Annual Report

2014

25 YEARS OF INNOVATION

FAGRON

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Chairman's message

I am pleased to be writing my eighth foreword for the annual report of Fagron.

The company has undergone a true metamorphosis in that time. While the company comprised of four divisions at the IPO in 2007, in mid-2013 an analysis of the strategic options for the Healthcare Solutions and Healthcare Specialties divisions was announced. This resulted in the sale of a large number of dental activities at the end of 2013 and the sale of the remaining dental and medical activities in the first half of 2014. We announced in mid-2014 that Corilus would be sold as well, a division which had developed successfully over the past years as a provider of ICT solutions for medical professionals in Belgium, the Netherlands and France. The sale of Corilus was realised in the first quarter of 2015.

This means that the company has now transformed from a company of four divisions into a global pharmaceutical R&D company which develops and provides innovative solutions to compounding pharmacies and hospitals worldwide. A logical consequence of this is that Arseus' name was changed into Fagron as of 1 January 2015.

The excellent results of 2014 are a proof of Fagron's successful strategy of innovating and optimising pharmaceutical compounding. An increase in turnover of 30.4% – with organic turnover growth of 11.5% – is impressive. The 49.8% increase of EBITDA before non-recurrent result is clear evidence of both the right strategy and excellent execution, for which I extend my thanks to the Executive Committee and employees worldwide.

The fact that Fagron was founded 25 years ago by its CEO, Mr Van Jeveren, and has developed since that time into the global market leader in pharmaceutical compounding, should be proof that we are better equipped than any other company to excel in this market segment. It should therefore be clear that with our strategic decision to focus 100% on compounding, we are confident about the future. There are still so many possibilities worldwide for both organic growth and growth via acquisitions that we believe that the company can continue to develop for many years to come.
This confidence is also expressed in the announced increase in the gross dividend by 39% to 1.00 euro per share.

Robert Peek
Chairman of the Board of Directors

CEO's message

Pharmaceutical compounding is the art of creating tailor-made medication for specific patient groups such as neonates, children, elderly and terminal patients. Compounded medication is worldwide used in (children) hospitals, elderly homes and homecare, simply because there isn't another pharmaceutical solution available.

In close collaboration with pharmacists, prescribers, patients, governments and insurance companies, Fagron develops innovative solutions to fulful the specific needs of patients. In 2014 Fagron Compounding Services has provided approximately 2.2 million patients worldwide with medication, compounded in Fagron's GMP-facilities.

2014 was an excellent year for Fagron with record results. Following the successful sale of the dental and medical activities, we have changed our company name into Fagron. From now on we can focus even more on the growth of Fagron as a global pharmaceutical R&D company delivering innovative solutions to pharmacies and hospitals worldwide.

In 2014 Fagron's turnover increased 30.4% to 447.1 million euros. This is the result of successfully integrated acquisitions and an organic growth of 11.5%. EBITDA before non-recurrent result increased by 49.8% to 118.5 million euros, which represents 26.5% of turnover. One of the drivers of the strong organic growth is the increasing number of patients worldwide that are being treated with medication compounded by Fagron. This medication is developed, formulated and compounded, often using Fagron Trademarks, in one of Fagron's GMP-facilities.

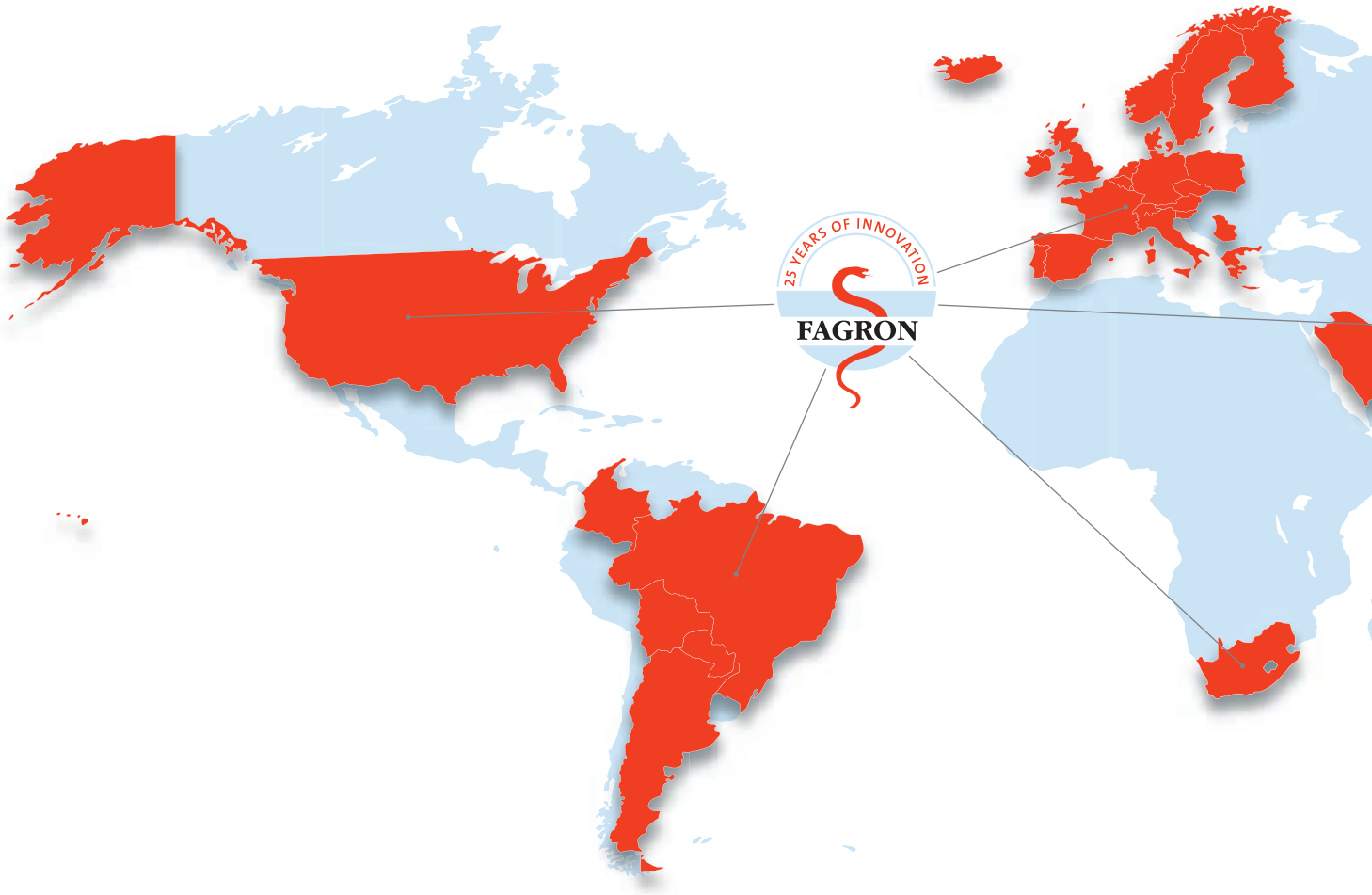
The impressive results of 2014 illustrate the successful execution of our innovation strategy with a focus on Fagron Compounding Services and the development and introduction of Fagron Trademarks which have significant added value.

Together with a fantastic team of more than 2,000 employees, we are within Fagron fully dedicated to improve the quality of life of patients every day.

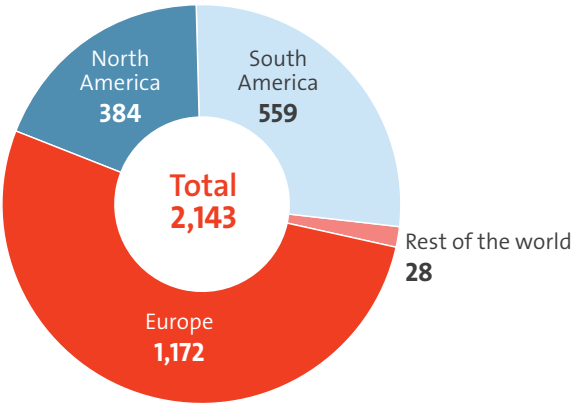
This year we celebrate the 25-year anniversary of Fagron. For me as founder and CEO of Fagron, it is an hounour to have been able to provide millions of patients with tailor-made medication since 25 years.

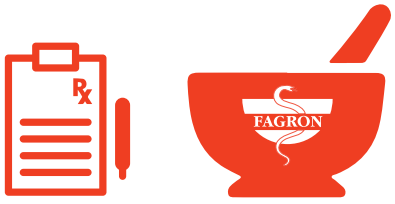
Ger van Jeveren
Chief Executive Officer

Fagron at a glance



Number of FTEs (at year-end 2014)

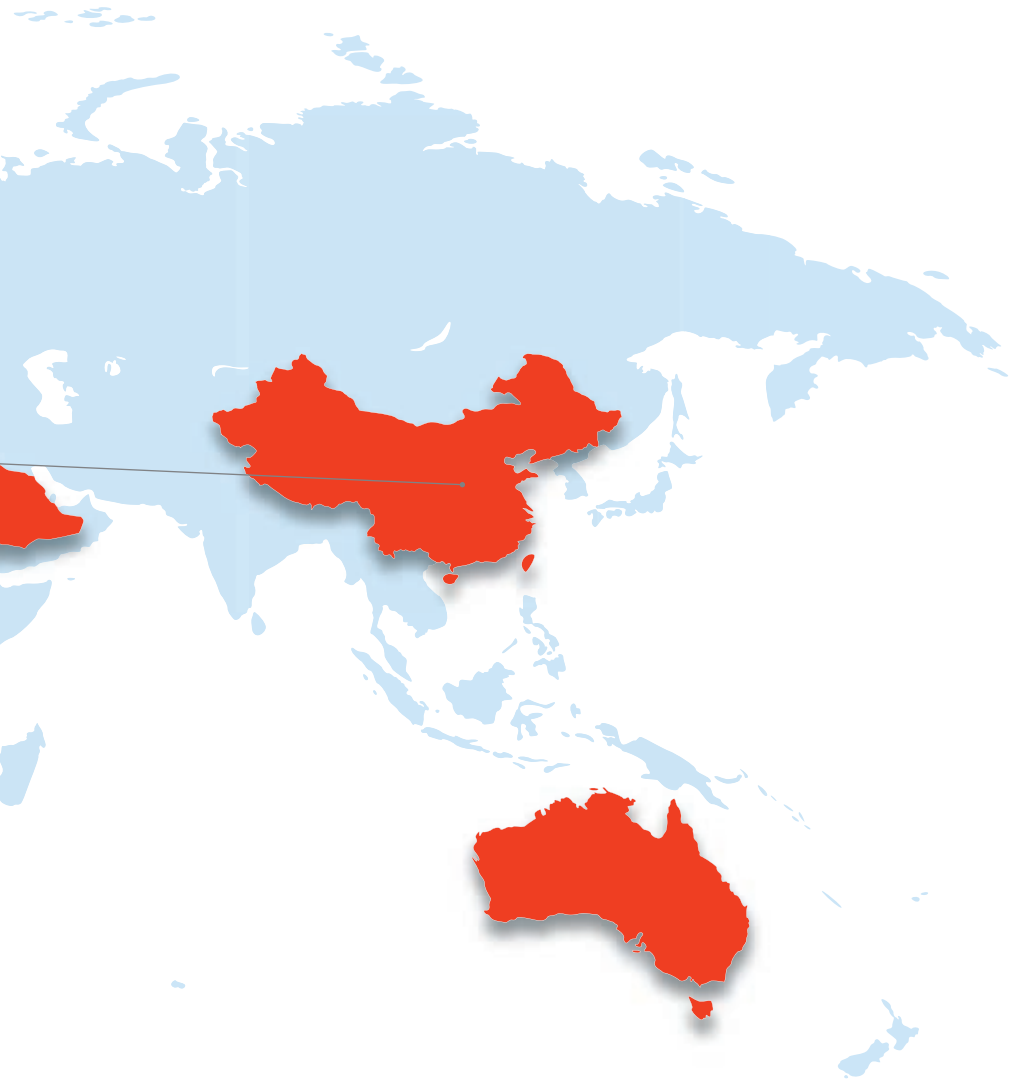




In 2014 more than

2.2 million

prescriptions compounded by Fagron Compounding Services



Fagron is global market leader in the growing market of pharmaceutical compounding and active in 32 countries in Europe, the Americas, the Middle East, Africa, Asia and the Pacific.
Fagron products are sold to more than 200,000 customers in over 60 countries.
Fagron NV has been listed on Euronext Brussels and Euronext Amsterdam since 5 October 2007 and is included in the BEL Mid-index and the Amsterdam Midcap Index (ticker: FAGR).

Turnover (in million €)

447.1

REBITDA[1] (in million €)

118.5

EBIT (in million €)

94.3

Net profit (in million €)

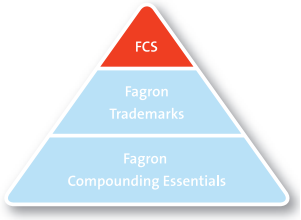
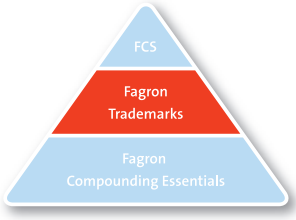
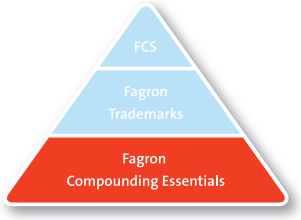
43.2

Dividend per share (in €)

1.00

Number of employees
(FTE at year-end)

2,143

	Fagron Compounding Services	Fagron Trademarks	Fagron Compounding Essentials
			
Turnover	**€ 147,780,000**	**€ 45,652,000**	**€ 245,047,000**

[1] EBITDA after corporate costs and before non-recurrent result.

Key figures

Results (x 1,000 euros)	2014[1]	2013[2] restated	2013	2012[3] restated	2012	2011	2010
Turnover	447,056	342,711	386,119	337,500	547,020	492,330	424,056
REBITDA[4]	118,450	79,094	97,950	75,837	87,405	72,928	60,412
EBITDA	113,361	75,231	88,043	67,454	75,305	60,788	48,689
EBIT	94,336	66,318	73,909	53,788	58,064	46,257	36,017
Net profit	43,190	41,824	43,783	50,886	43,821	28,140	22,479
Recurrent net profit[5]	46,688	44,330	45,818	54,123	49,356	31,496	29,311
Gross margin	64.5%	56.8%	59.7%	56.0%	49.6%	49.2%	47.6%
REBITDA margin	26.5%	23.1%	25.4%	22.5%	16.0%	14.8%	14.2%
EBITDA margin	25.4%	22.0%	22.8%	20.0%	13.8%	12.3%	11.5%

Balance sheet (x 1,000 euros)	2014	2013	2012[6] restated	2012	2011	2010
Balance sheet total	973,752	804,693	748,894	748,894	680,232	573,592
Equity	156,948	155,168	245,186	245,384	220,452	208,122
Operational working capital[7]	44,078	32,977	51,315	51,315	58,405	71,517
Net operational capex[8]	12,492	15,800	19,480	19,480	17,330	19,159
Net financial debt[9]	448,663	289,181	233,117	233,117	188,557	166,089
Net financial debt/annualised REBITDA	3.18	2.61	2.64	2.64	2.48	2.49
Average number of shares	30,758,685	30,646,532	30,519,821	30,519,821	30,082,477	29,995,199

Cash flow statement (x 1,000 euros)	2014	2013	2012	2011	2010
Cash flow from operating activities	106,665	63,078	67,744	72,147	42,126
Cash flow from investing activities	(198,754)	(63,533)	(84,868)	(62,353)	(72,645)
Cash flow from financing activities	64,990	66,525	23,827	10,467	47,116
Net cash flow for the period	(27,099)	66,069	6,702	20,260	16,596

Data per share (euros)	2014	2013	2012	2011	2010
Net profit[10]	1.41	1.36	1.67	0.94	0.75
Recurrent net profit	1.52	1.45	1.77	1.05	0.98
Dividend	1.00	0.72	0.60	0.50	0.44
Closing price (end of year)	34.72	27.64	15.50	11.03	11.38
Market capitalisation[11]	1,091,296,819	866,745,015	484,816,967	344,322,274	355,000,477

Personnel	2014	2013	2012	2011	2010
FTEs as at 31 December[12]	2,143	1,600	1,698	2,229	1,887

1 2014 results are on the basis of continuing operations.
2 2013 results are on the basis of continuing operations. The 2013 income statement has been revised for application of IFRS 5.
3 2012 results are on the basis of continuing operations. The 2012 income statement has been revised for application of IFRS 5 and IAS 19 Revised.
4 EBITDA before corporate costs and non-recurring result from continuing operations. Only in 2014 it is EBITDA after corporate costs and before non-recurring result from continuing operations.
5 Recurrent net profit is defined as profit before non-recurring items and the revaluation of financial derivatives, after taxes based on the group's effective tax rate.
6 The opening balance sheet and closing balance sheet for 2012 have been revised for the application of IAS 19 Revised.
7 Operational working capital is the sum of stock and trade receivables, less trade payables.
8 Net operational capex is defined as intangible assets and property, plant and equipment that have been acquired or produced (excluding acquisitions), less assets sold.
9 Net financial debt is the sum of long-term and short-term financial borrowings, less cash (excluding financial instruments) and cash equivalents.
10 Net profit of 2014, 2013 and 2012 is based on continuing operations.
11 Market capitalisation is calculated by multiplying the number of shares outstanding at year-end by the closing price of the share at 31 December.
12 2014, 2013 and 2012 is based on continuing operations.

Fagron Advanced Derma

"The total solution for dermatological care."

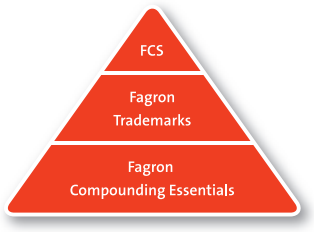
Strategy

In mid-2013 an analysis of the strategic options for the Healthcare Solutions and Healthcare Specialties divisions was announced. This resulted in the sale of the dental, medical and ICT activities. The sale of Healthcare Specialties and Healthcare Solutions was finalised in 2014. The sale of Corilus was completed in March 2015. As a result of this, Fagron has transformed into a purely pharmaceutical R&D company developing and delivering innovative solutions to pharmacies and hospitals worldwide. Consequently as of 1 January 2015 the company name has been changed from Arseus into Fagron. This means that from 2015, Fagron has two divisions: Fagron and HL Technology. Fagron is global market leader in pharmaceutical compounding. HL Technology develops and produces innovative precision components for the dental and orthopedic industry.

Fagron's strategy is focused on the optimisation and innovation of pharmaceutical compounding in order to widen the therapeutic scope of the prescriber to enable the provision of tailor-made pharmaceutical care. Through its activities, Fagron supports the unique right of a pharmacist: compounding medication.

Fagron's unique business model

Fagron's business model, as presented below, consists of Fagron Compounding Services, Fagron Trademarks and Fagron Compounding Essentials.



Fagron Compounding Services
Fagron Compounding Services compounds tailor-made medication to meet the specific needs of patients for who no standard medication is available. Fagron has 19 sterile and non-sterile compounding facilities worldwide, which supply compounded medication to hospitals and pharmacies. The awareness of the importance of quality with regards to compounded medication has increased during recent years.
In their search for better quality, pharmacies and hospitals increasingly decide to outsource pharmaceutical compounding to Fagron Compounding Services.

Fagron Trademarks
Fagron's R&D team of 45 researchers and over 300 pharmacists located on five continents develops innovative concepts, vehicles and formulations for pharmaceutical compounding that respond to specific wishes of prescribers, hospitals and pharmacies. This results in a well-filled R&D pipeline of unique concepts and solutions. Fagron Trademarks are all materials, concepts, innovations, solutions, know-how and combinations of these related to compounding medication.

Fagron Compounding Essentials
Fagron Compounding Essentials are all pharmaceutical raw materials, equipment and supplies a pharmacist needs to compound medication.

R&D

Innovation is the driving force behind Fagron's growth. It is the key differentiator in Fagron's strategic positioning and key to further strengthen the global leading market position. Fagron's R&D team works closely together with pharmacists, prescribers and universities worldwide to develop innovative solutions to meet patients' specific needs.
This is the foundation of the successful strategy of optimising and innovating pharmaceutical compounding.
The passion for innovation and speed of execution is deeply embedded in the strategy and culture of Fagron.

Buy-and-build strategy

The goal of Fagron is to realise sustainable growth by further strengthening its market leading position via an active buy-and-build strategy and robust organic growth. Fagron aims to play a leading role in the consolidation of the growing niche market of pharmaceutical compounding. With its excellent track record and operational excellence, Fagron is able to quickly and smoothly integrate acquisitions to ensure that the acquired expertise can be retained and synergy benefits can be quickly realised.

Fagron is active in 32 countries in Europe, the Americas, the Middle East, Africa, Asia and the Pacific. Fagron's products are sold to more than 200,000 customers in over 60 countries. Based on the current portfolio, Fagron expects turnover of at least 500 million euros[1] with a REBITDA[2] margin of 26% in 2015.

[1] Based on constant exchange rates (euro/US dollar of 1.250 and euro/Brazilian real of 3.100).
[2] EBITDA before non-recurrent result.

Fully automated order pick and pack system at the Fagron warehouse

Key drivers of pharmaceutical compounding

Compounded medication allows the prescribers to offer patients customised treatments. Fagron develops innovative tailor-made pharmaceutical formulations, solutions and concepts which are improving the quality of life of patients worldwide every day. Whether the patient has an allergy to certain ingredients, requires an alternative dosage form or needs access to medication not commercially available, Fagron recognises the everyday need of compounded medication. Fagron develops and provides innovative concepts that enable pharmacists to fulfil the specific needs and individual wishes of patients.

Commercial medication is often based on a one-size-fits-all approach. Compounding enables a prescriber to prescribe alternative dosage forms and dosage strengths that fit patients' individual needs. This results for example in lesser side effects which enhances a patient's compliance to treatment and improves the result of treatment.

At Fagron, we strive to make a difference to the lives of patients with tailor-made compounded solutions that not only have significant benefits for patients and doctors, but can also contribute to the cost-efficiency of healthcare.

The increasing number of drug shortages and the discontinuation of medicines are also drivers for pharmaceutical compounding. A pharmacist has the unique right to compound medication which is commercially not available.

Furthermore compounding offers additional or alternative uses of medication to provide a solution for new and unavailable therapeutic needs.

A number of trends play a role in healthcare: the ageing of the population, the substantial rise in the number of chronically sick people, a growing awareness of medical treatments (both curative and preventive) and an increasing focus on aesthetics. These trends contribute to higher healthcare consumption per person and a constant increase in expenditure for healthcare. Conversely, pressure is increasing to ensure that healthcare remains affordable and accessible. Guaranteeing the quality, accessibility and affordability of healthcare demands innovation. That is why a growing number of parties in the healthcare sector, including Fagron, are continually investing in innovative solutions to improve efficiency and effectiveness.

SyrSpend® SF

"The safe and convenient suspension solution."

Fagron Group

25 YEARS OF INNOVATION
FAGRON

Fagron Key points

Turnover increases by 30.9% (33.0% at constant exchange rates) to 438.5 million euros

Organic turnover growth of 9.7% (11.5% at constant exchange rates)

REBITDA[1] increases by 49.5% to 127.0 million euros

Increased volumes at Fagron Compounding Services and successful global launch of innovative Fagron Trademarks

Global market leadership strengthened with acquisitions in the United States, Europe, South Africa and Australia

(x 1,000 euros)	2014	2013	Change
Turnover	438,479	334,985	30.9%
REBITDA	127,007	84,966	49.5%
REBITDA margin	29.0%	25.4%	360 bps
FTEs	1,983	1,441	37.6%

(x 1,000 euros)	2014	2013	Total growth	Total growth CER	Organic growth	Organic growth CER
Fagron Compounding Services	147,780	58,210	153.9%	153.2%	20.1%	19.8%
Fagron Trademarks	45,652	33,630	35.7%	39.8%	24.6%	28.4%
Fagron Compounding Essentials	245,047	243,145	0.8%	3.3%	2.1%	4.7%
Total turnover	**438,479**	**334,985**	**30.9%**	**33.0%**	**9.7%**	**11.5%**

CER = constant exchange rates

General

In 2014 turnover increased by 33.0% at constant exchange rates to 438.5 million euros. Organic turnover growth is 11.5% at constant exchange rates. The execution of Fagron's strategy resulted in a phase-out of 10.9 million euros of industrial turnover and the discontinuation of non-profitable distributions. Including the phased-out turnover, the organic turnover growth at constant exchange rates of Fagron Compounding Essentials in 2014 would have been 9.7%. Fagron's organic growth is the result of its successful strategy of innovating and optimising pharmaceutical compounding with the aim of providing optimal tailor-made pharmaceutical patient care. Turnover is driven by increased volumes in Fagron Compounding Services and the successful global launch of innovative Fagron Trademarks, such as SyrSpend® SF and Fagron Advanced Derma.

Fagron has further strengthened its global market leadership in pharmaceutical compounding with the acquisition of compounding facilities in the United States, Europe, South Africa and Australia. JCB Laboratories, located in Wichita (Kansas, United States) was acquired in December 2013. The acquisition of Panoramix (Oldenzaal, Netherlands) was in January 2014 and US-based Pharmacy

[1] EBITDA before corporate costs and non-recurrent result.

Services was acquired in April 2014. Just after closing of the second quarter 2014, Fagron acquired compounding facilities in Greece, South Africa and Australia. Due to the quality of the organisation and its operational excellence, Fagron has integrated these acquisitions quickly and successfully in the organisation.

These acquisitions play a crucial role in the strategy to strengthen Fagron's position as global market leader in pharmaceutical compounding. Market leadership provides major competitive advantages, such as central procurement of pharmaceutical raw materials, optimal utilisation of production facilities, and the international roll-out and cross-selling of successful and innovative products and concepts.

Fagron operates in 32 countries worldwide. In 2015, Fagron will further strengthen its position as global market leader through an active buy-and-build strategy and robust organic growth, with a focus on acquisitions in Europe and North America.

From local player to global market leader and consolidator in the pharmaceutical compounding market

Fagron was founded in 1990 in Rotterdam (Netherlands) by Ger van Jeveren, CEO of Fagron. Through a continuous focus on innovation, quality and solution-oriented thinking, Fagron obtained market leadership in pharmaceutical compounding in the Netherlands in just seven years.

Fagron's successful strategy of optimising and innovating pharmaceutical compounding to fulfil the worldwide growing need for tailor-made medication, its unique business model and the investments in R&D resulted in the fact that Fagron is currently global market leader and active in 32 countries in Europe, the Americas, the Middle East, Africa, Asia and the Pacific. Fagron products are sold to over 200,000 customers in more than 60 countries.

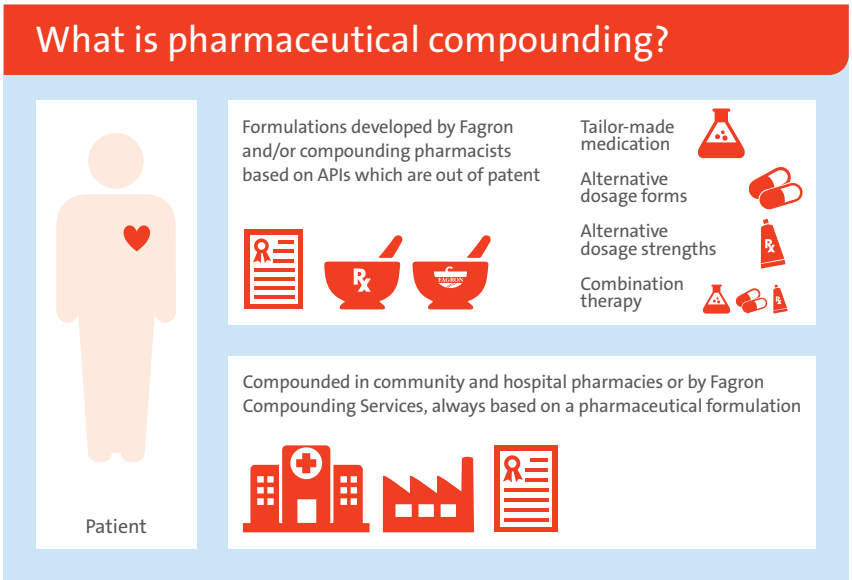
What is pharmaceutical compounding?

