



Annual Report

2020



Table of contents

Fagron at a glance	2	Regions	28	Information about the Fagron share	82
CEO's message	4	Fagron EMEA	28	Chairman's message	86
Key figures	8	Fagron Latin America	36	Report from the Board of Directors about the consolidated financial statements	88
About Fagron	10	Fagron North America	44	Corporate Governance Statement	94
Our areas of work	12	Risk management	52	Consolidated Financial Statements	150
Our core values	15	Fagron's corporate social responsibility	60	GRI index	216
Strategy	16	Low impact on the environment	64		
Trends and market developments	16	Our people	69		
Strategic cornerstones	20	Responsibility in supply chain	76		
Value creation model	24	Giving back	77		
		Good governance	78		

Fagron at a glance

Financial indicators

(x million euros)

Turnover

556.0

2019: 534.7

↑
+4.0%

REBITDA (EBITDA before non-recurrent result)

123.9

2019: 117.0

↑
+5.9%

Recurrent net result

62.9

2019: 58.1

↑
+8.3%

EBIT

88.7

2019: 84.3

↑
+5.2%

Net result

60.0

2019: 41.5

↑
+44.5%

Non-financial indicators



Employees*

2,921



Climate change impact, scope 1 + 2
(in metric tons of CO₂-eq)

11,375



Number of GMP facilities

34



Fagron Academy participants

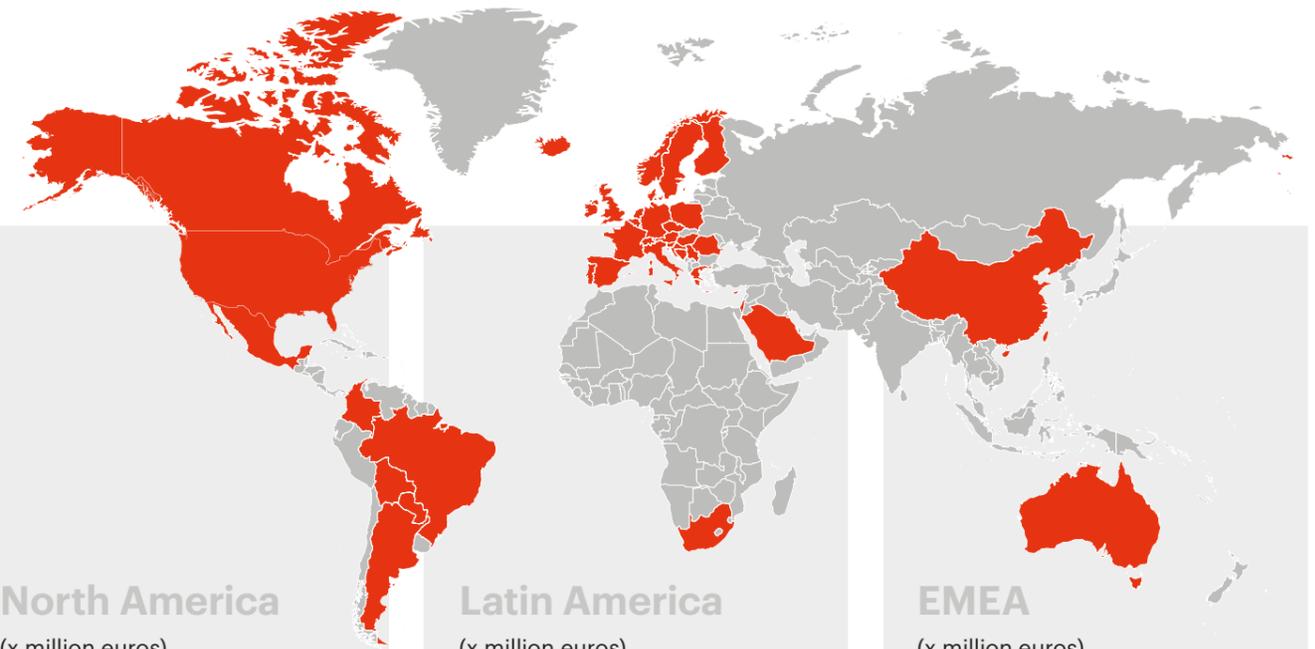
>15,000



Sustainable engagement score

83%

* Number of employees on 31 December (including independent managers and temporary workers).



North America

(x million euros)

Turnover

159.5

2019: 145.9

↑
+9.3%

REBITDA

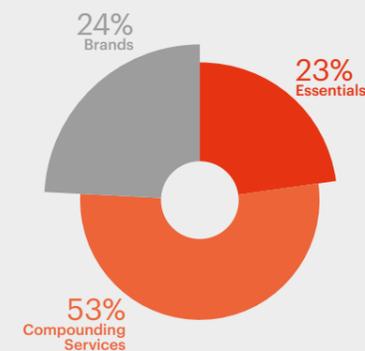
(EBITDA before non-recurrent result)

33.4

2019: 23.5

↑
+42.0%

Turnover per product category



Latin America

(x million euros)

Turnover

129.1

2019: 125.6

↑
+2.8%

REBITDA

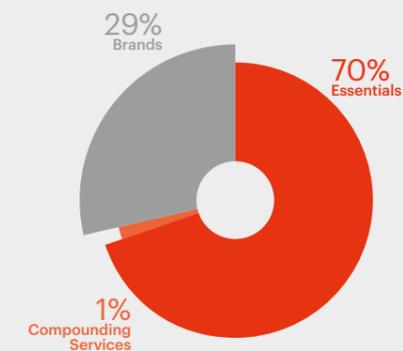
(EBITDA before non-recurrent result)

25.8

2019: 25.4

↑
+1.8%

Turnover per product category



EMEA

(x million euros)

Turnover

267.4

2019: 257.0

↑
+4.0%

REBITDA

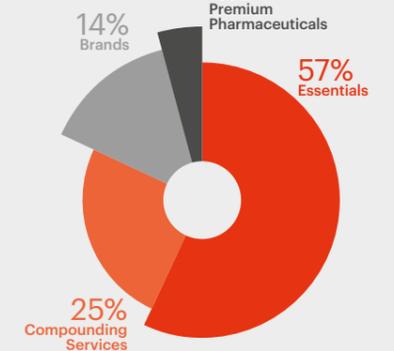
(EBITDA before non-recurrent result)

64.7

2019: 67.1

↓
-3.6%

Turnover per product category



CEO's message

The year 2020 was an unprecedented year, in which our almost 3,000 Fagron colleagues put in an amazing amount of effort, as a result of which we achieved an excellent result despite the COVID-19 outbreak. Our results not only demonstrate the strong resilience of our organisation, due in part to our wide product and regional diversification, but also underline our relevance as an essential link in healthcare.

Naturally, the safety and welfare of our employees and business partners had our absolute priority. We have taken strict measures in all our facilities in order to optimally protect our employees and business partners, while at the same time ensuring the continuity of our activities. Our customers work in the frontline of this pandemic and must be able to count on us to the fullest extent. Due in part to our wide network of suppliers and our robust supply chain, the global Fagron team has been able to serve our customers properly and without disruption, an accomplishment we are very proud of.

Throughout the entire year, in all of our markets, we faced waves of infection and corresponding measures in order to contain COVID-19. The course of these developments manifested itself differently in each region, with the common denominator that the demand for corona-related products kept pace with the increase in the number of infections, while scheduled care was scaled down. At the same time, COVID-19 demonstrated the importance of prevention and personalised medication, confirming our strategic proposition. Brands and Essentials were able to benefit from growth opportunities and thus compensate for the decrease in Compounding Services due to the lower activity in scheduled care.

By responding to the shift in the demand for products within our broad portfolio and through disciplined cost control, the impact of COVID-19 on our results was limited. On balance, turnover increased by 12.3% at constant exchange rates to 556 million euros, a growth to which all of our regions contributed. The REBITDA (at constant exchange rates) increased by 14.6%.

Fagron Latin America, primarily active in Brands & Essentials, was able to achieve a growth of 33.9% at constant exchange rates, despite extremely challenging market conditions. At Fagron EMEA, turnover growth was 4.9% at constant exchange rates. In this region, Compounding Services represent a larger part of the activities, which made it more difficult to compensate for the impact of scaling down scheduled care and delays in doctor visits. Fagron North America achieved a very strong turnover growth with its Brands & Essentials, which more than compensated for the decrease in Compounding Services. Fagron North America showed turnover growth of 11.5% at constant exchange rates over the entire line.



“Our results demonstrate our organisation’s strong resilience.”



Innovation remains an important driver of our growth and we also continued to focus on it in 2020, despite the unprecedented circumstances. We have brought numerous new products to the market, including specific sterile compounded medicines, in which scarcity arose due to the high demand from intensive care departments for the treatment of COVID-19 patients. For example, Fagron Sterile Services introduced pre-filled infusion bags in the United States at the end of 2020 that contribute to reducing the workload in the overloaded intensive care departments. Another focus in our development pipeline are products aimed at prevention, among other things, to strengthen the immune system.

The increasingly improved use of digital options to provide our services as optimally as possible is another important development that will accelerate our growth. Last year we began a digital transformation with the goal of being able to operate even more closely to our customers. In 2021, our [fagron.com](https://www.fagron.com) website will be completely rebuilt and we are working on a comprehensive online environment for our genetic tests.

Another important point of attention in 2021 is the further development and implementation of our Environmental, Social and Governance strategy. Wanting to make the world better, of course, is already part of our purpose, but now we have translated that further into policy and objectives in all relevant ESG areas, such as our policy to reduce greenhouse gas emissions.

Fagron has demonstrated that it is a solid and agile organisation, with a strong and entrepreneurial culture, capable to respond well to changing market conditions. We are well-positioned to benefit from the even stronger focus on prevention and lifestyle, and the accelerated outsourcing of sterile compounding by hospitals will also contribute to Fagron's further growth. In addition, Fagron is strongly committed to acquisition opportunities that are developing in the current market dynamic, where we are focusing specifically on EMEA and North America.

Although visibility is limited due to COVID-19, which will still have an impact particularly in the first quarter of 2021, we expect growth in both turnover and profitability for all of 2021. We are looking forward to Fagron's future with a lot of confidence.

Rafael Padilla
Chief Executive Officer



**Together we
create the future
of personalizing
medicine**

Key figures

Financial results

Results	2016	2017	2017 ¹ revised	2018	2019	2020
(x 1,000 euros)						
Net turnover	421,839	436,934	433,529	471,679	534,695	555,971
REBITDA ²	90,597	95,727	95,727	99,059	117,001	123,927
EBITDA	87,364	92,157	92,157	93,047	113,706	120,031
Impairment	-48,364	0	0	0	0	0
EBIT	17,881	74,607	74,607	73,472	84,388	88,738
Net result	-18,122	47,047	47,047	43,282	41,540	60,037
Recurrent net result ³	29,603	49,060	49,060	49,491	58,082	62,910
Gross margin	62.9%	61.8%	61.5%	61.6%	60.2%	59.2%
REBITDA margin	21.5%	21.9%	22.1%	21.0%	21.9%	22.3%
EBITDA margin	20.7%	21.1%	21.3%	19.7%	21.3%	21.6%

Balance sheet	2016	2017	2018	2019	2020
(x 1,000 euros)					
Total assets	868,053	594,047	682,772	801,240	752,826
Equity	152,875	184,881	209,716	246,440	257,819
Operational working capital ⁴	39,770	36,135	49,029	44,764	49,682
Net operational capex ⁵	14,777	10,032	15,694	22,174	18,421
Net financial debt ⁶	285,408	236,197	252,294	284,847	271,290
Net financial debt / annualised REBITDA	3.18	2.48	2.63	2.33	2.06
Average number of outstanding shares	53,956,847	71,740,277	71,740,277	71,797,971	72,089,385

Cash flow	2016	2017	2018	2019	2020
(x 1,000 euros)					
Cash flow from operating activities	67,504	84,247	73,278	77,175	92,953
Cash flow from investing activities	-22,932	-11,741	-54,611	-43,588	-51,299
Cash flow from financing activities	171,438	-304,391	1,789	-4,486	-53,111
Net cash flow for the period	216,010	-231,885	20,456	29,102	-11,457

Data per share	2016	2017	2018	2019	2020
(euros)					
Net result ⁷	-0.38	0.65	0.60	0.58	0.83
Recurrent net result	0.55	0.68	0.69	0.81	0.87
Dividends	0.00	0.10	0.12	0.08	0.18
Closing price (year-end)	9.71	11.42	14.28	19.33	19.00
Market capitalisation ⁸	697,819,840	820,098,164	1,025,930,949	1,395,218,214	1,377,075,426

Personnel	2016	2017	2018	2019	2020
FTEs as of 31 December ⁹	1,991	2,054	2,360	2,615	2,712

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

² REBITDA refers to EBITDA after corporate costs and before non-recurrent result.

³ Recurrent net result is defined as net profit from continued operations before non-recurring items and the revaluation of financial derivatives, corrected for taxes.

⁴ Operational working capital is the sum of stock and trade receivables, less trade payables.

⁵ Net operational capex is defined as intangible assets and property, plant and equipment that have been acquired or produced (excluding acquisitions), less assets sold.

⁶ Net financial debt is the sum of long-term and short-term financial liabilities, less cash (excluding financial instruments) and cash equivalents.

⁷ Net result is on the basis of continued operations.

⁸ Market capitalisation is calculated by multiplying the number of shares outstanding at year-end by the closing price of the share on 31 December.

⁹ FTEs of own employees are on the basis of continued operations.

Non-financial results

Environment – Climate change and energy consumption	2019	2020
Scope 1: Direct emissions (in metric tons of CO ₂ -eq)	2,818	2,944
Scope 2: Indirect emissions due to energy generation (in metric tons of CO ₂ -eq)	7,831	8,431
Climate change impact, scope 1 + 2 - location-based (in metric tons of CO ₂ -eq)	10,649	11,375
Scope 3: Other indirect emissions ¹ (in metric tons of CO ₂ -eq)	2,486	830
Climate change impact, scope 1 + 2 + 3 - location-based (in metric tons of CO ₂ -eq)	13,135	12,205
Total energy consumption (in GJ)	119,560	129,212

Our people – Employee engagement	2016	2018	2020
Participation rate in Global Employee Survey	89%	79%	87%
Sustainable engagement score	80%	80%	83%

Our people – Training & development	2017	2018	2019	2020
Average number of years in a position	4.5	4.1	4.9	5.1
% of employees with annual career development and performance review	82.3%	89.6%	83.7%	69.9%

Our people – Diversity ²	2017	2018	2019	2020
Number of employees as of 31 December	2,217	2,556	2,790	2,921
% of employees female	58.1%	58.5%	55.8%	56.6%
% of management female	39.0%	40.7%	39.1%	37.4%
% of senior management female	26.7%	31.6%	29.8%	28.6%
Nationalities in headquarters	9	11	13	17
Average age of employees (years)	38.2	38.3	38.8	38.9

Giving back	2020
Number of Fagron Academy participants	>15,000

Good governance – Compliance with laws and regulations (Fagron NV/Fagron BV)	2017	2018	2019	2020
Total value of fines	0	0	0	0
Total number of non-monetary sanctions	0	0	0	0
Cases brought through dispute resolution mechanism	0	1	2	0

Good governance – Preventing corruption and bribery	2020
% of employees who have completed the Code of Conduct training	67.7%

Good governance – Product quality and product safety	2017	2018	2019	2020
Class I recalls: Recall due to severe side effect	0	2	0	1
Class II recalls: Recall due to side effect	11	10	17	5
Class III recalls: Recall due to GMP regulation ³	12	14	9	7

¹ Scope 3 emissions as a result of employee business trips.

² All indicators are based on the number of employees on 31 December (including independent managers and temporary workers).

³ Good Manufacturing Practice.



About Fagron

Fagron is worldwide market leader in pharmaceutical compounding. Fagron develops unique concepts and innovative solutions for the growing need for customised medicines; personalised medicine.

Our most important customers are hospitals, pharmacies and clinics; we also deliver directly to patients in some markets.

What we do

Together with prescribers and pharmacists, Fagron strives to improve personalised medicine and to make it (more) accessible for patients. In this way, we aim to have a significant impact on the health and welfare of people.

Worldwide market leader

Fagron is active in more than 60 countries in EMEA, North America and Latin America. Fagron has sterile and non-sterile compounding facilities in Europe (the Netherlands, Belgium and the Czech Republic), Israel, the United States, Colombia and South Africa, which supply medications to pharmacies, hospitals and clinics, as well as directly to patients in South Africa and Colombia.

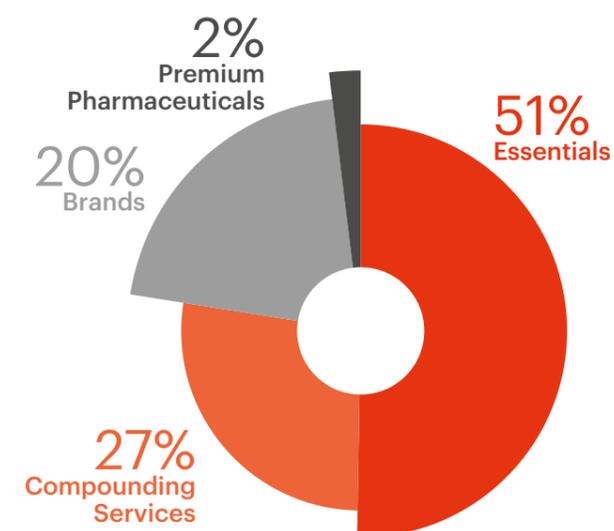
Our activities

Worldwide, Fagron is unique in offering the entire range of products and services to its customers. Fagron's areas of operation – Essentials, Brands, Compounding Services and Premium Pharmaceuticals – are described in more detail on the next page.

Fagron aligns its portfolio of activities with the local conditions and the healthcare infrastructure, including the applicable legislation. Essentials is the largest activity in EMEA and Latin America. Compounding Services is the largest activity in North America.

Together we create the future of personalizing medicine

Omzet 2020



Our areas of work

As a vertically integrated player, we are active in the entire value chain of pharmaceutical compounding; personalised medicine that is not available commercially, based on a doctor's prescription. Worldwide, Fagron is unique in offering the entire range of products and services to its customers.



Essentials

Fagron started supplying pharmaceutical grade raw materials in smaller quantities to pharmacies and hospitals in the Netherlands in 1990. The product line was very quickly expanded with supplies and equipment in order to compound medicine in the pharmacy. These products are categorised under "Essentials" and are sold worldwide to pharmacies, hospitals and the pharmaceutical, nutraceutical and cosmetic industries.



Brands

Because pharmacies and pharmaceutical compounding are becoming more regulated and the quality requirements are increasing, there is a greater need for scientifically proven semi-finished products and pharmaceutical quality vehicles that take care of (some of) the work for pharmacies. Under the "Brands" segment, in close cooperation with pharmacists, physicians and universities, Fagron develops new and innovative vehicles such as emulsions, powder mixtures, creams and complete concepts. In addition to supplying vehicles, Fagron also provides customers with added value in the form of formulations and compounding protocols.



Compounding Services

In order to help pharmacies further, Fagron began delivering non-sterile ready-to-dispense compounded medicine to pharmacies. At the same time, pharmacies, prompted by the increasingly stricter regulations and focus on quality and efficiency, are outsourcing their sterile compounding more and more. Fagron caters to this need by also supplying sterile ready-to-administer medicines to hospital pharmacies in those countries where the regulations allow these activities. These sterile and non-sterile products, which meet the specific needs of patients, are categorised under the "Compounding Services" segment and are produced by Fagron in compounding facilities in Europe, the United States, Colombia, Israel and South Africa. These personalised medicines are supplied to pharmacies, hospitals and clinics. Compounding Services uses the raw materials from Essentials and the vehicles from Brands for its compounding activities.



Premium Pharmaceuticals

In the Netherlands, Fagron is increasingly focusing on the registration of specific compounded medicine under the "Premium Pharmaceuticals" segment. These are long and complex processes that can take at least one to two years. Once a compounded medicine has been registered, it can no longer be marketed as a supplied compounded medicine.



Pharmaline manufacturing process – Netherlands

What is pharmaceutical compounding?

Pharmaceutical compounding involves the creation of non-patent-protected or unregistered pharmaceutical preparations by or at the request of pharmacies and hospitals, based on a doctor's prescription. The aim is to prepare personalised medicine (that is not commercially available) that meets the specific needs of the patient.

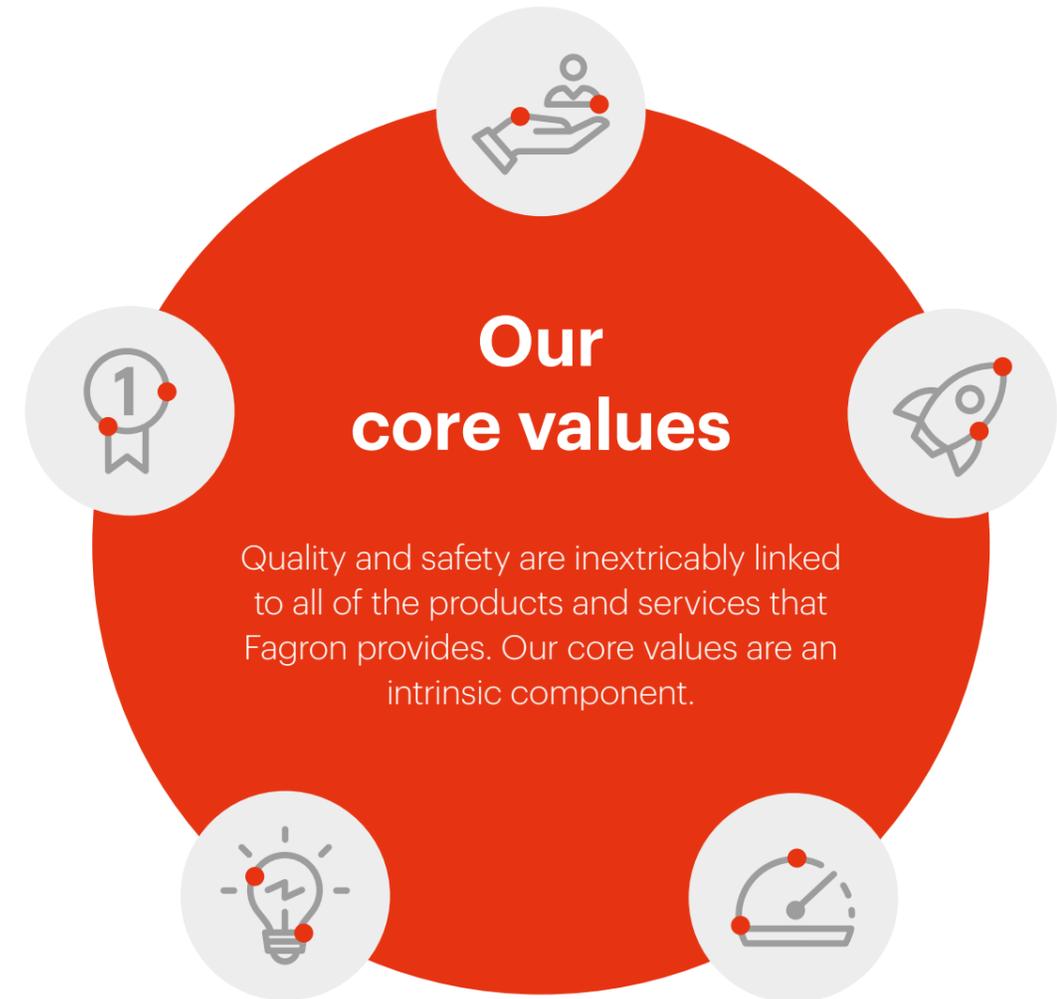
Personalisation through compounding

Pharmaceutical compounding gives a prescriber the option to offer a personalised treatment, for example, by prescribing a different form of administration or a different dosage, suitable for the specific needs of a patient. Patients are not always able to use the standard available administration forms of existing medications, for example, due to age, problems with swallowing or side effects. In addition, an alternative form of dosage, for example a topical form of dosage in the form of a cream, can reduce side effects and the potential for addiction and deliver the medication directly to the location of the condition more effectively, for example when treating pain.

Although a pharmaceutical compound is a customised medicine, pharmaceutical compounding companies like Fagron can prepare medications on a large scale in certain countries without specific prescription, for example, to supply hospital pharmacies with the most commonly prescribed personalised medicines. For traditional pharmaceutical companies, including manufacturers of generic medicines, such a batch of medicines is generally too small to offer in a cost-effective manner.

Sterile and non-sterile

In a compounded medicine, Active Pharmaceutical Ingredients (APIs) or existing commercial medicines are mixed or incorporated in an administration form. Pharmaceutical compounding can be non-sterile as well as sterile. Non-sterile pharmaceutical compounded medicine include tablets, capsules, liquids, suppositories, creams/ointments and suspensions. Sterile compounded medicine are usually administered through injection or infusion and that entail a higher risk of infection and other negative side effects. Examples of sterile pharmaceutical compounded medicines are injections packaged in syringes, vials, ampoules and infusion bags.



Quality

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



The customer is number 1

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



Creativity

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



Speed of execution

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



Entrepreneurship

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



Strategy

Trends and market developments

Fagron is active in a growing market that is driven by various trends. Demographic factors, such as a growing world population, an increasingly higher life expectancy and ageing population, contribute to an increasing demand for medicines.

Another development is that the care for (clinical) disorders is increasingly provided outside of the hospital. By offering care outside of the hospital, the threshold for receiving care is lowered and the quality of life for patients is increased, while the costs are lower. At the same time, it also imposes requirements on the form in which medicine must be made available.

Our strategy is focused on the development of personalised medicine. In doing so, Fagron contributes to making and keeping medicines available as widely as possible.

By personalising medicines, making them more customised, for example via an administration form or strength, demand arises for the preparation of small(er) batches for which generic large pharmaceutical companies are not equipped.

There is a worldwide shift from treatment and curing to prognosis and prevention. A patient's genetic profile can be identified more and more effectively through technological innovation and data analysis. As a result, the risk of specific diseases or the course of a disease can be better predicted. Based on this information, a customised treatment can be made, with medicines and/or supplements, which ultimately leads to a better result for the patient.

Accessibility

By personalising medicines, they become accessible to even more people. Due to sometimes relatively small adjustments to the strength, administration form or composition, these medicines become suitable for patients for whom commercially available medicine is unsuitable. In addition, increasing (quality) requirements and regulations regarding pharmaceutical compounding, along with their goal of greater efficiency, cause pharmacies and hospitals to outsource compounding more frequently. In order to keep these compounded medicines available, parties like Fagron are essential.

Personalisation

The one-size-fits-all nature of many mass-produced medicines means that some patients' needs cannot be met. Pharmaceutical compounding allows pharmacists to work together with the prescriber in order to create a medicine that satisfies the specific needs of a patient and takes into account allergies, other intolerances and the exact required dosage and administration form. As a result, these patients experience a better quality of life.

Pharmaceutical compounders play an essential role in resolving (temporary) medicine shortages, as well as in keeping medicines, which are no longer available on the market, accessible to patients. For example, because there is too little demand for it and the medicine is not commercially interesting enough for large pharmaceutical companies to continue producing it.



A continuous focus on innovation, quality and efficiency is essential in consolidating our leading market positions.

