



Interim Financial Statements

First semester of 2021





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The undersigned hereby declare that, to the best of their knowledge, the condensed consolidated financial statements for the six-month period ended 30 June 2021, which have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the company and the undertakings included in the consolidation as a whole, and that the interim management report includes a fair review of the important events that have occurred during the first semester of the financial year and of other legal necessary information.

Rafael Padilla, CEO

Karin de Jong, CFO



1. Interim management report

A detailed report on the turnover of the first six months of 2021 can be found in the Fagron press release of the 5th of August 2021.

2. Condensed consolidated income statement

(x 1,000 euros)	Note	June 2021	June 2020
Operating income		279,334	279,330
Turnover		276,587	278,750
Other operating income	8	2,747	580
Operating expenses		238,619	233,134
Trade goods		114,997	112,193
Services and other goods	9	41,724	42,586
Employee benefit expenses		66,218	62,300
Depreciation and amortization		14,584	15,084
Other operating expenses		1,096	971
Operating profit		40,715	46,196
Financial income		653	453
Financial expenses		-6,749	-7,625
Profit before income tax		34,619	39,024
Taxes	22	7,670	7,466
Net result		26,949	31,559
Attributable to:			
Equity holders of the company (net result)		26,757	31,266
Non-controlling interest		191	293
Earnings (loss) per share from continued and discontinued operations attributable to the shareholders during the period			
Profit (loss) per share (in euros)	10	0.37	0.44
Diluted profit (loss) per share (in euros)	10	0.37	0.44



3. Condensed consolidated statement of comprehensive income

(x 1,000 euros)	June 2021	June 2020
Net result for the period	26,949	31,559
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	12,158	-41,462
Other comprehensive income for the period	12,158	-41,462
Total comprehensive income for the period	39,107	-9,904
Attributable to:		
Equity holders of the company	38,773	-9,973
Non-controlling interest	334	69

The unrealized currency translation differences of 12.2 million euros in the first six months of 2021 are mainly due to the strengthening of the Brazilian real and the US dollar against the euro at 31 December 2020.

The unrealized currency translation differences in 2020 of -41.5 million euros were mainly due to the weakening of the Brazilian real against the euro at 31 December 2019.



4. Condensed consolidated statement of financial position

(x 1,000 euros)	Note	June 2021	December 2020
Non-current assets		546,325	530,943
Goodwill	13	377,749	364,654
Intangible fixed assets		22,983	24,513
Property, plant and equipment		89,899	86,188
Leasing and similar rights		31,560	32,437
Financial fixed assets		3,026	2,340
Deferred tax assets		21,108	20,811
Current assets		248,721	221,883
Inventories		96,597	79,794
Trade receivables		53,716	42,140
Other receivables		17,997	15,702
Cash and cash equivalents		80,411	84,248
Total assets		795,046	752,826
Equity		292,497	257,819
Shareholders' equity (parent)		287,451	253,107
Non-controlling interest		5,046	4,712
Non-current liabilities		329,192	294,751
Provisions		1,728	3,394
Pension obligations		4,847	4,781
Deferred tax liabilities		2,168	2,128
Borrowings	14	294,654	256,900
Lease Liabilities		25,796	27,548
Financial instruments			
Current liabilities		173,357	200,256
Borrowings	14	18,982	64,440
Lease liabilities		7,769	6,650
Trade payables		84,670	72,252
Tax liabilities for the current year		8,389	8,635
Other current taxes, remuneration and social security		26,744	22,938
Other current payables	18	25,654	24,930
Financial instruments		1,147	411
Total liabilities		502,549	495,007
Total equity and liabilities		795,046	752,826