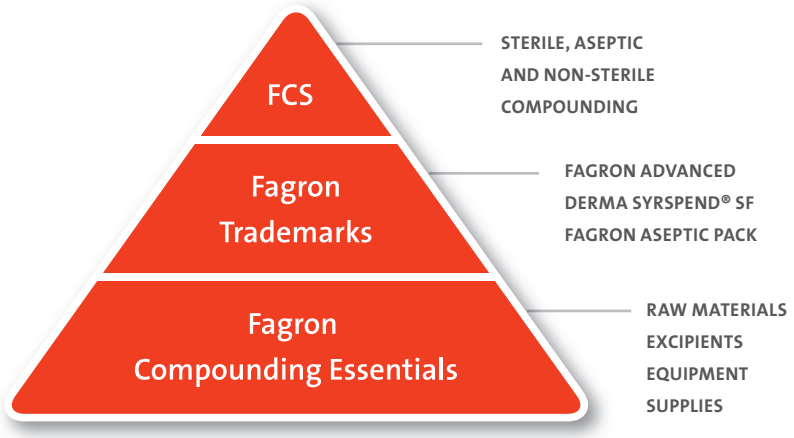
Pharmaceutical compounding by a pharmacist is essential to be able to provide patients worldwide with tailor-made medication. It is the process of preparing medicines in the pharmacy to a doctor's prescription.

Commercial compounding often results in a product that does not contain the correct dosage or does not have the required composition. The available method of administration may also prove unsuitable. Furthermore, medicines are frequently discontinued because manufacturers do not find small-scale production sufficiently profitable. In these types of situations, pharmaceutical compounding offers a solution.

Fagron's strategy is fully focused on optimising and innovating pharmaceutical compounding with the aim of making individualised patient care available. This highlights (hospital) pharmacists' unique skill: compounding medication.

Compounded medication allows prescribers to provide patients with customised, alternative treatment options.





Fagron's unique business model

In a period of 25 years, Fagron has developed from a local player into the global market leader in pharmaceutical compounding with a unique business model. Fagron's unique business model, as presented above, consists of Fagron Compounding Services, Fagron Trademarks and Fagron Compounding Essentials. As from 2015, the reporting structure has been changed and Fagron will report per segment.

Fagron Compounding Services

Fagron Compounding Services compounds tailor-made medication to meet the specific needs of patients suffering from severe diseases and patients for who no standard medication is available. The strong organic growth of Fagron is driven by the increasing number of patients worldwide that are being treated with compounded medication prepared by one of Fagron's compounding facilities. Fagron has 19 sterile and non-sterile compounding facilities in Europe, United States, Colombia and South Africa. Examples of sterile and aseptic compounding are IV-bags, ampoules, vials, TPN, cytostatics, prefilled syringes, prefilled morphine cassettes and prefilled elastomeric devices.

Examples of non-sterile compounding are tablets, capsules, liquids, creams/ointments and suspensions.

The general awareness of the importance of quality with regards to compounded medication has increased during recent years. In their search for better quality, pharmacists increasingly decide to outsource pharmaceutical compounding. Following a recent European resolution on quality standards for pharmaceutical compounding the hospital pharmacies will need to invest in their facilities in order to comply with higher standards.

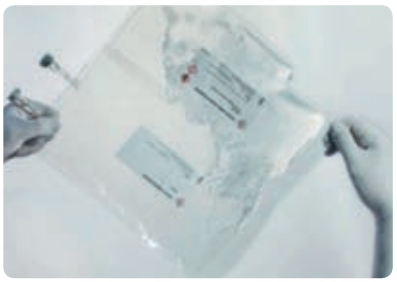
An example in Europe is Belgium which approved a change in legislation which enables pharmacists to outsource compounding of medication to third party compounding facilities, like Fagron. In September 2014 Fagron Compounding Services Bornem (Belgium) started to compound for Belgian (hospital) pharmacies. The GMP compounding facility has eight clean-room units in which sterile and aseptic compounding takes place. In 2015 Fagron invests in a new sterile compounding facility of 5,000 m^2 in Wichita (Kansas, United States) which is expected to be ready and start production in January 2016.
In Europe, Fagron is building a new antibiotic compounding facility in the Netherlands.

Fagron Trademarks

Fagron Trademarks are all products, materials, concepts, know-how and combinations of these related to compounding developed by Fagron's own R&D team of 45 researchers and over 300 pharmacists located on five continents. Fagron's R&D team develops innovative concepts, vehicles and formulations for pharmaceutical compounding, generally in collaboration with universities, prescribers and pharmacists.
Fagron's R&D team has developed a range of innovative pharmaceutical base creams that enable pharmacists to prepare creams that administer medication via the skin (transdermally). Examples of these include Versatile® and Pentravan®. Transdermal administering makes it possible to treat conditions locally using lower doses. The key advantages being increased user-friendliness for the patient (transdermal cream as alternative for an injection, for instance) and minimal side effects. Versatile® and Pentravan® are often used for treatments involving hormones, anti-inflammatories and pain medication and for patients who have difficulty taking medication orally.

In 2014, Fagron globally introduced SyrSpend® SF. SyrSpend® SF is Fagron's innovative vehicle range for compounding oral liquid dosage forms. Its unique starch-based technology allows for superior dosing accuracy and drug compatibility compared to traditional oral vehicles. SyrSpend® SF uses only safe ingredients according to the international guidelines and the latest scientific knowledge and can therefore be used for all patients, including vulnerable neonates or oncology patients. Compounding protocols and stability data are available for pharmacists and prescribers. In the second semester of 2014, Fagron provided a new level of efficiency in compounding by introducing SyrSpend® SF compounding convenience packs.

Elastomeric pump



Fagron Aseptic Pack

Prefilled syringes

These kits contain the SyrSpend® SF vehicle, a pre-weighed active pharmaceutical ingredient and all necessities for easy preparation and patient administration of the liquid dosage form.

The Fagron CapsiCards® System was introduced in January 2014. This system offers independent and hospital pharmacies the option of filling capsules in an easy, quick and hygienic manner. The Fagron CapsiCards® System consists of an encapsulation device and CapsiCards®.
The CapsiCards® contain 50 or 60 empty capsules. The encapsulation device allows for quickly, easily and hygienically filling of 100 to 120 capsules.

Fagron Compounding Essentials

Fagron Compounding Essentials are all pharmaceutical raw materials, equipment and supplies a pharmacist needs to compound medication. In all countries in which Fagron is active, high-quality pharmaceutical raw materials are offered to hospitals and pharmacies.

Fagron's product range includes over 5,000 pharmaceutical raw materials bought in bulk from selected and qualified manufacturers who comply with strict quality standards.

Examples of pharmaceutical raw materials offered by Fagron include amino acids, antibiotics, corticosteroids, hormones, opiates, vitamins, alcohol and excipients.

All raw materials purchased must pass an acceptance and quality check according to the most recent pharmacopoeias. In Fagron's clean rooms, the pharmaceutical raw materials are conditioned in approximately 6,500 different packaging forms that are sold to pharmacies and hospitals under the Fagron brand name.

Examples of equipment and supplies include scales, pestles and mortars, ointment mills, packaging equipment and packaging materials (bottles, vials, strips, boxes).

The unique quality of Fagron

Quality is an absolute requirement for good care. Over 200,000 customers use the more than 5,000 raw materials offered by Fagron for pharmaceutical compounding. Fagron meets with the highest quality standards in the world as defined by GMP, GDP, FDA and ANVISA. Fagron has the strongest quality network in the pharmaceutical compounding market worldwide. This unique position makes Fagron an attractive supplier of pharmaceutical raw materials to pharmacies and hospitals.

Fagron China, located in Shanghai, optimises the conditions for Fagron's procurement and quality of pharmaceutical raw materials. On-site GMP audits of suppliers by Fagron China guarantee a continuous control of the quality of pharmaceutical raw materials.

Vehicles from Fagron Advanced Derma

SyrSpend® SF

R&D

R&D is an essential element in Fagron's strategy. More than 300 Fagron pharmacists and 45 researchers are developing continually innovative concepts and solutions to fulfil the worldwide growing need for tailor-made medication. This results in a well-filled R&D pipeline of unique in-house developed concepts.

In the fourth quarter of 2014 the successful Fagron Advanced Derma concept was expanded with the global launch of six new Fagron Advanced Derma vehicles. These vehicles focus on the treatment of dermatological conditions such as hypertrophic scars, scabies, psoriasis and xerosis, and can be entirely tailored to the particular patient's unique needs and skin condition.

In the second semester of 2015 Fagron will launch a concept aimed at pain management which will be introduced worldwide. This concept enables pharmacists and prescribers to offer patients individualised care in controlling pain. Central to this concept is innovative, non-systemic transdermal pharmaceutical compounding which can provide very localised pain treatment, limiting the side effects that frequently occur with the medication often used, which is usually systemic and can lead to problems such as addiction to painkillers.

CapsiCards© Machine

CapsiCards©

Fagron Academy, Miami

Fagron Academy

The aim of Fagron Academy is to inform prescribers, pharmacists and patients about the use and importance of pharmaceutical compounding for their patients. The Fagron Academy is being set up in all countries, where Fagron is active, in order to educate prescribers and pharmacists about pharmaceutical compounding and its unique added value for their patients. By offering courses and training to pharmacists, Fagron Academy aims to expand their knowledge and skills in pharmaceutical compounding.

Worldwide Fagron has the most extensive offering of training and educational opportunities for pharmacists and prescribers on, among other things, pharmaceutical compounding techniques, evaluation of materials and use, forms of dosing, and quality and safety procedures.

In 2015, Fagron Academy in Miami started to launch innovative, pharmaceutical compounding education relevant to today's developments in sterile and aseptic compounding. Pharmacists and prescribers can expand their knowledge base and practical skill sets at Fagron's state-of-the-art facility in Miami. Fagron Academy in Miami features an interactive lecture theatre, a world class ISO 5 clean room, and an ultra-modern compounding laboratory. As an alternative, the Academy also offers regional symposia throughout the United States. The courses provide cutting edge sterile and aseptic techniques utilising a variety of active learning styles and feature leading international experts in their field of practice.

Fagron Foundation

The Fagron Foundation aims at putting personnel and financial resources to work to achieve social change and improvements in healthcare and local communities. Its actions are primarily focused on the well-being of children. Since its establishment, the Fagron Foundation has organised a number of successful activities in South America, North America and Europe, in close cooperation with local partners and volunteers.

HL Technology Key points

Turnover increases by 11.0% to 8.6 million euros

REBITDA[1] increases by 1,902%

Launch of a new patented device Hader Click + R

(x € 1,000)	2014	2013	Change
Turnover	8,577	7,726	11.0%
REBITDA[1]	701	35	1,902%
REBITDA margin	8.2%	0.5%	770 bps
FTEs	67	82	(18.3%)

General

HL Technology develops and produces innovative precision components for the dental and orthopedic industry. HL Technology achieved turnover of 8.6 million euros in 2014, an increase of 11.0% (9.5% at constant exchange rates) compared to 2013. REBITDA increased by 1,902% from 0.035 million euros in 2013 to 0.701 million euros in 2014.

[1] EBITDA before corporate costs and non-recurrent result.

Desinfecting process at Fagron Compounding Services

Developments in 2014

Hader Click + R
Torque limiters are regularly used in orthopedic surgery, such as spine, knee, hip, shoulder and small-joint surgery, to secure implant screws. Their function is to prevent over-tightening of screws as well as the possibility to remove screws in the second surgery.

The new device Hader Click + R has a new patented solution that allows a ratcheting function on top of the former Hader click torque limiting function. This new feature allows surgeons to make a significant time win during surgery. As usual, this device is maintenance free and does not need any recalibration during the lifetime of three years.

Colonsay
This newest innovation allows HL Technology to be active in the neuro-stimulation market with a first medical device. HL Technology realises all the needed documentation for the 510k FDA submission and HL Technology was able to introduce this innovation in the market as class 2a instrument in less than one year.

Innovations for 2015

In 2015 the product development of HL Technology will be focused on two new types of torque wrenches: LARGE for the dental industry and EASY for the orthopedic market.

Fagron Advanced Derma

"The revolutionary new global standard for skin care."

BD Plastipak

Information about the Fagron share

Information about the Fagron share

Stock market quotation

Fagron is listed on Euronext in Brussels and Amsterdam. Its share is included in the BEL Mid-index and in the Amsterdam MidCap Index (AMX). Options for ordinary Fagron shares are traded on Euronext Derivatives Brussels, the derivatives market of Euronext. These American-style options expire on the third Friday of the contract month and have an initial option life of 1, 2, 3, 6, 9 and 12 months. Each option represents 100 Fagron shares and is cleared by LCH.Clearnet SA.

At 31 December 2014, the market value of Fagron amounted to 1,091.3 million euros, a 25.9% increase compared to the end of 2013. At 31 December 2014, 31,431,360 shares and 225,000 bonds with a nominal value of 1,000 euros per bond were in circulation.

Development in number of shares

On 13 June 2014, Fagron issued 73,002 new shares as a result of the exercise of warrants under Warrant Plan 1 and Warrant Plan 2.
The shares newly issued in 2014 are eligible for dividend from the 2014 financial year onward.

The number of voting securities of Fagron amounted to 31,431,360. The total number of voting rights (denominator) was 31,431,360. The authorised capital amounted to 322,111,645.98 euros.

Shares
ISIN code: BE0003874915
Euronext: FAGR

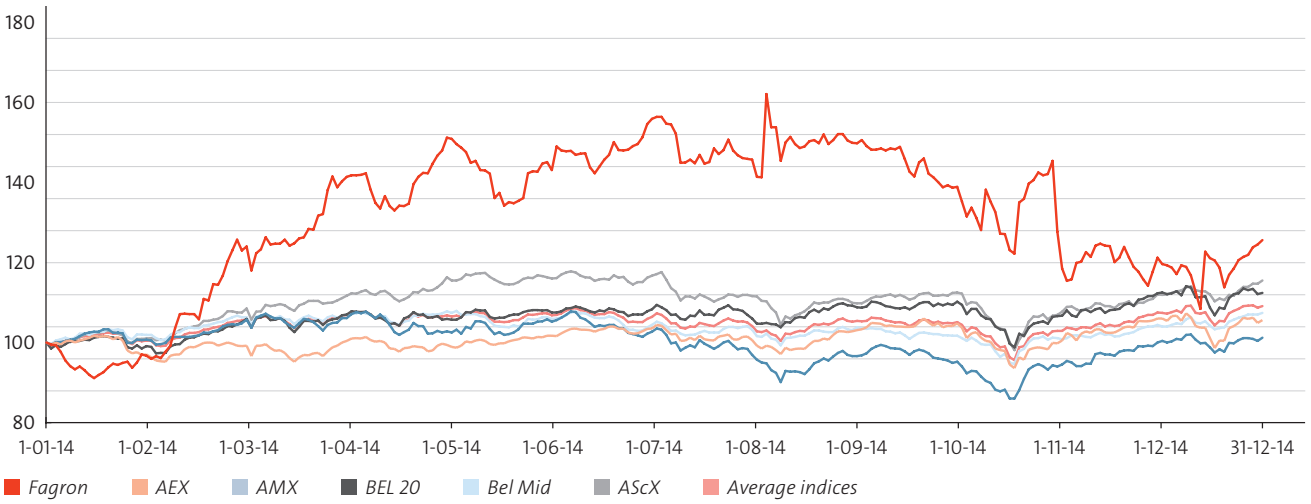
Bonds
ISIN code: BE0002180462
Euronext: FAG17

Options
ISIN code: BE0003874915
Euronext Derivatives Brussels: RCU

Stock price

The closing price of the Fagron share in 2014 was 34.72 euros per share. This was 25.6% higher than the closing price in 2013 (27.64 euros per share). As such the share performed better than the BEL Mid-index and the AMX index. Over the same period, the BEL Mid-index increased 7.4%, while the AMX index increased 1.2% in 2014. Since the company's initial public offering on 5 October 2007, Fagron shares have increased 248.9%. By comparison, the BEL Mid-index and the AMX index have decreased 3.8% and 13.0% respectively over the same period.

Performance of Fagron and the indices in 2014



Trading

The liquidity of the Fagron share increased during 2014. During the financial year, the number of shares traded increased compared to 2013. On average, 99,032 Fagron shares were traded per trading day in 2014, an increase of 49.8%. The value of the shares traded increased by 154.9% to 892 million euros in 2014 (2013: 350 million euros).

Shareholder structure

Fagron received the notifications of shareholding pursuant to the Belgian Law of 2 May 2007 concerning the disclosure of major shareholdings in listed companies. In the table below the shareholder structure as per 31 March 2015 is shown.

Article 11 of Fagrons Articles of Association stipulates that interests must be disclosed as soon as a threshold of 3%, 5% and multiples of 5% has been exceeded.

Dividend

A proposal will be submitted to the Annual General Meeting of Shareholders to be held on 11 May 2015 to issue a gross dividend of 1.00 euro per share, an increase of 39% compared to 2013. The net dividend will amount to 0.75 euro per share. This is the gross dividend less 25% Belgian dividend withholding tax.

Investor Relations Policy

Fagron attaches substantial value to good, open and timely communication 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 prevailing 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 www.fagron.com.

Investors and potential investors, analysts, journalists and other interested parties are invited to direct questions to:

Marieke Palstra
Global Investor Relations Director
+31 88 33 11 213
marieke.palstra@fagron.com

Financial calendar

11 May, 3.00 pm	Annual General Meeting of Shareholders in Waregem, Belgium
4 August*	Half-year figures 2015
9 October*	Trading update, third quarter 2015

* Results and trading updates are published at 7.00 am CET.

Trading

	2014	2013	2012	2011	2010
Highest share price	44.98	27.90	15.50	12.90	11.53
Lowest share price	24.63	15.50	10.39	8.91	7.92
Closing price at year end	34.72	27.64	15.50	11.03	11.38
Highest day volume	705,581	494,244	210,164	282,010	170,153
Lowest day volume	13,635	5,575	2,007	2,919	3,547
Average day volume	99,032	66,121	29,428	38,633	31,182
Dividend	1.00[1]	0.72	0.60	0.50	0.44
Dividend yield at closing price	2.9%	2.6%	3.9%	4.5%	3.9%
Market capitalisation at year end	1,091,296,819	866,745,015	484,816,967	344,322,274	355,000,477

Shareholder structure as per 31 March 2015, based on the notifications received:

	Number of shares	% of effective voting rights
Carmignac Gestion	2,463,267	7.84%
TIAA-CREF Asset Management LLC	1,635,681	5.20%
BNP Paribas Investment Partners SA	1,609,182	5.12%
Fidelity Management and Research (FMR LLC)	1,573,158	5.00%

[1] Proposed dividend over 2014.

Report of the Board of Directors

Report of the Board of Directors on the consolidated financial statement

Consolidated income statement[1]

After the decision by the Board of Directors to sell the remaining dental, medical and IT activities, the profit and loss from these activities have been included as discontinued operations and the assets and liabilities from these operations are included in the item assets and liabilities held for sale. Consequently all the subsequent notes relating to turnover and profit in 2014 and 2013 refer to the continuing operations (Fagron and HL Technology), unless stated otherwise.

In 2013 the Board of Directors started an analysis of strategic options for the Healthcare Solutions and Healthcare Specialties divisions. This resulted in the sale of a large number of dental activities at the end of 2013 and the sale of the remaining dental and medical activities in the first half of 2014. In the middle of last year it was announced that the ICT division, Corilus, would be sold as well, which has been finalised in March 2015. As a result of this, Fagron has transformed into a purely pharmaceutical R&D company which provides innovative solutions and concepts to compounding pharmacies and hospitals worldwide. Fagron consists of two divisions: Fagron and HL Technology.
Fagron is global market leader in pharmaceutical compounding. HL Technology develops and produces innovative precision components for the dental and orthopedic industry. Consequently, as of 1 January 2015, the company name has been changed from Arseus into Fagron and is listed as Fagron on Euronext Brussels and Euronext Amsterdam.

The consolidated operating income increased by 31.1% from 343.639 million euros in 2013 to 450.409 million euros in 2014. The consolidated net turnover represented 99.3% of the operating income and increased by 30.4%, from 342.711 million euros in 2013 to 447.056 million euros in 2014.

In 2014, the division Fagron realised turnover growth of 30.9% (33.0% at constant exchange rates) to 438.479 million euros. Organic growth was 9.7% (11.5% at constant exchange rates). REBITDA[2] increased by 49.5% to 127.007 million euros. The continued strong results confirm the success of Fagron's strategy, which is focused on optimising and innovating pharmaceutical compounding. Fagron develops and supplies innovative concepts that enable pharmacists to fulfil the specific needs and personal wishes of patients worldwide.

Fagron has further strengthened its global market leadership in pharmaceutical compounding with acquisitions in the United States, Europe, South Africa and Australia. JCB Laboratories, located in Wichita (Kansas, United States) was acquired in December 2013. The acquisition of Panoramix (Oldenzaal, Netherlands) was in January 2014 and US-based Pharmacy Services was acquired in April 2014. Just after closing of the second quarter 2014, Fagron acquired compounding facilities in Greece, South Africa and Australia. Due to the quality of the organisation and the operational excellence, Fagron has integrated these acquisitions quickly and successfully in the organisation, and has started to realise the benefits.

HL Technology, the division focused on developing innovative precision components for the dental and orthopedic industry, achieved turnover of 8.577 million euros in 2014, an increase of 11.0% (9.5% at constant exchange rates) compared to 2013. The REBITDA[3] margin increased to 8.2%. In line with the strategy of innovation, HL Technology developed and launched

[1] On the basis of continuing operations (Fagron and HL Technology).
[2] EBITDA before corporate costs and non-recurrent result.
[3] EBITDA before corporate costs and non-recurrent result.

Fagron Netherlands, warehouse

new dental and medical orthopedic products with added value in 2014, such as the newly patented torque limiter Hader Click + R and Colonsay. Torque limiters are regularly used in orthopedic surgery, such as spine, knee, hip, shoulder and small-joint surgery, to secure implants screws. Their function is to prevent over-tightening of screws as well as the possibility to remove screws in the second surgery. With the launch of the Colonsay, HL Technology has entered the neuro-stimulation market.

The consolidated gross margin (the difference between turnover on the one hand and trade goods, raw and auxiliary materials on the other) amounted to 288.213 million euros in 2014. This represented 64.5% of turnover versus 56.8% in 2013.

The total operating expenses, defined as services and various goods, employee benefit expenses and other operating expenses minus other operating income, amounted to 174.852 million euros, an increase of 46.4% compared to 2013. The cost coverage, defined as operating expenses versus gross margin, was 60.7% in 2014.

Depreciation and amortisation increased by 113.4% from 8.914 million euros in 2013 to 19.025 million euros in 2014. Part of the increase (4.7 million euros) is related to depreciation of other intangible assets as a result of the partial allocation of the transaction consideration of acquisitions to intangibles, while 2.755 million euros is a result of the write down of inventories and accounts receivables.

The operating result was 94.336 million euros, representing 21.1% of turnover. This is an increase of 28.018 million euros compared to 2013. In 2013, the operating result was 66.318 million euros, representing 19.4% of the turnover.

The financial result amounted to -24.483 million euros compared to -17.497 million euros in 2013. The increase compared to 2013 was due to an increase in net financial debt and higher currency exchange rate differences. The financial derivatives were subject to a negative revaluation of -0.399 million euros in 2014. The interest rate hedge does not qualify for hedge accounting according to IAS39.

As a non-cash item, it has been deducted from the financial result and is shown separately in the income statement. Excluding the revaluation of the financial derivatives, the financial result in 2014 amounted to -24.1 million euros.

This brought profit before taxes to 69.852 million euros, an increase of 21.031 million euros compared to 2013.

The effective tax rate as a percentage of the profit before taxes was 38.2%.

The net profit from continuing operations in 2014 totaled 43.190 million euros, an increase of 3.3% in comparison to 2013.

Consolidated balance sheet

The consolidated balance sheet total increased by 21.0% from 804.693 million euros in 2013 to 973.752 million euros in 2014.

Microbiologische analyse bij Fagron Compounding Services

Assets

Because of the decision to dispose of the remaining dental, medical and ICT activities, the assets for these activities have been reclassified as 'assets held for sale' and 'liabilities related to assets held for sale'.

Total non-current assets amounted to 662.649 million euros, an increase of 170.549 million euros compared to 2013. Intangible assets increased by 174.665 million euros to a total of 575.252 million euros. The additions to the intangible assets relate to the recognition of goodwill following the acquisitions of JCB Laboratories, Pharmacy Services, Panoramix, and some smaller acquisitions. The decrease of the intangible assets relates to the transfer of assets held for sale following the decision of the Board of Directors in 2014 to divest ICT activities.

Property, plant and equipment increased by 12.515 million euros to a total of 59.969 million euros. This increase was due to acquisitions and the construction of new compounding facilities.

The net operational capital expenditures amounted to 12.492 million euros, representing 2.8% of the 2014 turnover. The capex consists of, among other things, investments in R&D and ICT, and the investment in new compounding facilities in the United States and Europe.

Financial assets, consisting of financial assets held for sale and other non-current assets, amounted to 5.064 million euros in 2014, a decrease of 10.703 million euros compared to 2013. The decrease is for the largest part explained by transfers and sales (13.875 million euros) and investments done in 2014 (3.240 million euros).

Deferred tax assets represented a value of 22.363 million euros.

Total current assets amounted to 228.114 million euros in 2014 compared to 236.536 million euros in 2013, a decrease of 8.422 million euros. The key changes were the increase in inventories by 6.3 million euros (10.6%), the increase in trade receivables by 6.7 million euros (22.7%), and the decrease in cash and cash equivalents by 20.3 million euros (15.8%).

Equity and liabilities

Total equity amounted to 156.948 million euros. This represented an increase of 1.780 million euros in comparison to 2013. This increase is mainly a result of the net profit in 2014 of 16.156 million euros, payment of dividend to the shareholders (22.209 million euros) and the payments based on shares (2.060 million euros).

Total liabilities increased from 649.525 million euros in 2013 to 816.804 million euros in 2014. This represented an increase of 167.279 million euros.

Provisions decreased by 0.306 million euros to 8.891 million euros.

Pension obligations in 2014 amounted to 6.053 million euros, an increase of 1.767 million euros in comparison to 2013.

Deferred tax liabilities related to, among other things, temporary differences between reporting and fiscal accounting at the local entities. These amounted to 6.162 million euros in 2014 against 4.451 million euros in 2013.

Non-current interest-bearing financial liabilities (long-term borrowings) amounted to 551.504 million euros in 2014, an increase of 182.806 million euros against 2013. As of 22 December 2014, the credit facility has been refinanced with a new multicurrency facility of 220 million euros which will mature at 22 December 2019. Current interest-bearing financial liabilities (short-term borrowings) amounted to 5.710 million euros in 2014, a decrease

of 49.294 million euros against 2013. As at 31 December 2014, net financial debt (total current and non-current interest-bearing financial liabilities plus other long-term liabilities less cash and cash equivalents) amounted to 448.663 million euros, compared to 289.181 million euros at year-end 2013. At year-end 2014 the net financial debt/annualised REBITDA ratio was 3.18, in compliance with the covenant under the credit facility, which sets a maximum ratio of 3.25.

Short-term trade payables were 1.889 million euros higher than in 2013, amounting to 57.440 million euros.

Taxes, remuneration and social security amounted to 38.668 million euros, an increase of 9.826 million euros in comparison to 2013. The increase is mainly due to additional sebsequent payments relating to existing shareholdings.

Other current payables amounted to 119.120 million euros in 2014, versus 90.968 million euros in 2013.

Consolidated cash flow statement

The consolidated cash flow statement takes as its starting point the profit before taxes of 46.299 million euros.