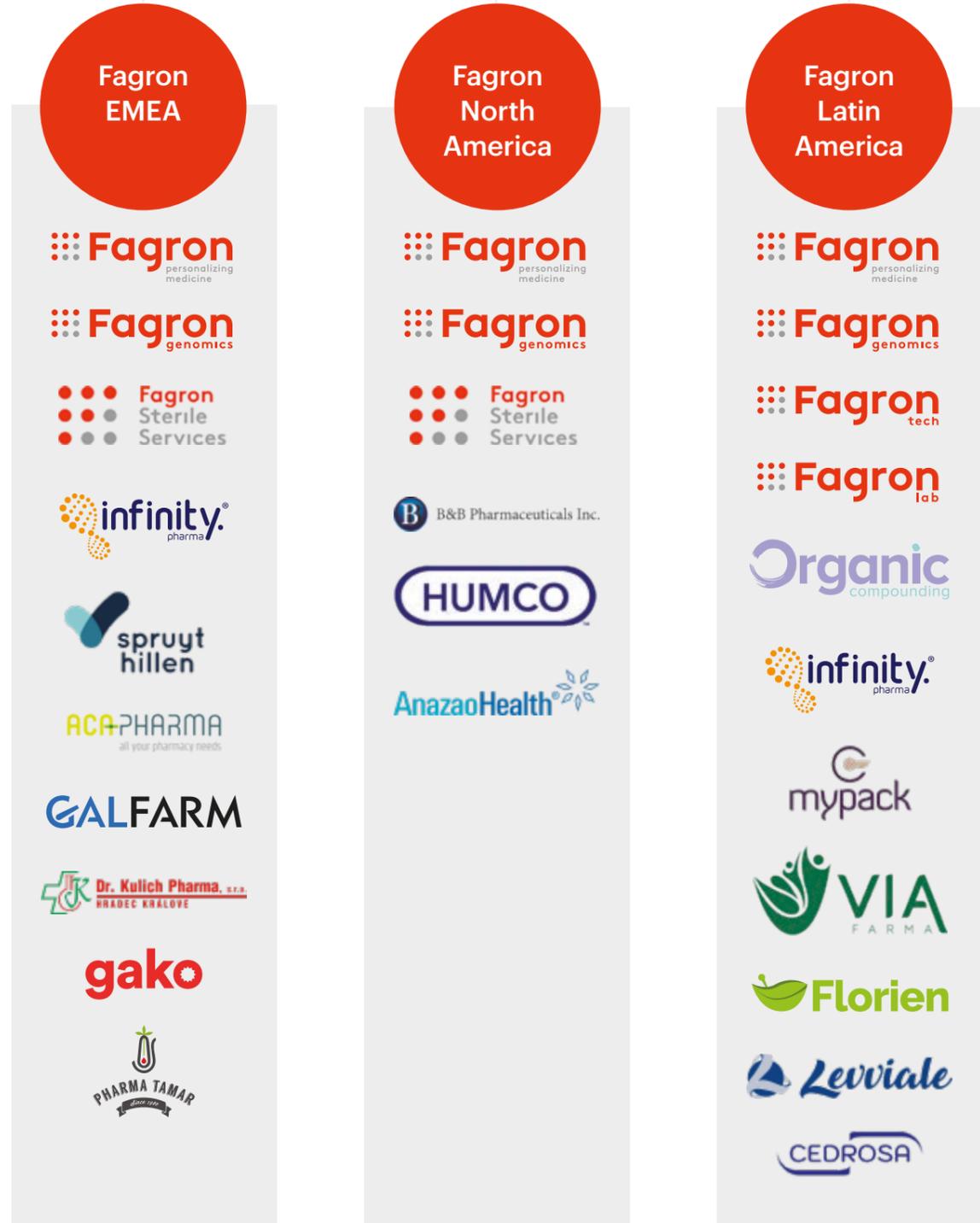
Digitisation

Digitisation of processes also plays an increasingly important role in healthcare. This trend was further accelerated by the COVID-19 pandemic. The entire process of ordering, compounding formulas and product information for both physicians and compounders, is ideal for digitisation. The sale of products is increasingly taking place through online channels and e-commerce, including in the pharmaceutical industry. Digitisation not only enables greater efficiency and quality assurance throughout the entire chain, but also ensures for more direct interaction with our customers.

Sustainability

In a general sense, companies are increasingly being asked to conduct their business with specific attention for the impact on the environment and the social-ethical impact of their actions. Companies are expected to account for their actions actively and transparently and to conduct an open dialogue with stakeholders.

Corporate social responsibility lies at the core of Fagron's activities and strategy. Fagron's activities contribute to the better health of patients.



Strategic cornerstones

As a partner to prescribers, hospitals and pharmacists, Fagron makes personalised medicine accessible to healthcare providers as well as their patients. We have a leading position in all of the European and Latin American markets in which we operate. Fagron's market share is growing in North America, where we are one of the top five market parties.

A continuous focus on innovation, quality and efficiency is essential in consolidating our leading market positions. We are active in a market in which primarily local parties are active. Fagron's international scope and scale, with a corresponding innovative strength and cross-selling opportunities, provide a strong competitive position. Fagron is the only international and vertically integrated market party with the facilities, network, scale/scalability and geographic coverage to lead the consolidation process in this fragmented market, organically as well as through acquisitions.

Strategic cornerstones

Innovation and product development

As an innovative, international player, Fagron wants to be a leader in designing personalised medicine in order to further develop this market and have it grow. Innovation is the driving force behind Fagron's growth and it is essential in Fagron's strategy to satisfy the growing worldwide demand for personalised medicine. Innovation is also clearly one of our distinguishing characteristics; we always want to be one step further than the competition. Through continuous interaction within and between the various Fagron teams, promising ideas are quickly identified and developed into

products. Our in-house knowledge, combined with a strong development capacity, ensures a unique range of products, fully tailored to the customer's needs and requirements. High-quality products that are developed based on scientific data and insights.

The development of Fagron Genomics' genetic tests is an important cornerstone of Fagron's innovation strategy. The tests, through which genetic variations can be identified, allow the prescriber to prescribe the most suitable and effective personalised therapy to patients. Due to the increasing awareness in terms of lifestyle and prevention, Fagron sees a lot of potential for Fagron Genomics to play an important role in the future of personalised medicine.

The innovations developed by Fagron are protected as well as possible through international patents and trademark registrations, among other things. Fagron currently has more than 40 patents in its patent portfolio. In addition to responding to new needs with product development, this also means anticipating new laws and regulations.

Knowledge transfer to prescribers and pharmacists

Fagron operates in a knowledge-intensive niche market. It is of great importance that the link to the final patient, the prescribers and pharmacists, has thorough knowledge of the services and products that Fagron offers. Informing and training prescribers and pharmacists about compounding by organising Fagron Academies in the countries where we operate is therefore an integral part of the strategy. Through training, courses and educational programmes, Fagron Academy increases and improves the compounding knowledge and skills of prescribers and pharmacists. We offer the most extensive training and educational opportunities for, among other things, compounding techniques, the use of materials, administration forms and quality and safety procedures. Digitisation is

playing an increasingly greater role in the training courses and transfer of knowledge as a whole.

Buy-and-build

In addition to strong innovation-driven organic growth, Fagron wants to grow through targeted acquisitions particularly in EMEA and North America. Fagron's business model is scalable, as a result of which immediate commercial and operational benefits of scale can be realised when integrating an acquisition. Moreover, cross-selling offers the possibility to introduce innovative products and concepts in new markets.

Progress in 2020

In the past exceptional year, the pandemic obviously had an impact on Fagron's global activities. The focus was primarily on supplying and developing COVID-19-related products and on preventive medicine. To a significant degree, Fagron was able to satisfy the enormous demand that suddenly arose for all kinds of products, such as disinfectants, but also ICU¹ medication. An important focus in 2020 was on new products that help to properly regulate the immune system. New products, such as Imuno TF, which are also sold directly to consumers via e-commerce channels, were introduced successfully.

Many new products were marketed in 2020. At Fagron Sterile Services in the United States, 40 new SKUs² were released. The most important development there is the focus on pre-filled infusion bags that are generally in high demand in hospital environments and particularly in the ICU. This introduction is an important addition to Fagron's portfolio so that Fagron is becoming even more relevant to existing and new customers.

¹ Intensive Care.

² Stock Keeping Unit.



There is a worldwide shift from treatment and curing to prognosis and prevention.

A substantial number of new SKUs were also introduced in Latin America in the past year. A great deal of innovative capacity was applied to more natural and vegan ingredients, where organic compounding is an important element.

Fagron Genomics, specialised in the development, manufacture and marketing of innovative genetic tests, introduced various DNA tests in 2019. One of those tests was the NutriGen test, of which a new version was introduced in 2020. The market responded positively to Fagron NutriGen 2.0, which led to an increase in the number of prescriptions for personalised medicine.

Fagron made two acquisitions in EMEA. In January 2020, Fagron completed the acquisition of the activities of Gako in Germany, thereby strengthening its position in Brands. In the third quarter of 2020, Fagron completed the acquisition of Pharma Tamar, a vertically integrated full-service player in the compounding market of Israel.

Focus in 2021

Fagron strives to further expand its leading market positions also in 2021 through organic growth and targeted strategic acquisitions. Fagron is actively focusing on acquisitions in 2021, particularly in EMEA and North America.

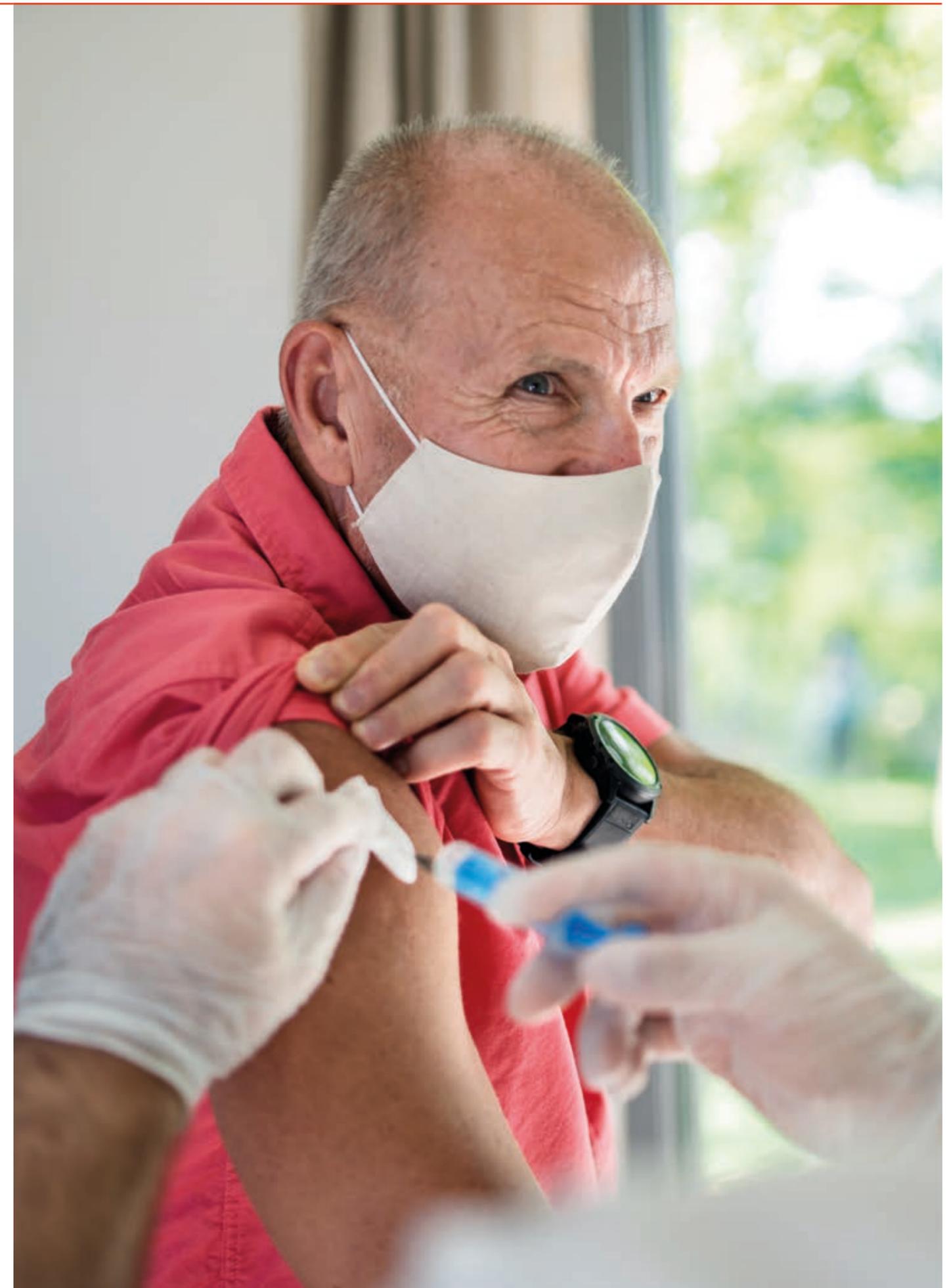
In EMEA, there will be a greater focus on innovation and the development of Brands in 2021. In addition, the introduction of new products will be rolled out more collectively from one central platform, a platform in which Fagron will continue to invest. At the same time, the organisation in EMEA will be further streamlined. In particular, the further centralisation of supporting positions is a clear priority in 2021. The new repackaging facility in Poland plays an important role in the further centralisation of the (re)packaging activities in EMEA. Various projects have also begun in Latin America in order to work more efficiently

through centralisation, to achieve more synergy and to further optimise the cooperation between the Fagron companies.

Innovation is an ongoing strategic priority for Fagron, in order to continue propelling the supply to the strong R&D pipeline. The focus will be on products aimed at prevention, including the global rollout of the Fagron Genomics tests in 2021.

In the US, at Fagron Sterile Services, 35 new introductions are scheduled, of which the most important new SKUs regard pre-filled infusion bags. These are essential strategic steps in order to further expand Fagron's position in the hospital and large healthcare institution market.

Finally, the further digitisation at Fagron is also an important point of attention. In addition to the continuous further improvement of our online service to our customers, for which, among other things, our [fagron.com](https://www.fagron.com) website will be completely renewed in 2021, digitisation also plays an important role in our genetic tests. The entire process of testing, advising and delivering the actual customised treatment will be offered in its entirety in a digital environment in 2021.





Value creation model

Fagron strives to create long-term value for all its stakeholders: customers, employees, investors and society as a whole, with the ultimate goal of contributing to the improvement of patients' health. In doing so, Fagron makes every effort to minimise its footprint and increase its social impact.

Our human capital consists of almost 3,000 dedicated Fagron employees. Their expertise, experience and motivation are essential to Fagron's success.

Fagron has a strong network of carefully selected suppliers that guarantees the availability and quality of Fagron's products. In addition, Fagron maintains a wide network of pharmacists, doctors and universities. The active dialogue and cooperation with this network is very important for development and innovation.

The value creation model provides insight into what input we use, how we add value and how that contributes to society. It therefore offers a means to understand Fagron's impact on society.

The financial capital consists of the capital that is made available by external capital providers and shareholders. The basic assumption of the capital policy is to ensure the continuity and optimise the costs of capital.

Input

In addition to natural resources and our worldwide facilities, our input also consists of financial, intellectual and human capital and our network of suppliers.

Fagron purchases more than 2,500 raw materials in bulk for its operations. In addition, Fagron uses natural resources such as (energy from) natural gas and water in its operations.

Fagron has various facilities worldwide. Almost all of the Fagron repackaging and compounding facilities have the GMP status (Good Manufacturing Practice). In addition, Fagron has various laboratories, where innovation and product development occur, and a large number of warehouses.

Our intellectual capital is represented by all of the knowledge embedded over the years in the organisational processes and systems and the specific knowledge that is available with our professionals, including pharmacists. The developed innovations are protected as well as possible through patents and trademark registrations.

What we do

The value creation model is driven by our business activities. Fagron is a vertically integrated player that operates in the entire value chain of pharmaceutical compounding. The segments in which Fagron operates (Essentials, Brands, Compounding Services and Premium Pharmaceuticals) are explained further on [page 12](#).

Fagron's values, which are explained further on [page 15](#), are an important guideline for the way in which Fagron works.

Strategic cornerstones

The strategic cornerstones are the foundation for the further development of the market for personalised medicine and the consolidation of Fagron's leading market positions. Fagron's strategic cornerstones are Innovation & product development, Technology, Buy-and-build and Education & knowledge transfer. These cornerstones are explained further on [page 16](#).

Good governance, transparent accountability to all stakeholders and effective risk management are important conditions in the strategy implementation. Our corporate governance statement (starting on [page 94](#)) and the chapter on Fagron's corporate social responsibility on [page 60](#) describe in detail how good governance is organised and embedded at Fagron. The chapter on Risk management on [page 52](#) describes the major risks, as well as the manner in which they are mitigated.

Output

The value that Fagron creates for its stakeholders is measured on the basis of financial return, social return and environmental and social indicators.

Fagron's financial return is expressed, among other things, through the (positive) cash flow from operating activities, as a result of which Fagron is able, among other things, in addition to making investments, to pay salaries to employees, taxes to governments and dividends to shareholders. The financial return is explained further on [page 88](#).

Fagron interprets the social return as offering safe medicines and making them accessible in order to contribute positively to patients' health with its products and services.

In terms of environmental indicators, Fagron strives to minimise its carbon footprint. In addition, Fagron ensures supply chain responsibility through strict procedures and protocols and by only working with certified suppliers. Fagron reports on these aspects in more detail on [page 64](#) of the chapter on Fagron's corporate social responsibility.

In terms of social indicators, Fagron measures the sustainable engagements of its employees, among other things. Fagron reports on these aspects in more detail on [page 69](#) of the chapter on Fagron's corporate social responsibility.

Impact

Based on the Sustainable Development Goals (SDGs) introduced by the United Nations, Fagron also considers the impact of its activities on society in a more integral manner. These development objectives provide a roadmap for achieving a more fair and sustainable future. Fagron has committed itself to five SDGs with its activities. [Page 63](#) explains further how Fagron contributes to these themes.

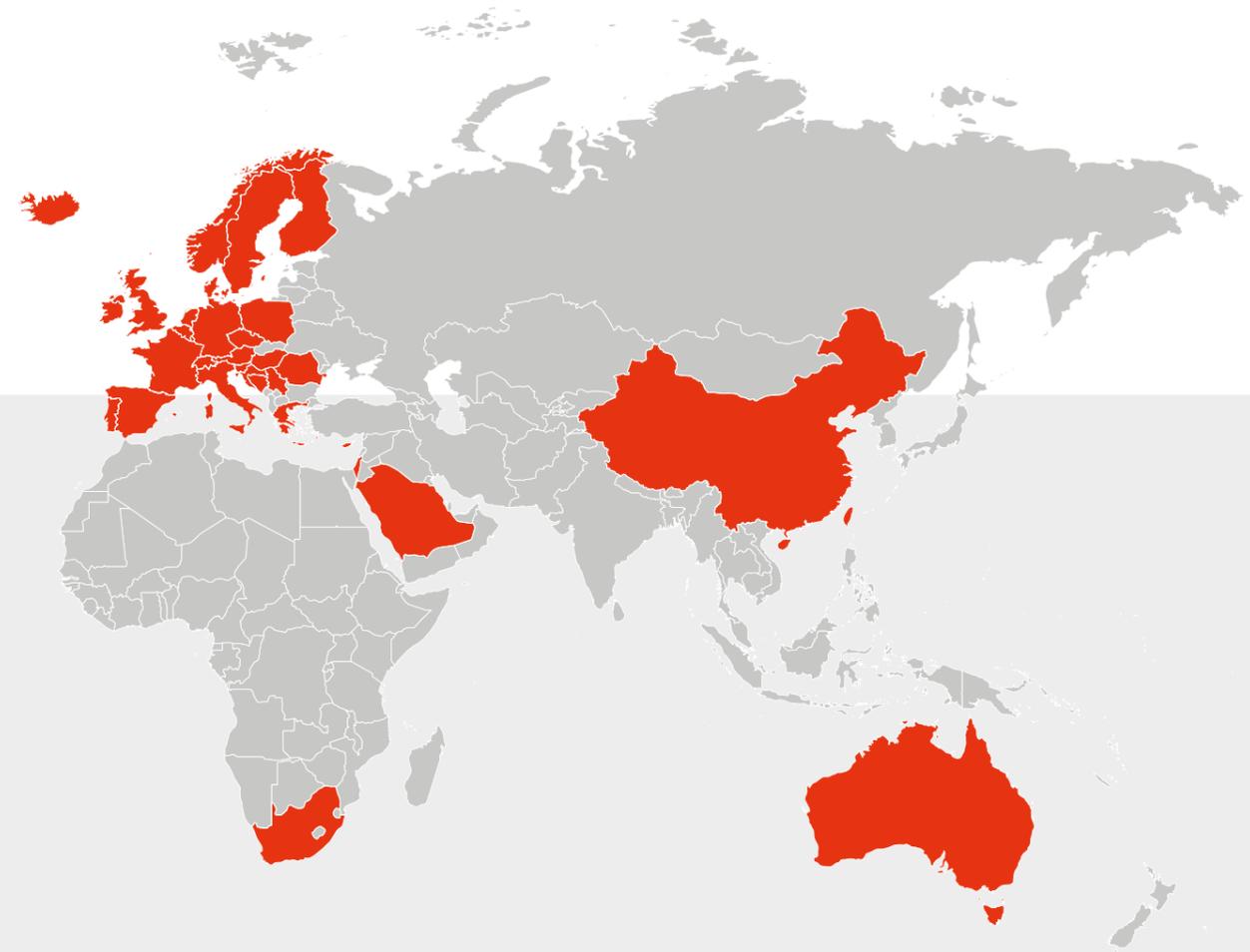


1. Equity + financial debts.
2. Number of employees on 31 December (including independent managers and temporary workers).

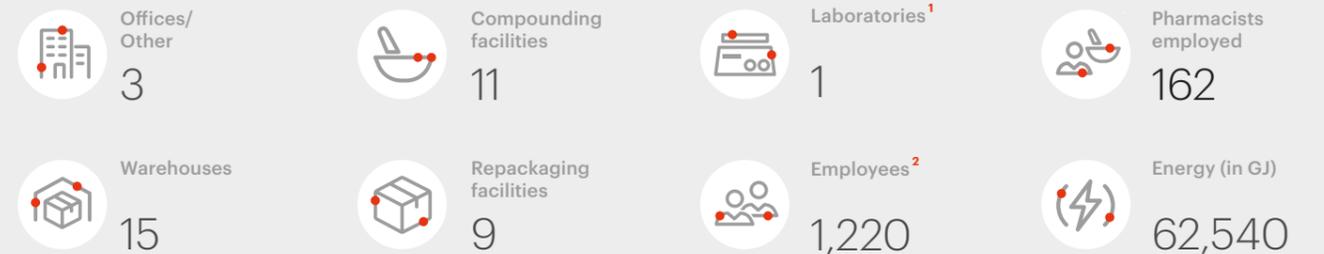
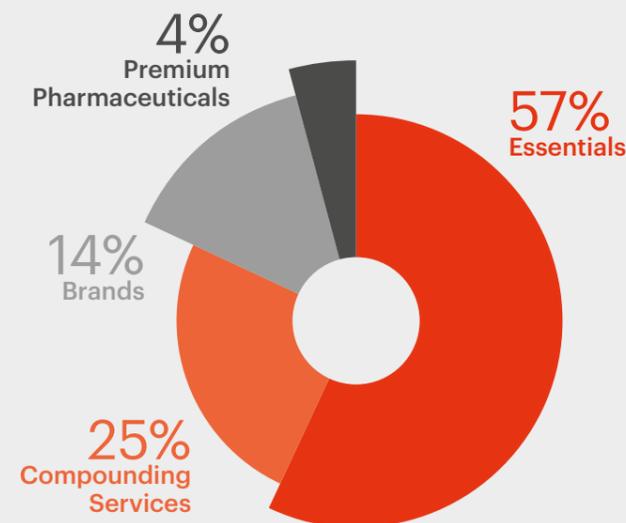
Regions

Fagron EMEA

Fagron has been active in Europe since its establishment in 1990, commencing activities in South Africa in 2014 and in Israel in 2020. Fagron offers Brands and Essentials in all of these markets. Fagron is also active in Compounding Services in the Netherlands, Belgium, Czech Republic, Israel and South Africa. The EMEA segment represents 48% of group turnover.



Turnover 2020



Turnover (in millions of euros)

267.4
2019: 257.0

↑
+4.0%

REBITDA (EBITDA before non-recurrent result, in millions of euros turnover)

64.7
2019: 67.1

↓
-3.6%



Number of GMP facilities

18



Fagron Academy participants

>5,000



Climate change impact, scope 1 + 2 (in metric tons of CO₂-eq)

5,345



Sustainable engagement score

80%

¹ A total of three laboratories, of which two are part of a repackaging facility.

² Number of employees on 31 December (including independent managers and temporary workers).

Financial

- Turnover increased by 4.0% (+4.9% at constant exchange rates) to 267.4 million euros;
- Organic turnover growth was 0.5% (at constant exchange rates);
- REBITDA decreased by 3.6% to 64.7 million euros;
- REBITDA margin decreased by 190 base points to 24.2%.

Strategic and operational

- Completion of acquisitions of Gako in Germany and Pharma Tamar in Israel, integration on schedule;
- Construction completed of new state-of-the-art GMP facility for the repackaging of raw materials in Krakow, Poland;
- Increase in efficiency, effectiveness and innovation by focusing more on the number of brands;
- Centralisation of Dutch compounding activities in order to increase operational and commercial effectiveness;
- Since 1 September 2020, CEO Rafael Padilla temporarily performs the role of Area Leader EMEA.

Fagron EMEA

Turnover in the EMEA segment increased slightly in 2020. The region shows a mixed picture as a result of the differences in the pandemic development and the corresponding related measures, as well as the varying impact of COVID-19 on the various activities.

Compounding Services turnover decreased, with the decrease in plannable care and doctor visits the number of prescriptions decreased. Brands and Essentials benefited from the increased demand for corona-related products. As a result, a number of countries with a strong representation in Brands and Essentials demonstrated good turnover growth, while other countries, where Compounding Services has a larger share, faced a decrease in turnover. In addition, the acquisitions of Gako in Germany and the Israeli Pharma Tamar contributed to the growth within EMEA.

GMP facility in Poland

The completion of the new GMP facility in Poland in the past year is an important development in the centralisation of the repackaging of raw materials for EMEA. The facility will be operational in the second quarter of 2021. A structural annual margin increase of 2 million euros is expected.

Focus on efficiency

In the past year, a lot of attention was paid once again to improving efficiency in order to be able to respond even more quickly to market developments. For example, in a number of countries Fagron has focused more on a number of brands. In addition, new products will be rolled out more collectively from a European platform and Fagron EMEA will focus even more on innovation, the development of brands and a shorter time-to-market. Fagron will therefore continue to invest in its platform in order to be able to use Fagron's market leading position even better. Processes have also been initiated in order to further centralise specific supporting functions within EMEA.



Repackaging facility – Poland

New repackaging facility in Poland

After an intensive process of designing, planning and building, the construction of the new GMP facility for repackaging pharmaceutical raw material was finalized at the end of 2020. This new facility in Krakow is equipped with the latest technologies and systems and meets the highest quality requirements. This facility replaces the current Polish facility in Pasternik. Because this facility doubles capacity, Fagron has made an important step in the centralisation process of the repackaging activities for EMEA.

The facility is equipped with 14 state-of-the-art clean rooms and a large modern laboratory for analysing raw materials. Part of the facility is a 1,400 m² warehouse. In the old situation, the warehouse was located 10 kilometres away from the manufacturing facility. The commissioning of the new facility therefore ensures a significant increase in efficiency.

Sustainable construction

Sustainability was explicitly taken into account when constructing the 4,600 m² facility. In addition, the entire premises uses energy-efficient LED lighting and the infrastructure in the premises is designed to optimise the separation and recycling of waste. All preparations have been made to make the facility energy-neutral.

In 2021, the 2,400 m² flat roof is expected to be filled 75% with 1,800 m² of solar panels that, with a yield of 375,000 kWh per year, are expected to provide approximately 25% of the production process and the other functions within the building with renewable electricity. In addition, because the warehouse is now located right next to the facility, the number of transport movements will be significantly reduced.

The new facility is located near a train station. A regular bus connection is now being considered with the municipal authorities and surrounding companies in order to provide even better public transport connections to the business park.

Although construction of the premises began before COVID-19 appeared, the facility is an environment where employees can work corona-proof due to the larger surface area of the premises and the installation of a modern air purification system.

After successful completion of the audits, the facility will be operational in the second quarter of 2021.

In order to ensure further standardisation and with it, even more efficiency throughout the entire organisation, a new ERP system, Dynamics 365, started to be implemented in all regions at the end of 2020. The entire implementation is expected to be completed by mid-2023. Two of the 37 companies in EMEA are already on the new system.

Innovative packaging

The entire organisation paid more attention in 2020 to making operations more sustainable. In the Netherlands, the focus has included making more sustainable packaging from PaperWise (made from agricultural waste) and Kraft paper (with wood as raw material). To compensate for the CO₂ emissions from these packaging materials, Fagron has collaborated with tree planting initiative Trees for All. For 2020, trees have been planted that compensate a total of 322 metric tons of CO₂ per year.

