1,045
Lease liabilities	359
Trade payables	1,227
Other current payables	1,079
Total liabilities	**3,709**
Net acquired assets	12,803
Goodwill	7,971
Total acquisition amount	**20,774**

At the end of the year, the Group had an amount of approximately 32.9 million euros in liabilities outstanding to former shareholders, which were determined on the basis of business plans at the time of acquisition, see also Note 27.

The deferred payments for business combinations relate to Mexico, Brazil, Croatia and the United States. It is expected that these will be paid in 2020 and 2021.

The deferred payments for business combinations range from 0 euros to a maximum of 32.9 million euros. The retrospective payments are valued at fair value at the moment of acquisition. This is estimated based on the maximum compensation if the conditions are met. The current expectation is that the remunerations will be paid on the expiration dates.

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

The statutory Auditor of the Company is Deloitte Bedrijfsrevisoren, represented by Mrs Ine Nuyts.

(x 1,000 euro)	2019	2018*
Audit fee for the Group audit		
Fagron Group	463	476
Remuneration for Deloitte Bedrijfsrevisoren	343	287
Remuneration for parties linked to Deloitte Bedrijfsrevisoren	120	189
Remuneration for additional services rendered by the Statutory Auditor to Fagron		
Other audit assignments	6	13
Other non-auditing assignments	2	8
Remuneration for additional services rendered by parties linked to the Statutory Auditor		
Tax advisory assignments		48
Other non-auditing assignments	96	108

* In 2018, PriceWaterhouseCoopers LLC audited the companies.

35 Significant events after the balance sheet date

1. Acquisition of Gako

At the end of January 2020, Fagron completed the acquisition of the activities of the German company Gako. Gako is a leading global developer, manufacturer and supplier of mixing equipment that pharmacists can use for the compounding of semi-solid dermatological formulations (primarily creams and ointments) directly in the final packaging or in bulk packaging. In 2019 Gako generated turnover of 4.5 million euros with an EBITDA margin of approximately 15%. The acquisition price for the Gako activities was 5.7 million euros with the transaction comprising all the technologies, scientific data, and patents and trademarks, as well as the Gako production facility in Bamberg (Germany).

2. COVID-19

Since the start of 2020, the impact of the COVID-19 virus has created a new reality. This applies both to the set-up of our operations and the demand for and availability of our products. At the time of publication of these financial statements, we classify the ultimate impact of COVID-19 virus on the performance of Fagron as immaterial. The impact in the medium to long term is currently difficult to predict, because in many of the markets in which we operate, the virus is still in the midst of the outbreak phase. The COVID-19 virus therefore represents an uncertainty and a risk to the company's financial performance.

Fagron's priority is fully focused on the safety of all our employees and ensuring the continuity of our activities to maximise the facilitation of physicians, pharmacists and nursing staff. The measures taken to ensure the safety of our employees and the continuity of our work are continuously evaluated and adjusted if necessary. The policy and advice of the various (inter)national authorities are leading in this regard.

At the time of the publication of these financial statements, all Fagron activities are operational in Europe, North America, Latin America and South Africa, all sites are supplied and deliveries to customers are proceeding as agreed. For the few products where we see supply problems arise, alternative sourcing is sought in other countries or via distributors. We also see a (temporary) shift in demand for COVID-19-related products, including protective materials, products to protect the immune system, pain relief (paracetamol powders) and choloquine (as a treatment). Due to a strong increase in demand, we are seeing shortages of certain products arise. As a result of the measures taken by countries at national level, unnecessary interventions in hospitals and clinics, and visits to prescribers are postponed. This has resulted in a decrease in demand for products in segments such as dermatology and ophthalmology.

The global degree of uncertainty about the impact of the COVID-19 virus for the remainder of the year does not allow for a proper concrete estimate of the impact on Fagron's activities and results for 2020. Taking into account the current situation and facts and circumstances known at this time, we believe that the effects of the virus will not have a material adverse impact on our financial condition or liquidity.

36 Additional notes

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

Fagron Services BV has a liability in the amount of 0.5 million euros, the initial mortgage loan amounts to 2.0 million euros. The Group does not have any material liabilities 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
Infinity Pharma BV
Fagron Holding NL BV
Pharmaline BV
Pharma Assist BV
Spruyt hillen BV
Twipe BV

3. Exemption from a German subsidiary:

Fagron GmbH & Co KG in Barsbuttel (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.