From this amount are deducted the outgoing cash flows from income taxes, being 11.370 million euros. This amount includes all taxes effectively paid during 2014. Then the elements from operating activities not having a cash flow effect or not directly related to operating activities are reintroduced. This represented a total of 70.997 million euros. A significant portion of the cash flow not directly related to operating activities is the amount of paid interest (24.668 million euros), which is recognised as cash flows from financing activities (see below). In this context, depreciations and amortisations on tangible and intangible assets and changes in provisions and deferred taxes are significant non-cash elements as well. The next step is to set off the changes in working capital in the cash flow statement (negative effect of 4.229 million euros). The total cash flow from operating activities amounted to 101.696 million euros, an increase of 61.2% in comparison to 63.078 million euros in 2013.

Total cash flows from investing activities produced an outflow of 193.785 million euros relating to capital expenditures in the amount of 20.656 million euros and payments for existing shareholdings (subsequent payments) and new holdings in the amount of 196.171 million euros. The proceeds of the sale of operations produced an inflow of 23.042 million euros.

The total of cash flows from financing activities represented an inflow of 64.990 million euros. The new borrowings resulted in an inflow of 355.488 million euros. The outflow of cash flows consists of: payment of interest on loans and other financial elements such as financial discounts produced an outflow of 24.668 million euros, dividend payment of 22.199 million euros, the net sale of treasury shares amounted to 1.339 million euros and the repayment of borrowings in the amount of 245.703 million euros. The latter is related to the refinancing of the credit facility.

Total cash and cash equivalents decreased by 26.861 million euros: from 135.412 million euros at the start of the reporting period to 108.552 million euros at the end of the reporting period. The difference of 6.541 million euros between the balance sheet and cash flow statement at the start of the reporting period is caused by cash included in discontinued operations. The decrease of 26.861 million euros in 2014 was due to new borrowings, receipts for assets held for sale and payments for existing shareholdings (subsequent payments) and new holdings. The difference of -0.238 million euros between the changes of cash and cash equivalents of -27.099 million euros and the decrease in cash of 26.861 million euros, is explained by currency exchange differences.

Significant events after balance sheet date

The sale of Corilus has been completed in March 2015 as announced in the press release of March 16, 2015.

As of 2015 the reporting structure will change and Fagron will report per segment.

Fagron's business model consists of three segments: Fagron Compounding Services, Fagron Trademarks and Fagron Compounding Essentials.

See also note 32 of the financial annual report.

Description of risk management

For this, see note 3, as included in the notes of the consolidated financial statements.

SyrSpend® SF

"Superior suspending technology."

Corporate Governance Statement

25 YEARS OF INNOVATION
FAGRON

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Application of the Belgian Corporate Governance Code

Fagron NV (the 'Company') adheres to the Belgian Corporate Governance Code 2009 as reference code.
This code is available at the website www.corporategovernancecommittee.be in the section 'Code 2009'. Fagron adheres to the 'comply-or-explain' principle. Fagron is of the opinion that for the 2014 financial year, it satisfies all principles and provisions from the Belgian Corporate Governance Code 2009, with one exception:
No independent internal audit function has been set up. The Audit Committee decided there was no need to set up an independent internal audit function for 2014.

Composition of the Board of Directors

The terms of Mylecke Management, Art & Invest NV, Supplyco B.V., WPEF IV Holding Coöperatief W.A. and EnHold NV ended on 23 April 2014.

Subsequently, their appointment as members of the Audit Committee and the Nomination and Remuneration Committee ended as of that date as well.

As from 23 April 2014, Mr Peek, Mr Stols and Mr Vandewalle were nominated as members of the Audit Committee and the Nomination and Remuneration Committee. Mr Vandewalle presides the Audit Committee. Mr Stols presides the Nomination and Remuneration Committee.

The current terms of Mr Van Jeveren and Mr Peeters end after the General Meeting of the year 2015. The Board of Directors proposes that they be reappointed for a term of four years which will expire after the General Meeting of 2019.
The renewal of their term will therefore be included as an item on the agenda for the Annual General Meeting of 11 May 2015.

Composition of the Board of Directors

Composition at the time this annual report was prepared

	Term of the position	Independent director	Nomination and Remuneration Committee	Audit Committee
Gerardus van Jeveren	4 years			
Jan Peeters	4 years			
Robert Peek (Chairman)	4 years	●	●	●
Johannes Stols	4 years	●	●	●
Luc Vandewalle	4 years	●	●	●

Composition of the Executive Committee

Composition at the time this annual report was prepared

Name and position	Term of the position
Gerardus van Jeveren – Chairman and CEO	4 years
Jan Peeters – CFO	4 years
René Clavaux – Chief Information Officer	4 years
Michaël Hillaert – Area General Manager Fagron Belgium, France, Germany, Nordic & Poland	4 years
Jake Jackson – President Fagron North America	4 years
Karin de Jong – Group Controller	4 years
Rafael Padilla – Area General Manager Fagron South America, Italy & Iberica	4 years
Constantijn van Rietschoten – Chief Marketing Officer/Area General Manager Australia, Greece, UK and South Africa	4 years
Ariom BVBA permanent representative: Mario Huyghe, CEO Healthcare Solutions	End: 30/06/2014
Essensys NV permanent representative: Dirk Van Lerberghe, as manager of Loemax BVBA – CEO Corilus	End: 31/12/2014

The current terms of Mr Peek, Mr Stols and Mr Vandewalle end after the General Meeting of the year 2018.
At the Annual General Meeting on 11 May 2015, shareholders will be asked to approve the appointment of Nathalie van Woerkom as non-executive director for a period of four years.

Composition of the Executive Committee

The term of Ariom BVBA represented by Mario Huyghe ended in mutual consent on 30 June 2014.
The term of Essensys NV represented by Dirk Van Lerberghe as permanent representative of Loemax BVBA ended in mutual consent on 31 december 2014.

As from 1 January 2015, the following executives have been appointed as members of the Executive Committee for a term of four years ending 1 January 2019:

Name	Nationality	Function	Information
René Clavaux (1967)	Dutch	Chief Information Officer	After graduating in 1990 from Nyenrode Business University, René started to work as managing director for the family owned sales company. From 1998 to 2003, he worked as business consultant until he joined Fagron in 2003 as Information Management and Marketing manager. As of 2009 René is Chief Information Officer at Fagron.
Michaël Hillaert (1977)	Belgian	Area General Manager Belgium, Germany, Poland, Nordic and France	Michaël has studied Economics & Trade at the University of Gent, specialising in Marketing & Business Sciences. In 2003 he started working for Fagron as Sales Manager Fagron Belgium. As of 2014 he is Area General Manager Belgium, Germany, Poland, Nordic and France.
Jake Jackson (1981)	American	President Fagron North America	Jake graduated from Columbia School of Law. Before joining Fagron, Jake was founder and CEO of Freedom Pharmaceuticals as of 2010. After the acquisition of Freedom Pharmaceuticals by Fagron in 2013, Jake was appointed President Fagron North America.
Karin de Jong (1979)	Dutch	Group Controller	After graduating in Business Administration, Accounting & Control, Karin completed the post-graduate Register Controller degree at Erasmus University. She has been working for Fagron since 2008, where she started as business controller. In 2013 she was appointed Group Controller.
Rafael Padilla (1978)	Spanish	Area General Manager South America, Italy and Iberica	Rafael graduated from the University of Barcelona in Pharmaceutical Sciences and later completed the post-graduate PMD study at IESE. He started working for Fagron in 2002 as a pharmacist. In 2013 he became General Manager of Fagron South America, Fagron Italy and Iberica.
Constantijn van Rietschoten (1970)	Dutch	Chief Marketing Officer/Area General Manager Australia, Greece, UK and South Africa	Constantijn has studied Politics & Public Administration at Erasmus University. He started working for Fagron in 2008 as Director Corporate Communications & Investor Relations. Since 2012 he is Chief Marketing Officer and manages Fagron's Global Marketing & Innovation team. As of 2014 he is also Area General Manager of Australia, Greece, UK and South Africa.

The terms of Mr Van Jeveren and Mr Peeters end after the General Meeting of the year 2015. The Board of Directors proposes to reappoint them for a new four year term ending after the General Meeting of 2019.

Summarised curricula vitae

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

Gerardus van Jeveren (1960): Chief Executive Officer
Gerardus van Jeveren is Chief Executive Officer of Fagron. Mr Van Jeveren was the founder and main shareholder of Fagron Pharmaceuticals BV, which was acquired by Omega Pharma in 2000. Prior to the formation of Fagron he held various positions in sales and marketing, including commercial manager at Pharbita Generics, a subsidiary of Medicopharma NV. Following the acquisition of Fagron by Omega Pharma, Mr Van Jeveren was appointed country manager at Omega Pharma, responsible for the Netherlands and Germany. In 2003, he was appointed business unit manager at Fagron, responsible for the Netherlands, Belgium, Germany and Spain, and in 2006 he was appointed CEO of Arseus. Mr Van Jeveren followed the South-West Netherlands teacher training programme in Delft.

Jan Peeters (1966): Chief Financial Officer
Jan Peeters is Chief Financial Officer of Fagron. Mr Peeters joined Omega Pharma as Chief Financial Officer in 1993, after working for three years as a business analyst at Exxon Chemical International. Mr Peeters served as CFO of Omega Pharma for eight years, during which Omega Pharma was successfully floated. In 2001, Mr Peeters was appointed Deputy Chief Executive Officer at Omega Pharma, a position he held until 7 November 2006. In 2005, he was appointed business unit manager of Omega Pharma's dental division and was assigned global responsibility for the split of Arseus from Omega Pharma. In 2006, he was appointed CFO of Arseus. Mr Peeters obtained a master's degree in Applied Economics from the University of Antwerp and a post-graduate diploma in Management from the Vlerick Management School.

Robert Peek (1945)
Robert Peek studied at the Hogere Textielschool in Enschede, the Nederlandse Economische Hogeschool in Rotterdam and the Hochschule für Wirtschaft und Sozialwissenschaften in Sankt Gallen, Switzerland. In 1973, he joined Organon International, part of the pharmaceutical division of Akzo Nobel.
After holding various positions, including general manager of Organon Greece, Organon Venezuela and regional manager South America, he became head of Marketing Services, responsible for the global marketing policy. In 1988, he moved to OPG Groep NV (now Mediq NV), where he joined the Board of Directors on 1 July 1989. From January 2001, he became responsible on the Board of Directors for all operational activities of the group companies (COO), followed by his appointment as chairman of the Board of Directors (CEO) on 1 March 2003, the position he held until his retirement at the end of 2005.

Johannes Stols (1959)
Johannes Stols held various positions in the Government Audit Department (Rijksaccountantsdienst), ABN-AMRO Bank NV and Stada Arzneimittel AG. Until 2006, he was Chief Operational Officer and a member of the Board of Directors of Stada Arzneimittel AG, and was founding member of the board of many Stada subsidiaries. In addition, he chaired the European Generic Medicine Association, the Euro Specialties Association and the Netherlands Cystic Fibrosis Foundation. Mr Stols currently serves as a consultant for many companies, including Stada Arzneimittel AG and a number of private-equity funds.

Luc Vandewalle (1944)
Luc Vandewalle obtained a master's degree in Applied Economics from Ghent University. He was appointed to the board and the executive committee of BBL in December 1992. He chaired the bank's executive committee from 1 January 2000 to 30 June 2007. From 1 July 2007 to 9 May 2011, Mr Vandewalle was the chairman of the Board of Directors of ING Belgium. From 9 May 2011 until 12 May 2014, Mr Vandewalle has been a member of ING's Supervisory Board. Mr Vandewalle is currently chairman of the VZW CAW Stimulans, chairman of the West Flanders Regional Fund of the King Boudewijn Foundation and chairman of the VZW Waak (sheltered workshops). Mr Vandewalle is also a member of the Board of Directors of several other listed and non-listed companies.

Mylecke Management, Art & Invest NV – Marc Coucke (1965) – end of term on 23 April 2014
Marc Coucke graduated in Pharmacy from the State University of Ghent and obtained an MBA from the Vlerick School for Management in Ghent. He is the founder of Omega Pharma NV and, as the permanent representative of Mylecke Management, Art & Invest NV, has served for many years as CEO and director of the Omega Pharma Group. Alongside this position he is currently also Chairman of Mylecke Management, Art & Invest NV and of Alychlo NV.

WPEF IV Holding Coöperatief W.A. – Frank Vlayen (1965) – end of term on 23 April 2014
Frank Vlayen is managing principal and partner at Waterland Private Equity NV and is responsible for all Waterland activities in Belgium. He also holds responsibility for a number of specific target markets within the Waterland investment themes. Before joining Waterland, he worked as an engagement partner at Accenture UK, where he advised utility and industrial companies in the fields of M&A and corporate strategy. Prior to that, he was director business development for Citigroup Consumer Banking Europe and vice-president of Tractebel's international energy division. He began his career at Generale Bank, working in the fields of corporate finance and trade finance. Mr Vlayen has worked in Belgium, the UK, Central and Eastern Europe, and Hong Kong. He graduated magna cum laude in the MBA programme at the Vlerick Leuven Ghent Management School and cum laude in Business Engineering from the Catholic University of Leuven.

Supplyco B.V. – Cedric Van Cauwenberghe (1975) – end of term on 23 April 2014
Cedric Van Cauwenberghe is principal and partner at Waterland Private Equity NV in Belgium. He was previously investment director at Rendex Partners, a venture capital fund, where he was responsible for the technology fund, Rendex ICT Fund. Before that, he was responsible for business development at ChemResult NV, a business software company, and co-founder and financial director of FastBidder NV, a technology start-up. He started his career as a management consultant for the establishments of Roland Berger Strategy Consultants in Brussels, Frankfurt and Barcelona, where he focused on corporate strategy and organisational efficiency. He graduated in Business Engineering from the Free University of Brussels (Solvay) with great distinction.

EnHold NV – Julien De Wilde (1944) – end of term on 23 April 2014
Julien De Wilde graduated in Civil Engineering from the Catholic University of Leuven (Belgium). He held various management positions at Texaco from 1969. In 1986 he was appointed member of Texaco's European Board in New York. In 1988 he took on leadership of Recticel's research and business development centre. A year later he joined the Executive Committee of Alcatel Bell, where he was responsible for strategy and general services. Mr De Wilde served as CEO of Alcatel Bell from 1995 to 1998 and as Executive Vice-President and member of Alcatel's Executive Committee in Paris from 1999 to 2002, in which position he was responsible for Europe, the Middle East, Latin America, India and Africa. He served as CEO of the Bekaert Group from 1 July 2002 to May 2006. Mr De Wilde is currently Chairman of the Board of Directors of Agfa Gevaert and Nyrstar and member of the Board of Directors of Telenet.
He is also honorary chairman of Agoria.

Ariom BVBA – Mario Huyghe (1963) – CEO Healthcare Solutions – end of term on 30 June 2014
Since 1 January 2009, Mario Huyghe has been responsible for the Healthcare Solutions division. Mr Huyghe began his career at the Belgian distribution group Meda (now Acertys). Before his employment at Arseus, he has held a number of management positions at General Electric Healthcare, where he held global responsibility for the Life Support Anesthesia-Carestation division from 2005 to 2008. Mr Huyghe graduated in Engineering from the Catholic University of Leuven and obtained an MBA from the Vlerick Leuven Ghent Management School.

Essensys NV – Dirk Van Lerberghe (1963) – CEO Corilus – end of term on 31 December 2014
Dirk Van Lerberghe has been responsible for the Corilus division since 25 May 2009. Mr Van Lerberghe began his career at Sycron, where he rose from the Sales department to become general manager for Belgium, the Netherlands and France. Sycron was later acquired by Real Software, where Mr Van Lerberghe held a seat on the executive committee. He has gained considerable experience in expanding international customer networks. With the development and expansion of an application for automation in the medical surgery room, he also acquired experience in the medical sector. Mr Van Lerberghe studied at the EHSAL in Brussels.

Board of Directors

The composition and functioning of the Board of Directors of Fagron 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, who do not necessarily have to be shareholders. The Board of Directors is composed of executive, non-executive and independent directors.

Appointment of the members of the Board of Directors

Non-executive directors must hold at least half of the seats on the Board of Directors, and at least three directors must be independent, within the meaning of Article 526ter of the Belgian Companies Code. Executive and non-executive directors are appointed by a meeting of shareholders for a renewable term of up to 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.

Board of Directors Fagron

Function and role of the Board of Directors

The Board of Directors established its internal terms of reference as part of the preparation of the Corporate Governance Charter. In addition to those things it is legally obliged to do, the Board of Directors is in particular responsible for, among other things, determining the strategy, the risk profile, the values and the main policy lines, 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 operating results of the group, approving the framework for internal control and risk management, structuring the Executive Committee, establishing its powers and obligations and evaluating its performance, supervising the quality and completeness of financial announcements as well as the integrity and prompt disclosure of the financial statement 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 terms of reference and assessing their effectiveness, promoting an effective dialogue with the shareholders and potential shareholders, approving contracts for the appointment of the CEO and other members of the Executive Committee, selecting the Statutory Auditor on the nomination of the Audit Committee and supervising his performance, and supervising the internal audit function if an independent internal audit function is established.

The Corporate Governance Charter and the internal terms of reference of the Board of Directors can be found 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 where they thoroughly monitor and for which they submit recommendations to the Board of Directors. The ultimate decision lies with the Board of Directors. The composition, powers and functioning of the Committees are described in their respective internal terms of reference, which are available at the corporate website (www.fagron.com) in the section entitled 'Corporate Governance'. The Committees report to the Board of Directors after every meeting.

Audit Committee
The composition of the Audit Committee complies with all provisions of the Belgian Corporate Governance Code 2009.

All members of the Audit Committee have sufficient bookkeeping and auditing experience. The Audit Committee is the primary point of contact for the internal audit function (if an internal audit function was set up) and the Statutory Auditor. Without prejudice to the statutory duties of the Board of Directors, the Audit Committee is responsible for developing an audit programme that covers all activities of the Company in the long term, and is, in particular, 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 statement and the consolidated financial statement, including follow-up to questions and recommendations formulated by the Statutory Auditor;
6. assessing and monitoring the independence of the Statutory Auditor, taking particular note of additional services provided to the Company.

Following internal talks, the Audit Committee found that there was no need to set up an independent internal audit function for 2014.

Nomination and Remuneration Committee
The Board of Directors decided in 2010 to merge the Nomination Committee and the Remuneration Committee. The composition of the Nomination and Remuneration Committee complies with all provisions of the Belgian Corporate Governance Code 2009.
The members have the necessary expertise in the area of remuneration policy.

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

The main duties with regard to remuneration consist of:

1. preparing, assessing and making proposals to the Board of Directors concerning the remuneration policy to be implemented regarding the directors, the members of the Executive Committee, the other executives as referred to in the last subsection of Article 96 §3 of the Belgian Companies Code and the persons responsible for the daily management, and, where applicable, concerning the ensuing proposals to be presented to the shareholders by the Board of Directors;
2. preparing, assessing and making proposals to the Board of Directors concerning individual remuneration of the directors, the members of the Executive Committee, the other executives as referred to in the last subsection of Article 96 §3 of the Belgian Companies Code and the persons responsible for the daily management, including variable remuneration and long-term premiums, which may be associated with shares, in the form of share options or other financial instruments, and severance pay, and, where applicable, concerning the ensuing proposals to be presented to the shareholders by the Board of Directors;
3. preparing recommendations regarding performance targets for the CEO and the other members of the Executive Committee and other key managers;
4. preparing recommendations regarding allocation of bonuses and long-term incentives to the CEO and other members of the Executive Committee;
5. discussing the functioning and performance of the Executive Committee;
6. reviewing both the functioning 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 announcing 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 this is not in place, to the union representatives;
8. providing an explanation of the remuneration report at the Annual General Meeting of Shareholders.

Executive Committee

Appointment of the members of the Executive Committee
The composition and functioning of the Executive Committee complies with all provisions of the Belgian Corporate Governance Code 2009.

The Company has established an Executive Committee in the sense of the Corporate Governance Act of 2 August 2002.
The Board of Directors appoints the members of the Executive Committee based on the recommendations of 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 Company's management.
It exercises the management powers that the Board of Directors has delegated to it (within the limits of the general and strategic policy and where 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, administration and financial matters, treasury, supervision and control of the business units (managers), legal matters, intellectual property, environment and permits, human resources, insurances, tax and subsidy matters, and the preparation of press releases and annual accounts.

More detailed information can be found in the internal terms of reference of the Executive Committee, which is an annex to the Corporate Governance Charter and is available at the corporate website (www.fagron.com), in the section entitled 'Corporate Governance'. The Executive Committee meets as often as the interests of the Company demand it and within fourteen days of the request to do so by two members of the Executive Committee. The Executive Committee also provides quarterly reports on its activities to the Board of Directors.

Activity report of the Board of Directors and the Committees in 2014

Board of Directors
In 2014, in addition to discussing financial reporting, the Board of Directors devoted a great deal of attention to determining the corporate strategy, corporate funding and the company's organic and non-organic growth.

The executive and non-executive members of the Board of Directors convened nine times in 2014 (6 February, 7 April, 10 April, 12 May, 3 June, 4 August, 2 September, 4 November and 3 December).
All directors attended these meetings, unless stated otherwise below:
- 12 May: absent: Mr Luc Vandewalle.

The Board of Directors adopted the following decisions by means of written resolutions:
- 11 June 2014: determination of the list of warrants that were exercised in the context of Warrant Plans 1 and 2, both approved by the Board of Directors on 6 September 2007.

The non-executive directors met separately on three occasions in 2014 (on 6 February, 23 May and 3 November); the main topic discussed at the meeting was the company's remuneration policy. During these meetings, all non-executive members of the Board of Directors were present.

Audit Committee
The Audit Committee, consisting of Supplyco B.V., represented by Mr Cedric Van Cauwenberghe, and Mr Stols and Mr Vandewalle until 23 April 2014 and of Mr Vandewalle, Mr Peek and Mr Stols thereafter, convened three times during 2014 (6 February, 4 August and 3 December).
All members of the Audit Committee in function at the time of the meeting attended these meetings.
Mr Van Jeveren, Mr Peeters and Mr Peek attended the meetings at the request of the Audit Committee.

Nomination and Remuneration Committee
The Nomination and Remuneration Committee, consisting of WPEF IV Holding Coöperatief W.A., with Mr Frank Vlayen as permanent representative, and Mr Stols and Mr Peek until 23 April 2014 and of Mr Vandewalle, Mr Peek and Mr Stols thereafter, met on four occasions in 2014 (26 March, 23 May, 27 May and 3 June).
All members of the Nomination and Remuneration Committee in function at the time of the meeting attended these meetings.
Mr Van Jeveren and Mr Peeters were present at the meeting of the Nomination and Remuneration Committee of 26 March and 27 May.

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 own size, composition and functioning and that of its Committees, as well as of its interaction with the Executive Committee. The Chairman of the Board of Directors and the performance of his role within the Board of Directors are also evaluated.
This evaluation has four objectives:
1. to assess the functioning of the Board of Directors and the Committees;
2. to determine whether key issues are thoroughly prepared and discussed;
3. to assess the actual contribution of every director to the work of the Board of Directors, his or her

attendance of Board and Committee meetings, and his or her constructive involvement in the talks and the decision-making process;
4. to assess the existing composition of the Board of Directors and the Committees in the light of the required composition of the Board of Directors or of the Committees.

The evaluation of the Board of Directors in terms of its size, composition and functioning and that of its Committees, as well as of its interaction with the Executive Committee, took place on 26 March 2014 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 annually assess both the functioning and the performance of the Executive Committee. The evaluation of the Executive Committee takes place 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 Board members or members of the Executive Committee not covered by the conflict 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 not covered by the conflict of interest arrangement 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 Fagron 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 of the Board of Directors. If 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 decision or activity of the Company, they must also notify the Chairman of the Board of Directors at the earliest opportunity.
If Article 523 of the Belgian Companies Code applies, the director in question must also refrain from participating in the relevant deliberations and from voting.

Rules for the prevention of insider trading and market abuse

The Board of Directors has drawn up rules to prevent privileged information being unlawfully used by directors, shareholders, managers, employees and certain third parties (jointly referred to as 'Insiders'). These rules are an integral part of the Corporate Governance Charter and are available at the corporate website (www.fagron.com) in the section 'Corporate Governance'. The Board of Directors has also appointed a Compliance Officer to supervise, among other things, observance of the rules by Insiders. Insiders and persons closely related to them may not conduct any transactions with respect to securities of the Company during Closed Periods and Blocked Periods.

A Closed Period is:
(i) the period from 1 January up to the moment the annual results of the Company over the closed financial year are published;
(ii) the period from 1 July up to the moment the results of the Company over the previous six-month period are published;
(iii) the period of 15 days immediately preceding the publication of the quarterly results of the Company, or, if shorter, the period as from the closing date of the quarter concerned up to and including the moment of publication.

A Blocked Period covers any period that is indicated as such by the Compliance Officer. Certain transactions – to be named specifically – remain possible in exceptional cases during Closed Periods and Blocked Periods. Insiders that wish to acquire or sell securities of the Company 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 as an explicit rejection of the transaction by the Company. Every request and recommendation of the Compliance Officer is recorded in a special register. Transactions that can reasonably be expected to potentially have a sensitive impact on the stock market price of the Company's shares will be announced in compliance with the rules for 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 goals, (2) to guarantee the reliability of the financial reporting, and (3) to act in compliance with the laws and regulations applying 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

Desinfecting utilities at Fagron Compounding Services

Fagron and is, partly in view of the development of the environment and the company itself, continually subject to further refinement and improvement.
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 significant inaccuracies can arise at Fagron. Fagron gives priority to internal control and management. The internal control and management is continually assessed and further professionalised, devoting attention to the governance structure, processes, systems and controls, and to awareness among the management and employees of the importance of implementing these correctly. In concrete terms, the internal governance of Fagron is built up of the following elements:

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

Budgets
The strategic objectives, including the main opportunities and risks, are discussed with the Executive Committee. The strategic objectives of Fagron form the basis for the budgets of the units. In addition to a financial budget, the budget for each business unit (both divisions and individual companies) contains a number of concrete business targets 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 of the business units are analysed monthly at both the local and central level, with the aid of the Fagron Management Information System. This system is available to the management and the business controllers of the business units, and to the Executive Committee and the Corporate Controlling department.

The management and business controllers report monthly on progress in achieving their business plans, the resulting KPIs and their financial performance to the Executive Committee and the Corporate Controlling department. Progress meetings are held regularly on the basis of these reports, at which at least the actions agreed in earlier reviews, the financial results, the updated forecasts, staff turnover and recruitment, and the progress and developments in the business are discussed.

Fagron Compounding Essentials

Global Policies and Code of Conduct and Ethics
Responsibilities, powers, guidelines and procedures at Fagron are clearly and accessibly recorded in the Global Policies and the Code of Conduct and Ethics. Every important process is covered. The management and business controllers of the business units are responsible for the correct application of the processes and systems. Acquisitions are also integrated in terms of guidelines, procedures, processes and systems as soon as further integration occurs.

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

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

The Audit Committee found that there was no need to set up an independent internal audit function for 2014.

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 terms of reference 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, and the Board of Directors had set the primary goal of continuing compliance with the principles and provisions of this Code as fully as possible. On 24 April 2008, the Board of Directors approved a new version of the Company's Corporate Governance Charter, in which a number of general points were further improved.
The Corporate Governance Charter was subsequently adapted to the Belgian Corporate Governance Code of 12 March 2009 and the Board of Directors approved the revised version of the Corporate Governance Charter on 23 March 2010.
The Nomination Committee and Remuneration Committee were formally merged to create the Nomination and Remuneration Committee by a decision of the Board of Directors on 27 October 2010. 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.

Finally, by decision of the Board of Directors of 14 May 2012, Article 3.3.2 of Annex 3 to the Corporate Governance Charter (Rules for the prevention of insider trading and market abuse) was amended to allow not only the exercise of warrants, but also the exercise of stock options during a Closed Period or Blocked Period. The current version of the Corporate Governance Charter was approved by the Board of Directors on 14 May 2012.