5. Condensed consolidated statement of changes in equity

(x 1,000 euros)	Share capital & share premium	Other reserves	Treasury shares	Retained earnings	Total	Non-control-ling interest	Total equity
Balance as of 1 January 2020	510,142	-242,805	-18,823	-6,486	242,028	4,413	246,440
Profit for the period				31,266	31,266	293	31,559
Other comprehensive income		-41,238			-41,238	-224	-41,462
Total comprehensive income for the period		-41,238		31,266	-9,973	69	-9,904
Declared dividends				-5,774	-5,774		-5,774
Share-based payments		563			563		563
Balance as of 30 June 2020	510,142	-283,480	-18,823	19,005	226,844	4,482	231,326
Profit for the period				28,335	28,335	143	28,478
Other comprehensive income		-6,874			-6,874	87	-6,787
Total comprehensive income for the period		-6,874		28,335	21,461	230	21,691
Capital increase	3,845				3,845		3,845
Declared dividends							
Share-based payments		957			957		957
Balance as of 31 December 2020	513,987	-289,397	-18,823	47,340	253,107	4,712	257,819
Profit for the period				26,757	26,757	191	26,949
Other comprehensive income		12,016			12,016	142	12,158
Total comprehensive income for the period		12,016		26,757	38,773	334	39,107
Capital increase	6,798				6,798		6,798
Declared dividends				-13,046	-13,046		-13,046
Share-based payments		1,819			1,819		1,819
Balance as of 30 June 2021	520,785	-275,562	-18,823	61,051	287,451	5,046	292,497



6. Condensed consolidated cash flow statement

(x 1,000 euros)	Note	June 2021	June 2020
Operating activities			
Profit before income taxes from continued operations		34,619	39,024
Taxes paid		-9,499	-9,900
Adjustments for financial items		6,097	7,172
Total adjustments for non-cash items	16	16,202	15,635
Total changes in working capital	17	-16,152	-24,764
Total cash flow from operating activities		31,265	27,167
Investment activities			
Capital expenditure		-9,152	-9,991
Investments in existing shareholdings (subsequent payments) and in new holdings		-4,495	-8,888
Total cash flow from investment activities		-13,647	-18,878
Financing activities			
Capital increase		6,798	
Dividends paid		-8,468	-3,638
New borrowings		51,173	46,000
Reimbursement of borrowings		-65,739	-28,762
Interest received		268	453
Interest paid		-7,397	-8,695
Total cash flow from financing activities		-23,366	5,358
Total net cash flow for the period		-5,747	13,646
Cash and cash equivalents – start of the period		84,248	106,684
Gains (or losses) from currency translation differences		1,909	-7,864
Cash and cash equivalents – end of the period		80,411	112,467
Changes in cash and cash equivalents		-5,747	13,646



7. Notes to the interim financial information

1. General information

Fagron is a leading global company active in pharmaceutical compounding, focusing on delivering personalized medicine to hospitals, pharmacies, clinics, and patients in 35 countries around the world.

The Belgian company Fagron NV is located in Nazareth and is listed on Euronext Brussels and Euronext Amsterdam under the ticker symbol 'FAGR'. Fagron's operational activities are driven by 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 the 3rd of August 2021.

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

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

This condensed consolidated interim financial information for the first six months of 2021, including the comparative figures for 2020, has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information must be read in conjunction with the 2020 annual report (including the principles for financial reporting) which are available at www.fagron.com.

3. Summary of the most important accounting policies

The most important accounting policies used to prepare the consolidated interim financial statements for the first semester of 2021 are consistent with those applied in the Fagron consolidated financial statements for the year ended 31 December 2020.

A summary of the most important accounting policies can be found in the 2020 annual report. The annual report can be consulted on www.fagron.com.

This condensed consolidated interim financial information has been prepared in accordance with IFRS standards and IFRIC interpretations that apply, or which are applied early, as of 30 June 2021 and which have been endorsed by the European Union.

Standards and interpretations applicable for the annual period beginning on or after 1 January 2021

- Amendments to IAS 1 and IAS 8 Definition of Material
- Amendments to IFRS 3 Business Combinations: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform – Phase 1
- Amendments to references to the Conceptual Framework in IFRS standards



Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2021:

- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Amendment to IFRS 4 Insurance Contracts – deferral of IFRS 9 (applicable for annual periods beginning on or after 1 January 2021)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (applicable for annual periods beginning on or after 1 January 2021)
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions (applicable for annual periods beginning on or after 1 June 2020)
- Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)

Fagron has determined that the application of these changes to these standards does not have any material effect on these interim financial statements.