37 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 Cocais 300 – Jardim Oriental, 04347-170 São Paulo (Brazil)	100.0%
AnazaoHealth Inc.	5710 Hoover Boulevard, 33634 Tampa, Florida (United States)	100.0%
A Apace Embalagens Em Vidro E Plastico Ltda	Rua Gustavo da Silveira, nº 164, Vila Santa Catarina (Brazil)	100.0%
ApodanNordic PharmaPackaging A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen (Denmark)	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.	8591 Prairie Trail Drive, 80112 Englewood, Colorado (United States)	100.0%
Central de Drogas S.A. de C.V.	Atenco 17, La Perla, Alce Blanco, 53348 Naucalpan de Juárez (Mexico)	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%
Dr Kulich Pharma S.R.O	Piletická 178/61, 500 03 Hradec Králové (Czech Republic)	100.0%
Dynaceuticals Ltd	55 14th Avenue, Northcliff, Gauteng (South Africa)	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 Belgium 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 Canada Inc.	1 Place Ville-Marie, Porte 1300, H3B 0E6, Montréal, Quebec (Canada)	100.0%
Fagron Colombia SAS	Calle 90 19A-49 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 Supplies Australia Pty Ltd	Atkinson Road 2/16, Taren Point, 2229 Sydney (Australia)	100.0%
Fagron Essentials Holding LLC	2400 Pilot Knob Road, 55120 St. Paul, Minnesota (United States)	100.0%
Fagron Genomics S.L.U.	Carrer de Josep Tapiolas 150, 08226 Terrassa (Spain)	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 Hrvatska d.o.o.	Donjozelinska ul. 114, 10382 Donja Zeline (Croatia)	100.0%
Fagron Holding NL BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	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%
Fagron Lékárna Holding s.r.o.	Holická 1098/31M, 77900 Olomouc (Czech Republic)	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 Sarl	Intendente Neyer 924, B1643 Beccar (Argentina)	100.0%
Fagron SAS	37 Rue Helene Muller, 94320 Thiais (France)	100.0%
Fagron Services Brazil Ltda	Via Primaria 5D, Daia, 75132-120 Anapolis (Brazil)	100.0%
Fagron Services BV	Molenwerf 13, 1911 DB Uitgeest (The Netherlands)	100.0%
Fagron SH Ltd	2315 Ocean Tower, 550 Yan An East Road, 200001 Shanghai, (China)	100.0%
Fagron South Africa Ltd	55 14th Avenue, Northcliff, Gauteng (South Africa)	100.0%
Fagron Sp. z o.o	Ul. Pasternik 26, 31354 Krakau (Poland)	100.0%
Fagron Steriele Bereidingsapotheek BV	Siemensstraat 4, 7903 AZ Hoogeveen (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%
Fagron Verwaltungsgesellschaft mbH	Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)	100.0%
Florien Fitoativos 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%
Galfarm Sp. z.o.o.	Ul. Przemystowa, 12, 30701 Krakow (Poland)	100.0%
HL Technology SA	Rue Jardiniere 153, 2300 La Chaux-de-Fonds (Switzerland)	0.0%
Humco Holding Group Inc.	201 W. 5th Street, 12th floor, 78701 Austin, Texas (United States)	100.0%
Humco Qsub 1 Inc.	7400 Alumax Drive, 75501 Texarkana, Texas (United States)	100.0%

Name	Address	Ownership
Infinity Pharma BV	Steenovenweg 15, 5708 HN Helmond (The Netherlands)	100.0%
JCB Laboratories LLC	7335 W. 33rd Street. North, 67205 Wichita, Kansas (United States)	100.0%
Jupiter Health Holding LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Levviale Industria de Insumos Farmacêuticos Ltda	VP - 1D - Quadra 2 - Módulos 3 e 4 - D.A.I.A., Anápolis - GO, 75132-035 (Brazil)	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%
Ortofarma Laboratorio de Controle de Qualidade LTDA	BR 040 – Empresarial Park Sul 39, 36120-0100 - Matias Barbosa / MG (Brazil)	100.0%
Pharma Assist BV	Dieselstraat 3, 7903 AR Hoogeveen (The Netherlands)	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%
Pierson Laboratories Inc.	7400 Alumax Drive, 75501 Texarkana, Texas (United States)	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 Olimpiadas 66, 7th floor - Vila Olimpia, 04555-010 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

Statutory auditor's report to the shareholders' meeting of Fagron NV for the year ended 31 December 2019 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Fagron NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report, issued after the decision of the board of directors to revise the dividend, replaces our audit report dated 10 April 2020 and includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.
We were appointed in our capacity as statutory auditor by the shareholders' meeting of 13 May 2019, in accordance with the proposal of the board of directors ("bestuursorgaan" / "organe d'administration") issued upon recommendation of the audit committee. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2021. We have audited the consolidated financial statements of Fagron NV for the first time during the financial year referred to in this report.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 801 240 (000) EUR and the consolidated income statement shows a profit for the year then ended of 41 540 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2019 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.
We believe that the audit evidence 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.