Compounding Services

Fagron offers Compounding Services to pharmacies and hospitals in the Netherlands, Belgium, the Czech Republic, Israel and South Africa. As a result of COVID-19, the Compounding Services turnover decreased. Over the course of the year, in the first as well as in the second wave, postponed planned care

had a clear impact, with doctor visits also being reduced significantly. The decline in turnover could not be compensated by the increased demand for sterile compounded medicines for use in the intensive care and in palliative care. The registration of a number of non-sterile compounded medicines by other parties also had a negative impact on the turnover.

Many countries experience increasing shortages in terms of medicines and this situation increased further in the past year due to COVID-19. In the Netherlands, Fagron has started providing a solution for these shortages by preparing these medicines in-house and/or importing them from abroad with the help of its extensive international network. As a result, Fagron has been able to play an important role in resolving the shortage of a number of medicines.

Premium Pharmaceuticals

In the Netherlands, Fagron is increasingly focusing on the registration of specific compounded medicines. These are long and complex processes that can take one to two years. Several registration processes were submitted in 2020. Despite a delay as a result of COVID-19, a turnover increase in this segment was realised. Fagron intends to register more compounded medicines in the future.

Brands and Essentials

Brands as well as Essentials achieved a sharp increase in turnover, to which the demand for COVID-19-related products contributed.

Fagron Genomics

Fagron Genomics specialises in the development, production and marketing of innovative genetic tests. The genetic analysis takes place in the state-of-the-art laboratory of Fagron Genomics in Barcelona, Spain. This analysis is done with algorithm-based software developed by Fagron. The genetic tests, through which genetic variations can be identified, allow the prescriber to prescribe the most suitable and effective personalised therapy to patients.

Fagron Genomics has demonstrated good developments in the past year. By sharing knowledge with doctors, patients can obtain thorough advice regarding the use of nutritional supplements, vitamins, as well as hormone therapies. With these individual treatment plans, Fagron Genomics acts as a driver for the demand for personalised medicine.



Rafael Padilla, CEO and Area Leader EMEA:

"In the past year, we took the first steps in organising the EMEA region more efficiently. Despite it being a challenging year, we have continued to work hard on further strengthening our impact as market leader in the region. I look forward to further improving our innovation capacity and accelerating the time to market in the various markets in which we operate. In this way, we continue to increase the accessibility of personalised medicine."



The entire organisation paid more attention in 2020 to making operations more sustainable.

Buy-and-build

Fagron completed the acquisition of the German company Gako in the first half of 2020. Gako is a leading worldwide developer, manufacturer and supplier of mixing equipment that pharmacists can use for the preparation of semi-solid dermatological formulations (primarily creams and ointments) directly in the final packaging or in bulk packaging. The company has 32 FTEs. The transaction includes all technologies, scientific data, patents and trademarks, as well as the manufacturing facility in Bamberg (Germany). The Gako acquisition strengthens Fagron's position in Brands.

The acquisition of the Israeli Pharma Tamar was completed in August 2020. The company offers full-service services for pharmacies and hospitals that make in-house compounded medicines, as well as for those parties that outsource compounding activities. Pharma Tamar has developed from a supplier of raw materials to a vertically integrated full-service player in the Israeli compounding market. The company has 81 FTEs.

The integration of both companies began immediately after completion of the acquisitions.

Azelis partnership

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

European market for personalised medicine

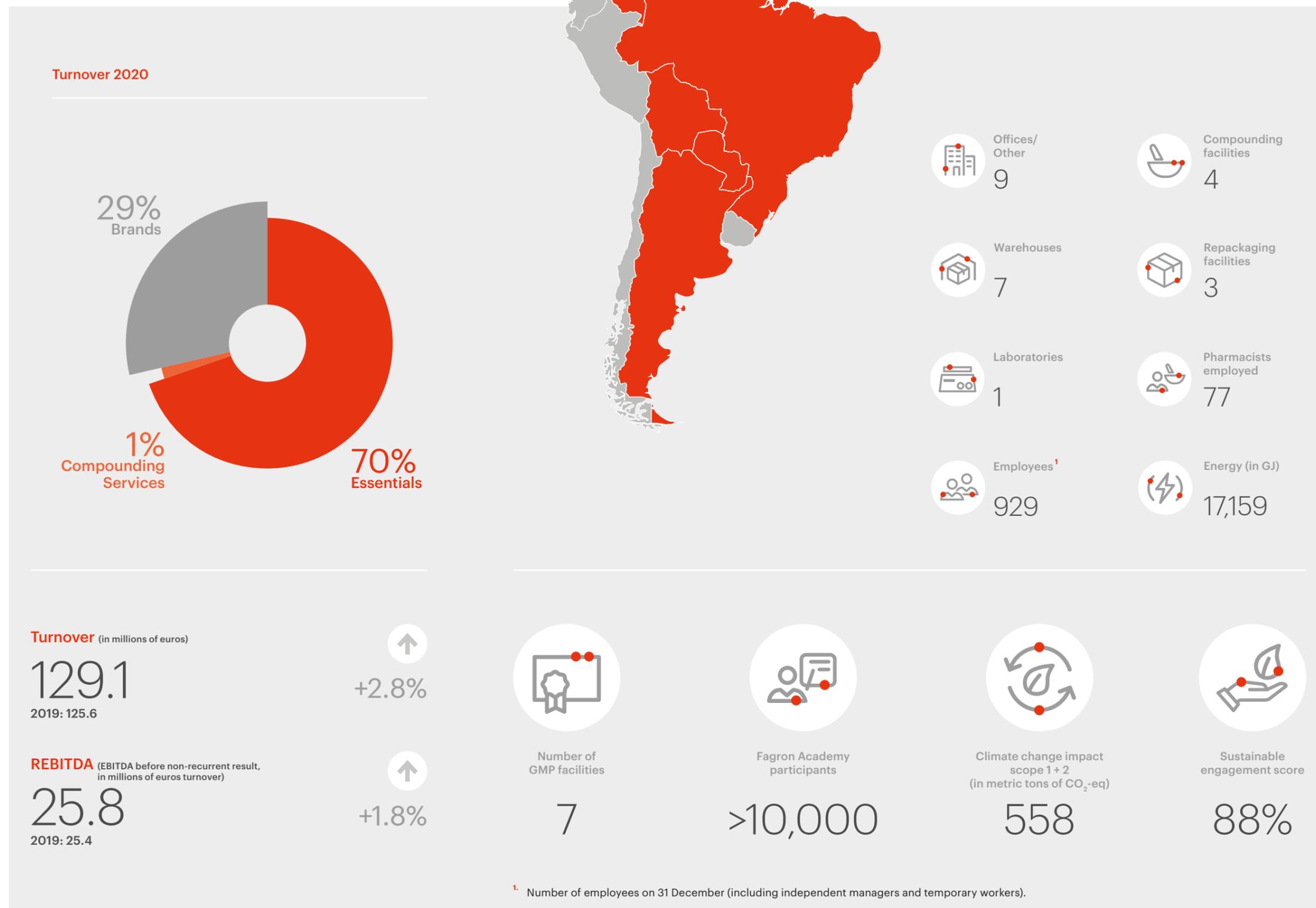
In 2018, the size of the European pharmaceutical market was 196 billion euros (source: European Federation of Pharmaceutical Industries and Associations, The Pharmaceutical Industry in Figures).

Fagron estimates that approximately 1.5% – 2% of all prescriptions in EMEA involves pharmaceutical compounding. This means that the size of the European market for sterile and non-sterile pharmaceutical compounding was approximately 3.5 billion euros in 2020 (including pharmaceutical compounding in hospital pharmacies and public pharmacies). This is the available market for Compounding Services in Europe. Based on the cost of goods sold in the Group's compounding facilities, Fagron estimates that in 2020, approximately 10% of this market, or approximately 350 million euros, corresponds with the costs of pharmaceutical raw materials and administration forms, the available market of Brands and Essentials.

Based on these estimates, Fagron would have achieved a market share of approximately 55% in 2020 in Europe with Brands and Essentials. Most of the Compounding Services activities take place in the Netherlands. This would mean a market share of approximately 50% for Fagron Compounding Services in the Netherlands.

Fagron Latin America

In Latin America, Fagron is active in Brazil (Brands and Essentials), where Fagron is market leader, in Colombia (Compounding Services) and since 2019, in the growing Mexican market (Brands & Essentials) for personalised medicine. The shared service centre for Latin America is based in São Paulo. From Brazil, with Fagron Tech, Fagron develops digital solutions and other innovative tools for compounding pharmacies and prescribers. The Latin America segment represents more than 23% of group turnover.



Financial

- The turnover increased by 2.8% (+33.9% at constant exchange rates) to 129.1 million euros;
- A weakening of the Brazilian real and the Mexican peso had a major impact on the reported turnover. Organic growth was 20.1% at constant exchange rates;
- REBITDA increased by 1.8% to 25.8 million euros;
- REBITDA margin decreased by 20 base points to 20.0%.

Strategic and operational

- The position of Fagron Latin America strengthened due to significant organic growth (at constant exchange rates);
- Expanded network of suppliers and flexible operating methods enable Fagron to demonstrate good performance in challenging market conditions;
- Strong turnover growth within various units, full integration of acquisitions and high demand for COVID-19 related products;
- Fagron began centralising distribution activities in 2020 for a more efficient and effective organisation;
- Introduction of a substantial number of new SKUs, among other things, due to innovations and by responding to the demand for more natural ingredients;
- Purchased platform, which will contribute to the Fagron Genomics activity level in the region.

Fagron Latin America

As market leader in the region, Fagron managed to further strengthen its position in Latin America in 2020, despite challenging circumstances. By quickly adjusting our way of working, internally as well as in collaboration with suppliers, to the changed circumstances caused by COVID-19, Fagron was able to continue its activities and deliveries through the year without interruptions. The usual high inventory that Fagron generally keeps in the first quarter could be utilised effectively under these circumstances in order to meet the increased demand for COVID-19-related products. Fagron was able to keep the inventories at a critical level throughout the entire year so that timely deliveries to its customers were secured.

Centralisation in the region

Various projects were started in the past year in Latin America in order to work more efficiently through centralisation, to achieve more synergy and to further optimise the cooperation between all of the Fagron locations, including the companies acquired in 2019.

An important development is the integration of the various distribution centres in Brazil. Despite the fact that different brands are offered with a different focus, a different target group and a different scale of operations, the integration of the seven logistics centres in the São Paulo region into one large distribution centre can achieve significant synergy, among other things, by simplifying logistics processes. The integration is expected to be completed by mid-2022.



Amazonic uses natural ingredients.

Amazonic - from farm to face

Amazonic is an innovative cosmetics line based on ingredients that originate from the biodiversity from the Brazilian Amazon area.

Important ingredients in the product line are made from nuts and fruit seeds, where vegetable oil and butter in the manufacturing process retain the plant's phytonutrients. All products are 100% natural and the extraction process does not add any synthetic or chemical components. The natural ingredients nourish skin and hair, increase the skin's firmness and elasticity and improve the final

formulas of SPF (Sun Protection Factor).

The manufacturing process takes into account as much as possible an environmentally friendly manner of working and the support of the local population. The local community receives training about how the fruit can be retrieved from the forest in a sustainable manner without inflicting damage. The emphasis here is on

preservation, the prevention of deforestation and possible efforts for reforestation. In addition, strict local supervision is maintained on a fair basis of remuneration for the work performed and economic and social support in the immediate vicinity.

Integration

In the past year, the activities of Ortofarma, which was acquired in 2019, were combined with those of Fagron Lab. This combination has contributed to strengthening Fagron's proposition in consulting services and the development of innovative products and training. In addition, Apace's activities were combined with Fagron's Brands activities and introduced under the new name, MyPack. Over the course of 2021, the Mexican business, Cedrosa, will shift increasingly to the Fagron way of working, including connecting to the Fagron systems.

The implementation of the new ERP system, Dynamics 365, also began in Latin America. Over the course of 2021, four of the 16 Fagron companies in the region will be migrated to this system.

Online developments

The centralisation of the ERP system for the Fagron branches in Brazil provides more options for helping customers digitally. In the past year, the foundation was set for an online platform for compounding pharmacies in Brazil, where Fagron will also offer software and accessories in addition to its Brands and Essentials.

In the future, a selection of other providers will also obtain access to the sales platform. The first sales that occurred as a pilot in the fourth quarter of 2020 – in a limited volume – were completed successfully. The sales volume will be increased in a controlled manner during 2021.

Expansion of production capacity

The complete renovation of the Fagron Services Brazil (FSBR) repackaging facility in Anápolis began in 2019. The facility is responsible for delivering repackaged pharmaceutical raw material (Essentials) to all six branches in Brazil that sell pharmaceutical raw material (Essentials). The renovation of the 15-year-old facility will enable it to fully comply again with the stricter national and international GMP requirements and legislation. With the new facility the production capacity can be expanded by 30%.

The renovation is expected to be completed in the second half of 2021. In addition to modernising all of the production departments, setting up a state-of-the-art laboratory and installing a modern air purification system, all preparations will be made to make the facility more energy efficient.

Sustainability

An important element in the renovation of the FSBR facility is sustainability. The renovation of the facility will also take into account the installation of solar panels. About 35% to 50% of future production will be produced by means of renewable electricity. The possibilities of installing solar panels at two other facilities are also being examined and are expected to contribute to own energy production of approximately 35% to 60% per facility as early as 2021.

In addition to energy consumption, Fagron is also examining other sustainability options. Extensive research is conducted in the region into innovative packaging as an alternative to regular plastic and aluminium. Despite the fact that these kinds of developments take some time, replacing aluminium with partial paper packaging or plastic packaging made from sugar cane can be realistic alternatives.

**Ivan Maróstica, Area Leader Fagron Latin America:**

"The Latin American region has very challenging markets. This year, with the worldwide pandemic, we had to adapt our organisation with important objectives in mind: safety for all of our employees and continuity of our activities in order to be able to continue delivering to our customers in the health sector. I am proud that we were successful in this endeavour and at the same time, saw opportunities to achieve future, sustainable growth."

Latin American market for personalised medicine

It is estimated that the total market for pharmaceutical raw material and vehicles in Brazil is approximately 200 million euros in 2020. Taking into account the situation and pricing in the local market, it is estimated that the market for pharmaceutical raw material and vehicles for pharmaceutical compounding represented approximately 10% of the Brazilian market for pharmaceutical compounding in 2020.

Based on these estimates, Fagron has a market share through Brands and Essentials of approximately 55% in Brazil in 2020. Given the growing number of pharmacies where only pharmaceutical compounds are available, Fagron will not develop any Compounding Services in Brazil.

Personalised medicine

Average disposable income is increasing in much of Latin America. In Brazil, among other places, personalised medicine is linked with an increasing life expectancy. At the same time, personalised medicine is linked with the emergence of lifestyle-related disorders. These developments lead to growth in the segments in which Fagron operates in this region.

Brands and Essentials

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

The acquisition of Central de Drogas (Cedrosa) in Mexico in 2019 gave Fagron access to the fast-growing Mexican market. Cedrosa is a leading supplier of raw materials to compounding pharmacies and the pharmaceutical industry in Mexico and is located in Naucalpan.

The number of 'Fagron Academies' increased significantly in Latin America in 2020, with an emphasis on the sharing of knowledge and the education of prescribers and pharmacists about the possibilities of personalised medicine, particularly regarding prevention.

Brands realised organic turnover growth, despite the fact that some clinics and practices were closed temporarily and doctor visits were postponed. On balance, these declines were compensated by the increased demand for COVID-19-related products.

Essentials showed strong turnover growth in 2020. Partly due to the high demand for COVID-19-related products, Fagron was able to achieve growth in market share in this region. The companies acquired in 2019 also contributed to this turnover growth in the past year.

Fagron Genomics

Fagron also sees a promising market in Latin America for the services of Fagron Genomics, which is responsible for the development, production and marketing of innovative genetic tests. The purchase of a platform was completed in March 2020, with extensive experience in genetic diagnostics in Brazil. We expect to strengthen our position in the market in 2021 with the integration of the organisation, the training of new vendors and the addition of Fagron products to the portfolio.

Compounding Services

The Compounding operations, Fagron's compounding facilities, are located in the Colombian cities of Bogota and Medellín.

The Compounding Services activities, a relatively small part of the total Latin American turnover, showed a decrease in turnover of 5.3% in 2020 (at constant exchange rates) because most prescribers in Colombia were closed as a result of COVID-19.

Fagron Tech

Fagron Tech is the market leader in software and digital, personalised solutions for compounding pharmacies, prescribers and consumers.

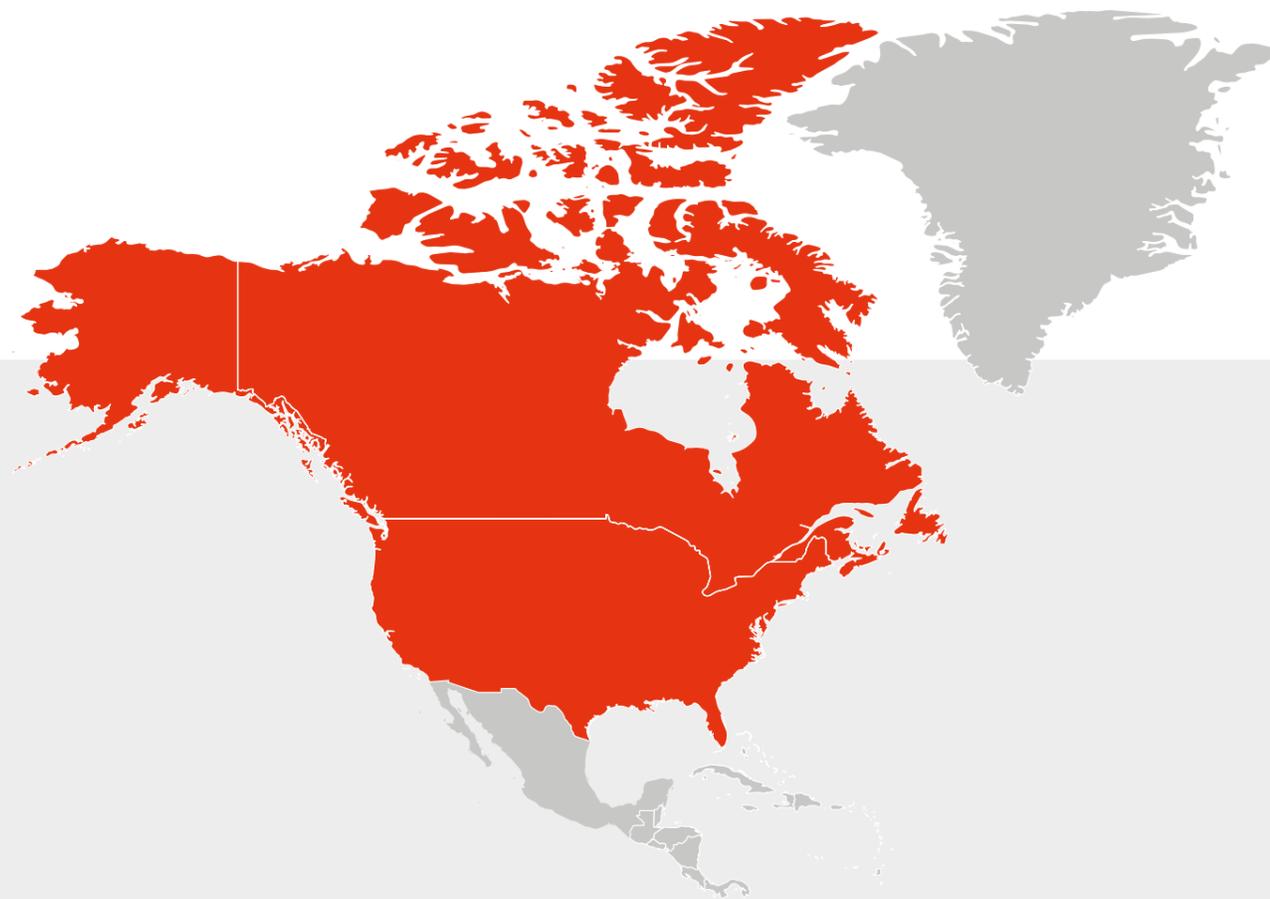
Fagron Tech has been working with Phusion, a SaaS ERP platform that provides control over every link in the compounding chain, since 2019. Fagron Tech is located in Jundiai (Brazil).

Product introductions

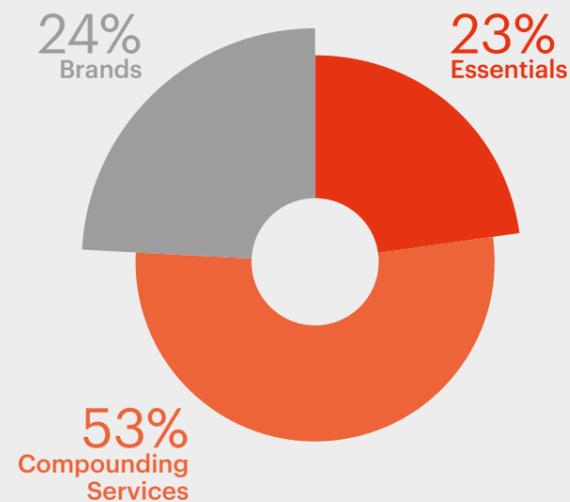
Despite the fact that all worldwide events and trade fairs, where Fagron normally introduces new products, were cancelled in 2020, Fagron Latin America launched a number of new products in the past year. A great deal of innovative capacity was applied to more natural and vegan ingredients, where organic compounding is an important element. New, innovative product lines were developed based on 100% natural ingredients. The first introductions of Ecobase and Amazonic occurred in 2020. Ecobase regards dermatological excipients that can be used for cosmetics as well as for medical purposes. Amazonic is an innovative cosmetics line. Both lines are composed of organic and/or natural ingredients and contain only vegan ingredients. The formulas are enriched with plant-based ingredients such as rose hip oil, geranium or lavender hydrolate. The products are paraben-free.

Fagron North America

In North America, Fagron is active in the sale of Brands, Essentials and Compounding Services. The North America segment accounts for more than 28% of group turnover.



Turnover 2020



Turnover (in millions of euros)

159.5
2019: 145.9

↑
+9.3%

REBITDA (EBITDA before non-recurrent result, in millions of euros turnover)

33.4
2019: 23.5

↑
+42.0%



¹ All repackaging and compounding facilities also contain a warehouse.

² Number of employees on 31 December (including independent managers and temporary workers).

Financial

- Turnover increased by 9.3% (+11.5% at constant exchange rates) to 159.5 million euros;
- The organic growth was 9.2% (+11.3% at constant exchange rates);
- REBITDA increased by 42.0% to 33.4 million euros, due in part to strict cost control and the use of economies of scale;
- REBITDA margin increased by 480 base points to 20.9%.

Strategic and operational

- Due to its extensive network of suppliers and the flexibility of the organisation, Fagron was well-positioned to continue serving healthcare during the COVID-19 pandemic without significant interruptions;
- Introduction of pre-filled infusion bags led to significant expansion of the Compounding Services portfolio - even more product introductions are scheduled for 2021;
- Partly based on the current performance and promising product introductions, the sterile compounding facilities in Wichita are on track to realise the stated turnover goal;
- Brand & Essentials strengthened its commercial position by centralising the sales organisation of the various brands; demand for COVID-19-related products contributed to the high level of activity.

Fagron North America

Fagron North America had to deal with a high level of activity in 2020, with all segments contributing to the realised increase in turnover. The strong improvement in result was also due to strict cost control, the phasing out of a number of unprofitable nuclear products at AnazaoHealth, a modified product mix and the use of economies of scale and synergy after the integration of Humco.

Expansion of customer portfolio

Following from 2019, the organisation was further optimised in 2020. The entrepreneurial corporate culture, in which quality and collaboration are of paramount importance, clearly contributed to the further expansion of Fagron North America's customer portfolio. Fagron North America again introduced various innovative products in 2020 within Compounding Services as well as Brand & Essentials.



Infusion bags are filled in the sterile FSS compounding facility in Wichita.

Pre-filled infusion bags

Fagron Sterile Services paid a lot of attention in 2020 to the rapidly growing trend of outsourcing sterile compounding by hospitals. The 'onboarding' of each individual hospital is an intensive and comprehensive process. While FSS already offers a wide product portfolio in, among other things, operating room anaesthesia and pain management, the product portfolio has been expanded with the introduction of a new product platform - pre-filled infusion bags.

The pre-filled infusion bags that are offered with different medicines are available in several concentrations and volumes. Individual packaging contributes to a better shelf life (Beyond Use Date). After the introduction of fentanyl, hydromorphone, midazolam and noradrenaline, FSS will further expand the range of infusion bags in 2021 to include, among others, oxytocin, vancomycin and ketamine.

The demand for infusion bags, strongly driven in the past year by COVID-19, will remain at a high level, also under normal circumstances. Fagron sees considerable opportunities in gaining market share here.

More efficient organisation

Despite the fact that circumstances caused a temporary delay in the activities, Fagron was able to realise constant delivery to customers in 2020. The entire organisation's focus was sharpened further during 2020. The purchasing and IT infrastructure was reinforced under the leadership of a strengthened and experienced management team, including the appointment of new experts in these areas so that the organisation is now more robust and the IT infrastructure has been strengthened. The implementation of the new ERP system, Dynamics 365, which will contribute to further efficiency and standardisation by the entire Group, has now begun. Of the six companies in North America, one company has now been completely implemented the new system.

Focus on sustainability

In the past year, Fagron North America has also focused on making the organisation more sustainable and creating awareness within the organisation. During various (online) meetings, sustainable initiatives were introduced in which, for example, attention was paid to the installation of more efficient cooling systems at new and existing facilities and the use of energy-efficient light sources. More emphasis will also continue to be placed on the more efficient and smarter handling of materials and the minimisation of waste.

Compounding Services

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

At Compounding Services, turnover increased in 2020 by 4.9% compared to the previous year (-3.0% at constant exchange rates).

Fagron Sterile Services

Wichita has been set up entirely according to the latest quality standards. As a result, the facility complies with the increasingly stringent laws and regulations. Wichita now has full coverage in the United States and its competitive position has been significantly improved by the further expansion of the product line and the optimised distribution network. Fagron Sterile Services introduced 40 new products (SKUs) in the past year. In addition to products for pain management and anaesthesia, the proposition has been expanded in the past year with pre-filled infusion bags. A product expansion that is strategically important in order to connect new large customers, including hospitals, and to strengthen current relationships.

The turnover growth of the sterile compounding facilities in Wichita was 1.8% (+3.9% at constant exchange rates) in 2020. The Fagron Sterile Services turnover growth was inhibited by delayed planned care and reduced doctor visits as a result of COVID-19. Partly based on the current performance and the promising product introductions, Fagron is confident that it will achieve the stated turnover goal. However, delays can occur, depending on the further development of COVID-19.

**Andrew Pulido, Area Leader Fagron North America:**

"The year 2020 was an exceptional year in which we clearly proved our resilience as an organisation. In North America, we were able to take major steps in laying a foundation for the future of personalised medicine. At the same time, we were able to continue our role as supplier for the healthcare system and to continue our activities, with some adjustment, in a safe and responsible manner. I am very proud of our team and of what we, under the given circumstances, have been able to achieve for customers as well as patients."



The increasing worldwide focus on prevention plays an important role in choices that people make in striving for a healthier lifestyle.

AnazaoHealth

AnazaoHealth's activities showed a decline in turnover of 9.9% (-8.2% at constant exchange rates). This decrease is due mainly to the closure of clinics during a large part of the year as a result of COVID-19. A number of low-margin nuclear products were also removed from the product range at the end of 2019.

Brands and Essentials

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

An important step was taken in the past year in centralising the sales organisation of the various brands. Customers benefit from the multi-brand strategy because they gain access to the widest range through a one-stop-shop platform that carries the different brands, with one point of contact for comprehensive knowledge transfer and information.

Brands and Essentials achieved a strong result in 2020, with growth of 30.8% (+33.4% at constant exchange rates). Centralising the sales organisation contributed to this positive development. The demand for a number of specific COVID-19-related products also increased.

Prevention and lifestyle

The increasing worldwide focus on prevention plays an important role in choices that people make in striving for a healthier lifestyle. The attention on prevention contributes to Fagron Genomics' success – the development, production and marketing of innovative genetic tests.