The Company is of the opinion that it fulfils all principles and provisions of the Belgian Corporate Governance Code 2009 (with the exception of the internal audit function not being in place) and all provisions of the Act of 6 April 2010.

The complete Corporate Governance Charter, including its annexes, is available at the corporate website (www.fagron.com) in the section 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 liquidator(s)).

The Annual General Meeting will be held on the second Monday of May at 3:00 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 for this meeting.

Convening notices for the General Meetings are in the form and within the time limits as set out in the Belgian Companies Code and the convocations must at least contain the details as set out in Article 533bis of the Belgian Companies Code.

The right to attend the General Meeting and to exercise voting rights shall be granted solely based on the administrative registration of the shares in the shareholder's name on the fourteenth day before the General Meeting at midnight, Belgian time, either through the shareholder's registration in the Company's shares register, or by their registration in the accounts of a certified account holder or intermediary, irrespective of the number of shares that the shareholder is holding on the actual date of the General Meeting. The date and hour as aforementioned form the registration date. Shareholders shall report their intention to attend the General Meeting at the latest by the sixth day before the date of the meeting to the Company or to the relevant person appointed by the Company.
The certified account holder or intermediary shall provide the shareholder with a certificate proving with how many dematerialised shares that were registered in its accounts in the shareholder's name as at the registration date the shareholder indicated to participate at the General Meeting.
A register designated by the Board of Directors will serve to record for each shareholder who expressed a wish to attend the General Meeting the name and address or statutory office, the number of shares in his/her possession as at the registration date and with which he/she indicated to participate at the General Meeting, and a description of the documents showing that he/she held the relevant shares as at the registration date.

Holders of bonds, warrants or certificates issued in cooperation with the Company are permitted to attend the General Meeting with an advisory vote, on the condition of compliance with the admission conditions applicable to shareholders.

Any 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, the Board of Directors defines the procedure for voting by proxy and the proxy form to be used when granting the proxy, such within the limits as set out in the Belgian Companies Code.
The Company must receive the proxies at the latest by the sixth day before the date of the General Meeting in accordance with the procedure determined by the Board of Directors.
The calculation of the rules regarding quorum and majority shall be based solely on the proxies of the shareholders that comply with the admission formalities such as set out in the Articles of Association.
One or more shareholders that jointly hold at least 3% of the authorised share capital shall have the right of having items placed on the agenda of the General Meeting and submitting motions to vote concerning to the agenda items or items to be placed on the agenda. This Article does not apply to a General Meeting convened based on subsection 2 of Article 533 §2 of the Belgian Companies Code.
On the date that shareholders submit an agenda item or motion to vote, the relevant shareholders prove that they reach 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 proving that the relevant number of dematerialised shares was registered to their name and account.
The subjects to be placed on the agenda and the motions to vote that were placed on the agenda are discussed only if the above-mentioned 3% of the capital is registered in accordance with Article 536 §2 of the Belgian Companies Code.

The requests must be set out 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 post or e-mail address must be included, to which the Board of Directors will send the confirmation of receipt of these requests.
The Company must receive the requests at the latest by the twenty-second day before the date of the General Meeting. Requests are sent to the Company electronically at the address stated in the convocation of the General Meeting. The Company shall confirm receipt of the requests within a period of forty-eight hours from receipt.
Upon receipt of the requests, the Company shall act in accordance with the Belgian Companies Code, in particular with Article 533ter §3 of the Belgian Companies Code.
The provision set out in Article 533ter of the Belgian Companies Code must be applied in good faith by both the shareholders and the Company.
This may be applied only in the interest of the company.
The directors shall answer the questions asked by the shareholders during the meeting or in writing regarding their report, or regarding the agenda items, such insofar sharing the information or facts is not potentially detrimental to the Company's business interests or to the confidentiality to which the Company, its directors or statutory auditor(s) have committed.
During the meeting, the Statutory Auditor(s) shall answer the questions asked verbally by the shareholders during the meeting or in writing regarding their report.
If there are various questions regarding the same subject, the directors and Statutory Auditor(s) may answer these in a single response.

Order Storage Retrieval (OSR) robot in warehouse Fagron Netherlands

As soon as the convocation has been published, the shareholders may ask the questions referred to in the first paragraph in writing, which shall be answered in the meeting by, as the case may be, the directors or the Statutory Auditor(s), insofar the relevant shareholders complied with the formalities to be completed before being admitted to the meeting. The questions may be addressed to the Company's electronic address as stated in the convocation of the General Meeting. The Company must have received the questions in writing at the latest on the sixth day before the meeting.

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

- On 14 May 2012 to reflect the mandatory provisions of the Act of 20 December 2010 (Act regarding exercising certain rights of shareholders of listed companies);
- On 12 December 2014 regarding the:
  - Change of name from Arseus into Fagron;
  - Renewal of the authorisation for the acquisition and disposal of treasury shares;
  - Amendment to the provisions in the articles of association regarding the abolition of bearer shares (Law of 14 December 2005);
  - Amendment to the provisions in the Articles of Association regarding the liquidation procedure in accordance with the mandatory provisions of the Belgian Companies Code (Laws of 19 March 2012 and 25 April 2014).

The coordinated Articles of Association may be consulted on the corporate website (www.fagron.com) in the section Corporate Governance.

Consultation of the Company's documents

The stand-alone and consolidated financial statement, Articles of Association, annual reports and other information that is made public for the benefit of the shareholders are available from the registered office of the Company free of charge. The Articles of Association can be found on the corporate website (www.fagron.com) in the section Investors.

Number of shares and authorised capital

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

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

(i) a contribution in kind in the form of shares of Fagron BV (formerly known as Arseus BV) by Omega Pharma, and (ii) the contribution of claims held by the contributors.
This resulted in the issue 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, 1,018 new shares were issued as the result of the exercise of warrants under the Warrant Plan of the Offer. Non-exercised warrants under the Warrant Plan of the Offer 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 31,196,139.00. The authorised share capital amounted to 319,820,911.43 euros.

On 16 June 2011, 20,749 new shares were issued as a result of exercising warrants under Warrant Plans 1 and 2, both approved by the Board of Directors on 6 September 2007.
The number of voting securities of Fagron amounts to 31,216,888. The total number of voting rights (denominator) is 31,216,888. The authorised capital amounts to 320,023,050.35 euros.

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

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

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

At the time of preparation of this annual report, therefore, the capital amounts to three hundred twenty two million one hundred eleven thousand six hundred forty-five euros and ninety-eight cents (322,111,645.98 euros) represented by thirty-one million four hundred thirty-one thousand three hundred sixty (31,431,360) shares, without indication of nominal value but with an accounting par value of one thirty-one million four hundred thirty-one thousand three hundred sixtyth (1/31,431,360th) part of the capital.

Shareholder structure and notifications of shareholding

Based on the notifications of shareholding received by the Company as of 31 March 2015, and taking into account the denominator, the shareholding in the Company is as shown in the table below.

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

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

Conflicts of interest

The procedure from Article 523 of the Belgian Companies Code was applied three times in 2014, during the meetings of the Board of Directors on 12 May 2014 (Grant discharge to the executive committee members), 3 June 2014 (Approval of Warrant Plan 2014) and on 2 September 2014 (Creation of warrants). The passage from the minutes regarding the particular decision is presented verbatim below, stating the reasons for the conflict of interest as well as

Shareholder structure

	Number of shares	% of effective voting rights
Carmignac Gestion	2,463,267	7.84%
TIAA-CREF Asset Management LLC	1,635,681	5.20%
BNP Paribas Investment Partners SA	1,609,182	5.12%
Fidelity Management and Research (FMR LLC)	1,573,158	5.00%

an explanation and the property-law consequences for the Company.

Extract from the minutes of the Board of Directors of 12 May 2014:
Discharge to the members of the Executive Committee.
Prior to the discussions on this point, Mr Van Jeveren and Mr Peeters point out that they have a potential conflict of interests in the sense of article 523 of the Belgian Companies Code in granting discharge to themselves as members of the Executive Committee for the 2013 financial year.
This conflict of interest lies for both of them in the fact that they are directors of the Company and members of the Executive Committee during the 2013 financial year.

Mr Van Jeveren and Mr Peeters will inform the Statutary Auditor of the Company of their conflict of interest. Both of them will not further participate in the discussions and decisions or votes regarding the discharge to the members of the Executive Committee and leave the board meeting when the Board of Directors decides on the discharge to Mr Van Jeveren and Mr Peeters.

Justification and explanation of the decision to be taken
The proposed decision concerns the discharge of the members of the Executive Committee individually for the fulfillment of their mandate during the financial year 2013.
During the 2013 financial year, the Board of Directors received a complete insight in all decisions of the Executive Committee which enabled the Board of Directors to assess that the individual members of the Executive Committee have fulfilled their mandate during the 2013 financial year correctly.

Property-law consequences for the Company of the discharge
Approving discharge has as a consequence that each member of the Executive Committee can not be held liable anymore personally by the Board of Directors on a financial level for faults and infringements during the fulfillment of their mandate.

Resolution: The Board of Directors decides unanimously, by separate vote, to approve the discharge to each of the members of the Executive Committee (Ger van Jeveren, Jan Peeters, Frank Verbakel (until the end of his term on 31 August 2013), Ariom BVBA represented by Mario Huyghe and Essensys NV represented by Dirk Van Lerberghe as manager of Loemax BVBA) individually for the way in which they fulfilled their mandate during the 2013 financial year.

Extract from the minutes of the Board of Directors of 3 June 2014:
Approval of Warrant Plan 2014 and grantings.

Prior to the discussions on this point, Mr Van Jeveren and Mr Peeters point out that they have a potential conflict of interests in the sense of article 523 of the Belgian Companies Code in the approval of a warrant plan in which they potentially participate as members of the executive management.
This conflict of interest lies for both of them in the fact that they are directors of the Company and members of the Executive Committee.

Mr Van Jeveren and Mr Peeters will inform the Statutary Auditor of the Company of their conflict of interest. Both of them will not further participate in the discussions and decisions or votes regarding the approval and proposals regarding Warrant Plan 2014 and leave the board meeting.

Justification and explanation of the decision to be taken
The proposed decision concerns the approval of the 2014 Warrant Plan and the proposal of the individual awards thereunder to members of the management and personnel.
As Mr Van Jeveren and Mr Peeters in their capacity of member of the executive management are potentially beneficiairies of the warrant plan, they must withhold themselves from the discussions and decisions or votes in this regard.
The Nomination and Remuneration Committee has rendered its advice which will be followed by the Board of Directors.

Property-law consequences for the Company
The potential award of warrants to members of the executive management is in essence a variable remuneration by the Board of Directors to Mr Van Jeveren and Mr Peeters in which the Company will create new shares in the framework of the exercise of warrants by Mr Van Jeveren and Mr Peeters which causes dilution amongst the existing shares as a consequence of the issuance of new shares.

Resolution: the Board of Directors decides unanimously, by separate vote, to approve the Warrant Plan and the individual grantings to members of the personnel as proposed by the Nomination and Remuneration Committee and orders the execution thereof.

Extract from the minutes of the Board of Directors of 2 September 2014 held in the presence of notary public Luc De Ferm (in lieu of notary Public Liesbet Degroote):
Approval of the special report of the Board of Directors – reading of the report of the statutory auditor – approval of Warrant Plan 1-2014
Prior to the discussions on this point, Mr Van Jeveren and Mr Peeters, precited and members of the executive management of the Company, point out that there might be a conflict of interests with regard to the decisions to be made by the Board of Directors regarding the approval of a warrant plan of which they are beneficiairies.
The Board of Directors took notice of this conflict of interests and the fact that this was communicated by both directors to the statutory auditor of the Company. In conformity with article 523 of the Belgian Companies

Labeling syringes at Fagron Compounding Services

Code – and taking into account that the Company has made a public appeal on savings – the directors concerned were asked not to participate in the discussions, decisions or votes regarding the approval of 'Warrant Plan 1-2014' and the grantings thereunder. The directors concerned did not participate in the discussions or in the decisions or votes.

Justification and explanation of the decision to be taken
The initiative of the Board of Directors, following the proposal of the Nomination and Remuneration Committee, to launch 'Warrant Plan 1-2014' is aimed to motivate of the beneficiairies thereof to contribute to the growth of the Company on the one hand and on the other hand to strengthen en enhance their loyalty towards the Company.
The Board of Directors agrees with the Nomination and Remuneration Committee that the work, the initiative and the entrepreneurial spirit of each of the beneficiairies constitute an important contribution to the development of the activities and the results of the Company, and wishes therefore to offer the opportunity to the beneficiairies to acquire (additional) shares in the Company based upon a predetermined subscription price in order to allow them to participate in the added value and growth of the Company.
The experience of the previous years has demonstrated that stockoptions and warrants and participation in the share capital by the collaborators of the Company are an important element of motivation and involvement towards the Company.
Such a plan aims at improving the motivation on a longer term in order to let the motivation contribute to the realisation of the strategy and the success and the growth of the Company. This initiative serves as such the interests of the Company.

Property-law consequences for the Company
The financial consequences for the Company that are a consequence of the granting of warrants to the aforementioned executive management members are limited taking into account the fact that the granting of warrants is in essence the granting of a variable remuneration by the Board of Directors to the members of the executive management in which the Company will issue new shares in the framework of the exercise of these warrants by the aforementioned members of the executive management and as a consequence a certain dilution will take place amongst the existing shares as a consequence of the issuance of new shares.

Resolution: this motion to vote is approved unanimously.

Purchase of treasury shares

The Extraordinary General Meeting of 16 June 2009 granted the Company's Board of Directors the additional authorisation to buy back treasury shares for a period of five years from 16 June 2009, for a price of no less than 1 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 at no time owns shares in its own capital with an accounting par value in excess of 20% of the Company's issued capital.

The aforementioned authorisation expired on 16 June 2014 and subsequently the Extraordinary General Meeting of 12 December 2014 renewed the authorisation of the board of directors to acquire treasury shares for a maximum of ten percent (10%) of the issued share capital, by purchase or exchange, directly or through a person acting in its own name but for the company's account, at a price lesson lower than 1 euro and not higher than the average of the closing quotation prices for the 10 working days prior to the date of the acquisition or exchange, plus 10%, in such a way that the company at no time owns treasury shares whose accounting par value is higher than 10% of the issued capital of the company.

In view of the market conditions and in the interests of the Company, the Board of Directors resolved to continue the buyback programme.

The Company bought back 59,539 treasury shares in 2014. On 31 December 2014, Fagron owned 577,479 treasury shares.

Warrants

On 6 September 2007, the Company's Board of Directors approved three warrant plans for employees, for directors/ managers/consultants of Fagron NV and/or its subsidiaries, and for shareholders of Omega Pharma NV who subscribed to shares in the priority tranche in the Arseus NV IPO. The Board of Directors is of the opinion that the possibility for employees, key third parties and consultants to participate forms a key stimulus for the Company's further expansion and growth.

The warrants of the Offer expired in January 2011. On 16 February 2011, 1,018 new shares were issued as a result of exercising warrants under the Warrant Plan of the Offer.

Pursuant to a decision taken by the Board of Directors dated 11 May 2009, held in the presence of the notary Mr Dirk van Haesebrouck, the period during which the warrants granted to beneficiaries prior to 31 August 2008 in the context of Warrant Plan 1 are exercisable was extended by five years to 17 December 2020, in accordance with the Amendment Act (Herstelwet).

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

During 2011, 20,749 warrants were exercised under Warrant Plans 1 and 2. On 16 June 2011, 20,749 new shares were issued as a result of exercising warrants under Warrant Plans 1 and 2.

During 2012, 61,626 warrants were exercised under Warrant Plans 1 and 2. On 14 June 2012, 61,626 new shares were issued as a result of exercising warrants under Warrant Plans 1 and 2.

During 2013, 79,844 warrants were exercised under Warrant Plans 1 and 2. On 13 June 2013, 79,844 new shares were issued as a result of exercising warrants under Warrant Plans 1 and 2.

During 2014, 73,002 warrants were exercised under Warrant Plans 1 and 2.

On 13 June 2014, 73,002 new shares were issued as a result of exercising warrants under Warrant Plans 1 and 2.

In addition, 48,625 warrants were exercised under Warrantplan 2 for which existing shares in the Company were delivered.

On 3 June 2014, the Company's Board of Directors approved the 2014 warrant plan for employees and consultants/ management of Fagron NV and/or its subsidiaries, which was created by decision taken by the Board of Directors dated 2 September 2014, held in the presence of the notary Mr Luc De Ferm. The Board of Directors is of the opinion that the possibility for employees and consultants/management to participate in the share capital of the Company forms a key stimulus for the Company's further expansion and growth.

For further details regarding the modalities of Warrant Plans 1, 2 and 2014 and the movements of the number of warrants during the 2014 financial year, please refer to note 22 to the consolidated financial statement.

Stock options

On 7 December 2009, the Company's Board of Directors approved the Stock Option Plan 2009 for directors, consultants and employees of Fagron NV and/ or its subsidiaries. The Stock Option Plan 2009 was approved by the Extraordinary General Meeting of 27 January 2010.

With the Stock Option Plan 2009, the Board of Directors aims to create a long-term incentive for persons who can make a significant contribution to the Company's success, growth and value creation. The Stock Option Plan 2009 is regarded as an important retention tool and aims to create a common interest between the Company's option holders and shareholders, aimed at an increase in the value of the Company's shares.

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

In 2010, 987,500 stock options were awarded under the Stock Option Plan 2009.
In 2012, 127,250 stock options were exercised under the Stock Option Plan 2009.
In 2013, 328,250 stock options were exercised under the Stock Option Plan 2009.
In 2014, 282,500 stock options were exercised under the Stock Option Plan 2009.

On 27 October 2011, the Company's Board of Directors approved the Stock Option Plan 2011 for consultants and employees of Fagron NV and/or its subsidiaries, such under the suspensive condition of approval by the General Meeting. The Stock Option Plan 2011 was presented for approval to the Annual General Meeting held on 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 a supplementary financial incentive when they are promoted by awarding extra options.
The Stock Option Plan 2011 can be viewed at the corporate website (www.fagron.com) in the section Investors. In 2012, 250,000 stock options were awarded under the Stock Option Plan 2011. In 2014, 22,500 stock options were exercised and 4,650 stock options were granted under the Stock Option Plan 2011.

Further details of the modalities of the Stock Option Plan 2009 and 2011 and the movements in the number of stock options in the 2014 financial year are provided in note 22 of the consolidated financial statement.

Authorised Capital

The Extraordinary General Meeting on 5 June 2012 decided to renew the authorisation of the Board of Directors to increase the authorised share capital, such with a majority of at least three fourths of the votes and 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 Appendices to the Belgian Official Gazette (29 June 2012).

On 2 September 2014, the Board of Directors created 2,140,000 warrants in the framework of the authorized share capital.

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, this share premium shall be deposited into a blocked account, called 'share premium', which will constitute the guarantee of third parties to the same extent as the authorised capital, and which can only be disposed of, notwithstanding the possibility of converting this premium into capital, in accordance with the conditions for reducing authorised capital stipulated by the Belgian Companies Code.

This power of the Board of Directors is valid for capital increases subscribed to in cash or in kind, or that occur by the 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.

Statutory Auditor

Fagron's Statutory Auditor is CVBA PricewaterhouseCoopers Bedrijfsrevisoren, a company governed by Belgian law with registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, represented by the professional partnership Peter Van den Eynde BVBA, with registered office at Gentstraat 65C, 9170 Sint-Gillis-Waas, which is in turn represented by its permanent representative Mr Peter Van den Eynde.
CVBA PricewaterhouseCoopers Bedrijfsrevisoren was appointed in 2013 as Fagron's Statutory Auditor for a term of three financial years, ending on the date of the Annual General Meeting to be held in 2016.
PricewaterhouseCoopers

PricewaterhouseCoopers Bedrijfsrevisoren receives a total annual remuneration of 501,310 euros for all audits for the Group, including the audit on the consolidated financial statements. Part of the total annual remuneration (101,789.88 euros) relates to Fagron NV, and we propose to the Annual General Meeting of Shareholders to approve the change in remuneration.

Details about the remuneration of the Statutory Auditor in 2014 can be found in note 31 to the financial statement.

Remuneration Report

Remuneration for non-executive directors
The non-executive directors do not receive any performance-based remuneration, or any benefits in kind or benefits connected with pension schemes.
The Chairman of the Board of Directors receives an annual fee of 50,000 euros, irrespective of the number of committees of which the chairman is a member, and (ii) the other non-executive directors of the Company receive an annual fee of 25,000 euros, plus 6,000 euros per committee of which they are a member.

In concrete terms, this means the following remunerations were paid in 2014:

(in euros)	
Robert Peek	50,000
Luc Vandewalle	31,000
Johannes Stols	37,000
Mylecke management Art & Invest NV	5,000

Remuneration policy for executive directors and the members of the Executive Committee

The remuneration of executive directors follows entirely from their executive positions. The members of the Executive Committee do not receive a separate remuneration for their membership of the Board of Directors. The following principles were applied in 2014 for the policy for 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 account of the size of the company, the sector, the growth profile and the profitability. On the other hand there is also a variable remuneration in cash.
For the CEO, this remuneration amounts to a maximum of 120% of the fixed annual remuneration and for the other members of the Executive Committee, to a maximum of 60% of the fixed annual remuneration.
The executive directors and the members of the Executive Committee do not receive any long-term result-related share-based incentive programmes.
Currently there is no intention to implement any amendments to the remuneration policies for the executive directors and the members of the Executive Committee in the coming two years.

As part of the sale of Omega Pharma's 24.04% interest and Couckinvest's 1.06% interest to Waterland, the Board of Directors approved a stock option plan amounting to 1,000,000 stock options on 7 December 2009. This stock option plan aims to provide an additional incentive to the directors and management of the Company. The plan was approved by the Extraordinary General Meeting of Shareholders on 27 January 2010.
The executive members of the Board of Directors and the members of the Executive Committee were granted stock options in January 2010.
No stock options were granted to members of the Board of Directors or members of the Executive Committee in 2012 under the Stock Option Plan 2009. In 2012 a total of 125,000 stock options were exercised under the Stock Option Plan 2009 by the executive members of the Board of Directors and members of the Executive Committee.
In 2013 a total of 295,000 stockoptions under the Stock Option Plan 2009 were exercised by the executive members of the Board of Directors or the members of the Executive Committee. In 2014 a total of 210,000 stockoptions under the Stock Option Plan 2009 were exercised by the executive members of the Board of Directors or the members of the Executive Committee.

On 14 May 2012, the Annual General Meeting approved the Stock Option Plan 2011 for consultants and employees of Fagron NV and/or its subsidiaries. This stock option plan aims to provide an additional incentive to the directors and management of the Company. The Stock Option Plan 2011 can be viewed at the corporate website (www.fagron.com) in the section Investors.
In 2012, 105,000 stock options were granted to the executive members of the Board of Directors under the Stock Option Plan 2011.
In 2013, no stock options were exercised under the Stock Option Plan 2011 by the executive members of the Board of Directors or the members of the Executive Committee.
In 2014, no stock options were exercised under the Stock Option Plan 2011 by the executive members of the Board of Directors or the members of the Executive Committee.

More details on the warrants/stock options can be found in this annual report in note 22.

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 in 2014 for the award of performance-related bonuses to members of the Executive Committee are based for 80% on financial targets, namely (1) turnover, (2) REBITDA, and (3) net debt, each of these three components being assessed on an equal basis. For the remaining 20%, the criteria are based on personal/discretionary targets that are clearly defined and set down in writing annually. The variable remuneration is granted on the basis of these financial and personal targets that are fixed and evaluated annually.

The management agreements do not explicitly provide a reclaim right for the Company regarding any variable allowances that are awarded based on incorrect financial data.

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

- 50% of the variable remunerations may be related to performance in the particular year (in this case, 2014) and is paid out after one year therefore;
- the remainder must be spread out over at least the two following years, whereby at least 25% must be based on performance over a period of at least three years, therefore 25% in 2014 and 25% in 2015.
  This mandatory spread does not apply if the variable remuneration amounts to 25% or less of the annual remuneration.

The Nomination and Remuneration Committee is of the opinion, however, that there are justified reasons why it would not be opportune 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 advised that Fagron's current bonus system based on annual targets be retained:

- First of all, Fagron's Executive Committee is already strongly aligned with Fagron's long-term performance via the current warrant and stock option plans;
- Moreover, 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 be pointless if significant acquisitions were to take place in the course of the subsequent 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 forego application of the spread variable remuneration as provided for in Article 520ter of the Belgian Companies Code.

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

The table below contains information on the 2014 remuneration package.

The second table below contains information on the warrants allocated under Warrant Plan 2 and the stock options allocated.
Note 22 of this annual report contains further details of Warrant Plan 2 and the Stock Option Plan.

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

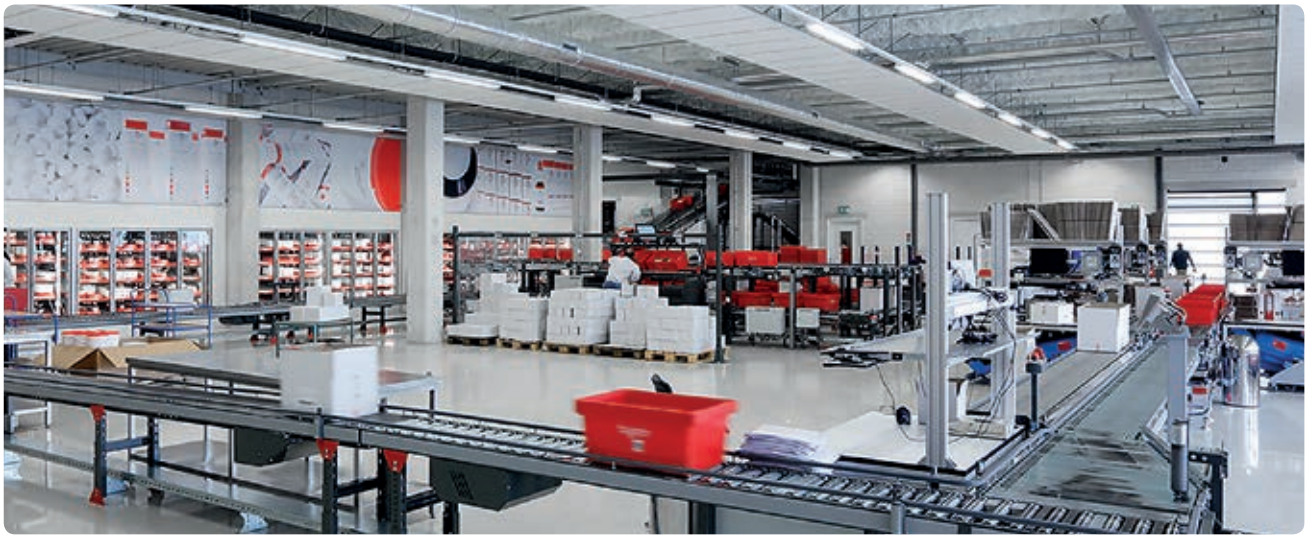
Remuneration package

Information on remuneration (x 1,000 euros)	CEO	Total excluding CEO	Note
Base salary / remuneration	600	1,009	This concerns gross salaries of one member and management remunerations of the other members of the Executive Committee during the therm of their mandate.
Variable remuneration	720	430	This concerns the variable remuneration on 2014 during the term of their mandate, effectively paid out in 2015.
Pensions an other remuneration	31	0	This concerns a Defined Contribution pension premium for one member of the Board of Directors. The employee pays 1/3 of the premium and the employer pays 2/3. A maximum pensionable salary of 160,000 euros applies.
Share options/warrants	0	0	

Information on stock options

Information on stock option	Balance at 31/12/2013	Granted in 2014	Exercised in 2014	Warrants converted into stock options	Balance at 31/12/2014
CEO – Ger van Jeveren	325,000	0	125,000	0	200,000
Jan Peeters	155,000	0	62,500	0	92,500
Mario Huyghe[1]	20,000	0	10,000	0	10,000
Dirk Van Lerberghe[2]	25,000	0	12,500	0	12,500

[1] Mandate of Mario Huyghe ended 30 June 2014.
[2] Mandate of Dirk Van Lerberghe ended 31 December 2014.