4. Seasonality

Turnover and operating result of Fagron are limitedly impacted by seasonal influences.



8. Other operating income

The increase in other operating income is largely due to a release of contingent consideration related to acquisitions in Latin America.

9. Services and other goods

(x 1,000 euros)	June 2021	June 2020
Sales and distribution costs	15,804	15,210
Contracted Services	11,546	12,793
Other services and goods	14,374	14,583
Total services and other goods	41,724	42,586

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

10. Earnings per share

(x 1 euro)	June 2021	June 2020
Basic earnings (loss) per share	0.37	0.44
Diluted earnings (loss) per share	0.37	0.44

The earnings used in the calculations are as follows:

(x 1,000 euros)	June 2021	June 2020
Profit (loss) attributable to equity holders of the company	26,757	31,559

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

(Number of shares x 1,000)	June 2021	June 2020
Weighted average number of ordinary shares	72,430	72,075
Effect of warrants and stock options	155	385
Weighted average number of ordinary shares (diluted)	72,585	72,460

On 30 June 2021, the capital represented 72,960,154 shares, of which 103,627 are treasury shares held by Fagron NV.

11. Non-recurring result

A non-recurring item is an event or transaction that is considered abnormal, not related to ordinary company activities, and unlikely to recur in the foreseeable future. This can be a gain or a loss. The total non-recurring result included in EBITDA amounts to -0.7 million euros (June 2020: -1.7 million euros). In 2021, non-recurring costs



include primarily restructuring costs and release of contingent consideration related to acquisitions in Latin America. The 2020 non-recurring costs included primarily restructuring costs and acquisition costs.

12. Segment information

Fagron's divisional structure is tailored to the various activities of Fagron and supports also effective decision-making and individual responsibility. This is in accordance with IFRS 8, which states that the operational segments must be determined based on the components used by the Global Leadership Team to assess the performance of the operational activities and on which the decisions are based. Fagron reports according to the following segments: Fagron EMEA, Fagron North America, and Fagron Latin America.

The segment results for the reporting period ending 30 June 2021 are as follows:

(x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Turnover	128,866	82,293	65,428	276,587
Intersegment turnover	352	86	109	547
Total turnover	129,218	82,379	65,537	277,134
Operating result per segment	22,493	7,631	10,590	40,715
Financial result				-6,097
Profit before taxes				34,619
Taxes on profits				7,670
Net result from continued operations				26,949

The segment results for the reporting period ending 30 June 2020 are as follows:

(x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Turnover	137,549	80,156	61,045	278,750
Intersegment turnover	221	188	32	442
Total turnover	137,771	80,344	61,077	279,192
Operating result per segment	27,245	8,637	10,314	46,196
Financial result				-7,172
Profit before taxes				39,024
Taxes on profits				7,466
Net result from continued operations				31,559



A detailed explanation of the segment results and disaggregated turnover are provided in the press release of the 5th of August 2021.

On 30 June 2021, the assets and liabilities, as well as the capital expenditures (investments) are as follows:

(x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Unallocated /inter-segment elimination	Total
Total assets	355,905	228,245	173,940	36,955	795,046
Total liabilities	84,096	168,338	42,020	208,095	502,549
Capital expenditure	4,116	2,635	2,150		8,900

On 31 December 2020, the assets and liabilities, as well as the capital expenditures (investments) are as follows:

(x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Unallocated /inter-segment elimination	Total
Total assets	339,919	218,248	151,482	43,177	752,826
Total liabilities	86,639	163,626	35,290	209,452	495,007
Capital expenditure	6,935	4,203	5,303		16,440

Gross capital expenditures in the first half of 2021 mainly relate to investments in existing facilities in the United States and Latin America, a new production plant in Poland, and software implementations. The investment expenditure excludes the change in investment obligations. The unallocated assets mainly relate to cash and cash equivalents. The unallocated liabilities mainly relate to financial debts.