North American market for personalised medicine

The North American pharmaceutical market was 414 billion euros in 2018 (source: European Federation of Pharmaceutical Industries and Associations, The Pharmaceutical Industry in Figures).

Fagron estimates that approximately 1.2% of all prescriptions in North America involved pharmaceutical compounded medicines. This means that the North American market for sterile and non-sterile pharmaceutical compounding was worth approximately 5.0 billion euros in 2020. This is the available market for Compounding Services in North America.

Based on the cost of goods sold in Fagron Group's compounding facilities, it is estimated that in 2020, approximately 10% of this market, or approximately 500 million euros, concerned the costs of pharmaceutical raw materials and administration forms. This represents the available market for Brands and Essentials. Based on these estimates, Fagron achieved a market share in 2020 in North America of approximately 15% with Brands and Essentials.

The estimate for Fagron's market share in the available market for sterile compounding medicines that are outsourced by hospitals to 503B compounding facilities was approximately 10% in 2020. In North America, compounding of medicines in hospitals is being increasingly outsourced to companies such as Fagron, a development that will increase further due to increasingly stricter laws and regulations in the United States.



Risk management

Risk management is important for Fagron in order to be able to secure the company's long-term objectives and value creation.

Responsibility for managing individual risks depends on the type and nature of the risk and is borne either by the operational management supported by the relevant finance team or by the risk management team at group level.

Lines of defence

Fagron's risk management system is based on the 'three lines of defence' model, where three 'lines of defence' are distinguished. The first line of defence is the owner and manager of the risks, the second line of defence has a supervisory and advisory role regarding risk management and the third line of defence is responsible for auditing the risks.

First line

Responsibilities, guidelines and procedures at Fagron have been established in the company's Global Policies and Code of Ethics. Every important process is addressed. The management and business controllers of the business units are responsible for the proper application of the processes and systems. Acquisitions are integrated in the Group, taking into account existing procedures, processes and systems.

The local management is fully responsible for all risks at entity level and is responsible for complying with the Group's policy and standards and for managing risks that occur when performing the business operations. Local management identifies and assesses potential risks for the relevant entity and responds adequately to the risk.

Introduction

Fagron operates in the niche market for pharmaceutical compounding. The company performs purchasing, analysis, GMP-certified repackaging and sales of essential pharmaceutical raw material, compounding equipment & inventory and provides compounding services to pharmacies and hospitals that choose to outsource the compounding. Fagron believes that the risk of economic changes to the company is limited by regional distribution of its business activities – and therefore also the distribution of demand and legislative frameworks – diversity in the product portfolio and a broad supplier base.

Fagron's risk management and control systems are designed to support Fagron's general business strategy, taking into account the company's nature and the environment in which it operates. The risk management and control systems are continually subjected to further refinement and improvement, taking into account developments in the environment and the company itself.

Risk management framework

The Board of Directors is responsible for the strategy and the corresponding risk profile and for the design and operation of the internal risk management and control systems. The control and risk management systems are continually assessed and further professionalised, with attention devoted to the governance structure, processes, systems and controls, as well as to awareness by management and employees regarding the importance their correct application.

Second line

Fagron’s business strategy and the corresponding objectives are critically assessed on an annual basis and adjusted where necessary based on market developments, identified opportunities and threats, a strength/weakness analysis and a strategic risk assessment. The Board of Directors is responsible for this task.

The strategic objectives, including the major opportunities and risks, are discussed with the Global Leadership Team. Fagron’s strategic objectives constitute the basis for the budgets of the business units. The budget for each business unit contains a financial budget and a number of concrete business objectives. These objectives are translated into Key Performance Indicators (KPIs), for which the progress is consistently measured and monitored during the course of the year.

The financial results and forecasts are analysed on a regular basis at local as well as central level, using the Fagron Management Information System. This system is available to the management and the business controllers, as well as to the Global Leadership Team and the Corporate Controlling department.

The management and the business controllers report to the Global Leadership Team and the Corporate Controlling department on a monthly basis regarding the progress in realising their business plan, the resulting KPIs and the financial performance. Progress meetings based on these reports are held on a regular basis, where at least the following subjects are discussed: the actions agreed upon in earlier reviews, the financial results, the updated forecasts, employee turnover and the progress and developments in the business.

Third line

Fagron gives priority to internal control and management. In the fourth quarter of 2020, the Audit Committee set up an independent internal audit function in order to further improve the effectiveness of existing reviews, risk management and internal control systems. The internal audit function will (1) oversee full and efficient audits in the entire organisation, (2) report on audit results and action plans that have been implemented and (3) optimise the internal control framework to maintain solid and efficient internal control processes and audits.

Identification and analysis of risks

Risk management at Fagron involves identifying all major risks, establishing plans to limit these risks and taking measures for their effective management. The action plans for managing risks and the measures taken differ in form and degree of limitation.

In any event, response to risks consists of (1) taking action in order to avoid risks, (2) examining options to transfer risks to a third party and for all other risks (3) taking control and monitoring measures in order to avoid a risk or to detect it in the earliest stage.

Main risks

This chapter describes the main risks with the probability, impact and Fagron response for each risk.

Fagron makes a rough distinction with the following four risk categories:

- Financial risks
- Strategic risks
- Operational risks
- Compliance risks

Risk matrix



KEY

Strategic risks

- 1 ● Acquisition and integration risk
- 2 ● Changing customer demand

Operational risks

- 3 ● Supply chain risk
- 4 ● Health, safety & environmental incidents
- 5 ● Human capital risk
- 6 ● IT risk

Financial risks

- 7 ● Credit risk
- 8 ● Interest risk
- 9 ● Liquidity risk
- 10 ● Currency risk

Compliance risks

- 11 ● Compliance risk
- 12 ● Product Quality & Safety risk
- 13 ● Corruption & Bribery
- 14 ● Reputational risk

RISK IMPACT

- Low
- Moderate
- High

STRATEGIC RISKS

Risk	Description	Probability	Impact	Control measure
Acquisition and integration	Acquisitions have been an important part of the Group's growth strategy and are expected to remain so. There is a risk that the Group's future growth can be limited due to failure to complete or integrate recent or possible future acquisitions.	Moderate	Moderate	The Group manages this risk by carefully identifying acquisition targets, taking into account cultural and organisational connection to the Group. Acquisitions are executed in a structured manner, which includes the determination of the transaction structure and a thorough due diligence process. Acquisition activities are performed centrally by an experienced management team with support from well-established external consultants.
Changing customer demand	The Group operates in various regions in EMEA, North America and Latin America. Customer demand for the Group's products can be affected by changing patterns of consumption, macroeconomic changes or geopolitical circumstances in these regions.	Moderate	Moderate	The Group applies a high degree of diversity in its product portfolio as well as its customer base in order to limit the impact of this risk.

OPERATIONAL RISKS

Risk	Description	Probability	Impact	Control measure
Supply Chain	The Group is dependent on third parties for supply and production and is therefore exposed to risks in the supply chain.	Low	Moderate	The Group addresses this risk by making sure that a significant part of the pharmaceutical raw material, equipment and inventories can be obtained from multiple suppliers and in sufficient quantities in order to meet the Group's needs. Good working relationships are established and maintained with the suppliers.
Health, safety & environmental incidents	Problems can occur during production for a variety of reasons, such as equipment failure, natural disasters, pandemics, power failures and other environmental factors.	Low	Moderate	The Group endeavours to have a safe and healthy work environment. All of our facilities have procedures and emergency response plans in place in order to ensure the safety, health and welfare of our employees. The Group is insured with regard to health, safety and environmental incidents.
Human capital	The Group's success depends to a large extent on its ability to attract and retain skilled personnel and management with a thorough knowledge of and affinity with the pharmaceutical compounding market.	Moderate	High	The Group offers competitive salaries and fringe benefits, a performance-oriented bonus scheme and opportunities for international outplacement within the Group. It also encourages continuous professional development through performance assessments and customised training.

OPERATIONAL RISKS

Risk	Description	Probability	Impact	Control measure
IT	Failures in IT systems and services can have a negative impact on the Group's business activities.	Moderate	Moderate	The Group has taken security measures that protect against abuse or attack on its systems, intentional or unintentional disclosure of confidential information or disruption of business activities. Employees and managers are constantly trained in cybersecurity subjects, such as data integrity and phishing.

FINANCIAL RISKS

Risk	Description	Probability	Impact	Control measure
Credit risk	The Group operates in different jurisdictions with a wide range of counterparties and is therefore exposed to credit risk.	Moderate	Low	The Group employs strict procedures for managing and limiting credit risks. Measures are taken in order to ensure that customers do not individually entail an important part of the turnover or the outstanding receivables. The Group also pursues an active policy to reduce operational working capital.
Interest risk	The risk that a change in the interest rate has a negative effect on the Group's operating profit.	Moderate	Low	The Group periodically assesses the retained mix between financial debt with a fixed and with a variable interest rate in order to keep the risk at an acceptable level. The Group ensures that, in any case, a large part of its long-term interest-bearing financial debt is financed on a fixed interest basis. Where necessary, derivatives such as interest rate swaps are used to hedge loans with a variable interest rate.
Liquidity risk	The risk that the Group is unable to meet its financial obligations.	Low	Moderate	The Group manages the liquidity within the Group by ensuring that there are always sufficient financial resources to be able to satisfy the liquidity requirements. That means ensuring that cash is available to the business units and that, at the same time, there is sufficient financial leeway under the credit facilities offered. The financial leeway is monitored continuously.
Exchange rate risk	The Group's financial statements are prepared in euros, its reporting currency. The Group runs transaction as well as conversion risks when exchanging foreign currencies for its activities in countries outside of the Eurozone.	High	High	A detailed explanation of the exchange rate risk and the corresponding control measures is provided in Note 3 to the financial annual report.

COMPLIANCE RISKS				
Risk	Description	Probability	Impact	Control measure
Compliance risk	The Group may be at risk of high costs in terms of compliance with changing regulations as well as fines or other adverse consequences of violating laws and regulations.	Moderate	Moderate	The Group endeavours to comply with the legislation in all jurisdictions where it operates. The Global Legal Affairs Officer monitors compliance with legislation in all jurisdictions, while at the local level, employees are appointed in order to ensure compliance.
Product quality & product safety	The Group runs risks regarding the safety and quality of its products, or of pharmaceutical compounding in general.	Low	Moderate	<p>Fagron makes products in a production network that includes its own manufacturing facilities as well as contract manufacturers in three parts of the world, all of which meet the most recent national and international standards (GMP, GDP and/or ISO 9001).</p> <p>The Group utilises a comprehensive procedure for selecting suppliers in order to ensure that the raw materials are completely traceable. Supplier site audits, (re)qualifications and regular performance assessments guarantee that Fagron's supply chain is continuously monitored. Pharmaceutical raw materials are subjected to a thorough testing process. The test results and the extensive documentation that Fagron requires from its suppliers are checked by qualified employees before they are published.</p>
Corruption & bribery	Failure to comply with anti-corruption and bribery laws can result in fines and/or a negative impact on the Group's brand and reputation and its business prospects.	Moderate	Moderate	<p>Fagron's Code of Business Conduct and Global Anti-Bribery & Anti-Corruption Policy describe the type of behaviour that the company expects from all of its employees. All employees must formally sign the Code of Conduct, with which they agree to comply with the Code. All employees are invited to an annual training course in order to ensure that new, as well as existing, employees are familiar with the Code of Conduct. Starting in 2021, an annual Corruption & Bribery training course will be offered to all sales employees and Business Leaders.</p> <p>A Whistleblower Scheme was introduced in 2019 so that employees can report possible abuses anonymously.</p>

COMPLIANCE RISKS				
Risk	Description	Probability	Impact	Control measure
Reputational risk	Any alleged violation of rules or societal standards can negatively impact the Group's brand and reputation and its business prospects.	Low	High	The Group conducts annual surveys among its stakeholders as part of the assessment of materiality on ESG factors in order to gain insight into stakeholders' expectations regarding Fagron's ESG (Environmental, Social and Governance) strategy and policy. Fagron's ESG strategy is reviewed each year on account of these survey results.



Fagron's corporate social responsibility (ESG Statement)

With almost 3,000 colleagues, Fagron contributes every day to improving people's health with its products and services.

Positive impact

We endeavour to have a positive impact on our surroundings by consciously dealing with our surroundings and setting the goal for ourselves to produce all of our products ethically and responsibly. This endeavour is expressed, among other things, in our aim to reduce greenhouse gas emissions in our business operations and to make a positive contribution to the welfare of our employees.

The ESG strategy was recently published and was formulated in accordance with national as well as international regulations and best practices. In line with the EU Directive (2014/95/EU) and the resulting legislation in Belgium, Fagron reports on non-financial information. The value creation model was formulated as was the entire annual report in accordance with the GRI Standards (Core option) from the Global Reporting Initiative. A comprehensive overview of the GRI disclosures is located in the GRI Index Appendix ([page 216](#)).

ESG strategy

We conducted a stakeholder analysis in 2020 and identified the material topics on the basis of which an ambitious but realistic ESG strategy (Environmental, Social, Governance) was formulated. The value creation model ([page 24](#)) provides insight into the sources and resources that we use to create value in order to realize our goal. ESG is becoming increasingly more important and is inextricably linked to all of Fagron's activities.

Our ESG strategy will help us make an active contribution in achieving the Sustainable Development Goals (SDGs) in 2030.

Stakeholder analysis

Fagron engages in a dialogue with its stakeholders (including shareholders, customers, personnel, market analysts, ESG rating agencies) on a regular basis. In addition, studies and surveys are conducted periodically in order to gain insight into our stakeholders' needs and requirements regarding Fagron's ESG strategy and policy. We use the knowledge and information that we acquire through the discussions and studies to formulate a stakeholder analysis. The value and importance that our stakeholders attach to specific topics also helps to determine our selection of material topics.

Material topics

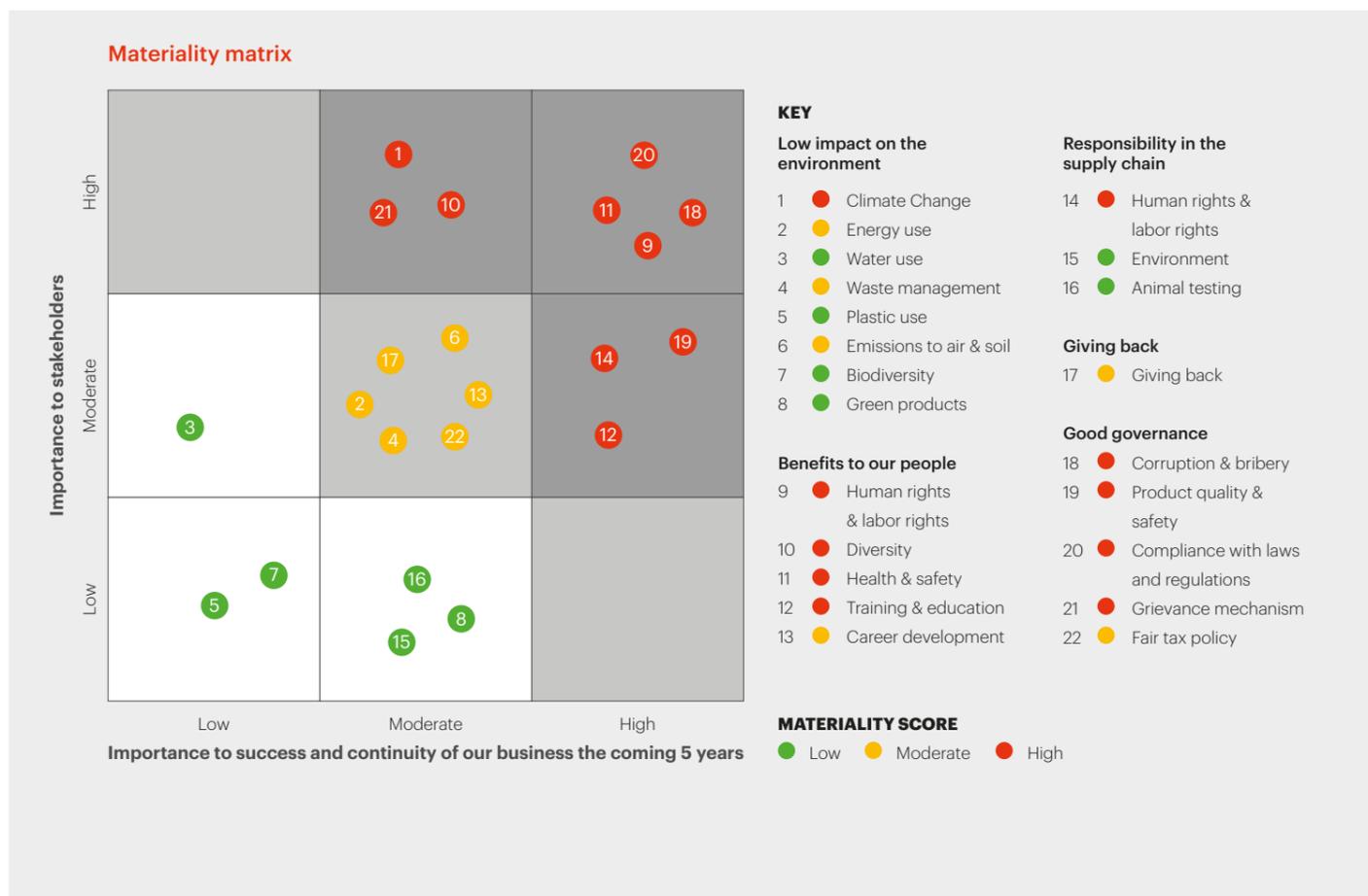
We conducted a materiality analysis in 2020 for the first time. The material topics were determined based on the results of the stakeholder analysis and the specification of the subjects that are important for Fagron's success in the next five years. These topics were divided into the following categories:

1. Low impact on the environment
2. Our people
3. Responsibility in supply chain
4. Giving back
5. Good governance

The topics that score 'High' or 'Moderate' in the materiality matrix form the basis of Fagron's ESG strategy. We will report on these topics in this annual report. The management approach that is linked to GRI for each topic is available in the Appendix (page 216). We constantly assess performance using the internally-developed ESG dashboard based on our management and monitoring systems. The ESG strategy results are reported annually in our annual report.

Sustainable Development Goals

Fagron endorses all 17 SDGs defined by the United Nations in 2015. Based on the defined sustainability strategy, Fagron selected five SDGs on which it actively focuses and where it believes it can provide the biggest contribution.



Material categories	Fagron contribution	SDG
Low impact on the environment	Fagron contributes to SDG 7 and SDG 13 with our commitment to reducing greenhouse gas emissions in our operations and investments in solar panels and energy saving measures.	Affordable and clean energy Climate action
Our people	Fagron contributes to SDG 5 with policies on gender equality. Fagron contributes to SDG 8 by providing a decent and safe working environment for almost 3,000 employees worldwide.	Gender equality Decent work and economic growth
Responsibility in supply chain	Fagron contributes to SDG 8 through the Fagron Business Partner Code of Conduct.	Decent work and economic growth
Giving back	Fagron contributes to SDG 3 by delivering personalised medicine and medicine for vulnerable patient groups.	Good health and well-being
Good governance	Fagron contributes to SDG 8 through its efforts to achieve annual turnover growth.	Decent work and economic growth



Low impact on the environment

The health and safety of people worldwide is impacted by the consequences of climate change. Fagron has strong ambitions to reduce greenhouse gas emissions (carbon footprint reduction). In performing our activities, we use natural resources such as energy, water and raw materials for our products, offices, logistics and transport. Fagron endeavours to use these resources as efficiently as possible.

Climate change (greenhouse gas emissions) and energy use

Goals and objectives

After having conducted a baseline measurement in 2018, Fagron formulated goals in 2019 to reduce the greenhouse gas intensity of all its activities by 30% between 2019 and 2025. Based on this comprehensive objective, KPIs were defined as shown at the bottom of this page.

Policy and initiatives

Energy-saving initiatives

In order to gain insight into the possibility of energy-efficiency measures, energy scans were conducted in our four largest facilities in North America in 2020: AnazaoHealth Las Vegas, AnazaoHealth Tampa, FSS Wichita East and Humco Texarkana. These are four of the five facilities with the highest climate change impact within the Group. Energy-saving measures will be taken based on these scans, including the replacement of old cooling installations.

The type of lighting in all Fagron facilities worldwide was identified in 2020 and work has begun replacing existing lighting with energy-efficient LED lighting.

Car policy

A new car policy was rolled out in EMEA in the past year with the goal of having all lease cars being completely electric by the end of 2025. In order to achieve an emission reduction in the short term, plug-in hybrid vehicles are also permitted through 2024. This provision is only permitted if there is too little charging capacity. In 2020, 10% of the lease cars running on fossil fuel were replaced by electric or plug-in hybrid lease cars, bringing the total to 14% of all lease cars.

Travel Policy

Fagron's Global Travel Policy was evaluated in the past year. Based on these findings, the travel policy was modified, with the most important change concerning a reduction in business travel by airplane. Flying is only permitted after a strict evaluation procedure in which the necessity of flying is demonstrated. In addition, travel by train will be encouraged as much as possible.

Renewable energy

We are constantly working on opportunities to make our energy use more sustainable. By installing solar panels on the roofs of our facilities worldwide. Two facilities have solar panels that contribute 5% to 20% to the electricity consumption of facilities' activities. Solar panels will be installed in at least six facilities in EMEA and Latin America in 2021, after which at least 25% of the electricity used will be renewable electricity generated on our own facilities.

Investment decisions

The internal evaluation framework for investments was revised in 2020. When making investment decisions greater than 30,000 euros, sustainability considerations are a significant consideration starting in the fourth quarter of 2020. These decisions regard, among other things, investments in new installations, where energy-efficient installations will be selected as much as possible.



Climate change objectives

	Annual improvement compared to baseline year 2019	2025 Objective
Energy use	3% reduction in greenhouse gas intensity	18% greenhouse gas intensity
Business travel - Car	10% reduction in greenhouse gas intensity	60% greenhouse gas intensity
Business travel - Airplane	4% reduction in greenhouse gas intensity	24% greenhouse gas intensity
Renewable energy - Installation of solar panels	Reduction in greenhouse gas intensity by 0.4 metric tons of CO ₂ -eq per million euros in turnover ¹	

¹ At 2019 constant exchange rates.

Change in greenhouse gas emissions between 2019 and 2020

(in metric tons of CO₂-eq)



Scope 1: Direct emissions

2,944

2019: 2,818



+126
(4%)

Scope 3: Other indirect emissions

830

2019: 2,486



-1,656
(-67%)

Scope 2: Indirect emissions due to energy generation

8,431

2019: 7,831



+600
(8%)

Total emissions (scope 1 + 2 + 3) – location-based

12,205

2019: 13,135



-930
(-7%)

Change in greenhouse gas intensity between 2019 and 2020

(in metric tons of CO₂-eq per million € turnover)¹

Scope 1: Direct emissions

5.0

2019: 5.6



-0.6
(-10%)

Scope 3: Other indirect emissions

1.4

2019: 4.9



-3.5
(-71%)

Scope 2: Indirect emissions due to energy generation

14.2

2019: 14.5



-1.2
(-8%)

Total (tonne/million € turnover)

20.6

2019: 25.9



-5.3
(-21%)

¹ At 2019 constant exchange rates.

Change in energy consumption between 2019 and 2020

(in GJ)



Fuel consumption from non-renewable sources

46,801

2019: 44,984



+1,871

Fuel consumption from renewable sources

0

2019: 0



0

Electricity consumption

81,537

2019: 73,803



+7,681

Heating consumption

875

2019: 774



+100

Electricity sold

0

2019: 0

Total energy consumption

129,212

2019: 119,560



+9,652
(+8%)

Change in energy intensity between 2019 and 2020

(in GJ per million € turnover)¹

Total

218.1

2019: 235.9



-17.8
(-8%)

¹ At 2019 constant exchange rates.



Our people

Results

The calculation of greenhouse gas emissions is based on the Greenhouse Gas Protocol (GHG Protocol). We report on the greenhouse gas emissions from all companies that are part of Fagron Group and that have been part of the Group for the entire financial year. Fagron reports its scope 2 climate change impact in accordance with the location-based methodology. The complete carbon footprint report, including a more comprehensive description of methodology, can be found on investors.fagron.com.

The table at the bottom of the page provides an overview of the subjects included in the Fagron Carbon Footprint. The results are shown on [page 66/67](#).

Greenhouse Gas Intensity

The greenhouse gas intensity is calculated by dividing the total greenhouse gas emissions in metric tons of CO₂-eq by the Group's turnover in millions of euros. For the 2020 greenhouse gas intensity, turnover was normalised with the 2019 constant exchange rate in order to counter any positive or negative consequences of fluctuating exchange rates.

Other environmental issues

In performing our activities, we use natural resources such as energy, water and raw materials for our products, offices, logistics and transport. Fagron endeavours to use these resources as efficiently as possible.

In terms of emissions to air and soil and waste management, Fagron will conduct an inventory in 2021, on the basis of which KPIs will be defined for the short and medium term.

Fagron works actively to create a work environment in which every individual is empowered to perform at its best. Our people are essential to Fagron's success and together we create a culture where everyone can develop. The key to maintaining our culture is to encourage giving feedback and recognition throughout the organisation.

Engagement survey

Since 2016, we have been conducting a Global Employee Survey every two years. Part of this Global Employee Survey is a sustainable engagement score, the intensity of the connection between employees and the organisation.

Objectives:

- Achieving a participation rate of at least 85% in 2022 and 2024 for the Global Employee Survey.
- Sustainable engagement score of at least 80% for the Global Employee Survey 2022 and 2024.

Employee engagement

Fagron finds that being a good employer is important and believes in the positive impact on company performance of the engaged employees. By measuring sustainable engagement and requesting transparent feedback from our employees, we can set the right priorities, understand our employees' needs and respond to those needs.

Based on the results of the 2020 employee survey, we have developed an action plan for the years 2021 and 2022, which focuses on the following areas at group level: internal communication, employee well-being and training and development. In addition, different priorities were determined for each company.

	Scope 1	Scope 2	Scope 3
Business travel - Airplane	-	-	Business travel by airplane
Business travel - Car	Fuel consumption in own/lease cars ¹	Electricity consumption own/lease cars ¹	Business travel by car owned by employee ^{3,4}
Business travel - Train	-	-	Business travel by train ⁴
Energy use	Fuel consumption in own/rented facilities	Purchased electricity and heat used in own/rented facilities ²	-
Refrigerants	Leakage of refrigerants in own/rented facilities	-	-

¹ Excluding short lease during business trips.

² Purchased electricity minus the electricity used on site for charging electric/plug-in hybrid cars.

³ Car use paid by Fagron through reimbursement of fuel consumption or reimbursement per kilometre/mile.

⁴ Excluding business travel paid for via a mobility budget.

Indicators for employee engagement

	2020	2018	2016	KPI
Participation rate in Global Employee Survey	87%	79%	89%	85%
Sustainable engagement score	83%	80%	80%	80%

Diversity

We work together as one large team and appreciate the unique contribution that every employee makes. We treat each other with respect and are confident that we can achieve more if people with diverse backgrounds and different talents work together in a pleasant, safe and inclusive working environment.

We treat everyone equally and do not discriminate. Fagron strives for diversity in the broadest possible sense. In addition, we specifically focus on the following themes:

- Gender equality
- Nationality & ethnicity
- Age
- Employment opportunities for people with a disability

Gender equality

We strive for a balanced male-female ratio at all levels of the organisation. In the short term, Fagron is aiming for a 50/50 gender distribution of all its personnel.

We see the importance of diversity in management teams; diverse teams contribute to better decision-making. Our Board of Directors currently consists of three women and five men. Our Global Leadership Team consists of eleven members, two of whom are women.

Nationality and ethnicity

Fagron strives for a workforce that reflects (the local) society. Various initiatives are undertaken at regional and/or national level that contribute to this. In North America, we adhere to the Affirmative Action Plan, a programme that ensures equal employment opportunities.

We believe it is important that the Fagron headquarters represents the diversity of the Fagron Group and we therefore strive to have at least 10 different nationalities. In 2020, 17 nationalities were employed at the headquarters (2019: 13).

In 2021, an internal analysis will be performed to develop a KPI for ethnicity that can be applied in all regions and countries where Fagron is active.