Automatic order packing at Fagron the Netherlands

Information on severance pay

New management contracts were concluded with Mr Van Jeveren and with Mr Peeters' management company in 2010. These management contracts provide for an 18-month notice period in the event the contract is terminated, or a fixed severance package, equal to the amount of the monthly fixed remuneration owed over 18 months, plus one and a half times the average of the variable remuneration granted over the last three calendar years prior to the calendar year in which the contract is terminated.

Although the Corporate Governance Act of 6 April 2010 prescribes that severance packages for executive directors and members of the Executive Committee may not exceed 12 months of fixed and variable remuneration, the Nomination and Remuneration Committee has advised in this case that a notice period of 18 months or severance pay of maximum 18 months be used, because of the many years served by Ger van Jeveren and Jan Peeters within the Group.

If, however, the service provider has not achieved 50% of the financial targets set annually, in implementation of Principle 7.18 of the Belgian Corporate Governance Code 2009, the notice period shall be 12 months in the event of termination with observance of a notice period.

In the event of termination with payment of a fixed severance package, this severance pay will only be equal to the amount of the monthly fixed remuneration owed for 12 months.

The management contracts of Mr Huyghe and Mr Van Lerberghe provide for an 12-month notice period in the event the contract is terminated, or a fixed severance package, equal to the amount of the monthly fixed remuneration owed over 12 months.

Neither Mr Huyghe (term ended on 30 June 2014) or Mr Van Lerberghe (term ended on 31 December 2014) received any severance package as they remained employed by the group companies of which they served as CEO after their divestment.

As for the newly appointed members of the Executive Committee as from 1 January 2015, the severance packages of none of the newly appointed members of the Executive Committee exceed 12 months of fixed and variable remuneration.

Annual information

A summary of the 'annual information' as referred to in Title X of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the trading of investment instruments on the regulated market (Prospectus Act) is provided below.

All this information can be found on the corporate website (www.fagron.com) in the section Investors. Some of this information may 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 the Bonds on the regulated market of Euronext Brussels.

Information to the shareholders
See the prospectus of 11 September 2007.

Periodic press releases and information 2014

7 February 2014	Consolidated results 2013 Arseus achieves turnover growth of 18.6% and realizes organic growth of 12.6%
8 April 2014	Trading update, first quarter 2014 Turnover of Arseus increased by 26.6% to € 101.3 million, Fagron growth of 30.7% and realises strong organic growth of 13.3%
5 August 2014	Interim financial information 2014 Turnover of Arseus increases strongly by 34.7% to € 209.1 million
8 October 2014	Trading update, third quarter 2014 Year to date growth of 34.4% of which 12.9% organic

Periodic press releases and information in the period from 1 January 2015 to 31 March 2015

6 February 2015	Turnover growth of 30.4% to 447.1 million euros

Occasional press releases and information 2014

6 January 2014	Arseus divests dental distribution, lab and software activities to Henry Schein
28 February 2014	Disclosure of received notification
3 March 2014	Disclosure of received notification
21 March 2014	Arseus in the Amsterdam Midkap Index
21 March 2014	Disclosure of received notification
31 March 2014	Disclosure of received notification
8 April 2014	Waterland announces a private placement of its shares in Arseus
9 April 2014	Waterland announces the results of the private placement of its shares in Arseus
11 April 2014	Arseus announces successful US private placement of US$ 185 million
11 April 2014	Convocation to the annual general meeting and the extraordinary general meeting of Arseus
14 April 2014	Disclosure of received notification
16 April 2014	Disclosure of received notification
30 April 2014	Publication of Guarantor List and Compliance Certificate
30 April 2014	Arseus divestments on track and changes in Board of Directors
5 May 2014	Disclosure of received notification
13 May 2014	Annual General Meeting of Arseus
27 May 2014	Convocation to the extraordinary general meeting of Arseus
13 June 2014	Exercise of warrants increases capital of Arseus
3 July 2014	Arseus successfully finalizes divestments
11 September 2014	Disclosure of received notification
30 September 2014	Publication of Guarantor list and Compliance Certificate
11 November 2014	Convocation to the extraordinary general meeting of Arseus
11 December 2014	Arseus announces successful progress in the US compounding market
15 December 2014	Extraordinary general meeting of shareholders approves all motions
22 December 2014	Arseus successfully refinances € 220 million syndicated loan facility
30 December 2014	Disclosure of acquisition of treasury shares

Occasional press releases published in the period from 1 January 2015 to 31 March 2015

12 January 2015	Disclosure of acquisition of treasury shares
23 February 2015	Disclosure of acquisition of treasury shares
23 February 2015	Disclosure of received notification
2 March 2015	Disclosure of acquisition of treasury shares
2 March 2015	Disclosure of received notification
16 March 2015	Fagron completes divestment of Corilus to AAC Capital

Notifications of shareholding received

28 February 2014	Alychlo NV, Marc Coucke
3 March 2014	Alychlo NV, Marc Coucke
21 March 2014	JP Morgan Asset Management UK Ltd.
31 March 2014	JP Morgan Asset Management UK Ltd.
14 April 2014	Fidelity Management and Research (FMR LLC), Enhold NV
16 April 2014	AXA S.A., Carmignac Gestion
5 May 2014	TIAA-CREF Asset Management LLC
11 September 2014	Fidelity Management and Research (FMR LLC)

Notifications of shareholding received in the period from 1 January 2015 to 31 March 2015

23 February 2015	Carmignac Gestion
2 March 2015	AXA S.A.

Fagron Advanced Derma

"Leading advanced dermatological care."

Consolidated Annual Accounts 2014

25 YEARS OF INNOVATION
FAGRON

Financial Annual Report 2014

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Consolidated financial statements

The Report of the Board of Directors and Corporate Governance Statement, as reported before, are an integral part of the consolidated financial statements.

Statement

We declare that, to the best of our knowledge, the consolidated financial statement for the year ended 31 December 2014, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the legal and regulatory requirements applicable in Belgium, reflect a true and fair view of the equity, the financial situation and the results of the Company and the companies that are included in the consolidation scope, 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 scope, and provides a description of the main risks and uncertainties they are faced with.

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

Ger van Jeveren, CEO
Jan Peeters, CFO
10 April 2015

Consolidated income statement

(x 1,000 euros)	Note	2014	2013 Restated [1]
Operating income		**450,409**	**343,639**
Turnover	6	447,056	342,711
Other operating income	7	3,353	928
Operating expenses		**356,073**	**277,321**
Trade goods		158,843	148,050
Services and other goods		76,067	49,157
Employee benefit expenses	8	101,642	71,166
Depreciation and amortisation	9	19,025	8,914
Other operating expenses	10	496	35
Operating profit		**94,336**	**66,318**
Financial income	11	731	1,039
Financial expenses	11	(25,215)	(18,536)
Profit before income tax		**69,852**	**48,821**
Taxes	12	26,663	6,997
Profit for the year from continuing operations		**43,190**	**41,824**
Profit (loss) for the year from discontinued operations (attributable to equity owners of the company)	13	(27,033)	(73,854)
Profit (loss) for the year		**16,156**	**(32,030)**
Profit (loss) attributable to:			
Equity holders of the company (net result)		16,226	(32,102)
Non-controlling interest		(70)	72
Earnings per share from continuing and discontinued operations: attributable to owners of the parent during			
Profit (loss) for the year per share (in euros)	**14**	**0.53**	**(1.05)**
From continuing operations	14	1.41	1.36
From discontinued operations	14	(0.88)	(2.41)
Diluted profit for the year per share (in euros)	**14**	**0.52**	**(1.03)**
From continuing operations	14	1.39	1.34
From discontinued operations	14	(0.87)	(2.37)

[1] The income statement of 2013 is restated for the application of IFRS 5.

Consolidated statement of comprehensive income

(x 1,000 euros)	Note	2014	2013 Restated [2]
Profit for the year		**16,156**	**(32,030)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	24	(2,541)	137
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		5,973	(22,896)
Other comprehensive income from the year		**3,432**	**(22,759)**
Total comprehensive income for the year		**19,588**	**(54,789)**
Attributable to:			
Equity holders of the company		19,686	(54,651)
Non-controlling interest		(98)	(138)
Total comprehensive income for the year		**19,588**	**(54,789)**
Total comprehensive income for the year attributable to equity holders of the company:			
From continuing operations		46,719	19,203
From discontinued operations	13	(27,033)	(73,854)
		19,686	**(54,651)**

There are no deferred taxes on translation differences, the amount of deferred tax on post employment benefits equals 0.635 million euros.

[2] The statement of comprehensive income of 2013 is restated for the application of IFRS 5.

Consolidated statement of financial position

(x 1,000 euros)	Note	31 December 2014	31 December 2013
Non-current assets		**662,648**	**492,100**
Intangible assets	15	575,252	400,587
Property, plant and equipment	16	59,969	47,454
Financial assets [3]	17	5,064	15,767
Deferred tax assets	18	22,363	28,292
Current assets		**228,114**	**236,536**
Inventories	19	65,181	58,917
Trade receivables	20	36,337	29,611
Other receivables	20	18,043	19,137
Cash and cash equivalents	20	108,552	128,871
Assets held for sale	21	**82,989**	**76,057**
Total assets		**973,752**	**804,693**
Equity	22	**156,948**	**155,168**
Shareholders equity (parent)		154,630	151,555
Non-controlling interest		2,317	3,613
Non-current liabilities		**575,472**	**389,097**
Provisions	23	8,891	9,197
Pension obligations	24	6,053	4,286
Deferred tax liabilities	18	6,162	4,451
Borrowings	25	551,504	368,698
Financial instruments	25	2,862	2,463
Current liabilities		**220,938**	**230,364**
Borrowings	25	5,710	55,004
Trade payables		57,440	55,551
Taxes, remuneration and social security	18	38,668	28,842
Other current payables	26	119,120	90,968
Liabilities directly associated with assets classified as held for sale	21	**20,394**	**30,064**
Total liabilities	21	**816,804**	**649,525**
Total equity and liabilities		**973,752**	**804,693**

[3] The financial assets per 31 December 2013 consist of 0.867 million euros financial assets and 14.900 million euros other non-current assets.

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 at 1 January 2013		**318,134**	**(208,349)**	**(4,263)**	**135,910**	**241,432**	**3,753**	**245,186**
Profit for the year					(32,102)	(32,102)	72	(32,030)
Other comprehensive income for the year			(22,550)			(22,550)	(209)	(22,759)
Total comprehensive income for the year			**(22,550)**		**(32,102)**	**(54,652)**	**(137)**	**(54,789)**
Capital increase		793				793		793
Purchase of treasury shares				(12,942)		(12,942)		(12,942)
Result on treasury shares				(4,637)		(4,637)		(4,637)
Dividends relating to 2012 result					(18,842)	(18,842)		(18,842)
Share-based payments			400			400		400
Balance at 31 December 2013		**318,927**	**(230,499)**	**(21,842)**	**84,966**	**151,553**	**3,615**	**155,168**
Profit for the year					16,226	16,226	(70)	16,156
Other comprehensive income for the year			3,460			3,460	(28)	3,432
Total comprehensive income for the year			**3,460**		**16,226**	**19,686**	**(98)**	**19,588**
Capital increase	22	733				733		733
Sale of treasury shares	22			5,350		5,350		5,350
Result on treasury shares	22			(3,743)		(3,743)		(3,743)
Dividends relating to 2013 result	22				(22,209)	(22,209)		(22,209)
Share-based payments	22		2,060			2,060		2,060
Change in non-controlling interests	22		1,198			1,198	(1,198)	
Balance at 31 December 2014		**319,660**	**(223,781)**	**(20,235)**	**78,983**	**154,628**	**2,319**	**156,948**

Consolidated statement of cash flows

(x 1,000 euros)	2014	2013
Operating activities		
Profit before income tax	46,299	(21,618)
Paid taxes	(11,370)	(10,299)
Adjustments for financial items	26,730	25,018
Total adjustments for non-cash items	44,267	79,751
Total changes in working capital	(4,229)	(9,774)
Total cash flow from operating activities	**101,696**	**63,078**
Investment activities		
Capital expenditure	(20,656)	(15,822)
Investments in existing shareholdings (subsequent payments) and in new holdings	(196,171)	(101,317)
Proceeds from disposal of assets	23,042	53,606
Total cash flow from investing activities	**(193,785)**	**(63,533)**
Financing activities		
Capital increase	733	794
Sale (purchase) of treasury shares	1,339	(18,252)
Dividends paid	(22,199)	(18,766)
New borrowings	355,488	129,161
Reimbursement of borrowings	(245,703)	(7,009)
Interest received (paid)	(24,668)	(19,403)
Total cash flow from financing activities	**64,990**	**66,525**
Total net cash flow for the period	**(27,099)**	**66,069**
Cash and cash equivalents – start of the period	135,412	72,352
Gains or losses on exchange on liquid assets	(238)	(3,009)
Cash and cash equivalents – end of the period	108,552	135,412
Change in cash and cash equivalents	**(27,099)**	**66,069**
Cash flows from discontinued operations[4]		
Cash flow from operating activities	11,172	7,945
Cash flow from investing activities	(13,322)	(21,346)
Cash flow from financing activities	3,660	11,477
Total net cash flow from discontinued operations	**1,510**	**(1,925)**

The opening balance sheet for cash and cash equivalents consists of cash from continued operations (128.871 million euros) and of cash of assets held for sale (6.541 million euros).
The profit before income tax of 46.299 million euros is made up by profit before income tax for continued operations 69.852 million euros, the loss before income tax of discontinued operations -23.553 million euros.

The item 'adjustments for financial items' relates to interest paid and received and to other financial expenses and income not being cash flows such as revaluation of the financial instruments.
The 'total adjustments for non-cash items' particularly relates to depreciation, amortisation and changes in provisions.
The item 'total changes in working capital' concerns changes in the inventories, trade debtors and creditors, other receivables and debts, and all other balance sheet elements that form part of the working capital. Aforementioned changes are adjusted as appropriate for non-cash flows as presented above and conversion differences and changes in the consolidation scope.

[4] The cash flows from discontinued operations of 2013 are restated for the application of IFRS 5.

Notes to the consolidated financial statements

1 General information

Fagron NV (the 'Company') and its subsidiaries (together, the 'Group') constitute a multinational group of companies that is focused on optimising and innovating pharmaceutical compounding worldwide. Fagron offers its products to (compounding) pharmacies and hospital pharmacies.

Fagron NV is a company headquartered in Belgium with its registered office at Textielstraat 24, 8790 Waregem. The company registration number is BE 0890 535 026. The operational activities of the Fagron Group are driven by the Dutch company Fagron BV. The operational head office of Fagron BV is located in Rotterdam.
The shares of Fagron NV are listed on the regulated markets of Euronext Brussels and Euronext Amsterdam.

The Board of Directors approved the publication of this consolidated financial statement on 10 April 2015.

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 consolidated entities to all years presented, unless stated otherwise.

The consolidated financial statements of Fagron 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 some financial assets and liabilities (including derivative financial instruments) which are stated at fair value.

IFRS accounting standards
The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014 and have been mandatory and applied by the Group.

Mandatory and applied		Impact
Consolidation and Disclosures (IFRS 10 and IFRS 12)	The new standard IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. IFRS 12 is a new standard on disclosure requirements for all forms of interests in other entities.	Fagron has assessed and applied the standards of consolidation and disclosures.
Amendments to IAS 36 – Impairments	Limitation of scope and introduction of additional disclosures about fair value measurements when there has been impairment or a reversal of impairment.	Fagron has assessed and applied the amendments to the standard of impairments.

Following new interpretation, new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2014		Anticipated impact
IFRS 9 Financial Instruments *(not endorsed by the EU)*	The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.	Fagron will review the effects of a comprehensive standard on financial instruments and consider adoption when appropriate.
Amendment to IFRS 9 'financial instruments' on general hedge accounting *(not endorsed by the EU)* *Annual report 2018*	The amendment incorporates the new general hedge accounting model which will allow reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting.	Fagron will review the effects of a comprehensive standard on financial instruments and consider adoption when appropriate.
IFRIC 21 Levies *Annual report 2015*	IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.	Fagron has assessed that the application of this standard will not have a material impact on the consolidated financial statements.
Annual improvements (2010 – 2012 cycle) *Annual report 2016* *(endorsed by the EU)*	Minor amendments to eight standards: • IFRS 2 Definition of vesting condition • IFRS 3 Accounting for contingent consideration in a business combination • IFRS 8 Aggregation of operating segments • IFRS 8 Reconciliation of the total of the reportable segments' assets to the entity's assets • IFRS 13 Short term receivables and payables • IAS 7 Interest paid that is capitalised • IAS 16/IAS 38 Revaluation period – proportionate restatement of accumulated depreciation • IAS 24 Key management personnel	Fagron has assessed that the application of these minor amendments will not have a material impact on the consolidated financial statements.

Following new interpretation, new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2014		Anticipated impact
Amendment to IAS 19 'Defined benefit plans' *Annual report 2016*	The amendment seeks clarification for the accounting of employee contributions set out in the formal terms of a defined benefit plan.	Fagron has assessed that the application of this amendment will not have a material impact on the consolidated financial statements.
Annual improvements 2012-2014 *(not endorsed yet by the EU)*	The amendments include IFRS 5, 'Non-current assets held for sale and discontinued operations', IAS 19, 'Employee benefits', IFRS 7, 'Financial instruments: disclosures' and IAS 34, 'Interim financial reporting'.	Fagron will review the effects of these amendments and consider adoption when appropriate.
IFRS 15 Revenue from contracts with customers	The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.	Fagron has assessed that the application of this standard will not have a material impact on the consolidated financial statements.
Amendments to IAS 1 Presentation of financial statements *Annual report 2016* *(not endorsed by the EU)*	The amendments to IAS1 are part of the initiative of the IASB to improve presentation and disclosure in financial reports and are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements.	Fagron will review the effects of these amendments and consider adoption when appropriate.

The other new standards, amendments of standards and interpretations which were published but are not yet mandatory for this financial year starting 1 January 2014, are not applicable for Fagron.

Consolidation criteria

The consolidated financial statements include the accounts of Fagron and its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Fagron. They are no longer consolidated from the date Fagron no longer has control.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, 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 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 set at their fair value on the acquisition date. For each business combination, the acquiring party 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 acquiring costs incurred are recognised as expenses. The remainder of the total of the transferred fees and the amount recognised as any minority interest is taken from the net balance of the acquired identifiable assets, and the acquired liabilities form goodwill to be recognised as an asset.

Intercompany transactions, balances and unrealised gains on transactions between companies of the Group are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted in accordance with the accounting policies of the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Foreign currency translation

Items included in the financial statements of all entities of Fagron are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The consolidated financial statement is presented in Euros, the functional and presentation currency of Fagron. To consolidate Fagron and each of its subsidiaries, the respective financial statement is converted as follows:

- Assets and liabilities at the year-end rate;
- Income statements at the average rate for the year;
- Components of the equity at historical exchange rate.

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 translated to the functional currency using the exchange rates 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 into foreign currencies at exchange rates valid at year-end are recognised in the income statement.

Property, plant and equipment (Note 16)

Tangible fixed assets are valued at the acquisition or production plus directly attributable costs if applicable. Depreciation pro rata calculated based on the useful life of the asset. The useful life of equipment and machinery is 2.5 to 5 years and for buildings range from 25 to 60 years.

In general all assets are depreciated on a straight-line, based on the estimated economic life. Any residual value taken into account when calculating the depreciations is reviewed annually. Assets acquired under finance leasing arrangements are depreciated over their economic life, which may exceed the lease term if it is reasonably certain that ownership will be obtained at the end of the lease term.

Exchange rates of key currencies

	Balance sheet		Income statement	
	2014	2013	2014	2013
US dollar	1.214	1.379	1.328	1.328
Brazilian real	3.221	3.258	3.122	2.867

Intangible assets (Note 15)

Intangible assets are valued at cost accumulated amortisation and impairment charges. All intangible assets are tested for impairment whenever there is an indication that the intangible asset may be impaired.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of Fagron in the net identifiable assets of the acquired subsidiary on the acquisition date. Goodwill on acquisitions of subsidiaries is recognised under intangible assets. Goodwill is tested at least annually for impairment and consistently when 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 in goodwill relating to the entity sold.

Brands, licenses, patents and other

Intangible assets are capitalised at cost, provided this cost is not higher than the economic value and the cost price is not higher than the recoverable value. No intangible assets with an unlimited useful life were identified. The costs of brands with a definite useful life are capitalised and generally amortised on a straight-line basis over a period of 20 years.

Research & development

Research costs related to the prospect of gaining new scientific or technological knowledge and understanding are recognised as costs as 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 if, 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;
- Probability that the asset will generate future economic benefits;
- Adequate resources to complete the asset;
- Ability to measure the cost reliability.

Development costs are amortised using the straight-line method over the period of their expected benefit, currently not exceeding five years. Amortisation starts as of the moment that these assets are ready for use.

In-house development

Unique products developed in-house, including software controlled by Fagron, that are expected to generate future economic benefits are capitalised at the cost directly related to their production. The products are depreciated over their useful life, which is currently estimated at 2.5 to 7 years.

Software

Acquired software is capitalised at cost price and then valued at cost price less accumulated depreciations and exceptional losses of value. The software is depreciated over its useful life, which is currently estimated at 2.5 to 7 years.

Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and in-use value. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Borrowings (Note 25)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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 twelve months after the balance sheet date.

Financial assets (Note 17)

Fagron classifies its non-derivative financial assets into the following categories: loans and receivables, and financial assets available for sale. Management determines its investment classifications at initial recognition, evaluating them at each reporting date. The Group does not have any financial assets in the category held until maturity or any financial assets designated at fair value for which any changes in value have to be included in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are included in current assets, except for those maturing more than twelve months after the balance sheet date. Loans and receivables are measured at amortised cost.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Financial assets available for sale are initially valued at fair value except where such fair value cannot be reliably determined, in which case they are valued at cost. Unrealised gains and losses arising from changes in the fair value are recognised in unrealised result in other comprehensive income. If the relevant assets are sold or impaired, the accrued fair value adjustments are recognised in the income statement. Any events or changes in circumstances indicating a decrease in the recoverable amount are monitored closely. Impairment losses are recognised in the income statement as and when required.

Lease contracts – Operating leases (Note 25)
Lease contracts in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are made on a straight-line basis over the life of the operating lease.

Lease contracts – Financial leases (Note 25)
Lease contracts regarding property, plant and equipment whereby Fagron retains virtually all risks and benefits of ownership are classified as finance leases. Finance 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 charges, so as to achieve a constant amount on the outstanding financing balance.

The corresponding rental obligations, net of financing charges, are recognised at non-current (payable after one year) and current (payable within the year) borrowings. The interest component of the financing charges is recognised in the income statement over the lease period, so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment assets acquired under finance leases are depreciated over the useful life of the asset, which may exceed the lease term if it is reasonably certain that ownership will be obtained at the end of the lease term.

Inventories (Note 19)
Raw materials, auxiliary materials, and trade goods are valued at the acquisition value using the FIFO method or using the net realisable value (NRV) at the balance sheet date, whichever is lower. Work in progress and inventory finished products are valued at direct and indirect production costs. In addition to purchasing costs of raw materials and auxiliary materials, production costs include production costs and production overhead costs directly attributable to the individual product or the individual product group.

Trade receivables (Note 20)
Trade receivables are initially valued at fair value and are measured at amortised costs. A provision for impairment loss relating to trade receivables is created when there is objective evidence that Fagron will not be able to collect all amounts due. After that trade receivables are valued at cost price less impairments. Significant financial difficulties of the debtor, the probability of the debtor becoming insolvent or undergoing financial restructuring, and non or overdue payments are regarded as indicators for recognising an impairment loss for the trade receivable in question.

If trade receivables are transferred to a third party (through factoring), the trade receivables are taken off the balance sheet provided that (1) there is no longer a right to receive cash flows and (2) Fagron has substantially transferred all risks and rewards.

Cash and cash equivalents (Note 20)
Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and are valued at acquisition at fair value and subsequently recognised at cost. Adjustments to the carrying amounts are made when at balance sheet date realisation value is lower than the book value.

Discontinued operations and non-current assets held for sale (Note 21)
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction than through continuing use.

Non-current assets and disposal groups only classify as held for sale when the following criteria of IFRS 5 are met:
- Management is committed to a plan to sell;
- The asset is available for immediate sale;
- An active programme to locate a buyer is initiated;
- The sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions);
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value;
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

When Fagron is committed to a sale plan in involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether Fagron will retain a non-controlling interest in its former subsidiary after the sale.
Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Equity (Note 22)
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue 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 equity holders of Fagron.

Provisions (Note 23)

Fagron recognises provisions when a present legal or constructive obligation as a result of a past event exists, and it is probable that an outflow of economic benefits is required to settle the obligation. Different provisions exist for restructuring costs, legal claims, risk of losses or costs potentially arising from personal securities or collateral constituted as guarantees for creditors or commitments to third parties, from obligations to buy or sell non-current assets, from the fulfilment of completed or received orders, technical guarantees associated with turnover or services already completed by Fagron, unresolved disputes, fines and penalties related to taxes, or compensation for dismissal. Provisions for restructuring costs comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Fagron recognises a provision if:

1. A present obligation (legal or constructive) has arisen as a result of a past event (the obligating event);
2. Payment is probable ('more likely than not'); and
3. The amount can be estimated reliably.

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.

Derivative financial instruments (Note 25)

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

Derivative financial instruments are recognised at fair value on the balance sheet. Fair values are derived from market prices. As the derivatives contracts of Fagron do not fulfil the criteria set in IAS39 to be regarded as hedging instruments, changes in fair value of derivatives are recognised in the income statement.

Employee benefit expenses

Pension obligations (Note 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 in the balance sheet in respect of defined benefit plans is the present value of the future defined benefit obligations less the fair value of plan assets. The defined benefit 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 empirical adjustments and changes in actuarial assumptions are recognised immediately through other comprehensive income.
For defined contribution plans, Fagron pays contributions to insurance companies. Once the contributions have been paid, Fagron ceases to have any liabilities. Contributions to defined contribution plans are recognised as costs in the income statement at the moment they are made.

Share-based payments (Note 22)

Fagron operates an equity-settled, warrant-based compensation plan. 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 vesting conditions (for example, profitability and turnover growth targets).
Non-market vesting conditions 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.

Taxation (Note 18)

Income taxes as recognised in the income statement include current income tax and deferred taxes. Current income taxes include the expected tax liabilities on the taxable income of Fagron for the financial year, based on the applicable tax rates at balance sheet date, and any adjustments of previous years. The income tax consequences of dividends are 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 carrying amounts of assets and liabilities for financial reporting and the amount used for taxation purposes. This method is applied to all temporary differences arising from investments in subsidiaries and associates, except for differences whereby the timing of reversing the temporary difference is controlled by Fagron and whereby 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 asset 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 fiscal book value resulting from any acquisitions. Deferred tax assets are recognised to the ratio as the tax losses carried forward are likely to be utilised 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 (a) has a legally enforceable right to off set the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Revenue recognition
Revenue of goods is recognised at the moment that delivery of the products has been made to the customer, the customer has accepted the products and the related receivables are likely to be collectable. Revenue of services is recognised in the accounting period in which the services have been provided. Revenue of software is recognised as revenue at the time of delivery. The revenues relating to software service contracts are recognised over the term of the contract.

Segment reporting
IFRS 8 defines an operating segment as:
- a component of an entity that engages in business activities from which it may earn turnover and incur expenses;
- in whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance and
- for which discrete financial information is available.

Fagron determines and presents operating segments on the information that internally is provided to the Executive Committee, the body that was Chief Operating Decision (CODM) maker during 2014. 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. As a result of the sale of the dental and medical division in 2014 and disposal of Corilus in 2015, Fagron changed its operating segments as of the first of January 2015.