Key audit matters	How our audit addressed the key audit matter
Goodwill – impairment testing	
Goodwill amounts to 389 326 (000) EUR and represents 49% of the total consolidated statement of financial position at 31 December 2019. Goodwill is tested annually for impairment at the level of cash generating units. The key judgments are the discount rate, the long term growth rate, the gross margin growth rate and future results. We consider the annual impairment test of goodwill as a key audit matter because of the complexity and the fact that a high level of management judgment is involved. We focused our impairment assessment on the Fagron US Essentials and Brands and Fagron US Sterile Services cash generating units. The 2019 impairment assessment did not result in an additional impairment. We refer to note 4 and 16 to the consolidated financial statements.	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 assessed the historical accuracy of management's forecasts. We also assessed the adequacy of the disclosures on goodwill and related assumptions in the consolidated financial statements. We specifically focused on the sensitivity by evaluating whether a reasonably possible change in assumptions could result in an impairment.
Taxes – provisions for uncertain tax positions	
The company is subject to income tax in numerous jurisdictions. There are transactions for which the ultimate tax position is uncertain and which requires significant judgment to determine the provision for income tax. In those cases where the amount of tax payable is uncertain, the company establishes provisions based on its judgment of the probable amount of the payable. Some subsidiaries of the group are currently subject to tax audits and local enquiries usually in relation to prior years. Investigations and negotiations with local tax authorities can take considerable time to conclude. Due to the level of judgment involved and the uncertain nature of the tax positions, we consider this to be a key audit matter in our audit. We refer to note 4, 19 and 31 to the consolidated financial statements.	We obtained a detailed understanding of the key technical tax issues and risks related to business and legislative developments. We assessed the status of ongoing local tax authority audits using, where applicable, experts. We evaluated and challenged management's judgment in respect of estimates of tax exposures and contingencies. We considered correspondence with tax authorities and also assessed legal opinions from third party tax advisors who act on behalf of the company. We also assessed the adequacy of the disclosures to the consolidated financial statements.

Other matters

The consolidated financial statements for the previous financial year were audited by another statutory auditor who has issued an unqualified opinion.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) 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 to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor 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 a statutory 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 ISA 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.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism 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 an 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 use of the going concern basis of accounting by the board of directors 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, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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 regarding, amongst 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 with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, 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 report unless law or regulation precludes any public disclosure about the matter.

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 statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements, are free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement.

The non-financial information as required by article 3:32, § 2 of the Code of companies and associations, has been disclosed in a separate report that is part of section "Our responsibility" of the annual report. This statement on non-financial information includes all the information required by article 3:32, § 2 of the Code of companies and associations and is in accordance with the consolidated financial statements for the financial year then ended. The non-financial information has been established by the company in accordance without the use of a recognised framework.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Antwerp, 16 April 2020

The statutory auditor
Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Ine Nuyts

Cleanroom at Fagron Sterile Services U.S.

Statutory Financial Statement

Condensed stand-alone income statement Fagron NV

(x 1,000 euros)	2019	2018
Operating income	**2,255**	**5,611**
Turnover	0	0
Other operating income	2,255	5,611
Non-recurring operating income	0	0
Operating expenses	**2,996**	**6,355**
Trade goods, raw and auxiliary materials	0	0
Services and other goods	2,710	3,264
Employee benefit expenses	204	3,012
Depreciation and amortisation	3	12
Provisions for risks and costs	–5	–8
Other operating expenses	9	1
Non-recurring operating expenses	74	74
Operating result	**–741**	**–744**
Financial result	**35,732**	**15,862**
Recurring financial result	35,732	15,862
Non-recurring financial result	0	0
Profit for the financial year before taxes	**34,990**	**15,118**
Tax on the result	119	0
Net result for the financial year	**34,872**	**15,118**