Age

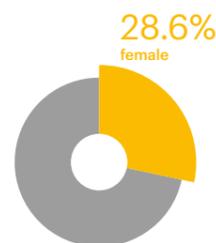
Fagron also has a diverse workforce in terms of age. In 2020, the average age of a Fagron employee was 39 years. The average age among management and senior management is slightly higher. Fagron strives to show a diverse age profile through all levels of the organisation.

Employment opportunities for people with a disability

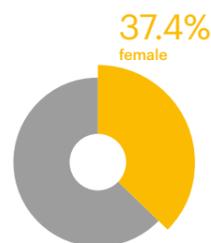
Fagron wants to make a positive contribution in the labour process to the participation of people with a disability. We offer employment to this target group through a flexible attitude, tailored positions or offering other types of positions that meet individual demands as much as possible



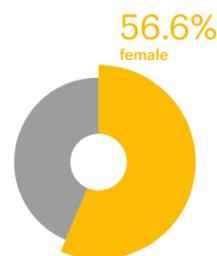
% of female senior management



% of female management



% of female employees



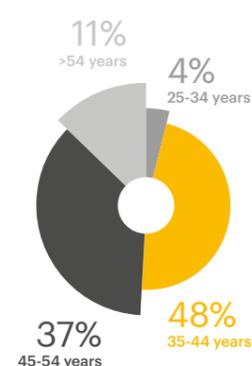
Gender equality indicators¹

	2020	2019	2018	2017
% of employees female	56.6%	55.8%	58.5%	58.1%
% of management female	37.4%	39.1%	40.7%	39.0%
% of senior management female	28.6%	29.8%	31.6%	26.7%

¹ All gender equality indicators are based on the number of employees on 31 December (including independent managers and temporary workers).

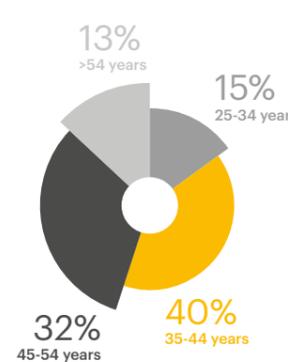
Average age of senior management

2020: 45.5 years



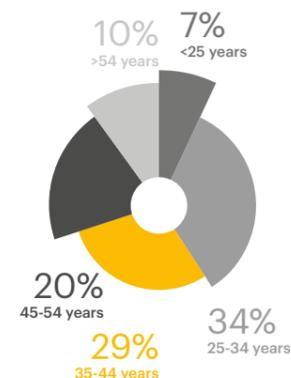
Average age of management

2020: 43.1 years



Average age of employees

2020: 38.9 years



Age indicators¹

	2020	2019	2018	2017	KPI
Average age of senior management	45.5	45.0	45.2	44.2	-
% senior management <25 years	0%	0%	0%	0%	-
% senior management 25-34 years	4%	2%	4%	2%	-
% senior management 35-44 years	48%	52%	49%	57%	-
% senior management 45-54 years	37%	39%	34%	28%	-
% senior management >54 years	11%	7%	13%	13%	-
Average age of management	43.1	43.5	43.2	42.0	-
% management <25 years	0%	0%	0%	1%	-
% management 25-34 years	15%	14%	14%	15%	-
% management 35-44 years	40%	46%	48%	50%	-
% management 45-54 years	32%	28%	25%	23%	-
% management >54 years	13%	12%	13%	11%	-
Average age of employees	38.9	38.8	38.3	38.2	-
% employees (FTE) <25 years	7%	8%	8%	9%	-
% employees (FTE) 25-34 years	34%	33%	34%	33%	-
% employees (FTE) 35-44 years	29%	29%	29%	30%	-
% employees (FTE) 45-54 years	20%	21%	20%	19%	-
% employees (FTE) >54 years	10%	9%	9%	9%	-

¹ All age indicators are based on the number of employees on 31 December (including independent managers and temporary workers).

Health & safety

Fagron continuously ensures that all its employees can perform their work in a clean, orderly and safe environment. There is a zero-tolerance policy towards actions that could endanger the health and safety of our employees and others. By proactively tackling or resolving identified risks, we strive to prevent or minimise injury and damage to health.

Through various initiatives, Fagron proactively works on the mental and physical well-being of our employees. Important focal points are reducing the workload, improving health, vitality and lifestyle. We create workplaces that promote a healthy lifestyle and work style, for example by offering sports facilities, healthy snacks (fresh fruit) and ergonomic workstations and offices.

Dealing with COVID-19

In the past year, the impact of COVID-19 has created a new reality worldwide. For Fagron, COVID-19 had an impact on the demand for and availability of our products, and the safety and well-being of all our employees worldwide.

When the first signs of COVID-19 became visible in the first quarter of 2020, all necessary measures were taken to safeguard the continuity of activities in a safe manner. Within a few days, all Fagron locations worldwide ensured that employees could work from home, where possible. In addition to the possibility of working online, Fagron provided additional necessities to make working from home as efficient, ergonomic and safe as possible.



Fagron works actively to create a work environment in which every individual can give their very best.

For colleagues working in logistics, the laboratory or other location-related activities, extra protective clothing has been made available and the schedules and routing have been adjusted internally in such a way that a work environment could be facilitated that meets the locally applicable and required COVID-19 measures.

These adjustments contributed significantly to the fact that all Fagron facilities remained operational worldwide throughout 2020 and the supply chain experienced no material disruptions as a result of the COVID-19 pandemic.

Fagron closely monitors the COVID-19 developments, both at national and local level, and takes additional measures where necessary.

Procedures and emergency response plans

Procedures and emergency response plans are in place at Fagron facilities worldwide to ensure the health, safety and welfare of our employees. There is currently no monitoring system at group level. A monitoring system will be introduced in 2021.

Human rights and labour rights

Fagron is committed to combatting the violation of human rights and labour rights at all its facilities worldwide.

Non-discrimination

Fagron strives for equal pay for equal work.

Harassment

Fagron is committed to providing all employees with a work environment that is free of violence, harassment, bullying or other forms of threat. We do not tolerate any form of discrimination, harassment, abuse or any other action that may be considered as intimidating, offensive or discriminatory. No reports of possible incidents were made in the past year.

Slavery and forced labour

Fagron has prepared a Modern Slavery Statement to combat and prevent modern slavery and human trafficking in our company and our supply chain. None of Fagron’s facilities involve slavery or forced labour.

Child labour

We prohibit any use of child labour worldwide. Everyone who is employed at Fagron has reached the legal minimum age for work in the relevant country. In cases where the legal

minimum age in a country is under 18 years, extra attention is paid to these young employees and the work they carry out. In 2020, Fagron had one employee under the age of 18 (0.5 FTE).

Freedom of association and collective bargaining

Everyone who works at Fagron is free to become a member of a trade union or organisation that promotes the interests of the individual.

In 2021, Fagron will map out and assess the risk of violations of human rights and labour rights for non-discrimination, intimidation and freedom of association and collective bargaining.

Training & development

Fagron has a long tradition of annual performance and development cycles that we have implemented at group level. In 2019, we set up this annual cycle in a different way, with a continuous feedback cycle. This enables employees and management to give each other regular feedback. The regular check-ins are collected and used for the year-end evaluation. Fagron attaches great importance to the development of its employees. At the beginning of each year, employees work with their supervisor to determine the individual development objectives and career aspirations. In 2020, a new system was introduced for conducting the annual career development and performance reviews, which resulted in a temporary decrease in the number of reviews.

We optimise training and development opportunities by offering classroom training, online courses and practical training such as peer tutoring.

Objectives:

- Increase in number of annual career development and performance reviews to 80% of employees.
- Introduction of learning management system to support the training and development process and realisation of a training catalogue in 2021.

Indicators for human rights and labour rights 2020

Reports of discrimination via the Fagron Integrity Line or other competent authority

0

KPI: –

Reports of harassment via the Fagron Integrity Line or other competent authority

0

KPI: –

Employees <18 years (FTE)

0.5

KPI: –

Training & development indicators

	2020	2019	2018	2017	KPI
Average number of years in a position	5.1	4.9	4.1	4.5	–
% of employees with annual career development and performance review	69.9%	83.7%	89.6%	82.3%	80%



Responsibility in supply chain

Fagron has committed itself to the Universal Declaration on Human Rights (UDHR) and is committed to combating the violation of human rights and labour rights.

Certification and quality audits

We trust that our suppliers do business responsibly and are committed to combating the violation of human and labour rights. However, there is still insufficient insight into the risks that could occur in this regard. All suppliers comply with GMP/ISO 19001 certification and the regular quality audits conducted by Fagron have never revealed an indication of human rights violations.

Business Partner Code of Conduct

In order to provide insight into the risks in the area of human and employment rights and to reveal and/or prevent violations, Fagron established a Business Partner Code of Conduct in 2020. The Code was published in early 2021 and describes requirements and expectations in the area of:

- Human and employment rights: fair treatment of employees, fair pay, reasonable working hours, freedom of association and collective bargaining;
- Occupational health and safety;
- Environment: compliance with laws and regulations, waste and emissions, spills and releases and ecological sustainability;
- Ethics: combating bribery and corruption, fair competition and animal welfare;
- Management systems: compliance with laws and regulations, risk management, documentation, supplier selection and monitoring.

In 2021, the Business Partner Code of Conduct will be included in all new purchasing contracts. In addition, a risk analysis will be performed in 2021 into violations of human and labour rights in the supply chain.



Giving back

Fagron is active worldwide in various regions and strives to make a positive contribution in these regions.

Fagron Academy

The Fagron Academy was established to improve the knowledge and skills of prescribers and pharmacists in the field of pharmaceutical compounding. This involves offering extensive training and educational opportunities for, among other things, compounding methods, the use of materials, administration forms and quality and safety procedures. In 2020, more than 15,000 pharmacists and prescribers attended a Fagron Academy.

Fagron Foundation

The Fagron Foundation was established in 2012 to improve healthcare in a community and to increase access to healthcare. The Foundation makes healthcare products and equipment available.

Initiatives in 2020

In the past year, the Foundation's initiatives largely related to COVID-19. A lot of donations have been made worldwide to provide communities and hospitals in various countries with sufficient face masks, hand creams, hydroalcoholic gel and COVID-19 tests.

In addition to protective equipment, Fagron also donated monitoring equipment in the past year. In total, 1,000 pulse oximeters were distributed in Belgian care centres to measure residents' heart rate and oxygen saturation levels. Because a low blood oxygen level can be an indication of COVID-19, the oximeters were able to better combat the spread of the virus among vulnerable residents.

In 2021, in addition to the Foundation's regular activities, Fagron will continue to devote attention to support in preventing and dealing with COVID-19.



On 13 April 2020, the non-executive members of the Board of Directors decided to voluntarily relinquish 25% of their remuneration for fiscal 2020 and to use the funds to combat the COVID-19 virus. An amount of 50,000 euros was donated to AZ Delft to promote research. The laboratory medicine, medical imaging, pulmonary diseases and intensive care unit services of AZ Delta have collected a lot of data on the large number of COVID-19-patients treated in the hospital. Fagron's donation was used to better understand the disease process of COVID-19 based on data and to optimise care.



Good governance

Fagron sees good governance as the basis of its business processes. It is a guideline that helps ensure a responsible way of doing business and carrying out activities.

Important themes that are part of good governance are:

- Product quality and safety
- Compliance with laws and regulations
- Prevention of corruption and bribery
- Grievance mechanism
- Fair tax policy

Product quality and product safety

As a worldwide market leader in pharmaceutical compounding, Fagron applies a strict policy on product quality and safety. An extensive supplier selection procedure ensures 100% traceability of the more than 2,500 pharmaceutical raw materials Fagron works with. New suppliers are screened extensively. This includes compliance with social standards. In addition, for suppliers of products with a higher risk profile, an on-site audit is conducted. These audits focus primarily on the quality and safety of the product.

Product quality & product safety indicators

	2017	2018	2019	2020
Class I Recalls: Recall due to severe side effect	0	2	0	1
Class II Recalls: Recall due to side effect	11	10	17	5
Class III Recalls: Recall due to GMP regulation	12	14	9	7

Good Manufacturing Practice

Fagron has 34 compounding and repackaging facilities worldwide that fully comply with GMP. These facilities are a combination of certified facilities and facilities where an audit is carried out on a regular basis by the authorities in accordance with GMP guidelines and legislation. The facilities that only consist of a warehouse, 22 in total, all comply with GDP (Good Distribution Practice).

Annual training

International certifications such as GMP and GDP require that all employees who come into contact with pharmaceutical products must attend a number of annual training courses on product quality and safety. Compliance with this component of GMP and GDP is monitored at group level for production employees, warehouse employees and quality staff, among others.

Quality team

Fagron has a technical team of experts who ensure that the products we receive from our suppliers and that we produce ourselves have the right properties before they are marketed. Raw materials and final products are tested to ensure they meet all applicable laws and regulations, requirements and internal standards. Quality technicians test products during three phases of production (incoming products, during production and upon release) to ensure that they meet all quality specifications.

Recalls

In a number of exceptional cases, products must be recalled because they do not meet all quality specifications. The recall of products is classified in three categories. Class I concerns a recall for products that can cause serious injury; Class II concerns recalls for products that can cause temporary side effects; Class III concerns products that are unlikely to cause injury or illness, but that do not (fully) meet the GMP requirements.

Compliance with laws and regulations

Fagron is active in more than 20 jurisdictions worldwide. Fagron's policy is geared towards strict compliance with laws and regulations in all these jurisdictions. At the local level, the Fagron companies are responsible for compliance. Guaranteeing compliance with the laws and regulations of the Group (Fagron NV) and the Fagron holding company (Fagron BV) is invested at group level, as is compliance with the quality and safety of the products we supply worldwide.

In 2020, Fagron NV and Fagron BV were not subject to any fines or sanctions in the socio-economic sphere or in the area of environmental laws and regulations, nor was there involvement in any dispute settlement. In previous years, Fagron was involved in a number of dispute settlements. These concern a case in 2018 and two cases in 2019. The value of the settlements amounted to 3 million euros in 2018, and totalled 21 million euros in 2019.

Preventing corruption and bribery

Fagron attaches great importance to transparency and fair business methods. We do not tolerate bribery or other forms of corruption (including facilitating payments) in our business operations. Corruption and bribery can lead to unfair pricing of pharmaceutical products that are an integral part of the healthcare systems in the markets in which Fagron operates.

As part of our annual risk analysis, we assess the risk of corruption and bribery per country in which we operate. For the entire organisation, we estimate the probability of non-compliance with anti-corruption legislation to be 'moderate' (see Risk Management, [page 52](#)) and our mitigating measures are geared towards this. The risk differs per country.

Indicators for prevention of corruption and bribery 2020

% Employees and management with access to Fagron's Code of Conduct

100%

KPI: -

% Employees who have completed the Code of Conduct training

67.7%

KPI: 90%

Reports of corruption via the Fagron Integrity Line or other competent authority

0

KPI: -



Fagron sees good governance as the basis of its business processes.

A Global Anti-Bribery & Anti-Corruption Policy is part of the Fagron Code of Conduct. This policy describes what is expected of Fagron employees and management. Any violation of this policy leads to corrective measures, whereby termination of employment is possible. To ensure that both employees and management adhere to this policy, we have set the following two objectives:

- At least 90% of all new Fagron employees attend training on Fagron's Global Anti-Bribery & Anti-Corruption Policy as part of the Fagron Code of Conduct training.
- Each year, 100% of Fagron's management completes a specific anti-corruption and anti-bribery training.

The Code of Conduct training was offered for the first time in 2020. The development of the anti-corruption and anti-bribery training for management started in 2020, and the training will be offered for the first time in 2021.

No cases of corruption or bribery were reported via the Fagron Integrity Line or other competent authority in 2020.

Grievance mechanism

Fagron attaches great importance to a transparent and honest culture in which employees can openly ask questions and express their concerns or criticism. A culture where integrity is valued reduces the chance of abuses and irregularities. Nevertheless, alertness to signals remains important. With this procedure, Fagron has created a safe, structured way to report suspicions of abuses, conduct that is not in line with the Code of Conduct, or other irregularities. In addition to reporting to the manager or confidential advisor, the Fagron Integrity Line can also be used. This is available online 24/7 and is managed by an external provider. Making a report via the Fagron Integrity Line is completely anonymous and falls under the Whistleblower Scheme.

All reports are treated confidentially. Fagron does not take any action against anyone who, in good faith, raises a concern or reports a violation or suspicion. In the event of suspicion of a wrongdoing, an internal investigation will be carried out first. If this does not lead to improvement, an external report will be made. The full mechanism is available on the Fagron intranet.

Fagron has set the following objectives:

- At least 90% of all employees will learn how the grievance mechanism works, as part of the Fagron Code of Conduct training.
- 100% of Fagron employees will have access to a confidential advisor.

Fair tax policy

The way in which Fagron deals with taxes has a direct influence on the communities in which we operate. We use internal and external tax experts to ensure that we follow the letter and spirit of tax legislation in the countries where we operate. Fagron pays tax in the countries where it is present.

As part of our risk assessment cycle, we annually assess the risk of non-compliance with changing regulations, including tax legislation. A description of the risk assessment cycle and risk management is given in the Risk Management chapter ([page 52](#)). Any concerns regarding unethical or illegal conduct in terms of our tax strategy can be reported via the Fagron Integrity Line (see grievance mechanism above).

2020 grievance mechanism indicators

% Employees who have completed the Code of Conduct training

67.7%

KPI: 90%

Number of complaints submitted via Fagron Integrity Line

1

KPI: -



Information about the Fagron share

Stock exchange listing

Fagron shares are listed on Euronext Brussels and Euronext Amsterdam. The share is included in the BEL Mid index and the AMX index. Options on ordinary Fagron shares are traded on Euronext Derivatives Brussels, Euronext's derivatives market. These American-style options expire on the third Friday of the contract month and have initial terms of 1, 2, 3, 6, 9 and 12 months. Each option represents 100 Fagron shares and is cleared by LCH. Clearnet SA. As of 31 December 2020, the market capitalisation of Fagron amounted to 1,377.1 million euros, a decrease of 1.7% compared to the value as of 31 December 2019. There were 72,477,654 shares issued on 31 December 2020.

Average number of shares outstanding

The number of voting securities was 72,477,654 on 31 December 2020. The total number of voting rights (denominator) is 72,477,654. The authorised capital amounts to 498,551,597.81 euros.

Shares

ISIN code: BE0003874915
Euronext: FAGR

Options

ISIN code: BE0003874915
Euronext Derivatives Brussels: RCU

Trading price

The closing price of the Fagron share on 31 December 2020 was 19.00 euros per share, 1.7% lower than the closing price on 31 December 2019 (19.33 euros per share). In the same period, the BEL Mid index decreased by 6.6% while the AMX index increased by 2.7% in 2020.

Trading	2016	2017	2018	2019	2020
Highest price	€ 10.59	€ 13.50	€ 17.10	€ 19.33	€ 23.10
Lowest price	€ 4.08	€ 9.00	€ 10.02	€ 14.17	€ 14.80
Closing price end of the financial year	€ 9.71	€ 11.42	€ 14.28	€ 19.33	€ 19.00
Highest day volume	1,729,879	1,758,530	1,370,323	1,789,353	584,169
Lowest day volume	56,184	45,321	23,859	37,587	9,133
Dividends	-	€ 0.10	€ 0.12	€ 0.08	€ 0.18
Dividend yield at closing price	-	0.9%	0.8%	0.4%	0.9%
Market capitalisation at the end of the financial year	€ 697,819,840	€ 820,098,164	€ 1,025,930,949	€ 1,395,218,214	€ 1,377,075,426

Shareholder structure

Fagron received notifications of shareholding pursuant to the Belgian Act of 2 May 2007 concerning the disclosure of major shareholdings in listed companies. The table below shows the shareholder structure as of 9 April 2021. Article 11 of Fagron's Articles of Association stipulates that shareholdings must be disclosed as soon as a threshold of 3%, 5% and multiples of 5% has been exceeded.

Dividends

Fagron's Board of Directors will propose to the General Shareholders' Meeting of 10 May to pay a gross dividend of 0.18 euro per share over the 2020 financial year.

Investor relations policy

Fagron attaches substantial value to good, open and timely communications with its investors, analysts and others with (financial) interests in the company with the aim of informing them as effectively and as promptly as possible about policies and developments in the company. Fagron actively seeks to engage in dialogue with existing and potential investors, as well as with analysts that follow the company's share. This annual report is one of those forms of communication. All other relevant information, such as the annual and half-year figures, trading updates, press releases and background information, is available at investors.fagron.com. Investors and potential investors, analysts, journalists and other interested parties are invited to direct questions to:

Constantijn van Rietschoten
Chief Corporate Affairs Officer
+31 6 53 69 15 85
constantijn.van.rietschoten@fagron.com

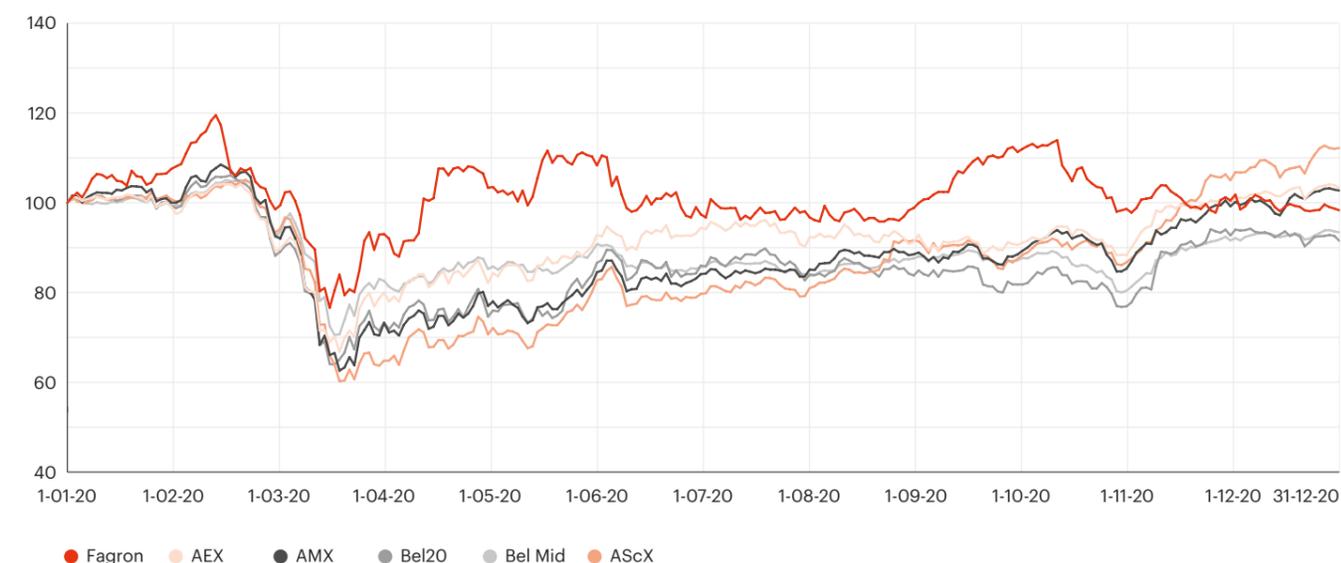
Shareholder structure	Number of shares	% of effective voting rights
Alychlo NV / Marc Coucke	7,749,267	14.96%
The Capital Group Companies	7,553,899	10.47%
NN Group NV	7,178,279	9.95%
Kabouter Management LLC	2,286,973	3.17%
BNP Paribas Asset Management SA	2,172,099	3.00%

Financial calendar

13 April 2021*	Trading update, first quarter 2021
10 May 2021	Annual General Meeting of Shareholders
5 August 2021*	Half-year figures 2021
13 October 2021*	Trading update, third quarter 2021

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

Development in Fagron share price and the indices in 2020





Chairman's message

The year 2020 was undeniably dominated by COVID-19. The worldwide outbreak of the virus has had an enormous impact on the world, including on Fagron and all its stakeholders. The safety and well-being of our employees was and is our absolute priority. By allowing people to work from home as much as possible and taking all necessary safety measures in our facilities, we aim to guarantee safety as best we can. In addition, the Fagron team has done everything in its power to support the care sector. There was a high demand for certain corona-related products. I am proud that Fagron, with its expertise, network and facilities, has helped to tackle shortages. In addition, Fagron has donated FFP2 face masks to the National Exchange Point in the Netherlands. And the non-executive members of the Board of Directors voluntarily relinquished 25% of their remuneration for fiscal year 2020 to combat the COVID-19 virus.

Due to the outbreak of COVID-19, there was a clear shift in demand. On the one hand, planned care was postponed or scaled down, while on the other hand the demand for specific products was exceptionally high. These included products to support the immune system (vitamins, minerals and Fagron Brands such as Imuno® TF and Wellmune®), medicines that are used in intensive care units and medicines for palliative care. On balance, Fagron's performance in 2020 was only affected to a limited extent by COVID-19. Thanks in part to our broad network of suppliers, our product and region diversification and our reliable supply chain have enabled Fagron to navigate well through the crisis.

The General Meeting of Shareholders, which was held entirely digitally on 12 May 2020 as a result of COVID-19, approved the appointment of Mr Rob ten Hoedt as non-executive and independent director of Fagron. During this meeting, Alychlo NV, permanently represented by Mr Marc Coucke, and Michael Schenck BVBA, permanently represented by Mr Michael Schenck, were reappointed as non-executive director, both for a period of four years.

I would like to express my gratitude to all our customers, suppliers, shareholders and other stakeholders for placing their confidence in Fagron, particularly in these challenging times. In addition, I would like to express my gratitude and pride to all employees of the Fagron team for their maximum efforts and flexibility. The resilience and entrepreneurship that are present throughout the company have once again proved their strength in today's market dynamics. We are looking forward to Fagron's future with a lot of confidence.

Koen Hoffman
Chairman of the Board of Directors





Report of the Board of Directors on the consolidated financial statements

Consolidated income statement

Fagron's total turnover (excluding HL Technology) increased by 5.2% (+13.6% at constant exchange rates) to 556.0 million euros in 2020. Organic turnover growth was 0.2% (+8.1% at constant exchange rates), to which all continents on which Fagron is active have contributed.

Fagron EMEA

The EMEA segment turnover increased by 4.0% in 2020 (+4.9% at constant exchange rates) to 267.4 million euros. Adjusted for the acquisition of Gako (Germany) and Pharma Tamar (Israel), the organic turnover growth was 0.5% (at constant exchange rates). The REBITDA fell 3.6% and amounted to 64.7 million euros. The REBITDA as a percentage of the turnover decreased by 190 basis points to 24.2%.

There are major differences in the EMEA region, which are strongly related to the difference in activities and the impact on them of COVID-19. As a result, a number of countries showed good turnover growth while other countries experienced a decline in turnover. Due to the increased demand for corona-related products, Brands and Essentials are developing positively across the board, with Brands in particular showing strong turnover growth. The acquisitions of the German company Gako, in early 2020, and the Israeli Pharma Tamar in the third quarter, also contributed to the growth of Brands and Essentials.

As a result of the COVID-19 pandemic, Compounding Services showed a decrease in turnover. Plannable care was postponed in both the first wave and the second wave, and doctor visits significantly decreased. The decline in turnover could not be compensated by the increased demand for sterile compounded medicines for use in the intensive care and in palliative care, which also resulted from COVID-19. The registration of a number of non-sterile compounded medicines by other parties also had a negative impact on the

turnover. The share of Premium Pharmaceuticals increased further during 2020.

Fagron Latin America

The Latin America segment turnover increased by 2.8% in 2020 (+33.9% at constant exchange rates) to 129.1 million euros. The weakening of the Brazilian real and the Mexican peso have a major impact on the reported turnover in this segment. Organic turnover growth was 20.1% at constant exchange rates. The REBITDA increased by 1.8% to 25.8 million euros. The REBITDA as a percentage of the turnover decreased by 20 basis points to 20.0%.

Essentials in particular showed strong turnover growth, partly due to the high demand for corona-related products. The companies acquired in 2019 also contributed to this turnover growth. Brands also benefited from the demand for corona-related products and showed strong growth, especially in the second half of the year. Thanks to its market leading position, strong network of suppliers and flexible operating methods, Fagron is able to demonstrate good performance, including in challenging market conditions.