The financial information of the current Fagron segments that is provided to the Executive Committee is split up in Fagron Compounding Services, Fagron Trademarks and Fagron Compounding Essentials. Therefore, as of 2015, the reportable segments will be Fagron Compounding Services, Fagron Trademarks and Fagron Compounding Essentials.

Earnings per Share (Note 14)
Fagron presents basic and diluted Earnings per Share (EPS) for common shares. Basic EPS is calculated by dividing the profit or loss attributable to holders of common shares by 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 statement of Fagron in the period in which the dividends are approved by the shareholders of Fagron.

For the purpose of calculating diluted EPS, the profit or loss for the period attributable to ordinary equity holders adjusted for the effects of all dilutive potential ordinary shares should be divided by the sum of the weighted average number of 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

The Risk management is an important core responsibility of 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 said risks will not occur or that there will be no consequences when they occur.

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.

All entities periodically prepare business plans, budgets and interim forecasts at predetermined moments. Discussions with the 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 fiscal regulation, Fagron makes use of the possibilities offered

by the fiscal legislation and regulation without taking any unnecessary risks in doing so. Fagron has the support of external fiscal advisers in this regard.

In addition to strategic and operational risks, Fagron is also subject to various financial risks. Fagron has at its disposal ample credit facilities to sustain its day-to-day operations. The most important credit facility of 220 million euros has a term until 16 December 2019.

On 16 December 2014, Fagron NV amended and extended the credit facility with an original amount of 150 million euros and a maturity of July 2017. The amended credit facility was increased to 220 million euros and has a term of five years with two additional one year extension options. The main covenant of this credit facility is a net financial debt/recurring EBITDA ratio of a maximum of 3.25. At the end of 2014, the net financial debt/annualised recurring EBITDA ratio was 3.18 (2013: 2.61) and therefore below the condition of a debt ratio of maximum 3.25 as agreed in the credit agreement.

On 2 July 2012, Fagron NV issued 225 million euros in bonds consisting of 225,000 bonds with a nominal value of 1,000 euros per bond. The bonds were listed on Euronext Brussels under ISIN code BE0002180462 on 2 July 2012. The issue price of the bonds was 101.875%. The bonds have a maturity of five years and offer a fixed annual gross interest of 4.75%. The bonds are redeemable at 100% of the nominal value on 2 July 2017.

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 by means of domestic and cross border cash pooling as much as possible.

Credit risk

Credit risk involves the risk that a debtor or other counterparty is unable to satisfy its payment obligations to Fagron, resulting in a loss for Fagron. Operating an active credit policy, Fagron has in place strict procedures to manage and limit credit risks. No individual customers make up a substantial part of either turnover or outstanding receivables. Fagron has an active policy to reduce operational working capital; from this perspective the group aims to reduce the accounts receivable balance.

Interest risk

Fagron regularly assesses the maintained mix of financial debts with fixed and variable interest rates. At this time, financing is partly based on a multicurrency syndicated loan in euros and USD with a variable interest rate of one to six months. A higher Euribor rate by 10 base points would have adversely affected the variable interest charges by approximately 70 thousand euros after taxes (2013: 69 thousand euros). For 70 million euros of the syndicated loan, the interest rate risk is hedged with a financial derivative. This hedging was taken into account in calculating the impact of an increase in the Euribor rate by 10 base points.

Exchange rate risk

The exchange rate risk is the risk on results due to fluctuations in the exchange rates. Fagron reports its financial results in euros and is, because of the international distribution of its activities, subject to the potential impact of currencies on its profits. Exchange rate risk is the result on the one hand of several entities of Fagron operating in a functional currency other than euros and on the other hand of the circumstance that purchasing and retail prices of Fagron have foreign currencies as reference. The risk involved in entities of Fagron operating in a functional currency other than the euro concerns entities operating in US dollars, Brazilian reals, Czech crowns, Swiss francs, British pounds, Danish crowns, Polish zloty, Colombian pesos, Chinese yuan, South African rand, Australian dollars and Argentinian pesos.
In 2014, these entities collectively represent just over 57.0% of the consolidated turnover and over 72.5% of the operating result of Fagron.
Currency risk due to translation of assets and liabilities of foreign subsidiaries into euros is not hedged. Some of the Group's revenue is realised in currencies other than the euro, such as in Brazil, the United States and Poland. The hypothetical supplementary effect of the euro strengthening (weakening) by 10% against the Brazilian real would affect the profit before tax by 0.998 (1.220) million euros, whereas the impact on equity would amount to 10.359 million euros (12.611 million euros). In the event of the euro strengthening (weakening) by 10% against the US dollar, the impact on the profit before tax would amount to 3.609 million euros (4.410 million euros). The impact on equity would amount to 5.391 million euros (6.588 million euros). In the event of the euro strengthening (weakening) by 10% against the Polish zloty, the impact on the profit before tax would amount to 0.544 million euros (0.665 million euros). The impact on equity would amount to 3.596 million euros (4.395 million euros).

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 will become relatively more expensive to the consumer in Brazil 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 in full or in part.

Fair value risk

Fagron utilises financial derivatives to hedge its interest risks. Fagron hedged the interest rate risk on 70 million euros loans with variable interest rate. In accordance with IFRS, all financial derivatives are recognised either as assets or as liabilities.

In accordance with IAS 39, financial derivatives are recognised at fair value. Changes in fair value are recognised by Fagron directly in the income statement because these are financial derivatives that do not qualify as cash flow hedging instrument. At the end of 2014, the cumulative revaluation of financial derivatives amounted to -2.862 million euros (2013: -2.463 million euros) whereby this is treated as a non-cash item.

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 assessments and judgments
Fagron makes assessments and assumptions 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 carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment loss of goodwill and intangible assets
Fagron performs annual goodwill impairment tests in accordance with the financial reporting principles specified in note 15. The recoverable amount of cash flow-generating units is determined on the basis of value-in-use calculations. These calculations require the application of estimates. The book value of goodwill as at 31 December 2014 was 522.069 million euros (2013: 371.630 million euros).

Estimated impairment loss on deferred taxes
Deferred tax assets are stated for tax losses that can be carried forward. The degree to which these deferred assets can be recuperated is assessed regularly. See note 18.

Pension obligations
The present value of the pension obligations is derived from a number of actuarially determined factors based on assumptions. The assumptions applied to determine net costs (income) for pensions include expected rates for salary increases, price inflation, pension increase and the discount rate. Any changes in these assumptions will impact the book value of pension obligations. The gross defined benefit obligation is calculated periodically by independent actuaries. The book value of pension obligations as at 31 December 2014 was 6.053 million euros (2013: 4.286 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 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 statement is prepared. However, the need for significant adjustments cannot be absolutely precluded if ruling or judgment proves not as expected. Hypotheses and assessments are continuously evaluated on the basis of empirical facts and other factors including projected development of future events regarded as reasonable given the circumstances.

5 Segment information

Fagron's its divisional structure is tailored to the various activities of Fagron and also supports effective decision-making and individual responsibility. The two segments are Fagron and HL Technology. 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 two main operational segments:

1. **Fagron** is an innovative scientific pharmaceutical R&D company that is focused on optimising and innovating pharmaceutical compounding worldwide. Fagron offers Fagron Compounding Essentials, Fagron Trademarks and Fagron Compounding Services to pharmacies and hospital pharmacies in 32 countries. Pharmaceutical compounding is an essential part of pharmaceutical care that enables pharmacists to fulfil the worldwide growing need for tailor-made medication. Fagron's own R&D organisation consists of more than 300 pharmacists who are working continually on developing new formulations to treat an increasing number of patients with customised compounded medication;

2. **HL Technology** develops and produces innovative precision components and orthopedic tools for dental and medical professionals.

Taken into account the planned change in reporting structure, as from 2015, Fagron will report in three segments. The reportable segments are determined by examing how the Executive Committee allocates her recources and reviews the performances of Fagron. Fagron's new unique business model consists of Fagron Compounding Services, Fagron Trademarks and Fagron Compounding Essentials:

1. **Fagron Compounding Services** (FCS) refers to all medication that is compounded in the 19 sterile and non-sterile compounding facilities Fagron has in Europe, North America, South America (Colombia) and South Africa. FCS produces tailor-made medication to meet the specific needs of patients suffering from severe diseases;

2. **Fagron Trademarks** (FTM) refers to all products, materials, concepts, know-how and combinations of these related to compounding developed by Fagron's own R&D team of 45 researchers and over 300 pharmacists located on three continents;

3. **Fagron Compounding Essentials** (FCE) refers to all pharmaceutical raw materials, equipment and supplies a pharmacist needs to compound medication.

The segment results for continued operations for the reporting period ending 31 December 2014 are as follows:

2014

(x 1,000 euros)	Fagron	HL Technology	Unallo-cated	Total
Total turnover	438,479	8,577		**447,056**
Intersegment turnover				
Turnover	**438,479**	**8,577**		**447,056**
Operating result per segment	107,683	(931)	(12,416)	**94,336**
Financial result				**(24,484)**
Profit before taxes				**69,852**
Income tax expenses				**(26,663)**
Profit for the period				**43,190**

The segment results for continued operations for the reporting period ending 31 December 2013[5] are as follows:

2013

(x 1,000 euros)	Fagron	HL Technology	Unallo-cated	Total
Total turnover	334,986	7,726		**342,711**
Intersegment turnover				
Turnover	**334,986**	**7,726**		**342,711**
Operating result per segment	77,992	(1,303)	(10,371)	**66,318**
Financial result				**(17,497)**
Profit before taxes				**48,821**
Income tax expenses				**(6,997)**
Profit for the period				**41,824**

[5] The segment results of 2013 are restated for the application of IFRS 5.

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

2014

(x 1,000 euros)	Fagron	HL Technology	Unallo-cated	Total
Depreciation and amortisation	12,993	1,653	1,697	**16,343**
Write-down on inventories	1,246			**1,246**
Write-down on receivables	1,439		(3)	**1,436**

2013

(x 1,000 euros)	Fagron	HL Technology	Unallo-cated	Total
Depreciation and amortisation	4,331	1,380	3,276	**8,987**
Write-down on inventories	(375)			**(375)**
Write-down on receivables	350	(42)	(7)	**301**

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

2014

(x 1,000 euros)	Fagron	HL Technology	Unallo-cated	Total
Assets	796,744	21,059	155,950	**973,752**
Liabilities	220,682	2,500	593,621	**816,803**
Capital expenditure	8,387	557	3,548	**12,492**

2013

(x 1,000 euros)	Fagron	HL Technology	Unallo-cated	Total
Assets	518,970	22,602	182,576	**804,693**
Liabilities	154,877	3,304	467,826	**649,525**
Capital expenditure	4,971	85	330	**13,183**

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

Segment liabilities comprise operational liabilities but exclude such elements as corporate borrowings.

Turnover of Fagron for continued operations by geographical segments is as follows:

(x 1,000 euros)	2014	2013
United States	127,924	49,474
The Netherlands	114,813	96,277
Brazil	81,914	82,792
Belgium	26,341	34,742
Poland	16,201	13,078
Germany	15,475	16,150
France	14,272	3,071
Italy	10,851	12,296
Spain	9,733	9,241
Switzerland	8,577	7,726
Czech Republic	7,921	7,360
Denmark	7,046	6,949
United Kingdom	2,909	2,800
Colombia	975	745
Greece	858	
South Africa	751	
Australia	495	
Argentina		12
Total	**447,056**	**342,711**

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

Concerning the geographical segments, Fagron applies the following allocation for non-current assets excluding deferred tax assets, for continued operations:

(x 1,000 euros)	2014	2013
United States	299,028	113,404
The Netherlands	125,091	79,269
Brazil	93,583	90,176
Belgium	17,312	81,550
Other	105,272	99,409
Total	**640,286**	**463,808**

6 Turnover

(x 1,000 euros)	2014	2013
Sale of goods	447,056	342,711
Turnover	**447,056**	**342,711**

7 Other operating income

(x 1,000 euros)	2014	2013
Gain on disposal of fixed assets	476	548
Other operating income	2,877	379
Total other operating income	**3,353**	**928**

The change in the line 'Other operating income' mainly relates to a decrease of 1.575 million euros in contingent considerations.

8 Employee benefit expenses

(x 1,000 euros)	2014	2013
Wages and salaries	67,043	47,555
Social security costs	15,156	10,758
Pension costs – defined benefit plans	642	714
Pension costs – defined contribution plans	1,237	926
Other post-employment benefit contributions	257	2,886
Other employment costs	17,307	8,326
Total employee benefit expenses	**101,642**	**71,166**

Full-time equivalents continued operations

Full-time equivalents (rounded at one unit)	2014	2013
Brazil	534	528
The Netherlands	443	323
United States	384	145
France	142	22
Belgium	121	96
Poland	112	103
Czech Republic	100	98
Switzerland	67	82
Germany	54	68
Spain	42	41
Italy	36	37
Greece	32	
Colombia	25	27
South Africa	17	
United Kingdom	13	14
Denmark	10	15
China	7	2
Australia	4	
Total	**2,143**	**1,600**

At 31 December 2014, Fagron's workforce (fully consolidated companies), for continued operations, comprised 2,277 (1,693) employees or 2,142.7 (in 2013 1,600.0) full-time equivalents. Of these full-time equivalents, 1,983.2 (in 2013 1,440.9) are attributable to Fagron, 66.8 (in 2013 82.1) to HL Technology and 92.7 (in 2013 77.0) to Fagron Corporate.

9 Depreciation and amortisation

(x 1,000 euros)	2014	2013
Depreciation and amortisation	16,343	8,987
Write-down on inventories	1,246	(375)
Write-down on receivables	1,436	302
Depreciation and amortisation	**19,025**	**8,914**

10 Other operating expenses

(x 1,000 euros)	2014	2013
Increase (decrease) in provisions for current liabilities	(700)	(74)
Increase (decrease) in provisions for pension liabilities	(630)	287
Taxes and levies (excluding income tax)	669	275
Other operating expenses	1,157	(454)
Total other operating expenses	**496**	**35**

11 Financial result

The financial results are presented on the face of the consolidated income statement as follows:

(x 1,000 euros)	2014	2013
Other financial income	731	1,039
Revaluation of financial derivatives		1,285
Total financial income	**731**	**2,324**
Other financial expenses	(3,305)	(2,763)
Interest expenses	(20,672)	(11,426)
Currency exchange differences	(839)	(5,631)
Revaluation of financial derivatives	(399)	
Total financial expenses	**(25,215)**	**(19,821)**
Total financial result	**(24,483)**	**(17,497)**

The negative revaluation of financial derivatives of 0.399 million euros relates to the change in the market value of the interest rate hedges that are not a cash flow hedge and do not qualify for hedge accounting in accordance with IAS 39. The interest hedging instruments are valued on the basis of discounted cash flows. The parameters used for these models are those valid as at year-end.

This instrument hedges the interest rate risk on 70 million euros financing.

The financial result, excluding the revaluation of the financial derivatives, amounts to -24.1 million euros, an increase of 28.2% compared to 2013 (-18.8 million euros). This is due to an increase in the net financial debt.

12 Income tax expenses

Income tax expenses (income) from continuing operations:

(x 1,000 euros)	2014	2013
Current tax expenses	17,989	12,018
Deferred tax	8,673	(5,021)
Income tax expenses (income)	**26,663**	**6,997**
Effective tax rate	38.17%	14.33%
Profit before income tax from continuing operations	69,852	48,821
Tax calculated at weighted average statutory tax rate	23,056	15,357
Income not subject to taxes	(688)	(746)
Expenses not deductible for tax purposes	955	581
Tax on profit previous years	828	(505)
Other	2,511	(7,690)
Income tax expenses (income)	**26,663**	**6,997**

In 2014, the line 'Other' includes 1.4 million euros relating to dividends.

In 2013, the line 'Other' mainly includes 4.5 million euros relating to a one-off credit of a deferred tax asset on deductible tax losses in Poland and 3.3 million euros relating to a credit of a deferred tax asset on deductible merger goodwill in Brazil.

13 Discontinued operations

Fagron completed the divestment program of the Healthcare Specialties and Healthcare Solutions divisions in 2014.
Fagron successfully finalised the sale of Duo-Med, Owandy Radiology, Eurotec Germany, Eurotec France and Arseus Medical.
Duo-Med was sold to ABN Amro Participaties, Owandy Radiology to Villa Sistemi Medicali based in Milan and Arseus Medical was acquired by entrepreneurs Cedric De Quinnemar and Jan Ponnet. A sum of 30.8 million euros was received in these transactions, excluding earn-outs and vendor loans. The earn-outs and vendor loans have no significant impact on the result.

Fagron has completed the divestment of its ICT division Corilus to AAC Capital for a total consideration of 77 million euros. The fair value less costs to sell the discontinued operations is higher than the carrying amount of the related assets and liabilities. Therefore management recognised no impairment loss when the assets and liabilities of the discontinued operations were reclassified as held for sale. Further details on the assets and liabilities reclassed as held for sale are explained in note 21 and 30.

Fagron sold most of the remaining dental and medical activities in 2014. The proceeds of sale were lower than the carrying amount of the related net assets, therefore management recognised an impairment of 18.2 million euros.

The combined results of the discontinued operations included in the profit for the year and cash flows are set out below.
The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in 2014.

Result for the year from discontinued operations

(x 1,000 euros)	2014	2013
Operating income	**90,217**	**237,892**
Turnover	88,573	235,042
Other operating income	1,644	2,850
Expenses	**86,303**	**240,295**
Profit before tax	**3,914**	**(2,403)**
Attributable income tax expenses	(3,480)	(3,415)
Loss on remeasurement to fair value less costs to sell		(68,035)
Loss on sale dental and medical activities including costs to sell	(27,467)	
Loss for the year from discontinued operations (attributable to Equity holders of the company)	**(27,033)**	**(73,854)**

Cash flows from discontinued operations

(x 1,000 euros)	2014	2013
Cash flow from operating activities	11,172	7,945
Cash flow from investing activities	(13,322)	(21,346)
Cash flow from financing activities	3,660	11,477
Total net cash flow from discontinued operations	**1,510**	**(1,925)**

14 Earnings per share

(in euros)	2014	2013
Basic earnings (loss) per share	0.53	(1.05)
- from continued operations	1.41	1.36
- from discontinued operations	(0.88)	(2.41)
Diluted earnings (loss) per share	0.52	(1.03)
- from continued operations	1.39	1.34
- from discontinued operations	(0.87)	(2.37)

The earnings used in the calculations are as follows:

(x 1,000 euros)	2014	2013
Profit (loss) attributable to equity holders of the company	16,225	(32,102)
- from continued operations	43,259	41,752
- from discontinued operations	(27,033)	(73,854)

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

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

(number of shares x 1,000)	2014	2013
Weighted average number of ordinary shares	30,759	30,647
Effect of warrants and stock options	359	486
Weighted average number of ordinary shares (diluted)	31,118	31,133

There are no ordinary share transactions after year-end that have an effect on earnings per share. The effect on the number of warrants and stock options that are anti dilutive for the period but could dilute basic earnings per share in the future is 932,500. These are warrants with an exercise price higher than the average stock price of Fagron in 2014.

15 Intangible assets

(x 1,000 euros)	Goodwill	Develop-ment	Concessions & patents	Brands	Software	Other	Total
Net book value as at 1 January 2013	**382,481**	**25,135**	**2,074**	**3,695**	**4,481**		**417,866**
Investments	29	9,752	41		2,045		**11,866**
Acquisitions	127,156			615	22		**127,793**
Disposals							
Amortisation		(6,907)	(170)	(482)	(2,141)		**(9,700)**
Impairment	(58,908)						**(58,908)**
Discontinued operations	(29,324)	(2,471)	(411)	(2,486)	(668)		**(35,361)**
Classified as assets held for sale	(28,315)	(368)	(175)		(91)		**(28,949)**
Other movements	130	(2,013)	51	(6)	(498)		**(2,335)**
Exchange differences	(21,618)	(20)		(1)	(47)		**(21,686)**
Net book value as at 31 December 2013	**371,630**	**23,108**	**1,411**	**1,335**	**3,103**		**400,587**
Gross carrying amount [6]	371,630	58,988	5,561	2,036	17,901	22	**456,139**
Accumulated amortisation [6]		(35,880)	(4,150)	(702)	(14,798)	(22)	**(55,552)**
Net book value	**371,630**	**23,108**	**1,411**	**1,335**	**3,103**		**400,587**
Net book value as at 1 January 2014	**371,630**	**23,108**	**1,411**	**1,335**	**3,103**		**400,587**
Investments		8,818	80	12	1,592		**10,502**
Acquisitions	168,021		6	41,027	5,071	295	**214,419**
Disposals		(114)			100		**(14)**
Amortisation		(4,327)	(126)	(4,895)	(2,176)		**(11,523)**
Impairments							
Discontinued operations							
Classified as assets held for sale	(46,912)	(24,478)	(293)	(1,047)	(16)		**(72,746)**
Other movements	(113)	(45)	(5)	(30)	376		**183**
Exchange differences	29,441	34	1	4,160	208		**33,844**
Net book value as at 31 December 2014	**522,069**	**2,996**	**1,073**	**40,560**	**8,259**	**295**	**575,252**
Gross carrying amount [6]	522,069	13,248	1,613	46,095	22,951	317	**606,293**
Accumulated amortisation [6]		(10,252)	(540)	(5,535)	(14,692)	(22)	**(31,040)**
Net book value	**522,069**	**2,996**	**1,073**	**40,560**	**8,259**	**295**	**575,252**

The intangible assets have not been pledged as security for obligations.
The category 'Development' consists mainly of unique software developed in-house in full control of Fagron. Part of the development are expensed and not capitalized, in accordance with IAS38, these are mainly related to employee costs.

Goodwill

Goodwill is tested at least annually for impairment and consistently when a trigger event occurs. Goodwill is recognised at cost price less accumulated impairment losses.

[6] Excluding gross carrying amounts discontinued operations and assets reclassified as held for sale.

Goodwill impairment tests continued operations

Goodwill is allocated to the cash flow-generating units of Fagron, i.e. the two segments of Fagron being Fagron and HL Technology.

The goodwill allocation per division is as follows:

(in millions of euros)	2014	2013
Fagron	513.7	316.5
HL Technology	8.3	8.2
Corilus		46.9
Total	**522.1**	**371.6**

The recoverable amount of a cash flow-generating unit is determined on the basis of value-in-use calculations. These calculations use cash flow projections with a five-year forecast horizon based on detailed financial budgets approved by management for the first year. The year-one budget figures are extrapolated for year's two to five, taking into account an internal growth rate and a budgeted gross margin. In addition to these rates, the model uses assumptions such as the rate of perpetual growth and a pre-tax discount rate. Below are specified the key assumptions for the value-in-use calculations. Management determined the gross margin and growth rates based on past performance and its market development expectations.

	Organic growth Five-year growth (%)		Perpetual growth (%)		Gross margin (%)		Discount rate (%)	
	2014	2013	2014	2013	2014	2013	2014	2013
Fagron	5	5	2.5	2.5	64.2	56.3	6.4	8.4
HL Technology	5	5	2.0	2.0	79.2	70.9	6.4	6.9

The above assumptions were subjected to a sensitivity analysis which confirmed that for 2014, as previous year, no impairment of goodwill was required.

For Fagron, a reasonable possible change in one of the parameters (estimates) used will not lead to a potential impairment. For HL Technology, an increase in the discount rate by 0.95 percentage points, a decrease in the gross margin by 2.06 percentage points or a decrease in the perpetual growth to 0.92% would use up the remaining buffer.

The value per cash flow-generating unit as per aforementioned value-in-use calculations is compared with the net book values of the non-current assets of the relevant cash flow-generating unit. For all cash flow-generating units, value-in-use exceeds net book value.

Goodwill impairment tests discontinued operations

In 2014, operations were discontinued and reclassified as held for sale, see note 13.

Management expects the fair value less costs to sell is higher than the carrying amount of the assets and liabilities when reclassified as held for sale. Therefore management did not recognise an impairment loss when the assets and liabilities of the discontinued operations were reclassified as held for sale. The remaining goodwill classified as held for sale totalled 46,912 million euros. Further details on the assets and liabilities reclassed as held for sale are explained in note 21.

16 Property, plant and equipment

(x 1,000 euros)	Land and buildings	Plant machinery and equipment	Furniture and vehicles	Leasing and other similar rights	Other tangible assets	Assets under construction	Total
Net book value as at 1 January 2013	**31,213**	**9,661**	**4,704**	**2,643**	**9,354**	**1,681**	**59,255**
Investments	(588)	3,426	2,033	103	1,915	1,511	**8,400**
Acquisitions	1,662	321	690		(870)		**1,803**
Disposals	(187)	(5)	(41)		(640)		**(874)**
Depreciation	(1,122)	(2,859)	(1,719)	(689)	(1,643)		**(8,032)**
Discontinued operations	(307)	(549)	(406)		(1,910)		**(3,171)**
Classified as assets held for sale	(287)	(509)	(900)		(2,902)		**(4,598)**
Other movements	87	(1,387)	132		(1,241)	(938)	**(3,347)**
Exchange differences	(1,151)	(340)	(209)	(46)	15	(252)	**(1,983)**
Net book value as at 31 December 2013	**29,321**	**7,758**	**4,285**	**2,011**	**2,077**	**2,002**	**47,454**
Gross carrying amount	34,288	23,815	15,157	5,732	7,546	2,002	88,539
Accumulated amortisation	(4,967)	(16,057)	(10,872)	(3,720)	(5,469)		(41,085)
Net book value	**29,321**	**7,758**	**4,285**	**2,011**	**2,077**	**2,002**	**47,454**
Net book value as at 1 January 2014	**29,321**	**7,758**	**4,285**	**2,011**	**2,077**	**2,002**	**47,454**
Investments	1,905	1,844	2,013	63	705	2,755	**9,285**
Acquisitions	6,288	3,622	1,851		2,061		**13,822**
Disposals	(181)	(5)	(93)		(176)		**(454)**
Depreciation	(2,033)	(2,861)	(1,756)	(697)	(1,658)		**(9,006)**
Discontinued operations							
Classified as assets held for sale	(101)	(137)	(420)	(80)	(94)		**(831)**
Other movements	2,089	(55)	130		727	(3,753)	**(862)**
Exchange differences	(20)	92	220	32	119	118	**561**
Net book value as at 31 December 2014	**37,269**	**10,257**	**6,231**	**1,330**	**3,760**	**1,123**	**59,969**
Gross carrying amount	45,707	29,317	16,734	5,797	9,267	1,123	**107,945**
Accumulated amortisation	(8,439)	(19,060)	(10,503)	(4,468)	(5,507)		**(47,976)**
Net book value	**37,269**	**10,257**	**6,231**	**1,330**	**3,760**	**1,123**	**59,969**

The Group's liability regarding financial leasing is guaranteed as the lessor holds the legal property title of the leased assets. The other tangible fixed assets have no restrictions on the property title. Nor have these assets been pledged as security for obligations.

17 Financial assets

(x 1,000 euros)	Financial assets available for sale	Loans and receivables	Total
Net book value as at 1 January 2013	**843**	**1,027**	**1,870**
Investments		14,707	14,707
Discontinued operations	(2)	(298)	(300)
Classified as assets held for sale		(508)	(508)
Reimbursements		(26)	(26)
Other movements	26		26
Net book value as at 31 December 2013	**867**	**14,901**	**15,767**
Net book value as at 1 January 2014	**867**	**14,901**	**15,767**
Investments	731	2,509	3,240
Transfers and disposals		(13,875)	(13,875)
Discontinued operations	(2)	12	10
Classified as assets held for sale		(29)	(29)
Reimbursements		(49)	(49)
Other movements			
Net book value as at 31 December 2014	**1,595**	**3,469**	**5,064**

The assets available for sale mainly consist of a minority interest participation of 1.336 million euros. This asset is stated at cost due to not having any reliable information on its fair value.

An analysis of the assets above, showed that none of these assets needs to be impaired in 2014 and 2013.