13. Goodwill

The decrease in goodwill is largely explained by the strengthening of the Brazilian real and the US dollar against the euro as of December 31, 2020.

14. Borrowings

In the first six months of 2021, no new long-term debts have been incurred. On 30 June 2021, the full-term loan of 130 million euros (December 2020: 130 million euros) and an amount of 165 million euros has been withdrawn under the syndicated credit line (December 2020: 127 million euros). On 31 December 2020, the 60 million US dollar 5.78% Series F Senior Notes were classified as short-term borrowings. These Senior Note Loans were redeemed on the 13th of April 2021.

In the first six months of 2021, the interest rate risk related to 100 million US dollars in loans was hedged with financial derivatives. The term of these financial derivatives is until June 2024. The financial derivatives covering the interest rate risk of 42.5 million US dollars matured in March 2021.

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 approximates the carrying amount.



On 30 June 2021, the net financial debt / EBITDA ratio equals 2.18. The EBITDA / net interest expense ratio is equal to 8.43. Fagron thus more than met the financial covenants.

15. Contingencies

Fagron faces certain risks for which no provision has been made because it is unlikely that these risks will have a negative impact for the group.

As disclosed in 2020 annual report, in Poland, a VAT audit was started in 2017 in two subsidiaries. The VAT percentage applied to almost all products sold by the Polish subsidiaries is being questioned by the Polish tax authorities. We are contesting this assertion. At one of our subsidiaries an assessment of PLN 4 million was issued for one month in 2017. 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. In 2021 the tax authorities have communicated they will continue with the process, following an option permitted by the Polish legal system. There is no material change to the risk derived. An assessment of PNL 3.6 million was imposed at the other company for the period February and March 2017. Fagron objected to the imposed assessment, which was rejected. In October 2019, Fagron appealed against this pronouncement to the administrative court, which ruled in favour of Fagron. The tax authorities appealed against this ruling and the case will be heard by the Supreme Court. There was an adjustment in VAT legislation in 2019, after which Fagron started to apply an increased VAT rate in November 2019 limiting the risk to months prior.

16. Total adjustments for non-cash items

(x 1,000 euros)	June 2021	June 2020
Amortisation of intangible fixed assets	4,373	5,119
Depreciation of property, plant and equipment	8,937	8,679
Write down on inventories and receivables	1,274	1,285
(Profit) / Loss on sale of fixed assets	-123	439
Movements in provisions	-79	-450
Share-based payments	1,819	563
Total adjustments for non-cash items	16,202	15,635

17. Total changes in working capital

(x 1,000 euros)	June 2021	June 2020
Changes in operational working capital	-13,228	-20,021
Changes in other working capital	-2,924	-4,743
Total changes in working capital	-16,152	-24,764



18. Business combination

Fair value of the acquired assets and liabilities of other companies

The determination of the fair value of the assets and liabilities from previous minor acquisitions, acquired in 2020, resulted in an adjustment of 4.127 million euros (increase of goodwill). The changes are mainly the result adjustments to the acquisition price.

Fair value of the acquired assets and liabilities (x 1,000 euros)	2021	2020
Intangible fixed assets	4,435	4,435
Property, plant, and equipment	7,121	7,121
Other non-current assets	457	457
Deferred tax liabilities	125	125
Inventories	1,622	1,622
Trade receivables	1,886	1,932
Other receivables	254	254
Cash and cash equivalents	559	559
Total assets	16,461	16,507
Borrowings	4,621	4,621
Lease liabilities	1,967	1,967
Trade payables	1,433	1,449
Other current payables	9,944	9,944
Total liabilities	17,967	17,983
Net acquired assets	-1,506	-1,476
Goodwill	14,720	10,593
Total acquisition amount	13,214	9,117

Contingent considerations

On 30 June 2021, Fagron had 11.2 million euros in contingencies. These fees payable to former shareholders were determined based on business plans at the time of acquisition.

The deferred payments for business combinations relate to Israel, Brazil, Mexico, and the United States. It is expected that these will be paid in 2021 and 2022.