Condensed stand-alone balance sheet Fagron NV

(x 1,000 euros)	2019	2018
Non-current assets		
Formation expenses	0	0
Intangible fixed assets	0	4
Property, plant and equipment	0	0
Financial fixed assets	498,072	498,072
Current assets	**225,765**	**225,129**
Debtors due after one year	0	0
Inventories and orders in progress	0	0
Debtors due within one year	203,230	194,161
Investments	2,003	1,480
Cash and cash equivalents	19,295	28,264
Accrued expenses	1,237	1,224
Total assets	**723,837**	**723,205**
Equity	**534,748**	**503,178**
Capital	496,497	494,192
Share premiums	168	0
Legal reserves	2,867	1,124
Unavailable reserves	2,003	1,480
Available reserves	33,213[1]	6,382
Retained earnings	0	0
Provisions and deferred tax	**0**	**5**
Provision for other risks	0	5
Liabilities	**189,089**	**220,022**
Creditors due after one year	53,409	52,402
Creditors due within one year	134,921[1]	166,365
Accrued expenses	759	1,255
Total liabilities	**723,837**	**723,205**

[1] Change as a result of the reduction of the dividend from 0.15 euro per share to 0.08 euro per share as explained on page 35.

Appropriation of results Fagron NV

(x 1,000 euros)	2019	2018
Profit to be appropriated	**34,872**	**15,118**
Profit for the year to be appropriated	34,872	15,118
Profit carried forward from the previous year	0	0
Transfers from capital and reserves	**0**	**0**
From the capital and share premiums	0	0
From the reserves	0	0
Addition to capital and reserves	**29,098**	**6,497**
To the legal reserves	1,744	756
To the other reserves	27,354[1]	5,741
Profit to be carried forward	**0**	**0**
Profit to be carried forward	0	0
Profit to be distributed as dividends	**5,774**	**8,621**
Dividend	5,774[1]	8,621

[1] Change as a result of the reduction of the dividend from 0.15 euro per share to 0.08 euro per share as explained on page 35.

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 Company Code.

Statutory financial statements of Fagron NV

As required under Article 3.17 of the Belgian Company 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 Fagron NV statutory financial statements for the 2019 financial year.

Alternative performance indicators

In addition to the terms as defined in IFRS, this interim financial information also includes other terms. These “alternative performance indicators” are set out below:

(x 1,000 euros)	Note	2019	2018
Operating profit (EBIT)		84,388	73,472
Depreciation and amortisation		29,319	19,575
EBITDA		**113,706**	**93,047**
EBITDA		113,706	93,047
Non-recurrent result		3,294	6,012
REBITDA		**117,001**	**99,059**
Net financial debt			
Non-current financial debt		322,619	265,883
Non-current lease liabilities		28,189	35
Current financial debt		34,119	63,889
Current lease liabilities		6,604	66
Cash and cash equivalents		106,684	77,579
Net financial debt		**284,847**	**252,294**

The non-recurrent result mainly relates to the settlement reached in 2019 with the former owner of AnazaoHealth in the United States, redundancy costs and acquisition costs.

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 profit	*Result of operating activities*, EBIT (‘Earnings Before Interests and Taxes’)
Gross margin	Turnover less acquired *trade goods, raw and auxiliary materials* and adjusted for *changes in inventories and work in progress* as a percentage of turnover
EBIT	‘Earnings Before Interests and Taxes’, *Profit (loss) from operating activities*
EBITDA	‘Earnings Before Interests, Taxes, Depreciations and Amortisations’, *Profit (loss) from operating activities* plus depreciations and amortisations, including write-downs on inventories and receivables
Financial result	*Net financing costs, balance of financing income and financing costs*
Net operational capex	Net capital expenditures, *intangible assets and property, plant and equipment (excluding acquisitions) that have been acquired and manufactured, less sold assets*
Net financial debt	*Non-current and current financial liabilities, less cash and cash equivalents (excluding financial instruments)*
Non-recurring items	*One-off revenue and expenses not related to ordinary operations*
Net result	*Profit (loss) for the reporting period*, consolidated result
Operational working capital	*Inventories + Trade receivables – Trade payables*
REBITDA	‘Recurring Earnings Before Interests, Taxes, Depreciations and Amortisations’, *Profit (loss) from operating activities* plus depreciations and amortisations and adjusted for all non-recurring items
Recurrent net profit	*Profit (loss) for the reporting period*, adjusted for non-recurring items

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 this annual report, the latter prevails.

Colophon

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