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

18 Taxes, remuneration and social security

a) Taxes, remuneration and social security

(x 1,000 euros)	2014	2013
Current income tax liabilities	10,962	7,617
Other current tax and VAT payables	8,827	8,998
Remuneration and social security payables	18,879	12,227
Taxes, remuneration and social security	**38,668**	**28,842**

b) Deferred tax receivables

(x 1,000 euros)	Differences in depreciation rates	Employee benefits	Provisions	Tax losses	Other	Total
Balance at 1 January 2013	**21,647**	**965**	**1,006**	**10,057**	**(1,379)**	**32,296**
Result	(2,105)	113	396	3,974	49	**2,427**
Impairment				(541)		**(541)**
Discontinued operations				(5,891)		**(5,891)**
Balance at 31 December 2013	**19,542**	**1,078**	**1,402**	**7,599**	**(1,330)**	**28,292**
Balance at 1 January 2014	**19,542**	**1,078**	**1,402**	**7,599**	**(1,330)**	**28,292**
Result	(1,539)	(128)	30	(2,986)	(6,339)	**(10,963)**
Change in scope consolidation	5,228		292			**5,520**
Impairment				(486)		**(486)**
Balance at 31 December 2014	**23,231**	**950**	**1,724**	**4,127**	**(7,670)**	**22,362**

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

In 2014, deferred tax assets are recognised of 5.2 million euros related to acquired goodwill in business combinations. A deferred tax asset is recognised because the carrying amount of the goodwill is less than the tax base. It is probable that there is taxable profit against which the deductible temporary difference can be used.

In 2013, a deferred tax asset of 4.5 million euros is recognised for a tax loss in Poland and 3.3 million euros is recognised for tax-deductible goodwill merger in Brazil.

An impairment test is performed on tax losses twice per year. If it becomes clear that the Company will not be able to use these losses within a reasonable time, these are derecognised. This calculation is based on result projections with a seven-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 to seventh year.

At the end of 2014, deferred tax assets have been recognised for loss-making entities, but amounts are limited and it is probable that these tax assets will be realized through future taxable profits.
For Fagron Compounding Services NV a part of the losses (486 thousand euros) is reversed through the profit and loss because it is uncertain that these losses will be used within reasonable time.

The tax loss carry-forwards which will expire in 2018 are mainly related to deductible losses in Poland (2.572) million euros. These tax losses carry-forward are expected to be used within 3 years. The remaining amount of tax losses carry- forward have an unrestricted use period.

c) Deferred tax liabilities

(x 1,000 euros)	Differences in depreciation rates	Other	Total
Balance at 1 January 2013	**3,439**	**(973)**	**2,466**
Result	1,215	676	**1,891**
Discontinued operations		94	**94**
Balance at 31 December 2013	**4,654**	**(203)**	**4,451**
Balance at 1 January 2014	**4,654**	**(203)**	**4,451**
Result	4,211	(6,484)	**(2,273)**
Change in scope of consolidation	4,801		**4,801**
Discontinued operations		(817)	**(817)**
Balance at 31 December 2014	**13,666**	**(7,504)**	**6,162**

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

In 2014, intangible assets were acquired during a business combination, this creates a temporary difference for which deferred tax liabilities were recognised (3.355 million euros). Also tangible assets were acquired during a business combination of which a deferred tax liability was set up due to differences in depreciation rates (1.446 million euros).

As there is no practical plan for up streaming dividends, no deferred tax liabilities are recognised in this respect. The amount of tax due if dividend would have been distributed, as defined in IAS 12.81, amounts to 3.2 million euros (2013: 0.9 million euros).

19 Inventories

(x 1,000 euros)	2014	2013
Raw materials	19,681	12,505
Work in progress	3,617	3,261
Finished goods	8,700	6,536
Trade goods	33,184	36,616
Inventories	**65,181**	**58,917**

The increase in inventories is mainly due to the acquired companies in the Netherlands and the United States, see note 29.
The inventories are not encumbered with collateral.

20 Trade receivables, other receivables, and cash and cash equivalents

a) Trade receivables and other receivables

(x 1,000 euros)	2014	2013
Trade receivables	39,124	31,562
Provision for impairment of receivables	(2,787)	(1,951)
Total trade receivables	**36,337**	**29,611**
Other receivables	**18,043**	**19,137**

There is no concentration of credit risk with respect to trade receivables as the majority of Fagron's customers are internationally dispersed. There were no indications at the end of the reporting period that debtors of trade receivables not yet due would not fulfil their payment obligations. Provisions were made for known exposures. The item 'Other receivables' mainly concerns taxes to be refunded over the reporting period, value added tax and earnings to be received related to the sale of dental activities.

Fagron applies a strict credit policy towards its customers, ensuring that the Company controls and minimises credit risk. The Group has a stable customer base. The majority of its customers are not part of a listed company. No individual customers make up a substantial part of either turnover or outstanding receivables.

(x 1,000 euros)	Carrying amount	Of which not past due 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 2014	36,337	27,522	4,791	2,784	758	482
Trade receivables at 31 December 2013	29,611	20,347	5,253	2,504	686	821

(x 1,000 euros)	Provision for impairment of receivables
Balance at 1 January 2013	**(3,502)**
Additions	
- Via business combinations	(19)
- Other	(3,407)
Amounts used	413
Sale of operations	788
Classified as held for sale	3,657
Other	119
Balance at 1 January 2014	**(1,951)**
Additions	
- Via business combinations	(215)
- Other	(1,734)
Amounts used	897
Sale of operations	247
Classified as held for sale	(31)
Balance at 31 December 2014	**(2,787)**

b) Cash and cash equivalents

(x 1,000 euros)	2014	2013
Investments with a maturity of less than three months	9,359	2,472
Cash at bank and in hand	99,193	126,399
Cash and cash equivalents	**108,552**	**128,871**

The decrease in cash and cash equivalents is mainly due to subsequent payments related to acquisitions and investments. The increase of investments with a maturity of less than three months is due to investments of cash in Poland.

The majority of cash and cash equivalents consist of money in bank accounts and cash. The cash and cash equivalents are centralised as much as possible in a cash pool, deposited in accounts with banks that mostly have an A-rating. All new bank accounts we open are with banks awarded at least an A-rating.

Trade receivables and other receivables and cash and cash equivalents are generally within a close range of their maturities. Therefore, the carrying amount approximates their fair value.

21 Assets held for sale and related liabilities

(x 1,000 euros)	2014	2013
Assets held for sale	82,989	76,057
Liabilities directly associated with assets classified as held for sale	20,394	30,064

The 'Assets held for sale' as per 31 December 2014 relate to Corilus activities which Fagron sold in March 2015, see further note 13. An overview of the assets and liabilities of Corilus activities is viewed below:

(x 1,000 euros)	2014	2013 [7]
Goodwill	46,912	28,315
Other intangible assets	25,835	633
Property, plant and equipment	831	4,598
Deferred tax assets		2,358
Other non-current assets	59	508
Inventories	1,440	14,566
Trade receivables	4,783	16,721
Other receivables	3,129	3,993
Cash and cash equivalents		4,365
Assets held for sale	**82,989**	**76,057**
Provisions		666
Pension obligations	61	578
Deferred tax liabilities	957	(1,018)
Borrowings		891
Trade payables	7,027	18,075
Taxes, remuneration and social security	6,173	8,389
Other current payables	6,176	2,484
Liabilities directly associated with assets classified as held for sale	**20,394**	**30,064**

[7] Figures 2013 are related to divisions Healthcare Specialties and Healthcare Solutions which were sold in 2014.

22 Equity

Authorised capital

By resolution adopted by the Extraordinary General Meeting of 7 September 2007, the Board of Directors was granted the power to increase the capital in one or more instalments by a maximum amount of 319,810,475 euros by means and on terms to be decided by the Board of Directors, such within a period of five years as of the publication date of said resolution in the Annexes of the Belgian Bulletin of Acts, Orders and Decrees.

The Extraordinary General Meeting decided on 14 May 2012 to renew the Board of Director's authorisation to increase the authorised share capital, such within the limits of the existing authorisation as set out in Article 5bis of the Articles of Association, in one or more rounds by a maximum amount of 320,023,050.35 euros, such within a period of five years from the date of announcing such a decision in the Annexes of the Belgian Bulletin of Acts, Orders and Decrees. This proxy to increase the capital may be exercised only subject to the approval of at least three fourths (3/4) of the directors present or lawfully represented.

As at 31 December 2014, the Board of Directors is still authorised to increase the capital by a maximum amount of 320,023,050.35 euros.

If the capital is increased within the limits of the authorised capital then the Board of Directors will be competent to request payment of a share premium. If the Board of Directors adopts this decision then this share premium will be deposited into a blocked account, the balance of which may only be reduced or transferred in whole on the basis of a resolution adopted by a General Meeting of Shareholders in accordance with the clauses governing an amendment of the Articles of Association.

This power of the Board of Directors will apply to capital increases that are subscribed to in cash or in kind, or that result from capitalisation of reserves with or without the issue of new Shares. The Board of Directors is permitted to issue convertible bonds or warrants within the limits of the authorised capital.

Statement of changes in the capital and in the number of shares

The movements in this balance sheet item are presented in the statement of changes in equity. During 2014, 59,539 treasury shares were purchased (2013: 1,468,522). The decrease of treasury shares with 303,899 is the result of the exercise of stock options (353,625), the acquisition of treasury shares (59,539) and the transfer of shares (9,813) relating to the variable remuneration of Fagron employees in 2014. As at 31 December 2014, Fagron NV owned a total of 577,479 treasury shares (2013: 881,378). In accordance with IFRS, these shares are deducted from equity and do not affect the income statement. In the context of Warrant Plan 1, 73,002 new shares were issued during 2014 at an amount of 726,671 euros. In 2013, 79,844 new shares were issued at an amount of 783,081 euros. At 31 December 2014, the total number of shares issued are 31,431,360 (2013: 31,358,358). The total number of shares outstanding as at 31 December 2014 is 30,853,881 (2013: 30,476,980).

Number of ordinary shares	2014	2013
Issued shares at 1 January	31,358,358	31,278,514
Issue of shares under Warrant Plan	73,002	79,844
Issued shares at 31 December	31,431,360	31,358,358
Treasury shares as per 31 December	577,479	881,378
Shares outstanding as per 31 December	**30,853,881**	**30,476,980**

All ordinary shares are fully paid. The ordinary shares have no face value, the par value is 1/31,431,360th of capital as of 31 December 2014 (2013: 1/31,358,358th). Each ordinary share carries one vote and a right to dividends.

Share-based payments

On 6 September 2007, the Board of Directors approved two warrant plans for the benefit of the employees, directors and consultants of the Company and/or subsidiaries (Warrant Plan 1 and Warrant Plan 2).

The warrants granted under Warrant Plan 1 (for employees) have a lifetime of eight years as of the date on which they are granted.

For employees (Warrant Plan 1) the warrants are exercisable in annual instalments of 25%, in May of the fourth, fifth, sixth and seventh calendar year after the calendar year in which the Warrants are offered.

Pursuant to a decision taken by the Board of Directors dated 11 May 2009, held in the presence of the civil-law notary Mr Dirk van Haesebrouck, the period during which the warrants granted to beneficiaries prior to 31 August 2008 in the context of Warrant Plan 1 are exercisable was extended by five years to 17 December 2020, in accordance with the Amendment Act (Herstelwet). The warrants granted under Warrant Plan 2 (for directors and consultants) have a lifetime of five years as of the date on which they are granted.

For directors and consultants (Warrant Plan 2) the warrants are exercisable, pursuant to a decision of the relevant body, after granting of the warrants (i) in annual instalments of 50% in May of the third and fourth calendar year after the calendar year in which the warrants are offered, or (ii) in annual instalments of 25% in May of any calendar year after the calendar year in which the warrants are offered. These alternatives depend on the holder's contribution paid for the warrants. This is 7.5% for (i) or 15% for (ii).

Pursuant to a decision of the Board of Directors dated 13 July 2009 it was decided, subject to the resolutive condition of any decision to the contrary taken by the General Meeting, to extend the period for exercising the rights granted to beneficiaries prior to 31 August 2008 under Warrant Plan 2 by five years to 17 December 2017, on the understanding that beneficiaries exercising their rights following the expiry of the initial period (exercising of rights after 17 December 2012) will solely be entitled to acquire existing, instead of new, shares in the Company. This extension was presented by the Board of Directors at the annual meeting on 10 May 2010. The General Meeting ratified this proposal.

The condition for vesting warrants is for employees that still have an employment contract with the Company and for directors and consultants that their relationship with the Company has not been terminated.

The cost of the warrants and stock options is determined at the warrants' fair value on grant date and is spread over the vesting period of the warrants. The cost is recognised at the item 'Other employee costs' for the amount of 2.060 million euros for the financial year 2014, 400 thousand euros for the financial year 2013. The warrants and stock options are equity settled share based payments transactions.

On 3 June 2014, the Company's Board of Directors approved the 2014 warrant plan for employees and consultants/management of Fagron NV and/or its subsidiaries, which was created by decision taken by the Board of Directors dated 2 September 2014 in presence of notary Luc De Ferm. In total 2,140,000 warrants were issued. In 2014 932,500 warrants were granted. The exercise price of these warrants is 39.37 euros.

On 16 June 2014, 73,002 (13 June 2013: 79,844) new shares were issued as a result of exercising warrants under Warrant Plans 1 and 2. The number of Fagron shares with voting rights is 31,431,360 (2013: 31,358,358). The total number of voting rights (denominator) is 31,431,360 (2013: 31,358,358). The authorised capital amounts to 322,111,645.98 euros (2013: 321,384,975 euros).

The movements in the number of outstanding warrants under Warrant Plan 1 and their related weighted average exercise prices are as follows:

	Average exercise price in euros	Number of warrants
As at 1 January 2013	**9.75**	**175,828**
Exercised	10.25	(63,536)
Exercised	8.14	(13,625)
Exercised	7.77	(2,558)
Exercised	8.11	(125)
Forfeited	10.25	(1,164)
Forfeited	7.77	(756)
As at 31 December 2013	**9.70**	**94,064**
As at 1 January 2014	**9.70**	**94,064**
Exercised	10.25	(63,238)
Exercised	8.14	(6,888)
Exercised	7.77	(2,751)
Exercised	8.11	(125)
Forfeited	10.25	(2,759)
Forfeited	8.14	(1,000)
Forfeited	7.77	(375)
Granted	39.37	932,500
As at 31 December 2014	**38.82**	**949,428**

The related weighted average exercise price per share at year-end amounted to 38.82 euros in 2014 (2013: 9.70 euro)

As of 6 March 2015, the total number of warrants not yet exercised, which could prompt the issue of the same number of shares of the Company, amounted to 949,428. Their average exercise price amounts to 38.82 euros. Outstanding warrants at year-end have the following expiry dates and exercise prices:

Expiry date	Average exercise price in euros	Number of warrants
2015 – May	10.25	4,900
2015 – May	8.14	6,462
2015 – May	7.77	2,753
2015 – May	8.11	125
2016 – May	7.77	2,563
2016 – May	8.11	125
2018 – March	39.37	466,250
2019 – March	39.37	233,125
2020 – March	39.37	233,125
	38.82	**949,428**

Stock Option Plan

On 7 December 2009, the Board of Directors approved the Fagron NV Stock Option Plan (Stock Option Plan) for employees, directors, and consultants of the Company and/or subsidiaries, which approval was subsequently ratified by the Extraordinary General Meeting of 27 January 2010. The options granted under the Stock Option Plan were granted free of charge and, in line with the plan, have a term of six years from the date of offer. Options not exercised at the end of the six-year term, on 16 January 2016 therefore, are void by operation of law.

In accordance with the provisions of Section 43, paragraph 4, 1° of the Act of 26 March 1999 concerning the Belgian Action Plan for Employment 1998 (Stock Options Act), the exercise price shall be determined on the basis of the share's average closing price during the thirty days preceding the date of the offer of the options, and was therefore calculated at 8.5214 euros per option. The options shall be exercisable during the third, fourth, fifth and sixth calendar year following the calendar year in which the options were offered, each time for 25%. The exercise of the options at the exercise price shall take place unconditionally and may only take place in the month of April of each calendar year and may take place for the first time in April 2012 in the proportions specified below:

Exercise maximum	Time
25% of the options granted	April 2012
50% of the options granted	April 2013
75% of the options granted	April 2014
100% of the options granted	April 2015

	Average exercise price in euros	Number of stock options
As at 1 January 2013	**9.95**	**2,053,250**
Exercised	10.25	(882,250)
Exercised	8.52	(328,250)
Forfeited	8.52	(2,000)
As at 31 December 2013	**10.20**	**840,750**
As at 1 January 2014	**10.20**	**840,750**
Exercised	10.25	(48,625)
Exercised	8.52	(282,500)
Exercised	13.73	(22,500)
Granted	32.82	4,650
As at 31 December 2014	**11.21**	**491,775**

Outstanding stock options at year-end have the following expiry dates and exercise prices:

Expiry date	Average exercise price in euros	Number of stock options
2015 – April	10.25	10,000
2015 – April	8.52	246,000
2015 – April	13.73	40,000
2015 – April	10.25	3,625
2016 – April	13.73	125,000
2017 – April	13.73	62,500
2018 – April	32.82	2,325
2019 – April	32.82	1,163
2020 – April	32.82	1,162
	11.21	**491,775**

On 27 October 2011, the Company's Board of Directors approved the 2011 Stock Option Plan for consultants and employees of Fagron NV and/or its subsidiaries, such under the suspensive condition of approval by the General Meeting.

The Stock Option Plan 2011 was approved by the Annual General Meeting of 14 May 2012. In 2012, the procedure of Article 523 of the Belgian Companies Code was applied.

In June 2012, 250,000 stock options were granted at an exercise price of 13.73. The options are equity settled share-based payment transactions.

In 2013 no new stock options were granted. In 2014, 4,650 stock options were granted.

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 live and expected dividend, the option life specified above, and the annual risk-free interest rate.

In 2014 there were 932,500 new warrants and 4,650 stock options granted. The total expenses recognised for the warrant and stock option plans is 2.060 million euros (2013: 0.400 million euros). The fair value of the warrants is 6.895 euros. The fair value of the stock options is 4.146 euros. The main data used to determine the fair value of the granted stock options during 2014 were, the above-mentioned exercise price, the standard deviation of expected share price returns 25.6% with an expected share price return of 4.3%, the option life specified of 3.5 years, and the annual risk-free interest rate of 1.0%. The main data used for the 2014 warrants which were granted were the above mentioned exercise price, the standard deviation of expected share price returns 28.24% with an expected share price return of 1.73%, the warrant life specified of 3.8 years, and the annual risk-free interest rate of 0.47%.

Dividend

A dividend of 22.199 million euros was paid in 2014 (2013: 18.842 million euros). This equates to a gross dividend of 0.72 euros per share (2013: 0.60 euros per share).

At the Annual General Meeting of Shareholders of 11 May 2015, a gross dividend for 2014 will be proposed amounting to 1 euro per share, which equates to a total dividend of 31.431 million euros. This dividend due is not recognised 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	Foreign currency translation reserve	Transactions with non-controlling interests	Remeasurement post-employment benefits	Share based payments	Total
Balance at 1 January 2013	**(195,967)**	**(11,236)**	**(1,575)**	**(198)**	**626**	**(208,349)**
Other comprehensive income		(22,687)		137		**(22,550)**
Share based payments					400	**400**
Balance at 31 December 2013	**(195,967)**	**(33,923)**	**(1,575)**	**(61)**	**1,026**	**(230,499)**
Other comprehensive income		6,001		(2,541)		**3,460**
Share based payments					2,060	**2,060**
Change in non controlling interest			1,198			**1,198**
Balance at 31 December 2014	**(195,967)**	**(27,922)**	**(377)**	**(2,602)**	**3,086**	**(223,781)**

Change in non controlling interests is related to the purchase of 49% of the shares of Unit Dose Pack BV without paying any consideration.

23 Provisions

(x 1,000 euros)	Taxes	Disputes	Warranty obligations	Other	Total
Balance at 1 January 2013	**48**	**196**	**660**	**2,615**	**3,519**
Additions					
- Through business combinations				71	**71**
- Other		408	(29)	20	**400**
Amounts used		(83)	(159)	(86)	**(328)**
Discontinued operations		(149)	(318)		**(467)**
Classified as assets held for sale		(461)	(154)	(51)	**(666)**
Unused housing				3,015	**3,015**
Related to disposed subsidiaries		1,000		2,213	**3,213**
Others		(285)		287	**2**
Transfers				438	**438**
Balance at 1 January 2014	**48**	**628**		**8,522**	**9,197**
Additions					
- Through business combinations	2			50	**52**
- Other		15		43	**58**
Amounts used		(801)			**(801)**
Sale of operations		35		(51)	**(16)**
Classified as assets held for sale		582		51	**633**
Unused housing					
Related to disposed subsidiaries		(467)			**(467)**
Others		46			**46**
Transfers	(3)	25		166	**188**
Balance at 31 December 2014	**47**	**63**		**8,780**	**8,891**

The provision 'Unused housing' relates to a provision taken for leases and furniture of the buildings which are no longer (fully) in use, due to the discontinuation of operations. These lease contracts have a duration until 2017. The provision is made only for the portion not in use.

The provision 'Related to discontinued subsidiaries' relates to settlements regarding deferred taxes, employee benefits and social charges due to the sale of a subsidiary. Expectations are, these settlements will take place between 2015 and 2017.

24 Pension obligations

Pension obligations and costs

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

(x 1,000 euros)	2014	2013
Defined benefit obligations	5,305	3,387
Other defined benefit obligations	748	899
Pension obligations	**6,053**	**4,286**

The category 'Defined benefit obligations' include Fagron's defined benefit plans held by Fagron Services BV and Spruyt hillen BV. The 'Other defined benefit obligations' include multiple insignificant defined benefit plans, which are not further disclosed.

Defined benefit obligations are estimated using the Projected Unit Credit method. Under this method each participant's benefits under the plan are attributed to years of service, taking into consideration future salary increases and the plan's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited services. If an employee's service in later years will lead to a materially higher level of benefit than in earlier years, these benefits are attributed on a straight-line basis.

All defined benefit plans are final salary pension plans paid on a monthly basis. The amounts pertaining to post-employment medical plans are included in the liability but are not significant. There are no informal constructive obligations.

The amounts recognised regarding the Dutch defined benefit plans held by Fagron Services BV and Spruyt hillen BV are determined as follows:

(x 1,000 euros)	2014	2013
Present value of defined benefit obligations	20,367	16,458
Fair value of plan assets	(15,062)	(13,071)
Funded status	5,305	3,387
Net liability arising from defined benefit obligations	**5,305**	**3,387**

Movements in the present value of the defined benefit obligations and the fair value of the plan assets were as follows:

(x 1,000 euros)	Present value defined benefit obligations	Fair value plan assets	Total
Balance at 1 January 2013 (restated)	**15,577**	**(12,264)**	**3,313**
Service costs	765		**765**
Interest expense (income)	618	(496)	**122**
Remeasurements:			
- Return on plan assets (excluding interest income)		95	**95**
- (Gains)/losses arising from changes in demographic assumptions	(16)		**(16)**
- (Gains)/losses arising from changes in financial assumptions	(216)		**(216)**
- (Gains)/losses arising from experience adjustments			
Employer contributions		(757)	**(757)**
Benefit payments from plan	(270)	270	
Administrative expenses paid from plan assets		81	**81**
Balance at 31 December 2013	**16,458**	**(13,071)**	**3,387**
Balance at 1 January 2014	**16,458**	**(13,071)**	**3,387**
Past service costs	(1,329)		**(1,329)**
Interest expense (income)	586	(519)	**67**
Remeasurements:			
- Return on plan assets (excluding interest income)		(2,215)	**(2,215)**
- (Gains)/losses arising from changes in demographic assumptions	110		**110**
- (Gains)/losses arising from changes in financial assumptions	5,989		**5,989**
- (Gains)/losses arising from experience adjustments	(1,261)		**(1,261)**
Employer contributions		557	**557**
Benefit payments from plan	(186)	186	
Administrative expenses paid from plan assets			
Balance at 31 December 2014	**20,367**	**(15,062)**	**5,305**

The principal actuarial assumptions used for the actuarial valuations are:

	December 31, 2014	December 31, 2013
Discount rate	2.20%	3.90%
Expected rate of salary increase	N/A	2.00%
Expected rate of price inflation	N/A	2.00%
Future rate of pension increases actives	2.00%	2.00%
Future rate of pension increases inactives	0.00%	0.00%

The assets comprise qualifying insurance policies and are not part of the in-house financial instruments of Fagron.
The pension insurer invested the assets fully in Aegon Strategic Allocation Fund 80/20. This fund has a market quotation.

The amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

(x 1,000 euros)	December 31, 2014	December 31, 2013
Past service costs	(1,329)	
Current service cost		765
Net interest cost	67	122
Administrative expenses and taxes	82	81
Defined benefit costs recognised in profit or loss	**(1,180)**	**968**
Remeasurement on the net defined benefit liability:		
- Return on plan assets (excluding interest income)	(2,297)	95
- (Gains)/losses arising from changes in demographic assumptions	110	(16)
- (Gains)/losses arising from changes in financial assumptions	5,989	(216)
- (Gains)/losses arising from experience adjustments	(1,261)	
Defined benefit costs recognised in other comprehensive income	2,541	(137)
Total defined benefit costs	**1,361**	**831**

The 2015 expected defined benefit costs are 0.108 million euros.

c) Belgium pension plans

Fagron has in Belgium 32 pension plans in place which are legally structured as Defined Contributions plans. Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called 'Law Vandenbroucke'), all Belgian Defined Contribution plans have to be considered under IFRS as Defined Benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. Because of this minimum guaranteed return for Defined Contributions plans in Belgium, the employer is exposed to a financial risk (there is a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods). These plans should therefore be classified and accounted for as a Defined Benefit plans under IAS 19.

In the past the Company 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 offered by 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, requiring them to measure the potential impact of Defined Benefit accounting for these plans.

Management made an estimate of the potential additional liabilities as at 31 December 2014 and these are assessed as not significant. The employer's contributions 2014, for these Belgium pension plans, amounts to 618 thousand euros (2013: 384 thousand euros). The employees' contributions 2014 is nihil (2013: 77 thousand euros), the employees' contributions have been stopped in 2014. The total amount of the plan assets at 31 December 2013 amounts to 3.2 million euros (2103: 2.8 million euros).

25 Financial debt and financial instruments

(x 1,000 euros)	2014	2013
Non-current		
Financial lease liabilities	435	677
Bank borrowings	550,966	367,958
Other borrowings	103	63
	551,504	**368,698**
Current		
Financial lease liabilities	361	349
Bank borrowings	5,318	54,652
Other borrowings	31	3
	5,710	**55,004**
Total	**557,214**	**423,702**

Non-current borrowings by term

(x 1,000 euros)	2014		2013	
	Financial leases	Bank borrowings	Financial leases	Bank borrowings
Non-current borrowings by term				
More than 1 year but less than 5 years	435	550,620	677	366,570
More than 5 years		450		1,452
Total non-current borrowings	**435**	**551,069**	**677**	**368,022**

a. Bank borrowings and financial instruments

The book value of the bank borrowings is expressed in euros. The effective interest rate at balance sheet date on 31 December 2014 was 3.50% (2013: 3.00%).

On 2 July 2012 Fagron NV issued bonds for an amount of 225 million euros, the nominal value of the bonds is 1,000 euros. The bonds have a maturity of five years and offer a fixed annual gross interest of 4.75%. The bonds are redeemable at 100% of the nominal value on 2 July 2017. Main covenant of this bond is that 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.

Fagron NV has also amended and extended the existing credit facility on 16 December 2014. This new multicurrency facility of 220 million euros, which will mature in December 2019 and includes two additional one year extension options, is arranged through a syndicate of existing and new international banks. The new syndicate consists of ING (Coordinator), BNP Paribas, HSBC, KBC Bank, Fifth Third Bank and Commerzbank. The main covenant of this credit facility is a net financial debt/recurring EBITDA ratio of a maximum of 3.25. As at the closing date of 2014, an amount of 178 million euros had been withdrawn (2013: 191 million euros). The interest payable in respect of this credit agreement is a variable interest rate of one to six months.