The Compounding Services activities in Columbia, which make up a relatively small part of the total Latin American turnover, showed a 5.3% decline in turnover (at constant exchange rates) in 2020 because prescribers were closed for much of the year.

Fagron North America

The North America segment turnover increased by 9.3% in 2020 (+11.5% at constant exchange rates) to 159.5 million euros. Organic turnover growth was 9.2% (+11.3% at constant exchange rates). The REBITDA increased by 42.0% to 33.4 million euros. The REBITDA margin increased by 480 basis points to 20.9% compared to 2019. This strong improvement was due to strict cost control, the phasing out of a number of unprofitable nuclear products at AnazaoHealth, a modified product mix and the

use of economies of scale and synergy after the integration of Humco.

Brands and Essentials showed strong turnover growth of 30.8% in 2020 (+33.4% at constant exchange rates). Centralising the sales organisation of the various brands that are used contributed to this positive development. The demand for a number of specific corona-related products also increased.

Fagron Compounding Services (Fagron Sterile Services and AnazaoHealth) in the United States showed a decrease of 4.9% (-3.0% at constant exchange rates). Fagron Sterile Services (FSS) achieved a turnover increase of 1.8% (+3.9% at constant exchange rates). The turnover growth of FSS was inhibited by the delay of planned care and reduced doctor visits as a result of COVID-19. In 2020, FSS brought 40 new products (SKUs) to market. An important introduction concerns pre-filled infusion bags. These product expansions are strategically important to attract new, large customers. Thirty-five product introductions are planned for 2021. Partly based on this, and its current performance, Fagron is confident that it will achieve the stated turnover goal. However, delays can occur, depending on the further development of COVID-19.

AnazaoHealth showed a decline in turnover of 9.9% (-8.2% at constant exchange rates). This decrease is due mainly to the closure of clinics during a large part of the year as a result of COVID-19. The fact that a number of low-margin nuclear products are no longer prepared as a result of the product focus implemented at the end of 2019 also contributes to the decrease.

The consolidated gross margin (the difference between turnover on the one hand and trade goods on the other) increased by 2.2% to 329.1 million euros. The gross margin as a percentage of the turnover decreased by 100 basis points to 59.2%. This decrease is mainly due to the decrease in turnover in Compounding

Services, which has a higher margin than Brands & Essentials. The consolidation of acquisitions in 2019 and 2020 and the product mix, with a shift from products from plannable care to COVID-19-related products, also had an impact on the gross margin in 2020.

The total operational costs, defined as services and other goods, employee benefit expenses and other operating expenses minus other operating income, were 209.1 million euros, an increase of 0.5% compared to 2019. The cost coverage, defined as operational costs versus gross margin, was 63.6% in 2020.

Depreciation and amortisation increased by 6.7% from 29.3 million euros in 2019 to 31.3 million euros in 2020.

The operating profit amounted to 88.7 million euros in 2020, an increase of 5.2% or 4.4 million euros compared to 2019.

The financial result amounted to -15.0 million euros, a decrease of 0.5 million euros compared to 2019.

This brought the result before taxes to 73.7 million euros, an increase of 3.8 million euros compared to 2019. The effective tax rate as a percentage of the profit before taxes was 18.6% in 2020 compared to 20.2% in 2019. Taxes declined in 2020 to 13.7 million euros compared to 14.2 million euros in 2019.

The net result was 60.0 million euros in 2020 compared to 41.5 million euros in 2019, an increase of 18.5 million euros. The net result for 2019 included discontinued operations of -14.2 million euros, which primarily related to the final settlement with the U.S. Department of Justice.

Consolidated statement of financial position

The consolidated balance sheet total decreased by 6.0% from 801.2 million euros in 2019 to 752.8 million euros in 2020.

Assets

Total non-current assets were 530.9 million euros, a decrease of 31.1 million euros compared to 2019.

Goodwill increased by 24.7 million euros to 364.7 million euros. The decrease in goodwill is mainly due to a weakening of the Brazilian real and the US dollar against the euro.

Intangible fixed assets decreased by 4.3 million euros to a total of 24.5 million euros. Property, plant and equipment decreased by 1.4 million euros to a total of 86.2 million euros.

The net operational capex amounted to 18.4 million euros, representing 3.3% of the 2020 turnover. This is a decrease compared to 22.2 million euros in 2019 or 4.1% of turnover. The net operational investments mainly consist of investments in the new repackaging facility for pharmaceutical raw materials in Poland, existing facilities in the United States and Brazil, automation of logistics processes and software implementations.

The financial non-current assets, consisting of financial fixed assets available for sale and other fixed assets, amounted to 2.3 million euros in 2020, a decrease of 1.9 million euros compared to 2019.

The leasing and similar rights amounted to 32.4 million euros compared to 33.6 million euros in 2019.

Deferred tax assets represented a value of 20.8 million euros.

Total current assets amounted to 221.9 million euros in 2020 compared to 239.2 million euros in 2019, a decrease of 17.3 million euros. Inventories increased by 2.3 million euros, trade receivables decreased by 2.4 million euros, the other receivables increased by 5.3 million euros, while cash and cash equivalents decreased by 22.4 million euros.

Equity and liabilities

Total equity amounted to 257.8 million euros. This is an increase of 11.4 million euros compared to 2019. This increase was caused by the 2020 result (11.8 million euros), the capital increase (3.8 million euros), the dividend made payable (-5.8 million euros) and share-based payments (1.5 million euros).

Total liabilities decreased from 554.8 million euros in 2019 to 495.0 million euros in 2020. This represented a decrease of 59.8 million euros.

Provisions decreased by 2.3 million euros to 3.4 million euros.

Pension obligations in 2020 amounted to 4.8 million euros, a decrease of 1.0 million euros compared to 2019.

Deferred tax liabilities relate to, among other things, temporary differences between reporting and tax accounting at the local entities. These amounted to 2.1 million euros in 2020 compared to 0.3 million euros in 2019.

Non-current interest-bearing financial liabilities (long-term loans and lease liabilities) amounted to 284.4 million euros in 2020, a decrease of 66.4 million euros compared to 2019. Current interest-bearing financial liabilities (short-term borrowings and leasing liabilities) amounted to 71.1 million euros in 2020, an increase of 30.4 million euros compared to 2019.

On 31 December 2020, the net financial debt (total current and non-current interest-bearing financial liabilities plus other non-current liabilities minus cash and cash equivalents) amounted to 271.3 million euros, compared to 284.8 million euros at end of year 2019.

The short-term trade payables were 5.1 million euros lower than in 2019 and amounted to 72.3 million euros.

The tax liabilities for the current year amounted to 8.6 million euros, a decrease of 1.1 million euros compared to 2019.

Other current taxes, remuneration and social security amounted to 22.9 million euros, an increase of 0.8 million euros compared to 2019.

Other (current) liabilities amounted to 24.9 million euros in 2020 compared to 41.8 million euros in 2019.

Consolidated cash flow statement

The consolidated cash flow statement begins with the result before taxes of 73.7 million euros.

This amount is decreased by the outgoing cash flows before taxes of 18.3 million euros. Subsequently, the elements from operating activities not having a cash flow effect or not directly related to operating activities are reintroduced. This was a total of 47.7 million euros. This amount is made up of depreciations and impairments on tangible and intangible assets, interest paid and changes in provisions and deferred taxes. The changes in working capital are then adjusted in the cash flow statement (a negative effect of 10.2 million euros). The total cash flow from operating activities amounted to 93.0 million euros, an increase of 20.4% compared to 77.2 million euros in 2019.

Total cash flows from investment activities produced an outflow of 51.3 million euros related to net investments of 18.4 million euros and payments for existing (subsequent payments) and new holdings of 32.9 million euros.

The total of cash flows from financing activities represented an outflow of 53.1 million euros. The new borrowings (63.6 million euros) and capital increases (3.8 million euros) resulted in an inflow of 67.4 million euros. The outgoing cash flows consisted of the payment of interest on loans and other financial elements such as financial discounts of 14.6 million euros, the payment of the dividend (5.8 million euros) and the repayment on loans of 100.2 million euros.

In total, the cash and cash equivalents in 2020 decreased by 11.5 million euros: from 106.7 million euros at the start of the reporting period to 84.2 million euros at the end of the reporting period. The difference of 11.0 million euros between the changes in cash and cash equivalents of 11.5 million euros and the decrease of the cash and cash equivalents of 22.4 million euros was caused by currency translation differences.

Significant events after balance sheet date

For significant events after the balance sheet date, see Note 35 as included in the Notes to the consolidated financial statements.

Research and development

In the course of 2020, an amount of 1.7 million euros was invested in development. Please refer to Chapter 3 for details. Management of financial risks and Note 16, as included in the Notes to the consolidated financial statements.

Financial instruments

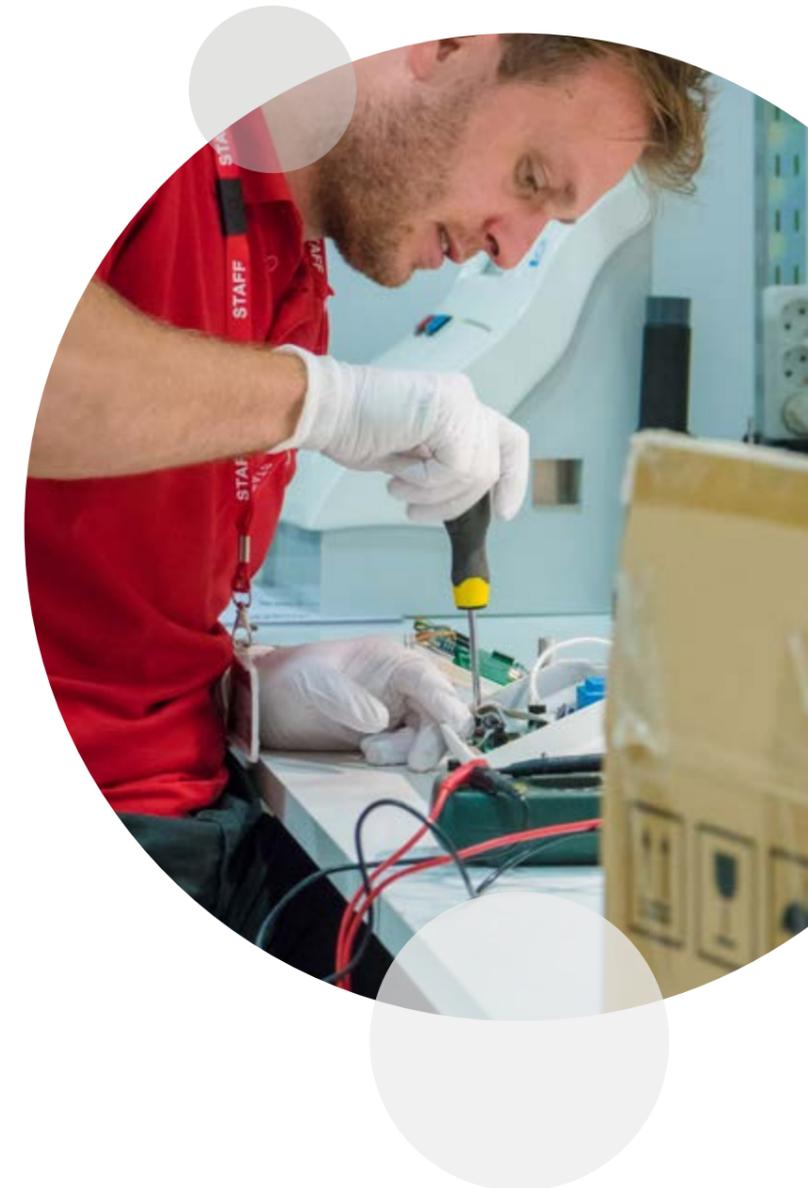
The financial instruments used by the Group are the Sustainable syndicated credit facility, various privately placed loans and ISDA agreements. Please refer to Chapter 10 for details. Other legal information that must be disclosed by listed companies in the Corporate Governance Statement and Chapter 3. Management of financial risks and note 25, as included in the Notes to the consolidated financial statements.

Description of risk management

See the chapter on Risk Management ([page 52](#)) and Note 3 as included in the notes to the consolidated financial statements.

Non-financial information

The non-financial information is included in the chapter Fagron's social responsibility ([page 60](#)).



By responding to the shift in the demand for products and through disciplined cost control, the impact of COVID-19 on our result was limited.



Corporate Governance Statement

The new Belgian Corporate Governance Code (the Code 2020) came into effect on 1 January 2020. This code replaces the Code 2009 and is available online at www.corporategovernancecommittee.be. Fagron applies the Code 2020 and uses it as a reference code, in accordance with Article 3:6, §2 of the Belgian Company Code and the Royal Decree of 12 May 2019 designating the code to be complied with regarding sound management practices by listed companies.

The Board of Directors regularly revises the Corporate Governance Charter and makes changes where necessary. The Corporate Governance Charter, which was originally established on 4 October 2007 by the Board of Directors, was last amended on 9 April 2021 to align it with the provisions of the Code 2020, subject to approval of the new governance structure by the Extraordinary General Meeting. The most recent version of the Corporate Governance Charter can be consulted on the investor relations website under the section Corporate Governance/Governance documents (investors.fagron.com).

The Corporate Governance Charter and its Annexes contain the internal regulations of the Board of Directors, the Audit Committee, the Nomination and Remuneration Committee, the Executive Committee and the Global Leadership Team (from 2021). The Charter also includes the policy established by the Board of Directors for transactions and other contractual relations between Fagron and its directors and members of the Executive Committee and the Global Leadership Team (from 2021). The Board of Directors has furthermore established rules to prevent misuse of inside information and market abuse. These internal policy documents are available on the investor relations website under the section Corporate Governance/Governance documents (investors.fagron.com). Future changes to the Corporate Governance Charter will also be published on the corporate website.

The Code 2020 applies the ‘comply or explain’ principle, which means that any deviations from the recommendations must be justified. Unless expressly stated otherwise and substantiated in this Corporate Governance Statement, Fagron complies with the provisions of the Code 2020.

A proposal will be presented to the Extraordinary General Meeting of 10 May 2021 to apply the new Belgian Company Code and consequently to adapt Fagron’s Articles of Association to the new Belgian Company Code.

Governance principles

The most important aspects of Fagron’s management policy – in particular the role, responsibilities, composition and operation of the Board of Directors, its advisory Committees and the Global Leadership Team – are set out in the Corporate Governance Charter.

On the date of this report, Fagron fully complies with the provisions of the Code 2020, with the exception of a limited number of deviations with regard to principle 4.15 that provides for the presence of the internal auditor during the meetings of the audit committee (in view of the recent recruitment), principle 7.6 that provides for the payment of part of the remuneration for the non-executive directors in shares, principle 7.9 which stipulates that members of the executive management must maintain a minimum threshold for shares in the company and principle 7.12 that provides for a right of



reclaim for acquired bonuses. The deviations are indicated, substantiated and further explained in the relevant parts of this Corporate Governance Statement.

Governance structure

For the 2020 financial year, Fagron’s management structure consists on the one hand of the Board of Directors, within which an Audit Committee and a Nomination and Remuneration Committee were established, and on the other hand of an Executive Committee within the meaning of Article 524bis of the (former) Company Code. The Board of Directors is the highest decision-making body within Fagron and is authorised to perform all actions that are necessary for the realisation of its objective, except for those for which only the General Meeting of Shareholders is authorised by law or the Articles of Association, and the powers that were transferred to the Executive Committee.

In the financial year 2021, Fagron has chosen to transform its management structure into a one tier board structure as described in Articles 7:85 et seq. of the Belgian Company Code.

A proposal will be made at the Extraordinary General Meeting of 10 May 2021 to amend Fagron’s Articles of Association accordingly in order to align them with the provisions of the new Belgian Company Code. From the 2021 financial year, the Board of Directors will evaluate at least once every five years whether the chosen governance structure is still suitable.

In this new management structure, the Board of Directors as a collegial administrative body will be authorised to perform all actions that are necessary or useful to achieve the objective of Fagron, with the exception of the actions that are reserved by law or the Articles of Association for the General Meeting. The Executive Committee will be dissolved and the Board of Directors will delegate specific management powers to the Global Leadership Team, which will be implemented under the chairmanship of the CEO.

1. General Meeting

Composition of the General Meeting

The General Meetings are convened by the Board of Directors or the Statutory Auditor (or, as the case may be, the liquidators).

The Annual General Meeting will be held on the second Monday of May at 3 p.m. Convocation notices for the General Meetings are in the form and within the time limits as set out in the Belgian Companies Code and the convocation notices must at least contain the details as set out in Article 7:129 of the Belgian Companies Code.

The right to attend the General Meeting and to exercise voting rights shall be granted solely based on the administrative registration of the shares in the shareholder’s name on the fourteenth day before the General Meeting at midnight, Belgian time, either through the shareholder’s registration in the Company’s shares register, or by their registration in the accounts of a certified account holder or intermediary, irrespective of the number of shares that the shareholder is holding on the actual date of the General Meeting.

The date and time as aforementioned serve as the registration date. Shareholders shall report, to the Company or to the relevant person appointed by the Company, their intention to attend the General Meeting no later than the sixth day before the date of the meeting. The certified account holder or intermediary shall provide the shareholder with a certificate from which it is apparent with how many dematerialised shares, registered in its accounts in the shareholder’s name on the registration date, the shareholder has indicated to wish to participate in the General Meeting.

For each shareholder who expressed a wish to attend the General Meeting, a register designated by the Board of Directors will serve to record his/her name and address or office, the number of shares in his/her possession on the registration date and with which he/she has indicated for participation in the General Meeting, as well as a description of the documents that prove that he/she held the relevant shares on that registration date.

Holders of bonds, subscription rights or certificates issued with the Company’s cooperation are permitted to attend the General Meeting with an advisory vote, on the condition that the admission conditions which apply to the shareholders are fulfilled.

Every shareholder with a right to vote may be represented by a natural person or legal entity at the General Meeting in accordance with the applicable provisions in the Belgian Companies Code. In the convocation notice, within the limits as specified in the Belgian Companies Code, the Board of Directors defines the procedure for voting by proxy and the proxy form that must be used when granting the proxy. The Company must receive the proxies no later than on the sixth day before the date of the General Meeting, in accordance with the procedure established by the Board of Directors. The calculation of the rules regarding quorum and majority shall be based solely on the proxies from the shareholders that comply with the admission formalities as specified in the Articles of Association.

Function and role of the General Meeting

One or more shareholders, who together hold at least 3% of the capital, may have items placed on the agenda of the General Meeting and may submit motions for a vote in relation to the agenda items or items to be placed on the agenda. This article does not apply for a General Meeting convened in the application of Article 7:130 of the Belgian Companies Code.

On the date that shareholders submit an agenda item or motion to vote, the relevant shareholders must prove that they satisfy the 3% threshold, either based on a certificate of registration of the relevant shares in the Company's shares register, or based on a certificate issued by a certified account holder or intermediary institution from which it is apparent that the relevant number of dematerialised shares has been registered to their name and account.

The subjects to be placed on the agenda and the motions to vote that have been placed on the agenda will only be discussed if the aforementioned 3% of the capital has been registered in accordance with Article 7:134 Section 2 of the Belgian Companies Code.

The requests must be made in writing and must be accompanied by the text of the subjects to be discussed and the associated motions to vote, or by the text of the motions to vote to be placed on the agenda. A mailing address or email address must be included, to which the Board of Directors will send the confirmation of receipt of these requests.

The Company must receive these requests no later than on the twenty-second day before the date of the General Meeting. Requests are sent to the Company in an electronic format to the address stated in the convocation notice for the General Meeting. The Company shall confirm receipt of the requests within a period of forty-eight hours to be calculated as of that receipt. Upon receipt of the requests, the Company shall act in accordance with the Belgian Companies Code, in particular, in accordance with Article 7:129 of the Belgian Companies Code.

The provision contained in Article 7:129 of the Belgian Companies Code must be applied in good faith by the shareholders as well as by the Company. It may only be invoked in the interest of the Company.

The directors shall answer the questions that are asked by the shareholders during the meeting or in writing regarding their report, or regarding the agenda items, insofar as the communication of information or facts would not be detrimental to the Company's business interests or to the confidentiality to which the Company, its directors or the Statutory Auditor(s) are obligated.

During the meeting, the Statutory Auditor(s) shall answer the questions asked verbally by the shareholders during the meeting or in writing regarding its/their report.

If there are various questions regarding the same subject, the directors and Statutory Auditor(s) may answer these in a single response.

As soon as the convocation notice has been published, the shareholders may submit the questions specified in the first paragraph in writing and these shall be answered in the meeting by, as the case may be, the directors or the Statutory Auditor(s), to the extent the relevant shareholders complied with the formalities that had to be completed before being admitted to the meeting. The questions may be sent electronically to the Company address as stated in the convocation notice for the General Meeting. The Company must have received the questions in writing no later than on the sixth day before the meeting.

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

- On 14 May 2012, in order to satisfy the mandatory provisions of the Act of 20 December 2010 (Act regarding the exercise of certain rights of shareholders of listed companies).
- On 12 December 2014, concerning the:
 - Change of the company name from Arseus to Fagron;
 - Renewal of the authorisation for the acquisition and disposal of treasury shares;
 - Amendment of the provisions in the Articles of Association concerning the discontinuation of bearer shares (Act of 14 December 2005);
 - Amendment of the provisions in the Articles of Association concerning the liquidation procedure in accordance with the stipulations of the Belgian Company Code (Acts of 19 March 2012 and 25 April 2014).
- On 29 June 2015, in order to increase the capital within the context of the authorised capital through contribution in kind upon the issuance of new shares.
- On 5 August 2015, in order to increase the capital within the context of the authorised capital through contribution in kind upon the issuance of new shares.
- On 20 May 2016, in order to increase the capital against the issuance of new shares, as approved during the Extraordinary General Meeting of 4 May 2016.
- On 1 July 2016, in order to reduce the capital by making up transferred losses without the cancellation of shares.
- On 7 July 2016, in order to increase the capital against the issuance of new shares, as approved during the Extraordinary General Meeting of 4 May 2016.
- On 8 May 2017, in order to renew the authorisation in the context of the authorised capital for a period of five years.

- On 13 May 2019, in order to renew the authorisation for the acquisition and disposal of treasury shares for a period of five years.

The coordinated Articles of Association can be accessed on the corporate website (investors.fagron.com) in the section entitled "Corporate Governance".

2. Board of Directors

Composition of the Board of Directors

Fagron's Board of Directors consists of at least three and directors no more than eleven members, with at least one-third of the members of the Board of Directors being of a different gender than the other members. The Corporate Governance Charter stipulates that at least half of the directors are non-executive and that at least three directors are independent within the meaning of Article 7:87, §1 of the Belgian Company Code, and therefore meet the criteria as determined in principle 3.5 of the Code 2020. For the 2020 financial year, the composition and operation of the Fagron Board of Directors satisfies all provisions of Code 2020.

The Board of Directors is composed in such a way that:

- there is sufficient expertise concerning Fagron's various activities, as well as sufficient diversity in abilities, background, age and gender, so that the Board of Directors is able to fulfil its role to the best of its ability;
- each director meets the specific qualitative requirements set out in the Corporate Governance Charter;
- the directors do not perform more than five mandates as director of a listed company;
- the mandate of the directors will end at the General Meeting in the calendar year in which the director turns seventy, unless the Board of Directors decides otherwise, on the recommendation of the Nomination and Remuneration Committee.

On the date of this report, the Board of Directors is composed of eight members as follows:

- two executive directors;
- six non-executive directors of which four independent directors who meet the criteria of Article 7:87, §1 of the Belgian Company Code and principle 3.5 of the Code 2020;
- one-third of the directors is of a different gender than the other directors as determined by Article 7:86 of the Belgian Company Code.

On 11 May 2020, the General Meeting confirmed the co-options of Robert ten Hoedt as Executive Director. In addition, the mandates of Robert ten Hoedt, Alychlo NV, were permanently represented by Marc Coucke and of Michael Schenck BV, permanently represented by Michael Schenck, renewed for a period of four years to end immediately after the Annual Meeting of the year 2024.

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

Composition of the Board of Directors

Composition during the financial year 2020	Term of the position	Independent director	Nomination and Remuneration Committee	Audit Committee	Presence
Rafael Padilla – Chief Executive Officer	AGM 2022				Board of Directors: 10/10
Karin de Jong – Chief Financial Officer	AGM 2022				Board of Directors: 10/10
Management Deprez BV, permanently represented by Veerle Deprez	AGM 2022	•	(Chairman)		Board of Directors: 10/10 NRC: 3/3
AHOK BV, permanently represented by Koen Hoffman	AGM 2023	•	•	•	Board of Directors: 10/10 AC: 4/4 NRC: 3/3
Vanzel G. Comm.V., permanently represented by Giulia Van Waeyenberge	AGM 2023	•		(Chairman)	Board of Directors: 10/10 AC: 4/4
Alychlo NV, permanently represented by Marc Coucke	AGM 2024				Board of Directors: 10/10
Michael Schenck BV, permanently represented by Michael Schenck	AGM 2024		•	•	Board of Directors: 10/10 AC: 4/4 NRC: 3/3
Robert ten Hoedt	AGM 2024	•			Board of Directors: 10/10



Below are the abbreviated curriculum vitae of the members of the Board of Directors.



AHOK BV, permanently represented by Koen Hoffman: Chairman of the Board of Directors

Koen Hoffman holds a master's degree in Applied Economics and an MBA from the Vlerick Business School. From 1992 to July 2016, he worked for the KBC Group where he started his career in the corporate finance department and became the CEO of KBC Securities in October 2012. Since August 2016, he has been

the CEO of the asset manager Value Square. Koen Hoffman is also an independent director at the listed companies Greenyard (Chairman), Mithra Pharmaceuticals, MDxHealth (Chairman) and SnowWorld (Chairman).



Vanzel G. Comm.V., permanently represented by Giulia van Waeyenberge

Giulia Van Waeyenberge obtained a master's degree in Electrical Engineering from the Catholic University of Leuven in 2005 and a master's degree in Applied Economic Sciences from Singapore Management University in 2006. Giulia van Waeyenberge works as a Senior Investment Manager at investment company Sofina. She worked previously at family-run investment business De Eik and at Sofina as

Investment Manager. Prior to that she served as vice president at Bank of America Merrill Lynch, both in London and Singapore. She started her career in investment banking at ABN AMRO Singapore. Giulia van Waeyenberge has already served on a number of boards, among others at Flemish employer's organization Voka, and is a member of the Board of Directors of Havenbedrijf Antwerpen NV.



Rafael Padilla – Chief Executive Officer

Rafael Padilla obtained a degree in Pharmaceutical Sciences from the University of Barcelona and followed a Programme for Management Development (PMD) at the IESE Business School. He started his career in 2002 with Fagron in the Netherlands and is a member of the Executive Committee of Fagron. Rafael

Padilla has a long-time operational and commercial track record throughout the Fagron organisation. Under the leadership of Rafael Padilla, Fagron has been able to successfully expand its activities in Southern Europe and Latin America since 2010 through strong organic growth and acquisitions.



Alychlo NV, permanently represented by Marc Coucke

Marc Coucke is the founder of Omega Pharma. Since its sale, he has invested in various listed and non-listed companies via Alychlo NV, at which he serves as chairman. Marc Coucke

graduated as a pharmacist from the University of Ghent and obtained an MBA from the Vlerick Management School in Ghent.



Karin de Jong – Chief Financial Officer

Karin de Jong has been CFO of Fagron since May 2016. Karin De Jong has been with Fagron since 2008, when she started as corporate controller; she was appointed Group Controller in 2013. After finishing her degree in business

administration, accounting and control, Karin de Jong completed the post-doctoral registered controller program at Erasmus University Rotterdam.



Michael Schenck BV, permanently represented by Michael Schenck

Michael Schenck is currently Investment Manager at Alychlo NV, the investment company of Marc Coucke. Michael Schenck previously served as Investment Manager at Waterland Private Equity. He started his career in corporate finance in France and has worked in Africa as

both volunteer and entrepreneur. Michael Schenck holds master's degrees in business administration and international management from Erasmus University Rotterdam and HEC Paris.