The contingent considerations relate primarily to Israel and the United States and vary between 0 euros and a maximum of 19.8 million euros. The considerations are measured at the fair value at acquisition date. This is estimated based on the maximum compensation if the conditions are met.



19. Related parties

The members of the Global Leadership Team, the CEO and the non-executive directors are considered as related parties. The remuneration policy is described in the Corporate Governance Statement which is part of the 2020 annual report. The remuneration is determined on a yearly basis; therefore, no further details are provided in these interim financial statements.

20. Subsequent events

In August 2021, the term loan facility of 130 million euros and the credit facility of 210 million euros, both of which fall under the August 2019 syndicated credit facility with an original term of 5 years, were extended by 1 year.

On 4 August 2021, Fagron acquired a significant part of the assets of US Compounding, a subsidiary of Adamis Pharmaceuticals Corporation in the United States. This acquisition represents an annual turnover of approximately 6.5 million US dollars.

21. Update COVID-19

Supply chain

The supply chain is being affected by various COVID-related developments, with factors such as the large-scale vaccination programs having resulted in limited availability of certain raw materials and packaging materials, leading to rapid price increases for these products. In addition, the costs of transport (by both land and sea) have risen substantially. Under the current contracts these cost increases cannot always be passed on in full and/or only with a delay.

Product availability is a critical success factor. Inventory levels are being closely monitored and higher inventories are being kept for specific products. Fagron's extensive global network of approved suppliers is proving to be of great value, with Fagron generally experiencing no significant supply issues. In addition, Fagron has set up a dedicated team to deal with purchasing and negotiating in relation to specific scarce products to ensure that both availability and the cost price are managed in the best way possible.

Measures

The entire first half of 2021 was still characterized by (drastic) measures and full or partial lockdowns in most of the regions where we operate, whereas the comparative period was only partly impacted by the effects of the pandemic.

Both the virus and the measures aimed at containing it developed differently in the various regions. Some countries where measures were relaxed in the course of the first half of the year are now imposing new restrictions due to the sharp rise of the Delta variant. At the same time vaccination rates are rising and as a result public life is largely returning to normal in some of the countries where Fagron operates.

22. Effective tax rate

Recognised income tax expenses are based on management's best estimate of the weighted average effective income tax rate of 22.2% for 2021 (S1 2020: 19.1%).



23. Alternative performance measures

In addition to the performance measures defined in IFRS, other measures are also used in these interim financial statements. These "alternative performance measures" are set out below:

(x 1,000 euros)	June 2021	June 2020
Operating profit (EBIT)	40,715	46,196
Depreciation and amortization	14,584	15,084
EBITDA	55,299	61,280
EBITDA	55,299	61,280
Non-recurring result	707	1,654
REBITDA	56,006	62,934
Net financial debt		
Borrowings non-current	294,654	300,046
Lease liabilities - non-current	25,796	26,596
Borrowings - current	18,982	77,799
Lease liabilities - current	7,769	6,501
Cash and cash equivalents	80,411	112,467
Total net financial debt	266,791	298,476



Fagron NV

Report on the review of the consolidated interim financial information for the six-month period ended 30 June 2021

The original text of this report is in Dutch

Report on the review of the consolidated interim financial information of Fagron NV for the six-month period ended 30 June 2021

In the context of our appointment as the company's statutory auditor, we report to you on the consolidated interim financial information. This consolidated interim financial information comprises the condensed consolidated statement of financial position as at 30 June 2021, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the period of six months then ended, as well as selective notes 8 to 23.

Report on the consolidated interim financial information

We have reviewed the consolidated interim financial information of Fagron NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as adopted by the European Union.

The condensed consolidated statement of financial position shows total assets of 795 046 (000) EUR and the condensed consolidated income statement shows a net profit for the period then ended of 26 949 (000) EUR

The board of directors of the company is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information of Fagron NV has not been prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Signed at Antwerp.

The statutory auditor



Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises BV/SRL

Represented by Ine Nuyts