The interest risk relating to 70 million euros of this loan has been hedged with financial derivatives.
The valuation of this instrument is in accordance with a Level 2 method. This implies that the valuation is 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 are 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 is calculated using the discounted cash flows of the nominal value and interest flows.

The fair value of these financial derivatives at year-end 2014 was -2.862 million euros (2013: -2.463 million euros). The full movement in fair value, 0.399 million euros loss, was charged to the result of 2014 (2013: 1.285 million euros gain). Fagron has no other financial derivatives.

All financial instruments except the financial derivatives and contingent considerations for acquisitions are valued at amortised cost, with the exception of the bond. The fair value of the bond is approximately 231.885 million euros. Contingent considerations are valued at fair value through P&L taken account for the valuation method level 3.

As do the borrowing companies, Fagron NV and Arseus Capital NV, the following companies serve as guarantors for the bank loan and bond loan concluded by Fagron:

Company name of guarantors
Fagron Nederland BV
SM Empreendimentos Farmaceuticos Ltda
Spruyt hillen BV
Pharma Cosmetic K.M. Adamowicz Sp. z.o.o.
ACA Pharma NV
Fagron GmbH & Co KG
Arseus België NV
Fagron België NV
Steunpunt Apotheek Mierlo-Hout BV
B&B Pharmaceuticals Inc.
Fagron Inc.
Freedom Pharmaceuticals Inc.
Pharmacy Services Inc.

b. Financial leases

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

(x 1,000 euros)	2014	2013
Cost-capitalized financial leases	5,797	5,732
Accumulated depreciation	(4,468)	(3,720)
Net amount of assets in leasing	**1,330**	**2,011**

The Group's liability regarding financial leasing is guaranteed as the lessor holds the legal property title of the leased assets.

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

(x 1,000 euros)	2014	2013
Machinery and installations	1,284	1,908
Furniture and vehicles	46	103
Net amount of assets in leasing	**1,330**	**2,011**

Financial lease liabilities – minimum lease payments:

(x 1,000 euros)	2014	2013
Within 1 year	377	368
More than 1 year but less than 5 years	483	776
Total	**860**	**1,144**
Future charges on financial leases	64	119
Present values of financial lease liabilities	**796**	**1,026**

c. Operating leases

Operating lease liabilities – minimum lease payments:

(x 1,000 euros)	2014	2013
Within 1 year	5,933	7,231
More than 1 year but less than 5 years	10,727	13,666
More than 5 years	4,906	4,604
Total	**21,567**	**25,501**

There are no leases that individually represent an important part of the total.
The fair values of the bank borrowings and financial leasing liabilities are calculated based on the present value of the future payments associated with the debt.

26 Other current payables

(x 1,000 euros)	2014	2013
Prepayments	101	8
Other payables	108,235	83,069
Accrued expenses	10,783	7,891
Other current payables	**119,120**	**90,968**

(x 1,000 euros)	Total	Due as per 2015	Due as per 2016	Due as per 2017	Due as per 2018
Prepayments	101	101			
Other payables	108,236	57,353	39,340	4,464	7,079
Accrued expenses	10,783	10,783			
Other current payables	**119,120**	**68,237**	**39,340**	**4,464**	**7,079**

The 'Other payables' includes an amount of 87.573 million euros (2013: 74.590 million euros) related to amounts to be paid to existing participations (subsequent payments). The 'Accrued expenses' includes an amount of 7.647 million euros (2013: 6.049 million euros) related to interest payments on the bond.
Trade payables and other liabilities generally have short times to maturity. The reported values approximate their fair values.

27 Contingencies

Fagron is involved in a number of claims, disputes and legal proceedings within the normal conduct of its business. Management believes that these claims, disputes and legal proceedings will not, on aggregate, have a materially adverse impact on Fagron's financial position. The term 'material' in this context is defined as a financial risk exceeding 0.750 million euros.

28 Related parties

The overall remuneration package for members of the Executive Committee and the CEO individually, as well as the non-executive directors, for the 2014 and 2013 financial years was as follows:

(x 1,000 euros)	Fixed remuneration component [8]	Variable remuneration component	Other remuneration components [9]
2013 financial year			
Ger van Jeveren, CEO	500	600	32
Executive Committee, including the CEO	1,674	1,010	62
Non-executive members of the Board of Directors	230		
2014 financial year			
Ger van Jeveren, CEO	600	720	31
Executive Committee, including the CEO	1,609	1,150	31
Non-executive members of the Board of Directors	123		

The variable remuneration component for the 2014 fiscal year is the bonus effectively paid out in 2015. The Remuneration Committee prepares proposals annually for the remuneration policy and/or other benefits for members of the Executive Committee and the CEO.

In 2014 no new stock options were granted.

In 2014 Mr Van Jeveren exercised 125,000 stock options, while the other members of the Executive Committee exercised 85,000 stock options. The members of the Executive Committee, in the composition in effect on 31 December 2014, together hold 318,000 stock options.

29 Business combinations

Fagron completed a number of acquisitions in the 2014 financial year. Full control was acquired of all group companies. As the acquired activities were immediately – in their entirety or to a significant degree – integrated in existing entities of Fagron, their respective contributions to the profit of Fagron have not been reported separately.

In April 2013, US company Freedom Pharmaceuticals Inc. was acquired. The acquisition of Freedom Pharmaceuticals strengthens Fagron's global market leadership, creates a presence throughout the United States and allows Fagron to immediately deliver extra value to its customers. Fagron is perfectly positioned to provide compounding pharmacies in the United States with innovative products and concepts, as well as value added services and training, through its offices. The acquisition involved a payment of approximately 77.656 million euros.

The final fair value of the assets and liabilities acquired was established, representing a decrease in goodwill of 7.7 million euros, mainly due to valuing and recognition other intangible assets such as customer bases. This goodwill was allocated to the operating segment Fagron. Expectation is that the goodwill will be fully tax deductible. The fair value of the acquired assets and liabilities was determined as detailed below.

[8] Costs incurred by Fagron, i.e. the gross amount including any social security contributions.
[9] Includes costs regarding pensions, insurances and the cash value of the other benefits in kind.

Fair value of the acquired assets and liabilities Freedom Pharmaceuticals Inc.

(x 1,000 euros)	
Intangible assets	9,048
Property, plant and equipment	210
Deferred tax assets	2,588
Inventories	1,492
Trade receivables	1,556
Cash and cash equivalents	64
Total assets	14,957
Other non-current debts	3,965
Trade payables	754
Other current payables	316
Net acquired assets	9,922
Goodwill	67,735
Total acquisition amount	**77,656**

At the end of 2013, US company JCB Laboratories Inc. was acquired. The acquisition involved a payment of approximately 16.316 million euros, representing an increase in goodwill of 14.675 million euros. This goodwill was allocated to the operating company segment Fagron. Expectation is that the goodwill will be fully tax deductible. The fair value of the acquired assets and liabilities was determined as detailed below.

Fair value of the acquired assets and liabilities JCB Laboratories Inc.

(x 1,000 euros)	
Intangible assets	783
Property, plant and equipment	718
Deferred tax assets	32
Inventories	320
Trade receivables	455
Cash and cash equivalents	(83)
Total assets	2,224
Financial debt	345
Trade payables	113
Other current payables	125
Net acquired assets	1,641
Goodwill	14,675
Total acquisition amount	**16,316**

In April 2014, US company Pharmacy Services Inc. was acquired. Fagron has further strengthened its worldwide market leadership with this acquisition of compounding facilities. Through this acquisition Fagron gained the number one market position compounding in the US.
The acquisition involved a payment of approximately 147.427 million euros, representing an increase in goodwill of 124.938 million euros. Expectation is that the goodwill will be fully tax deductible. The provisional fair value of the acquired assets and liabilities was determined as detailed below.

Fair value of the acquired assets and liabilities Pharmacy Services Inc.

(x 1,000 euros)	
Intangible assets	31,861
Property, plant and equipment	2,853
Deferred tax assets	3,400
Inventories	1,341
Trade receivables	4,085
Other receivables	108
Cash and cash equivalents	6,290
Total assets	49,938
Trade payables	819
Other current payables	26,631
Net acquired assets	22,488
Goodwill	124,938
Total acquisition amount	**147,427**

In January 2014, Panoramix BV was acquired. The acquisition involved a payment of approximately 49.330 million euros, representing an increase in goodwill of 40.792 million euros. This goodwill was allocated to the operating company segment Fagron. The provisional fair value of the acquired assets and liabilities was determined as detailed below.

Fair value of the acquired assets and liabilities Panoramix BV

(x 1,000 euros)	
Intangible assets	1,987
Property, plant and equipment	6,022
Other non current assets	3
Deferred tax assets	292
Inventories	1,853
Trade receivables	2,314
Other receivables	2,225
Cash and cash equivalents	(287)
Total assets	14,408
Financial debt	1,806
Trade payables	869
Other current payables	3,195
Net acquired assets	8,538
Goodwill	40,792
Total acquisition amount	**49,330**

Furthermore, some smaller companies and activities were acquired during 2014. The total net assets acquired, before allocation of the acquisition price, amounted to 3.814 million euros.

Fair value of the acquired assets and liabilities other acquisitions

(x 1,000 euros)	
Intangible assets	6
Property, plant and equipment	3,017
Other non current assets	223
Inventories	674
Trade receivables	291
Other receivables	439
Cash and cash equivalents	776
Total assets	5,425
Financial debt	513
Trade payables	461
Other current payables	637
Net acquired assets	3,814
Goodwill	5,943
Total acquisition amount	**9,757**

To a large extent, the goodwill relates to future profit potential due to operational benefits to be gained, including synergy and scale benefits and efficiency improvements, as well as commercial benefits in the form of access to new markets and realising market leadership in both new and existing markets.

The fair value of a number of acquired assets and liabilities, acquired in 2014, was determined on a provisional basis. The fair value as stated is provisional because the integration process of the acquired entities and their activities is still ongoing. The provisional fair value of intangible assets, property, plant and equipment, deferred tax and working capital can change when the final fair value of the assets and liabilities acquired is established.

The final determination of the fair value of the assets and liabilities from previous minor acquisitions, acquired in 2013, resulted in an adjustment of 4.087 million euros (increase of goodwill). The changes are mainly the result of the recognition of intangible assets partly offset by the derecognition of inventories.

The total increase in goodwill by acquisitions amounts to 168.021 million euros, of which everything was allocated to the Fagron operating segment. To a large extent, the goodwill relates to future profit potential due to operational benefits to be gained, including synergy and scale benefits and efficiency improvements, as well as commercial benefits in the form of access to new markets and realising market leadership in both new and existing markets.

At year-end, the Group had an amount of approximately 72.439 million euros in contingencies. These fees payable to former shareholders were determined on the basis of business plans at the time of acquisition.
In 2014, the actual payments are 1.575 million euros lower than the initial contingencies.

(x 1,000 euros)	Total	Due in 2015	Due in 2016	Due in 017	Due in 2018
Contingencies	72,439	25,213	36,380	10,846	

The contigencies are related to Pharmacy Services Inc., JCB Laboratories Inc and Fagron Hellas A.B.E.E.

The contingency varies between 0 euros and a maximum of 79.852 million euros. The contingency is estimated at the moment of acquisition.

30 Discontinued operations

Consideration received

(x 1,000 euros)	2014	2013
Consideration received in cash and cash equivalents	30,831	54,000
Subsequent payments	2,251	(1,549)
Total consideration received	**33,232**	**52.451**

Fagron completed the divestment program of the Healthcare Specialties and Healthcare Solutions divisions in 2014. Fagron successfully finalised the sale of Duo-Med, Owandy Radiology, Eurotec Germany, Eurotec France and Arseus Medical. Duo-Med was sold to ABN Amro Participaties, Owandy Radiology to Villa Sistemi Medicali based in Milan and Arseus Medical was acquired by entrepreneurs Cedric De Quinnemar and Jan Ponnet. A sum of 30.8 million euros was received in these transactions, excluding earn-outs and vendor loans. The earn-outs are valued at fair value. The fair value is estimated at 0 euros.

Analysis of assets and liabilities disposed of

(x 1,000 euros)	2014	2013 [10]
Current assets	44,805	27,818
Inventories	11,849	13,325
Trade receivables	18,112	11,478
Other receivables	7,054	839
Cash and cash equivalents	7,789	2,176
Non-current assets	22,789	43,245
Goodwill	16,104	29,324
Other intangible assets	472	6,037
Property, plant and equipment	3,960	3,171
Financial assets		2
Deferred tax assets	1,786	3,533
Other non-current assets	466	1,178
Current liabilities	26,771	18,773
Trade payables	15,359	13,613
Taxes, remuneration and social security	6,048	4,722
Other current payables	5,326	438
Non-current liabilities	7,779	1,900
Provisions	6,497	467
Pension obligations	726	509
Borrowings	557	924
Net assets disposed of	**33,232**	**50,391**

[10] Figures 2013 and 2014 are related to Healthcare Specialties and Healthcare Solutions.

Gain (loss) on disposal

(x 1,000 euros)	2014	2013
Consideration received	33,232	52,451
Net assets disposed of	(33,232)	(50,391)
Gain (loss) on disposal	**0**	**2,060**

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

The Company's Statutory Auditor is PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, represented by its permanent representative, Mr Peter Van den Eynde.

(x 1,000 euros)	2014	2013
Audit fee for the Group audit		
Fagron Group	501	491
Audit fee for PricewaterhouseCoopers Bedrijfsrevisoren	188	235
Audit fee for parties related to PricewaterhouseCoopers Bedrijfsrevisoren	313	256
Additional services rendered by the Statutory Auditor to Fagron		
Other engagements linked to the Statutory Auditor's mandate	162	5
Additional services rendered by parties related to the Statutory Auditor		
Tax advisory services	165	212
Other services	572	9

The item 'Other services', i.e. services other than strictly financial auditing work, mainly relates to due diligence work. The Audit Committee of 4 August 2014 and 3 December 2014 approved an exception to the 1 to 1 rule in accordance with article 133 of the Belgian Companies Code.

32 Significant events after the reporting period

Fagron has completed the divestment of its ICT division Corilus to AAC Capital. The transaction was completed on 13 March 2015 for a total consideration of 77 million euros.

33 Additional notes

1. **Off-balance sheet rights and liabilities – collateral:**
   HL Technology SA provided a mortgage registration in the amount of 0.832 million euros (1 million Swiss francs) related to its financing.

2. **Fagron NV signed a liability statement on behalf of a number of Dutch subsidiaries, specifically:**
   Fagron Nederland BV
   Arseus Dental BV
   Arseus Medical BV
   Corilus BV
   Arseus CV
   Arseus Beheer BV
   Dutch BioFarmaceutics BV
   Fagron Brazil Holding BV
   Fagron BV
   Fagron Group BV
   Fagron Services BV
   Panoramix BV
   Pharmaline BV
   Pharma Assist BV
   Spruyt hillen BV
   Steunpunt Apotheek Mierlo-Hout BV
   Timm Health Care BV
   Twipe BV

34 List of the consolidated companies

Name	Address	Ownership
ABC Dental & Pharmaceutical Consultancy NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
ACA Pharma NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
Alternate Sistemas E Informatica Ltda	Anchieta 285, Jundiai 13.201-804 (Brazil)	100.0%
ApodanNordic PharmaPackaging A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen (Denmark)	100.0%
APPEG SA	Rue de la Sambre 6, 6032 Charleroi (Belgium)	100.0%
Arseus Beheer BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Arseus België NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
Fagron BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Arseus Capital NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
Arseus CV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Arseus Dental BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Arseus Dental Solutions Est SARL	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis (France)	100.0%
Arseus Dental Solutions SAS	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis (France)	100.0%
Fagron België NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
Arseus Medical BV	Gelderlandhaven 4, 3433 PG Nieuwegein (The Netherlands)	100.0%
Arseus Medical NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
B&B Pharmaceuticals Inc.	17200 East Ohio Drive, 80017 Aurora Colorado (The United States)	100.0%
CMIS BVBA	Mastboomstraat 4, 2630 Aartselaar (Belgium)	100.0%
CMS France Sarl	Boulevard Malesherbes 19, 75008 Paris (France)	100.0%
CMS NV	Mastboomstraat 4, 2630 Aartselaar (Belgium)	100.0%
Corilus BV	Randhoeve 221, 3995 GA Houten, (Netherlands)	100.0%
Corilus Info Santé SA	Rue Gabriel Peri 30, 92700 Colombes (France)	100.0%
Corilus SA	Rue Camille Hubert 23, 5032 Gembloux (Belgium)	100.0%
DPI Inc.	5967 S. Garnett Rd., 74146 Tulsa (United States)	100.0%
Dutch BioFarmaceutics BV	Steenovenweg 15, 5708 HN Helmond (The Netherlands)	100.0%
Dynaceuticals Ltd	Kudu Street 606, White Thorn Office Park, Unit 2, Johannesburg (South Africa)	100.0%
Eurotec Dental GmbH	Forumstraβe 12, 41468 Neuss (Germany)	100.0%
Eurotec Dental SAS	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis (France)	100.0%
Fagron a.s.	Holicka 1098/31M, 772 00 Olomouc (Czech Republic)	73.1%
Fagron Brazil Holding BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Fagron Nederland BV	Venkelbaan 101, 2908 KE Capelle aan den IJssel (The Netherlands)	100.0%
Fagron China Ltd	268 Xi Zang Middle Road, Shanghai, 200001 (China)	100.0%
Fagron Compounding Services NV	Woestijnstraat 53, 2880 Bornem (Belgium)	100.0%
Fagron Compounding Services SAS	Boulevard Ornano Zac Axe Pleyel 30,3200 St-Denis (France)	100.0%
Fagron Compounding Supplies Australia Pty Ltd	Atkinson Road 2/16, Taren Point, Sidney (Australia)	100.0%
Fagron GmbH & Co KG	Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)	100.0%
Fagron Hellas A.B.E.E.	12Th Klm Trikala Larisa N.R. (Greece)	100.0%
Fagron Group BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Fagron Holding USA LLC	Orange street 1209, New Castle County (The United States)	100.0%
Fagron Iberica SAU	Carrer de Josep Tapiolas 150, 08226 Terrassa (Spain)	100.0%
Fagron Inc.	2400 Pilot Knobroad, 55120 St. Paul (The United States)	100.0%
Fagron Italia SrL	Via Lazzari 4-6, 40057 Quarto Inferiore (Italy)	100.0%
Fagron Nordic A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen (Denmark)	100.0%
Fagron NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
Fagron Poland Sp. z o.o	Albatrosów 1, 30-176 Krakau (Poland)	100.0%
Fagron Sarl	Intendente Neyer 924, Beccar, Partido de San Isidro Provincia de Bs.As (Argentina)	100.0%
Fagron SAS	Rue Gabriel Peri 30, 92700 Colombes (France)	100.0%

Name	Address	Ownership
Fagron Services BV	Molenwerf 13, 1911 DB Uitgeest (The Netherlands)	100.0%
Fagron Services BVBA	Industrieweg 2, 2850 Boom (Belgium)	100.0%
Fagron UK Ltd	4B Coquet Street, NE1 2QB Newcastle upon Tyne (The United Kingdom)	100.0%
Flores e Ervas Comercio Farmaceutico Ltda	Estrada Vicente Bellini, No 175 13.427-225 Piracicaba City (Brazil)	100.0%
Freedom Pharmaceuticals Inc.	801 W. New Orleans Street, 74011 Broken Arrow, Oklahoma (The United States)	100.0%
Healthconnect NV	Luchthavenlaan 25B, 1800 Vilvoorde (Belgium)	100.0%
HL Technology SA	Rue Jardiniere 153, 2300 La Chaux-de-Fonds (Switzerland)	100.0%
JCB Laboratories LLC	3510 N. Ridge RD. STE.900, KS 67205 Whichita (The United States)	100.0%
Jupiter Health Holding LLC	Millwell Drive 212, Maryland Heights, Missouri 63017 (The United States)	100.0%
Mercury Innovations LLC	Millwell Drive 212, Maryland Heights, Missouri 63017 (The United States)	100.0%
Microgest Paramedical Software sprl	Rue du Beauregard 79, 7141 Morlanwelz / Carnières (Belgium)	100.0%
Midwest Rx LLC	Millwell Drive 212, Maryland Heights, Missouri 63017 (The United States)	100.0%
Multident GmbH	Pelikanplatz 25, 30177 Hannover (Germany)	100.0%
Northern Rx LLC	2012 E. Northwest Highway, Arlington Heights, Illinois, 60004 (United States)	100.0%
Orbus Pharma Ltda	Calle 95 47A-28 Bogota (Colombia)	100.0%
Owandy Radiology SAS	Le Coruscant 2, Rue des Vieilles Vignes, 77183 Croissy Beaubourg (France)	100.0%
Pharma Assist BV	Dieselstraat 3, 7903 AR Hoogeveen (The Netherlands)	100.0%
Pharma Cosmetic K.M. Adamowicz Sp. z.o.o.	Ul. Pasternik 26, 31-354 Krakau (Poland)	100.0%
Pharmaflore SA	Rue Botrieux 7, 7864 Lessines (Deux-Acren) (Belgium)	100.0%
Panoramix BV	Münsterstraat 4, 7575 ED Oldenzaal (Netherlands)	100.0%
Pharmacy Services Inc.	Millwell Drive 212, Maryland Heights, Missouri 63017 (The United States)	100.0%
Pharmaline BV	Münsterstraat 4, 7575 ED Oldenzaal (Netherlands)	100.0%
PPH Galfarm Sp. z.o.o.	Ul.Przemysłowa, 12 30-701 Krakau (Poland)	100.0%
Rausa Kem Pharmacy Ltd	Clarendon Street 61, Parow Valley, 7500 Cape Town (South Africa)	100.0%
Reakiri Ltd	Erica Way 8, Somerset West Business Park, 7130 Cape Town (South Africa)	100.0%
Slovgal s.r.o	Štúrova 19, 058 01 Poprad (Slovakia)	100.0%
SM Empreendimentos Farmaceuticos Ltda	Rua Jurupari, 803 – Jardim Oriental, 04348-070 Sao Paulo (Brazil)	100.0%
SOFT 33 Sprl	Rue du Travail 11, 1400 Nijvel (Belgium)	100.0%
Southern Rx LLC	10131 W. Commercial Blvd, Tamarac, Florida, 33351 (United States)	100.0%
Spruyt hillen BV	Tinbergenlaan 1, 3401 MT IJsselstein (The Netherlands)	100.0%
Steunpunt Apotheek Mierlo-Hout BV	Steenovenweg 15, 5708 HN Helmond (The Netherlands)	100.0%
Texas Southern Rx LLC	Millwell Drive 212, Maryland Heights, Missouri 63017 (The United States)	100.0%
Timm HealthCare BV	Lorentzlaan 4, 3401 MX IJsselstein (The Netherlands)	100.0%
Twipe BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Unit Dose Pack BV	Eijkenakker 12, 5571 SL Bergeijk (The Netherlands)	100.0%
Zenith Pharmaceuticals Cyprus Ltd	Doma Building Arch Makarios III Avenue 227, 3105 Limassol (Cyprus)	100.0%

Statutory Auditor's Report

Statutory auditor's report to the general shareholders' meeting on the consolidated accounts for the year ended 31 December 2014

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated
income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and consolidated statement of cash flows as at 31 December 2014 and the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Fagron NV ("the Company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The consolidated total assets amount to EUR'000 973.752 and the consolidated income statement shows a profit for the year 2014 attributable to the equity holders of EUR'000 16.226.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.
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 we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2014 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Antwerp, 10 April 2015

The Statutory Auditor
PwC Bedrijfsrevisoren bcvba
Represented by

Peter Van den Eynde*
Bedrijfsrevisor / Réviseur d'Entreprises

* Peter Van den Eynde BVBA
Board Member, represented by its fixed representative, Peter Van den Eynde.

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KNAPP

Statutory financial statement

Condensed stand-alone income statement Fagron NV

(x 1,000 euros)	2014	2013
Operating income	**5,068**	**4,220**
Other operating income	5,068	4,220
Operating expenses	**2,577**	**6,605**
Services and other goods	3,649	3,823
Employee benefit expenses	251	322
Depreciation and amortisation	1	1
Provision for risks and costs	(3,314)	2,295
Other operating expenses	1,990	164
Operating profit	**2,491**	**(2,385)**
Financial result	**40,044**	**36,768**
Profit from ordinary activities before taxes	**42,535**	**34,383**
Non-ordinary result		**2,151**
Profit for the year before taxes	**42,535**	**32,232**
Taxes		
Profit for the year	**42,535**	**32,232**

Condensed stand-alone balance sheet Fagron NV

(x 1,000 euros)	2014	2013
Non-current assets	**393,760**	**393,215**
Property, plant and equipment		1
Financial assets	393,760	393,214
Current assets	**242,961**	**182,327**
Debtors due after one year	152,526	69,569
Debtors due within one year	58,872	43,851
Investments	13,189	18,546
Cash and cash equivalents	15,992	50,215
Other receivables	2,382	146
Total assets	**636,721**	**575,542**
Capital and reserves	**359,482**	**347,370**
Capital	322,112	321,385
Share premiums	56	50
Legal reserves	7,986	5,859
Unavailable reserves	13,144	18,495
Available reserves	16,184	
Profit carried forward		1,582
Provisions and deferred tax	**5,751**	**9,065**
Provision for other risks	5,751	9,065
Liabilities	**271,488**	**219,107**
Creditors due after one year	236,457	131,000
Creditors due within one year	33,347	87,972
Other current payables	1,684	135
Total liabilities	**636,721**	**575,542**

Appropriation of profits Fagron NV

(x 1,000 euros)	2014	2013
Profit to be appropriated	**44,117**	**32,232**
Profit for the year to be appropriated	42,535	32,232
Profit carried forward from the previous year	1,582	
Transfers from capital and reserves		
To reserves		
Transfers to capital and reserves	**12,961**	**8,441**
To statutory reserves	2,127	1,611
To other reserves	10,834	6,830
Profit to be carried forward		**1,582**
Profit to be carried forward		1,582
Profit to be distributed as dividends	**31,156**	**22,209**
Dividend	31,156	22,209

Accounting policies

The accounting policies used for the stand-alone statutory financial statement of Fagron NV are in accordance with the KB of 31.01.2001 implementing the Belgian Companies Code.

Statutory financial statements of Fagron NV

As required by article 105, Belgian Companies Code, this annual report contains the condensed versions 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 seat.

The Statutory Auditor expressed his unqualified opinion on the statutory financial statement of Fagron NV over financial year 2014.

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.

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, operating cash flow
EBT:	'Earnings Before Taxes', Profit before taxes, *Profit (loss) from operating activities after net financing costs*
Financial result:	*Net financing costs, result of financing income and financing costs*
Gross margin:	Net turnover less acquired *trade goods, raw materials and auxiliary materials* and adjusted for *change in inventories and WIP*, as a percentage of net turnover
Net capex:	Net capital expenditure, *Capital expenditure (investments) and produced assets less turnover of investment goods and investment goods taken out of service*
Net financial debt:	The sum of *current and non-current interest-bearing borrowings plus derivative financial instruments and less cash and cash equivalents*
Operating cash flow:	EBITDA, 'Earnings Before Interests, Taxes, Depreciations and Amortisations', *Result of operating activities* plus depreciations and amortisations
Operating result:	*Result of operating activities*, EBIT ('Earnings Before Interests and Taxes')
Non-recurring items:	One-off charges not related to ordinary operations
Net result:	*Profit (loss) for the reporting period*, consolidated result
REBIT:	'Recurring Earnings Before Interests and Taxes', *Profit (loss) from operating activities* adjusted for non-recurring items
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
Recurring net result:	*Profit (loss) for the reporting period*, adjusted for non-recurring items
Recurring net operating cash flow:	*Profit (loss) for the reporting period* plus depreciations and amortisations and adjusted for all non-recurring items
Recurring operating cash flow:	*Profit (loss) from operating activities* plus depreciations and amortisations and adjusted for all non-recurring items
Turnover:	*Revenue*
Working capital:	Inventories + Trade receivables – Trade payables

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.