Management Deprez BV, permanently represented by Veerle Deprez

Veerle Deprez started her career at Alcatel Bell in 1980. In 1987, together with her brother Hein Deprez, she laid the foundations for Univeg, which subsequently grew to become the Greenyard Fresh segment. In 2003 and 2004, Univeg Peltracom acquired Peltracom and Agrofino, manufacturers of potting soil, soil improvers and substrates. In 2005, the Deprez family expanded their activities to Pinguin (listed on Euronext), market leader in

frozen vegetables. The range was expanded with preserved vegetables by the acquisition of Noliko in 2011. In 2015, the three branches, Univeg, Pinguin and Peltracom, were merged under the name Greenyard. Veerle Deprez is also director of the listed companies Greenyard and Tessenderlo Group, as well as of various companies belonging to the Greenyard group and De Weide Blik group.



Robert ten Hoedt

Robert (Rob) ten Hoedt is President of Europe, Middle East and Africa and a member of the Medtronic Executive Committee. Rob ten Hoedt has held numerous international sales, marketing and general management positions in the medical technology industry and has been at Medtronic since 1991. He is also chairman of

the Board of Directors of Medtech Europe, the European interest group for the medical technology industry. Rob ten Hoedt holds a bachelor's degree in commercial economics and business administration and a master's degree in marketing from the Netherlands Institute for Marketing (NIMA).

Diversity in the Board of Directors

The Board of Directors complies with its obligations regarding gender diversity as stipulated in Article 7:86 of the Belgian Company Code, which stipulates that at least one-third of the members of the Board of Directors must be of a different gender than the other members. In addition, Fagron values complementary skills, experience and knowledge as well as age diversity in the composition of the Board of Directors.

The appointment and renewal of the mandates of the directors and the appointment of the members of the advisory Committees takes into account diversity in gender, age, education and professional background, as well as complementary skills, experience and knowledge as evidenced by their biographies.

In the context of the self-assessment, special attention is also paid to complementarity and diversity in the composition of the Board of Directors and its Committees. On the date of this report, there are three female and five male directors on the Board of Directors. The Board of Directors has representatives of three nationalities from different age categories.

Function and role of the Board of Directors

The Board of Directors established its internal regulations as part of its preparation of the Corporate Governance Charter. In addition to what it is legally obligated to do, the Board of Directors has the following specific tasks:

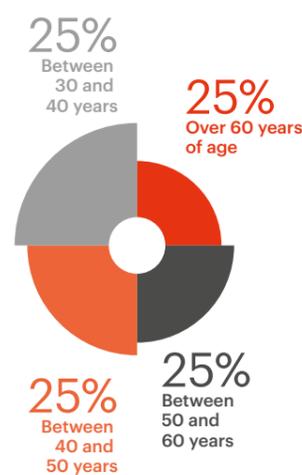
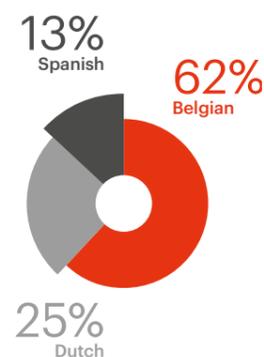
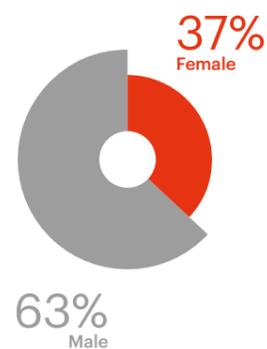
- determining the strategy, risk profile, values and main policies;
- ensuring that the necessary financial and human resources are available to achieve the objectives;
- supervising and assessing the financial and operational performance and future-oriented development of the Group's operating results;
- approving the internal control and risk management framework;
- structuring the Executive Committee and the Global Leadership Team (starting in 2021), establishing its powers and duties and evaluating its performance;
- supervising the quality and completeness of the published financial statements, as well as the integrity and timely publication of the financial statements and other material financial and non-financial information;
- determining the corporate governance structure and supervising compliance with the provisions of the Corporate Governance Code, establishing specialised Committees, establishing their internal regulations and assessing their effectiveness;
- encouraging an effective dialogue with the shareholders and potential shareholders;
- approving the contracts for the appointment of the CEO and of the other members of the Executive Committee or the Global Leadership Team (from 2021);
- selecting the Statutory Auditor on the recommendation of the Audit Committee and supervising his/her performance, and supervising the internal audit function.

The Chairman chairs the meetings of the Board of Directors to ensure that the decision-making process is as constructive and efficient as possible. He chairs the General Meetings, ensures effective communication with the shareholders and is the first contact with the shareholders for all matters that fall under the authority of the Board of Directors. He strives for an effective interaction between the Board of Directors and the management.

The executive and non-executive members of the Board of Directors convened ten times in 2020 (11 February, 10 April, 13 April, 11 May, 19 June, 4 August, 12 October, 29 October, 4 December and 10 December).

All directors were present at these meetings. All meetings were attended by the Global Legal Affairs Director, Johan Verlinden, and some of the meetings were attended by various members of the Global Leadership Team on topics within their area of competence.

The non-executive directors convened separately on two occasions in 2020 (13 April and 12 October). The key topics discussed were the organisation, taking into account the future, the company's remuneration policy and the further expansion of the Company's growth and acquisition strategy. All non-executive members of the Board of Directors were in attendance at these meetings.

Age**Nationality****Gender**

In 2020, the Board of Directors mainly focused its attention to the following issues:

- calling and adopting the agenda of the Ordinary and Extraordinary General Meeting, including submission to the Extraordinary General Meeting of Shareholders for approval of the application of the new Belgian Company Code, as well as the resulting proposed amendments to the Articles of Association;
- ordering an update of the Corporate Governance Charter in order to comply with the amended Articles of Association and the Code 2020, and discussing and approving changes to this Charter. In this context, the Board of Directors, in accordance with principle 8.7 of the Code 2020, has found that it is currently not required that the Company enter into a relationship agreement, but that this will be reassessed in due course;
- the preparation and updating of Fagron's Remuneration Policy and Report and, in general, the follow-up of activities to comply with the provisions of the Shareholders' Rights Directive (EU) 2017/828;
- the follow-up, strengthening and support of the company's ESG policy;
- the establishment and details of the internal audit function and the supervision of the company's compliance activities;
- the follow-up and analysis of the digital developments and security within the company;
- the follow-up of the progress of the budget reviews at regional level for the 2020 financial year and then the analysis and approval of the budget performed for the 2021 financial year;
- approval and follow-up of investment opportunities;
- the strategic development of Fagron, including the further expansion of the growth and acquisition strategy;
- analysing, investigating and assessing the financing structure of the company;

- assessing Fagron's financial and operating results;
- evaluating and analysing the performance of the members of the Executive Committee and the Global Leadership Team;
- supervising compliance with the requirements of the MAR Regulation;
- discussing the remuneration policy for non-executive directors, taking into account the recommendations of the Code 2020;
- performing a formal self-assessment to evaluate the composition, operation and effectiveness of the Board of Directors;
- assessing the press releases drawn up for the publication of the periodic, semi-annual and annual financial results;
- follow-up of the impact of COVID-19 on Fagron and the measures taken to protect Fagron employees to secure the supply and distribution of raw materials and pharmaceutical products worldwide and to limit the consequences for company activities.

Process for the evaluation of the Board of Directors

Under the leadership of the Chairman, the Board of Directors conducts an evaluation every two years of its scope, composition and operation and that of its Committees, as well as its interaction with the Executive Committee and the Global Leadership Team (from 2021). The Chairman of the Board of Directors and the performance of his/her role within the Board of Directors are also evaluated.

The goal is to stimulate the continuous improvement of Fagron's corporate governance by acknowledging the strengths of the Board of Directors while also identifying areas for improvement. The self-evaluation of the Board of Directors is coordinated by the Global HR Director, under the leadership of the Chairman, and is followed up by the Nomination and Remuneration Committee.

This self-evaluation has four objectives:

1. to assess the operation of the Board of Directors and the Committees;
2. to determine whether key issues are thoroughly prepared and discussed;
3. to assess the actual contribution from each director to the work of the Board of Directors, his or her presence at the Board and Committee meetings and his or her constructive involvement in the discussions and the decision-making process;
4. to assess the existing management structure and composition of the Board of Directors and the Committees in light of the required composition of the Board of Directors and of the Committees.

The evaluation of the operation of the Board of Directors in terms of its scope, composition, operation and that of its Committees, as well as of its interaction with the Executive Committee, took place on 13 April 2020 under the leadership of the Chairman of the Board of Directors. This evaluation resulted in a favourable assessment in terms of the current management structure, the cooperation and dynamics within the Board of Directors, the interaction with the Committees and the Statutory Auditor and the contribution of each director and their level of engagement.

The interaction with and support of the Executive Committee and the Global Leadership Team, especially in a challenging year due to the COVID-19 pandemic that has demanded a lot from the company and its employees to keep its operations as an essential company in the pharmaceutical chain optimally operational and the efficient operation and preparation of the Board of Directors, were identified as particular areas that could be given more attention to improve the effectiveness of the Board of Directors.

3. Specialised Committees within the Board of Directors

The Board of Directors has set up two advisory Committees: the Audit Committee and the Nomination and Remuneration Committee. Their role, duties, operation and composition are established in accordance with the Belgian Company Code and the recommendations of the Code 2020 and are described in their respective internal regulations, which are an annex to the Corporate Governance Charter. The Charter is available on the corporate website (investors.fagron.com) in the section Corporate Governance.

These Committees assist the Board of Directors in specific circumstances which they monitor carefully and for which they submit recommendations to the Board of Directors. The ultimate decision-making is the responsibility of the Board of Directors. After each meeting, the Committees report on their work to the full Board of Directors.

Audit Committee

Composition of the Audit Committee

The Audit Committee consists of at least three non-executive directors appointed by the Board of Directors. At least one member of the Audit Committee is an independent director within the meaning of article 7:87, §1 of the Belgian Company Code, who meets the criteria of principle 3.5 of the Code 2020.

On the date of this report, the Audit Committee consists of the following members:

- Vanzel Comm.V., permanently represented by Giulia Van Waeyenberge (Chairman) - Independent Director
- Michael Schenck BV, permanently represented by Michael Schenck - Non-Executive Director
- AHOK BV, permanently represented by Koen Hoffman - Independent Director

The composition of the Audit Committee meets all requirements for the 2020 financial year that are stated in the Code 2020 and the Belgian Company Code, with the exception of the presence of the internal auditor during the Audit Committee meetings. This is because the internal auditor was only appointed in the second half of 2020 and defined as the first priorities the identification of his priorities and the preparation of the internal audit plan.

All members of the Audit Committee have collective expertise in the field of Fagron's activities and have sufficient bookkeeping and auditing experience.

Function and role of the Audit Committee

The Audit Committee met four times in 2020 (11 February, 4 August (2x) and 4 December). All members of the Audit Committee in office attended these meetings. Also in attendance at these meetings, upon the Audit Committee's request, were Rafael Padilla and Karin de Jong. The Statutory Auditor attended three of the four meetings (11 February, 4 August (1x) and 4 December).

The Audit Committee is the primary point of contact for the internal audit function and the Statutory Auditor. Without prejudice to the statutory duties of the Board of Directors, the Audit Committee is responsible for developing an audit program that covers all activities of the Company in the long-term and is specifically responsible for:

1. determining the internal financial reporting to the Board of Directors;
2. monitoring the financial reporting process;
3. monitoring the effectiveness of the Company's internal control and risk management systems;
4. monitoring the internal audits and their effectiveness;

5. monitoring the statutory audit of the financial statements and the consolidated financial statements, including follow-up to questions and recommendations as stated by the Statutory Auditor;
6. assessing and monitoring the independence of the Statutory Auditor, taking particular note of additional services provided to the Company.

In the financial year 2020, the Audit Committee mainly dealt with the following topics:

- monitoring of the consolidated half-year and annual results and the statutory and consolidated financial statements;
- monitoring the recording in the accounts of specific IFRS activities and applications;
- monitoring and evaluation of the performance of the Statutory Auditor;
- follow-up and support of the recruitment of the internal auditor and the establishment of the internal audit function, including the internal audit plan in which the planned audit activities and the risk analysis are defined;
- monitoring the improvements of Fagron's internal control and risk management systems and their effectiveness, in particular with regard to cybersecurity attacks and IT governance;
- follow-up of pending disputes reported by subsidiaries;
- follow-up of the most important regulatory developments and changes and their possible impact.

In 2019, the Audit Committee began to set up an independent internal audit function. During the 2019 financial year, the first steps were taken to create the framework for the operation of an independent internal audit function. During the second half of the 2020 financial year, an internal auditor was recruited to further shape the set-up and expansion of the internal audit function during the 2021 financial year.

Nomination and Remuneration Committee

Composition of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of at least three non-executive directors appointed by the Board of Directors. At least the majority of its members are independent directors in accordance with Article 7:87, §1 of the Belgian Company Code, who meet the criteria of principle 3.5 of the Code 2020.

On the date of this report, the Nomination and Remuneration Committee consists of the following members:

- Management Deprez BV, permanently represented by Veerle Deprez (Chairman) - Independent Director
- Michael Schenck BV, permanently represented by Michael Schenck - Non-Executive Director
- AHOK BV, permanently represented by Koen Hoffman - Independent Director

For the 2020 financial year, the composition of the Nomination and Remuneration Committee complies with all the requirements set out in the Code 2020 and the Belgian Company Code.

The members of the Nomination and Remuneration Committee have collective competence and expertise in the area of remuneration and remuneration policy. The CEO is invited to meetings of the Nomination and Remuneration Committee when the Committee discusses the appointment or remuneration of the other members of the Executive Committee or the Global Leadership Team. The Nomination and Remuneration Committee has the freedom to invite other people of its choice to the meetings.

Function and role of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee met three times in 2020 (9 January, 10 February and 30 July). All members of the Nomination and Remuneration Committee in office, the CEO and the Global HR Director attended these meetings.

The main duties with regard to nominations consist of: drawing up the appointment procedures for the members of the Board of Directors and for the members of the Executive Committee and the Global Leadership Team (from 2021), nominating suitable candidates for vacant directorships, formulating proposals for reappointments, evaluating and making recommendations about the composition of the Board of Directors and its Committees, providing advice about proposals concerning the appointment or dismissal of directors, members of the Executive Committee and the Global Leadership Team, and evaluating potential candidates for a position within the Executive Committee or the Global Leadership Team.

The main duties with regard to remuneration consist of:

1. preparing, assessing and making proposals to the Board of Directors regarding the remuneration policy to be implemented regarding the directors, the members of the Executive Committee, the members of the Global Leadership Team and, where applicable, regarding the ensuing proposals that must be presented to the shareholders by the Board of Directors;
2. preparing, assessing and making proposals to the Board of Directors about the individual remuneration of the directors, the members of the Executive Committee, the members of the Global Leadership Team, including variable remuneration and long-term premiums, which may or may not be associated with shares, in the form of share options or other financial instruments, as well as severance payments and, where applicable, regarding the ensuing proposals that must be presented to the shareholders by the Board of Directors;
3. preparing recommendations regarding performance targets for the CEO and the other members of the Executive Committee and the members of the Global Leadership Team;
4. preparing recommendations regarding the allocation of annual bonuses and long-term incentives for the CEO and the other members of the Executive Committee and the Global Leadership Team;
5. discussing the operation and performance of the Executive Committee and the members of the Global Leadership Team;
6. reviewing both the operation and performance of the Executive Committee and the Global Leadership Team with the CEO at least once per year;
7. preparing the remuneration policy, the remuneration report to be added to the Corporate Governance Statement by the Board of Directors and disclosing the remuneration report to the Works Council, or, if there is no Works Council, to the employee representatives in the Committee

for prevention and protection at work, or, if there is no such committee, to the union representatives;

8. providing an explanation of the remuneration report and policy at the annual General Meeting.

In the 2020 financial year, the Nomination and Remuneration Committee mainly addressed the following topics:

- Monitoring changes in the regulatory framework and recommendations related to governance and remuneration, with regard to the Code 2020 and the Shareholders' Rights Directive (EU) 2017/828;
- Assisting in the evaluation of the performance of the Board of Directors;
- Evaluating and discussing possible changes in the remuneration policy for non-executive directors in response to the recommendations of the Code 2020;
- Discussing and submitting proposals to the Board of Directors, in consultation with the CEO, regarding the composition of and the functions within the Global Leadership Team;
- Evaluating and determining performance criteria and objectives for the members of the Executive Committee and the Global Leadership Team;
- Handling matters relating to remuneration, the allocation of annual bonuses and long-term incentive remuneration to the members of the Executive Committee and the Global Leadership Team;
- The preparation and review of the remuneration report and policy;
- The preparation and issue of the Subscription Rights Plan 2020.

4. Executive Committee

Composition of the Executive Committee

The Board of Directors appoints the members of the Executive Committee based on the recommendations from the Nomination and Remuneration Committee. The members are appointed for a four-year term. For the 2020 financial year, the composition and operation of the Executive Committee complies with all provisions of the Code 2020.

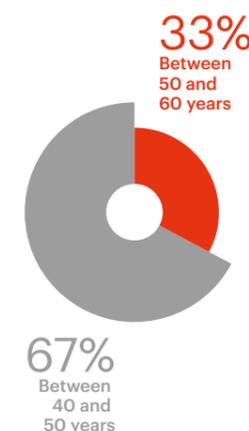
There were no changes in the composition of the Executive Committee during the financial year 2020. A proposal will be made to the Extraordinary General Meeting of 10 May 2021 to transform Fagron's management structure into a unitary board as described in Articles 7: 85 et seq. of the Belgian Company Code as a result of which, subject to approval by the Extraordinary General Meeting, the Executive Committee will cease to exist and the Board of Directors will delegate specific management powers to the Global Leadership Team, which will be implemented under the CEO's chairmanship.

Diversity in the Executive Committee

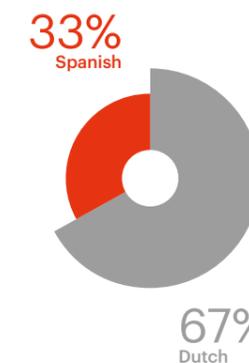
Within the Executive Committee, a third of the members of the Executive Committee are of a different gender than the other members. In addition, Fagron values complementary skills, experience and knowledge as well as age diversity in the composition of the Executive Committee.

The appointment and renewal of the mandates of the members of the Executive Committee takes into account diversity in gender, age, education and professional background, as well as complementary skills, experience and knowledge.

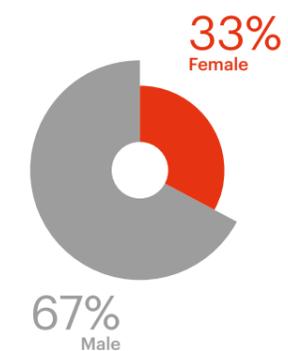
Age



Nationality



Gender



Composition of the Executive Committee

Composition during the financial year 2020

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

On 31 December 2020, the Executive Committee consisted of one female member and two male members. The Executive Committee has representatives of two nationalities from different age categories.

Function and role of the Executive Committee

The Executive Committee is responsible for the management of the company. It exercises the management powers that the Board of Directors has delegated to it (within the limits of the general and strategic policy and if not expressly reserved for the Board of Directors by law or otherwise).

This means that the Executive Committee exercises the most extensive powers in daily management, mergers, acquisitions, investments and divestments, research and product development, distribution, purchasing and production, marketing and sales, logistics and information technology, accounting, administrative and financial matters, treasury, supervision and control of the business units (managers), legal matters, intellectual property, environment and permits, human resources, insurance, tax and subsidy matters and the creation of press releases and the financial statements.

More detailed information can be found in the internal regulations of the Executive Committee, which is an annex to the Corporate Governance Charter and is available on the corporate website (investors.fagron.com) in the section entitled “Corporate Governance”. The Executive Committee meets as often as the interests of the Company require, within fourteen days after a request for that purpose from two members of the Executive Committee. The Executive Committee also provides quarterly reports on its activities to the Board of Directors.

Process for the evaluation of the Executive Committee

The CEO and the Nomination and Remuneration Committee assess the operation as well as the performance of the Executive Committee on an annual basis. The evaluation of the Executive Committee occurs in the context of determining the variable remuneration of the Executive Committee members.

5. Global Leadership Team

Composition of the Global Leadership Team

The Board of Directors appoints the members of the Global Leadership Team based on the recommendations from the Nomination and Remuneration Committee and following consultation and upon recommendation of the CEO. The members are appointed for an indefinite period of time and can be dismissed from their position at any time by the Board of Directors. The remuneration and conditions for the dismissal of a member of the Global Leadership Team are regulated in the individual agreement between the team member and Fagron.

A proposal will be made to the Extraordinary General Meeting of 10 May 2021 to transform Fagron’s management structure into a unitary board as described in Articles 7: 85 et seq. of the Belgian Company Code as a result of which, subject to approval by the Extraordinary General Meeting, the Executive Committee will cease to exist and the Board of Directors will delegate specific management powers to the Global Leadership Team, which will be implemented under the CEO’s chairmanship.

Responsibility for the daily management will be exercised by the CEO in close cooperation with the CFO who, together with the Global Leadership Team, are responsible for the daily and operational leadership of Fagron.



Below are the abbreviated curricula vitae of the members of the Global Leadership Team.



Rafael Padilla – Chief Executive Officer

Rafael Padilla obtained a degree in Pharmaceutical Sciences from the University of Barcelona and followed a Programme for Management Development (PMD) at the IESE Business School. He started his career in 2002 with Fagron in the Netherlands and is a member of the Executive Committee of Fagron. Rafael

Padilla has a long-time operational and commercial track record throughout the Fagron organisation. Under the leadership of Rafael Padilla, Fagron has been able to successfully expand its activities in Southern Europe and Latin America since 2010 through strong organic growth and acquisitions.



Constantijn van Rietschoten – Chief Corporate Affairs Officer

Constantijn van Rietschoten has worked at Fagron since 2008. He started as Director of Investor Relations, after which he became Chief Marketing Officer in 2012. From 2014 to 2018, he was area general manager of Australia, Greece, the United Kingdom and South Africa. Since 2016, he has been Chief Corporate Affairs

Officer, responsible for corporate communication, investor relations, stakeholder engagement, public affairs and corporate & social responsibility. Constantijn van Rietschoten studied Public Administration at Erasmus University Rotterdam.



Karin de Jong – Chief Financial Officer

Karin de Jong has been CFO of Fagron since May 2016. Karin De Jong has been with Fagron since 2008, when she started as corporate controller; she was appointed Group Controller in 2013. After finishing her degree in business

administration, accounting and control, Karin de Jong completed the post-doctoral registered controller program at Erasmus University Rotterdam.



Ivan José Maróstica, Area Manager Latin America

Ivan Maróstica has been Area Manager of Fagron Latin America since 2018. Before that, he was General Manager of Infinity Pharma. Ivan Maróstica was one of the founders of Pharma Nostra (the current InfinityPharma),

a Brazilian company acquired by Fagron in 2011. Ivan Marostica studied Business Management at the Pontifical Universidade Católica de Campinas.



Andrew Pulido – Area Leader North America

Andrew Pulido was President of Humco until Humco was acquired by Fagron, when he became President of Fagron United States and then President of Fagron North America. Andrew Pulido has held various leadership positions within Humco, including President Global

Pharmaceuticals and Vice President Corporate Development. Before joining Humco, Andrew Pulido worked in Investment Banking at Merrill Lynch. Andrew Pulido studied Economics (BA) at Vanderbilt University.



Jason McGuire – Global Quality Director

Jason McGuire has over 20 years of experience in the field of R&D, Regulatory Affairs and quality processes (QC and QA), both in science and in business. He has worked in various medical sectors, including the pharmaceutical industry,

including compounding, medical equipment, biotechnology and healthcare. Jason McGuire studied Microbiology (BSc).



Céline Caveye – Global HR Director

Céline Caveye obtained a master's in the Arts and a master's degree in Law from the University of Ghent. She worked for seven years as a lawyer in employment law at Linklaters at the Antwerp bar and then as HR Consultant and

Business & Operations Manager at Hudson, after which she started working for Fagron as Global HR Director in 2011.



Johan Verlinden – Global Legal Affairs Director

Johan Verlinden obtained a master's degree in Law from the University of Antwerp, a master's degree in Company Law and a master's degree in Financial Law from the Catholic University of Brussels. He started his career as a lawyer at the

Brussels and Turnhout bars. Johan Verlinden has been working at Fagron as Global Legal Affairs Director since 2013.

**Marc van der Aa – Global Digital Director**

Marc van der Aa has extensive experience in the field of digital transformation as both an advisor and an entrepreneur. After selling his own IT company in 2011, he worked for a consultancy firm where he managed, among other things, digital transformations of large companies,

from both a technical and marketing perspective. Mark van der Aa studied communication and information science and public administration at Utrecht University.

**Michel Izaú – Global Procurement Director**

Michel Izaú has more than 20 years of experience in the field of purchasing and supply chain. In recent years, he has held various management positions in the pharmaceutical industry. Michel Izaú studied Business

Administration at the University of Ibero-Americana. In addition, he earned a master's degree in Procurement, Logistics and Supply Chain at Salford University in the United Kingdom.

**Savvas Koulouridas – Global Innovation Director**

Savvas Koulouridas is a lawyer specialising in pharmaceutical law. He is a certified GMP auditor and has broad knowledge of the legal framework in the field of pharmaceutical compounding. He is co-founder of the Kertus SA in Greece, which was acquired by Fagron in 2014. He then managed Fagron Hellas and subsequently worked as a business

development manager at Fagron Latin America. Since 2018, Savvas Koulouridas has been Global Marketing & Innovation Director of Fagron. He studied law at the University of Athens and law and economics at the London Cass Business School (MA) and the London School of Economics (MSc).

Diversity in the Global Leadership Team

In the composition of the Global Leadership Team, Fagron values complementary skills, experience, knowledge and diversity.

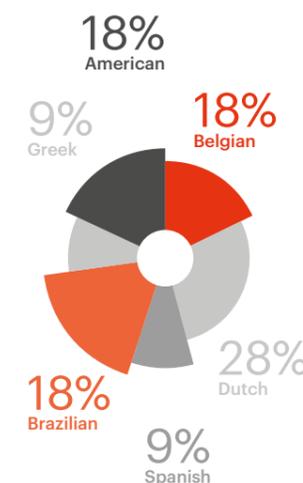
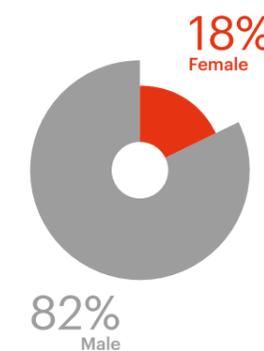
The appointment of the members of the Global Leadership Team takes into account diversity in gender, age, education and professional background, as well as complementary skills, experience and knowledge.

From 2021, the Global Leadership Team will consist of two female and nine male members. The Global Leadership Team is composed of representatives of six nationalities from different age categories. As their position within Fagron indicates, there are differences in education, work experience and career paths between the members, which ensures a complementary set of knowledge and skills within the Global Leadership Team. The members of the Global Leadership Team also represent a balanced team in terms of knowledge and experience, as evidenced by their biographies.

Function and role of the Global Leadership Team

Subject to approval by the Extraordinary General Meeting of 10 May 2021 of the proposed change of the Fagron management structure to a unitary system, the Board of Directors will delegate the daily management to the CEO. The daily management includes all actions and decisions that do not go beyond the daily needs of the company, as well as the actions and decisions that do not justify the intervention of the Board of Directors for reasons of secondary importance or urgency.

The CEO has individual authority to represent the daily management. He can validly represent the company on the basis of a specific mandate from the Board of Directors and can sub-delegate any of the specific powers assigned to him. The CEO submits the proposals of the Global Leadership Team to the Board of Directors or the advisory Committees, depending on the topic.

Age**Nationality****Gender**

The main responsibilities of the Global Leadership Team will be:

- the development and implementation of the vision, mission, strategic objectives and direction of Fagron, and advising the Board of Directors on this, with a focus on long-term value creation by the company;
- the observation of the daily and operational management of Fagron;
- the investigation of potentially interesting investment opportunities and making proposals about this to the Board of Directors;
- the rolling out of strategic partnerships with key customers and building and maintaining strong customer relationships;
- the organisation and monitoring of internal controls, without prejudice to the supervisory role of the Board of Directors;
- the supervision of the complete, timely, reliable and accurate preparation of the financial statements, in accordance with Fagron's accounting principles and policies;
- the follow-up of Fagron's mandatory publication of the financial statements, the annual reports and other material financial and non-financial information;
- the assessment of Fagron's financial situation and budget and providing information to the Board of Directors about the company's financial results and financial position;
- in general, the advising and implementing of decisions made by the Board of Directors and exercising the powers delegated to them by the Board of Directors. The Global Leadership Team also provides the Board of Directors with all the information it needs in a timely manner to perform its tasks.

Except in exceptional circumstances, the CEO will provide relevant information on behalf of the Global Leadership Team at each meeting of the Board of Directors about the progress of matters that fall within the remit of the Board of Directors, as well as about the most important aspects of the daily and operational management of the company.

The Global Leadership Team is a collegial body that is, in principle, convened every week and can be convened at any time, if necessary, to ensure the proper functioning of the daily and operational management of the company. It is chaired by the CEO.

The role of the Global Leadership Team is to supervise and ensure the management of Fagron's global activities, under the leadership of the CEO and taking into account the general strategy of the company as determined by the Board of Directors. The main responsibilities of the Global Leadership Team are developing strategic guidelines, analysing budgets and operational objectives, and supervising the local management teams. The individual members of the Global Leadership Team have the powers and responsibilities assigned to them by the Board of Directors, based on the proposals of the Nomination and Remuneration Committee, and following consultation with and on the recommendation of the CEO.

Depending on the subject or the decision proposed to the Board of Directors, a member of the Global Leadership Team may, at the request of the CEO and with the consent of the Chairman of the Board of Directors, be invited to a meeting of the Board of Directors to give any necessary explanation or advice. Via the CEO, the Board of Directors may also request special written or verbal reports from individual members of the Global Leadership Team. In the exercise of its responsibilities, the Global Leadership Team is assisted by a team of staff members in key positions from the Group's various divisions.

Process for the evaluation of the Global Leadership Team

Each year, the CEO and the Nomination and Remuneration Committee will evaluate both the functioning and the performance of the members of the Global Leadership Team. The evaluation of the Global Leadership Team takes place in the context of the annual salary review of the members of the Global Leadership Team.

6. Statutory Auditor

Fagron's Statutory Auditor is Deloitte Bedrijfsrevisoren CVBA, with its registered office at Luchthaven Brussel Nationaal 1, Bus 1J, 1930 Zaventem and registered in the K.B.O. (Kruispuntbank van Ondernemingen [Crossroads Bank for Enterprises]) under number 0429.053.863, represented by Ms Ine Nuyts. Ms Ine Nuyts, Auditor, was designated as representative who is authorised to represent the company and who is charged with performing the mandate in the name of and for the account of the CVBA. Deloitte Bedrijfsrevisoren CVBA was appointed starting in 2019 as Fagron's Statutory Auditor for a term of three financial years, ending on the date after the Annual General Meeting to be held in 2022.

Deloitte received a total annual Audit fee of 463,460 euros in 2020. Of this amount, 119,630 euros concerned Fagron NV. A proposal will be submitted to the General Meeting of Shareholders on 10 May 2021 to approve this remuneration.

Details about the remuneration of the Statutory Auditor in 2020 are contained in Note 34 to the financial statements.

7. Rules to prevent conflicts of interest

To prevent conflicts of interest, Fagron is subject to:

- the applicable legal provisions for listed companies: Articles 7:96 and 7:97 of the Belgian Company Code, and
- the additional rules laid down in Fagron's Corporate Governance Charter in the context of its policy on transactions and other contractual relationships between the Company and its directors or members of the Executive Committee not covered by the foregoing conflicts of interest arrangement.

Conflicts of interest within the meaning of Article 7:96 of the Belgian Company Code

When a director has a direct or indirect interest of a patrimonial nature that conflicts with a decision or a transaction that falls within the competence of the Board of Directors, pursuant to Article 7:96 of the Belgian Companies code the director concerned must report this to the other directors at the start of the meeting, and he will act in accordance with Article 7:96 of the Belgian Company Code. The director may not participate in the deliberations of the Board of Directors about these operations or decisions, nor in the voting in that context.

In 2020, the procedure laid down in Article 7:96 of the Belgian Company Code (the (old) Article 523 of the Belgian Company Code) was applied three times, in particular during the meeting of the Board of Directors on 11 May (Granting discharge to the members of the Executive Committee), 4 August (Approval of "Subscription Rights Plan 2020") and 10 December (Exercise of Subscription Rights).

The passage from the minutes of the particular decision is presented verbatim below, stating the reasons for the conflict of interest as well as the explanation and property law consequences for the Company.



Extract from the minutes of the Board of Directors of 11 May 2020:

Granting of discharge to board members

Prior to the discussion of this agenda item, Mr Rafael Padilla and Ms Karin de Jong reported that they may have a conflict of interest in the sense of Article 7:96 of the Belgian Company Code when granting discharge to Mr Rafael Padilla and Ms Karin de Jong, respectively, in their capacity as members of the Company's Executive Committee during the 2019 financial year.

For both Rafael Padilla and Karin de Jong, this conflict of interest stems from the fact that on the one hand, they are directors of the Company and on the other hand, served as members of the Company's Executive Committee during the 2019 financial year.

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

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

Description of the decision and justification:

The proposed decision regards the granting of discharge to each of the Executive Committee members individually for the manner in which he/she performed his/her mandate as director during the 2019 financial year.

During the course of the 2019 financial year, the Board of Directors was given full insight at regular times into all important resolutions by the Executive Committee and the Board of Directors, and, on this basis, was able to determine sufficiently that each of the individual members of the Executive Committee performed his/her assignment properly during the 2019 financial year.

The property law consequences of granting discharge are as follows:

The consequence of granting discharge is that none of the Executive Committee members can be held personally financially liable by the Board of Directors for errors and breaches committed in the performance of his or her duties.

Resolution: In individual votes (one for each Executive Committee member), the Board of Directors unanimously resolved to grant discharge individually to each member of the Executive Committee (Rafael Padilla, Karin de Jong and Constantijn van Rietschoten) for the manner in which they performed their mandate and duties during the 2019 financial year.

Extract from the minutes of the Board of Directors of 4 August 2020:

Subscription Rights Plan 2020

Before proceeding to the agenda, Mr Rafael Padilla and Ms Karin de Jong announce that they believe a conflict of interest of a property law nature could possibly arise in relation to the decisions that the Board of Directors will make considering the approval of the Subscription Rights Plan 2020, since they are also potential beneficiaries of that plan.

The Board of Directors takes note of this and the fact that this was also communicated by the relevant directors to the Company's Statutory Auditor. In accordance with the provisions of the Belgian Company Code - and taking into account the fact that the Company has drawn publicly on the savings system - the relevant directors were asked to refrain from participating in the further deliberations and vote regarding the approval of the Subscription Rights Plan 2020. The relevant directors consequently refrained from participating in the deliberations and the vote.

The grounds for justification concerning the aforementioned conflict of interest are:

The approval by the Board of Directors of the Subscription Rights Plan 2020 is intended on the one hand to incentivise and motivate the executive management to contribute to the growth of the company and on the other hand to promote and strengthen their loyalty towards the company.

The property law consequences are as follows: The property consequences for the Company arising from the approval of the Subscription Rights Plan 2020 and the resulting allocation of subscription rights with respect to the aforementioned executive directors are, at a minimum, taking into account that the granting of the subscription rights to the aforementioned executive directors in fact regards the granting by the Board of Directors of a variable remuneration, where the Company will transfer new shares in the context of the exercising of the subscription rights by the aforementioned directors, as a result of which a limited dilution will occur under existing shares due to this issue of new shares.

Interest of the Company:

The Board of Directors refers to the recommendation from the Nomination and Remuneration Committee as a result of the issuance of the Subscription Rights Plan concerned, which indicates that the work, the initiative and the entrepreneurship of each of the beneficiaries make an important contribution to the development of the Company's activities and results and that they therefore want to give the beneficiaries the chance to acquire (additional) shares in the Company at a registration price specified in advance so that they can participate financially in the Company's added value and growth.

After all, experience over the past years has shown that options and subscription rights and participation as shareholders are important elements of motivation and involvement for the Company's employees regarding the business. Such plans and their implementation have the objective of promoting the effort and motivation in the longer term, allowing the effort to contribute to implementing the strategy and to the success and growth of the enterprise.

After the above explanation, the Chairman welcomes the Global HR Director for a clarification of the Subscription Rights Plan 2020. The Global HR Director proposes the plan based on a presentation, which shows that the objective is to create a long-term incentive that will support and encourage the entrepreneurship of the leaders. Compared to the previous plans, this is a slightly larger plan with a longer term of 10 years and a vesting in August 2023.

Resolution: To approve the Subscription Rights Plan 2020.

Extract from the minutes of the Board of Directors of 10 December 2020:

Exercise of Subscription Rights

Before proceeding to the agenda, Mr Rafael Padilla and Ms Karin de Jong announce that they believe a conflict of interest of a property law nature could possibly arise in relation to the decisions that the Board of Directors will make considering the establishment of the list of the subscription rights, since they are also potential beneficiaries of that plan under agenda item 2.

The Board of Directors takes note of this and the fact that this was also communicated by the relevant directors to the Company's Statutory Auditor. In accordance with the provisions of the Belgian Company Code and taking into account the fact that the Company has drawn publicly on the savings system, the relevant directors were asked to refrain from participating in the further deliberations and in the establishment of the list of the subscription rights. The relevant directors

consequently refrained from participating in the deliberations and the vote.

The grounds for justification concerning the aforementioned conflict of interest are:

The establishment by the Board of Directors of the list of subscription rights that were exercised is intended to implement the subscription rights plans and the exercise of the subscription rights that were granted to the beneficiaries in order to motivate the latter on the one hand to contribute to the growth of the company and on the other hand to promote and strengthen their loyalty to the company.

The property law consequences are as follows:

The property consequences for the Company arising from the establishment of the list of exercised subscription rights by the aforementioned executive directors are, at a minimum, taking into account that the exercise of the subscription rights to the aforementioned executive directors in fact regards the exercise by the Board of Directors of the subscription rights granted under the approved subscription rights plan as a result of which a limited dilution will occur among existing shares due to this issue of new shares.

Interest of the Company:

The Board of Directors refers to the recommendation from the Nomination and Remuneration Committee as a result of the issuance of the subscription plans involved, which indicates that the work, the initiative and the entrepreneurship of each of the beneficiaries make an important contribution to the development of the Company's activities and results and that they therefore want to give the beneficiaries the chance to acquire (additional) shares in the Company at a registration price specified in advance so that they can participate financially in the Company's added value and growth.

After all, experience over the past years has shown that options and subscription rights and participation as shareholders are important elements of motivation and involvement for the Company's employees regarding the business. Such plans and their implementation have the objective of promoting the effort and motivation in the longer term, allowing the effort to contribute to implementing the strategy and to the success and growth of the enterprise.

Conflicts of interest within the meaning of Article 7:97 of the Belgian Company Code

The company must also comply with the procedure laid down in Article 7:97 of the Belgian Company Code if the company, or a subsidiary, is considering a transaction with an affiliated company (subject to certain exceptions). Such a decision or operation must be reviewed and assessed in advance by a committee of three independent directors, assisted by one or more independent experts of their choice. According to Article 7:97 of the Belgian Company Code, the Board of Directors, after having taken note of the Committee's advice, will deliberate on the proposed decision or operation. The Statutory Auditor must give an opinion on the accuracy of the information in the advice of the committee and the minutes of the Board of Directors.

During the course of the 2020 financial year, no transaction or decision resulted in the application of the rules to prevent conflicts of interest that fall under Section 7:97 of the Belgian Company Code.

Policy on transactions and other contractual relationships between the Company and its directors or members of the Executive Committee not covered by the conflicts of interest arrangement

The Board of Directors has drawn up a number of guidelines for transactions and other contractual relationships between Fagron and its Board members or members of the Executive Committee that are not covered by the conflicts 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 Fagron or of one of the companies of the Group.

Furthermore, all transactions between Fagron and members of the Board of Directors or the Executive Committee (or their permanent representatives) require the approval from the Board of Directors. When the members of the Board of Directors or the Executive Committee (or their permanent representatives) identify a possible conflict of interest with respect to decision or activity of Fagron, they must also notify the Chairman of the Board of Directors as quickly as possible.

If Article 7:96 of the Belgian Companies Code is applicable, the director in question must also refrain from participating in the relevant deliberations and the voting. During the course of the 2020 financial year, no transaction or decision led to the application of the rules to prevent conflicts of interest that do not fall under Section 7:96 of the Belgian Company Code.

8. Rules for the prevention of misuse of inside information and market abuse

The Board of Directors has established rules in order to prevent privileged information from being used illegally by directors, shareholders, members of the management, employees and certain third parties (jointly referred to as the “Insiders”). These rules are an integral part of the Corporate Governance Charter and can be accessed on the corporate website (www.fagron.com) in the section entitled “Corporate Governance”. The Board of Directors has also appointed a Compliance Officer in this context, who, among other things, monitors the observance of the rules by the Insiders. The position of Compliance Officer is currently performed by Karin de Jong. Insiders and persons closely related to them may not conduct any transactions with respect to the Company’s securities during the so-called Closed Periods and Prohibition Periods.

A Closed Period is:

- (i) the period of 30 calendar days before the publication of the Company’s annual results for the previous financial year;
- (ii) the period of 30 calendar days before the publication of the Company’s semi-annual results for the previous six months; and
- (iii) the period of fifteen days immediately preceding the publication of the Company’s quarterly results, or, if shorter, the period starting from the closing date of the relevant quarter up to and including the moment of publication of the quarterly results.

The Prohibition Period is considered to be the period that is communicated as such by the Compliance Officer upon the instructions from the Board of Directors or the Executive Committee and which commences from the date on which the Insider Knowledge becomes known to the Board of Directors or the Executive Committee and lasts until immediately after the Insider Knowledge has been announced or until

the date on which the Insider Knowledge is no longer price-sensitive in nature.

Certain transactions, to be stated specifically, remain possible in exceptional cases during the Closed Periods and Prohibition Periods. Insiders who wish to acquire or sell Company securities must notify the Compliance Officer in writing of this intention prior to the transaction. In response to this notification, the Compliance Officer may issue a negative recommendation with respect to the planned transaction. In that case, the Insider must consider this recommendation as an explicit rejection of the transaction by the Company. Every request and every recommendation from the Compliance Officer is recorded in a special register. Transactions that can reasonably be expected to have a sensitive impact on the stock market price of the Company’s shares will be announced in accordance with the rules regarding the occasional provision of information.

9. Remuneration report and policy

Development of the Remuneration Policy

During the course of the 2020 financial year, Fagron developed a Remuneration Policy based on the Code 2020 and the Shareholders’ Rights Directive (EU) 2017/828 to determine the remuneration of the members of the Board of Directors and the Executive Committee that will be submitted to the General Meeting of 10 May 2021 for approval.

As a result of, and subject to approval by, the Extraordinary General Meeting of 10 May 2021, the transformation of Fagron’s management structure into a unitary board as described in Articles 7:85 et seq. of the Belgian Company Code, this remuneration policy will apply to the members of the Global Leadership Team from the 2021 financial year.

As a transitional measure, this remuneration report and the remuneration policy for the 2020 financial year will still apply to the members of the Board of Directors and the Executive Committee. Since the proposed change in Fagron’s management structure, if approved, will mean the Executive Committee will cease to exist, the remuneration report and policy for the members of the Global Leadership team will already be communicated on the date of this report for information purposes and to promote comparability with the next financial year.

Establishment of the Remuneration Policy

The components and the amount of the remuneration for non-executive directors are proposed by the Board of Directors, on the advice of the Nomination and Remuneration Committee, to the General Meeting, taking into account the quoted nature and size of Fagron, the sector in which Fagron is active and relevant benchmarks in relation to designated comparable companies and general international market practices. When determining the remuneration of the non-executive directors, it is ensured that that it is in accordance with their general and specific responsibilities and the associated risks.

The Board of Directors determines the remuneration policy for the members of the Executive Committee and the Global Leadership Team based on the recommendations of the Nomination and Remuneration Committee. The remuneration is aimed at attracting, motivating and retaining highly qualified and promising management talent and at aligning the interests of the management and all stakeholders of Fagron. The level and components of their remuneration are analysed annually by the Nomination and Remuneration Committee, taking into account relevant benchmarks and the individual and collective performance.



In accordance with the Act of 28 April 2020 on the transposition of the Shareholders' Rights Directive (EU) 2017/828, the remuneration policy will be stated at the General Meeting as a separate agenda item and presented to the General Meeting for approval at least every 4 years. Fagron's Remuneration Policy is available on the corporate website (investors.fagron.com) under the Governance Documents.

Remuneration of the non-executive members of the Board of Directors

In accordance with the Remuneration Policy, the non-executive directors do not receive performance-based payments, nor benefits in kind or benefits that are tied to pension schemes.

As adopted by the General Meeting of 11 May 2020, the Chairman of the Board of Directors receives an annual remuneration of 100,000 euros, regardless of the number of Committees of which the Chairman is a member and the Company's other non-executive directors receive an annual remuneration of 30,000 euros, plus 7,200 euros for each Committee of

which they are a member. The members of the Executive Committee do not receive any separate remuneration for their membership in the Board of Directors.

The remunerations for directors remained unchanged compared to the previous year. On 13 April 2020, the non-executive members of the Board of Directors decided, however, to voluntarily relinquish 25% of their remuneration for fiscal 2020 and use the funds to combat the COVID-19 virus.

In concrete terms, this means that the remunerations as stated in the table below were paid to the non-executive members of the Board of Directors in 2020, for a total amount of 209,100 euros, compared to 338,800 euros in 2019.

The Board of Directors proposes to the annual meeting of 10 May 2021 to keep the remuneration of the non-executive members of the Board of Directors for the financial year 2021 at the same level as for the financial year 2020.

Remuneration of executive directors, members of the Executive Committee and members of the Global Leadership Team

The executive directors who are members of the Executive Committee do not receive any separate remuneration for their membership in the Board of Directors. The Executive Committee is charged with the daily management and executive management of Fagron. The executive board members and the only other member of the Executive Committee are part of this Global Leadership Team, which is chaired by the CEO.

This report describes the remuneration on an individual basis for the executive board members and the other member of the Executive Committee for the 2020 financial year and, as a whole, for the other members of the Global Leadership Team in its composition on the date of this report.

From the 2021 financial year, if Fagron's new management structure is approved by the Extraordinary General Meeting, the Executive Committee will cease to exist and Fagron's daily operational management will be the responsibility of the Global Leadership Team, chaired by the CEO.

From the financial year 2021, the Global Leadership Team will be tasked with Fagron's executive management. The remuneration package of the members of the Global Leadership Team consists of a fixed remuneration, an annual bonus (short-term variable remuneration), a long-term variable remuneration and any additional benefits. The Nomination and Remuneration Committee assesses on an annual basis the remuneration levels, the remuneration structure and how the performance criteria for the annual bonus are met. It then issues a proposal to the Board of Directors for approval.

Fixed remuneration

As stipulated in the Remuneration Policy, the Nomination and Remuneration Committee engages an external service provider for the market comparison of the remuneration packages of the members of the Executive Committee and the Global Leadership Team. This analysis compares the remuneration packages (in terms of size and complexity) with comparable multinational companies in Europe, Brazil or the United States, depending on the location of the job holder. At the beginning of 2020, the Remuneration and Nomination Committee requested Kornferry to carry out such a market comparison for the remuneration of the members of the Executive Committee and the Global Leadership Team. In terms of market positioning, Fagron focuses on the median of the reference markets for the fixed remuneration.

The annual revisions of the fixed payments are based on expected inflation and general salary increases in the various geographic markets, taking into account the responsibilities, the individual performance, the experience and the competencies of each member of the Executive Committee and of the Global Leadership Team as well as the aforementioned market comparison and the general operating results.

Based on these criteria it uses for the evaluation of the fixed remunerations, the fixed (gross) remunerations of Rafael Padilla and Karin de Jong were increased by 5.3% and 3.1% to 500,000 euros and 335,000 euros, respectively, as of 1 January 2020. The fixed gross annual remuneration of Constantijn van Rietschoten, who is also a member of the Executive Committee, was increased by 1.8% to 208,000 euros.

The table on the next page provides an overview of the fixed remunerations paid in 2020 to the members of the Executive Committee and the Global Leadership Team, compared to 2019.

	2019	2020	Δ%
AHOK B.V., permanently represented by Koen Hoffman			
Non-Executive Director			
Chairman, Member of the Audit Committee, Member of the Nomination and Remuneration Committee	€ 100,000	€ 75,000	-25%
Vanzel G. Comm.V., permanently represented by Giulia Van Waeyenberge			
Non-Executive Director			
Member of the Audit Committee	€ 38,400	€ 27,900	-27%
Management Deprez B.V., permanently represented by Veerle Deprez			
Non-Executive Director			
Member of the Nomination and Remuneration Committee	€ 31,200	€ 27,900	-11%
Alychlo NV, permanently represented by Marc Coucke			
Non-Executive Director	€ 30,000	€ 22,500	-25%
Michael Schenk BV, permanently represented by Michael Schenk			
Non-Executive Director			
Member of the Audit Committee, Member of the Nomination and Remuneration Committee	€ 38,400	€ 33,300	-13%
Rob ten Hoedt			
Non-Executive Director	-	€ 22,500	-

	2019	2020	%
Rafael Padilla			
Executive Director			
Chief Executive Officer	€ 475,000	€ 500,000	+5.3%
Karin de Jong			
Executive Director			
Chief Financial Officer	€ 325,000	€ 335,000	+3.1%
Constantijn van Rietschoten			
Member of the Executive Committee	€ 204,400	€ 208,000	+1.8%
Other members of the Global Leadership Team*	-	€ 1,298,076**	-

* Amounts prorated to the term in accordance with the appointment as member of the Global Leadership Team.

** Total in euros at constant rate (31 December 2019).

Annual bonus

The Nomination and Remuneration Committee has evaluated the bonus criteria for 2020 (see Remuneration policy) of the members of the Executive Committee and of the Global Leadership Team, based on the audited results of the company. Based on the input from the Nomination and Remuneration Committee, the Board of Directors has approved the bonuses.

This mainly concerns the financial targets – (1) turnover, (2) REBITDA and (3) OWC – and personal/discretionary (usually qualitative) objectives. The effective pay-out of the annual

variable remuneration is made dependent on the achievement of predefined sustainability objectives (bonus-malus). When these objectives are achieved, the annual fee is paid at 110%; if they are not achieved, the pay-out percentage is 90%. Since the sustainability objectives for the bonus reference year 2020 were achieved for all members of the Global Leadership Team, the bonuses were paid at 110%.

The table below provides an overview of the bonuses achieved and paid out for the bonus reference year 2020.

	On-target bonus (% of fixed remuneration)	Bonus achieved (% of on-target bonus)	Pay-out ratio (90% or 110%)	Total bonus
Rafael Padilla				
Executive Director				
Chief Executive Officer	100%	67%	110%	€ 369,037
Karin de Jong				
Executive Director				
Chief Financial Officer	75%	76%	110%	€ 140,210
Constantijn van Rietschoten				
Member of the Executive Committee	41.66%	76%	110%	€ 72,546
Other members of the Global Leadership Team*	41.66%	89%**	110%**	€ 589,747***

* Amounts prorated to the term in accordance with the appointment as member of the Global Leadership Team.

** Average percentages.

*** Total in euros at constant rate (31 December 2019).

As determined in the Remuneration Policy, the Company has justified why it is not expedient for Fagron to change its current bonus system based on annual targets and to link it to long-term objectives over two and three years.

For the bonus reference year 2020, no right of reclaim has yet been provided for acquired bonuses.

Long-term variable remuneration - Subscription rights

The long-term variable remuneration consists of the granting of subscription rights that are awarded to the members of the Executive Committee and the Global Leadership Team. The awards are not made annually but at the Board of Directors' discretion, on average every two to three years.

Subscription Rights Issued

On 4 August 2020, the Board of Directors approved the Subscription Rights Plan 2020 for consultants and employees of Fagron NV and/or its subsidiaries. This subscription rights plan aims to provide an additional incentive to the Company's executives and management. The Subscription Rights Plan 2020 can be viewed on the corporate website (www.fagron.com) in the section entitled "Investors". During the year 2020, 537,500 subscription rights were granted to the members of the Executive Committee and the Global Leadership Team.

The table on the next page provides an overview of the subscription rights granted to the members of the Executive Committee and the Global Leadership Team.



	Number of subscription rights	Exercise Price	Vesting	Term
Subscription Rights Plan 2020				
Rafael Padilla				
Executive Director				
Chief Executive Officer	112,500	€ 18.52	3 years (100%)	10 years
Karin de Jong				
Executive Director				
Chief Financial Officer	75,000	€ 18.52	3 years (100%)	10 years
Constantijn van Rietschoten				
Member of the Executive Committee				
Chief Corporate Affairs Officer	50,000	€ 18.52	3 years (100%)	10 years
Andrew Pulido				
Member of the Global Leadership Team				
Area Leader North America	50,000	€ 18.52	3 years (100%)	10 years
Céline Caveye				
Member of the Global Leadership Team				
Global HR Director	50,000	€ 18.52	3 years (100%)	10 years
Ivan Marostica				
Member of the Global Leadership Team				
Area Leader Latin America	50,000	€ 18.52	3 years (100%)	10 years
Jason McGuire				
Member of the Global Leadership Team				
Global Quality Director	50,000	€ 18.52	3 years (100%)	10 years
Johan Verlinden				
Member of the Global Leadership Team				
Global Legal Affairs Director	50,000	€ 18.52	3 years (100%)	10 years
Marc van der Aa				
Member of the Global Leadership Team				
Global Digital Director	-	-	-	-
Michel Izaù				
Member of the Global Leadership Team				
Global Procurement Director	-	-	-	-
Savvas Koulouridas				
Member of the Global Leadership Team				
Global Innovations Director	50,000	€ 18.52	3 years (100%)	10 years
Warrant Plan 2019				
Andrew Pulido				
Member of the Global Leadership Team			3 years (50%)	
Area Leader North America	85,000	€ 18.96	4 years (50%)	5 years

For further details regarding the subscription rights, see Note 22 to the consolidated financial statements.

Vesting of warrants and subscription rights

The vesting occurs after the expiration of a predetermined period subject to the condition that the beneficiaries are still linked to an employment or service agreement with the Company and/or its Subsidiaries or if they are explicitly recognized by the Board of Directors as "good leaver", or in the event of retirement, death or permanent incapacity for work.

In addition, Fagron's Articles of Association stipulate that it can deviate from the provisions in Article 7:91 of the Belgian Company Code with regard to all persons who fall under the scope of those provisions. The table below provides an overview of the warrants and subscription rights exercised in 2020 from the members of the Executive Committee and from the Global Leadership Team.

Warrant Plan 2016	Allo-cation	Vesting	Term	Outstanding balance on 31/12/2019	Exercise Price	Number of subscription rights exercised in 2020	Stock price upon exercise	Number of expired subscription rights in 2020	Outstanding balance on 31/12/2020
Rafael Padilla	2016	3 years (50%) 4 years (25%) 5 years (25%)	5 years	37,500	€ 7.38	37,500	€ 20.28	0	0
Other members of the Global Leadership Team	2016	3 years (50%) 4 years (25%) 5 years (25%)	5 years	0		0		0	0

Warrant Plan 2018	Allo-cation	Vesting	Term	Outstanding balance on 31/12/2019	Exercise Price	Number of subscription rights exercised in 2020	Stock price upon exercise	Number of expired subscription rights in 2020	Outstanding balance on 31/12/2020
Rafael Padilla	2018	3 years (50%) 4 years (50%)	5 years	250,000	€ 13.94	0		0	250,000
Karin de Jong	2018	3 years (50%) 4 years (50%)	5 years	100,000	€ 13.94	100,000	€ 19.55	0	0
Constantijn van Rietschoten	2018	3 years (50%) 4 years (50%)	5 years	50,000	€ 13.94	50,000	€ 19.55	0	0
Andrew Pulido	2018	3 years (50%) 4 years (50%)	5 years	15,000	€ 13.94	0		0	15,000
Céline Caveye	2018	3 years (50%) 4 years (50%)	5 years	50,000	€ 13.94	50,000	€ 19.55	0	0
Ivan Marostica	2018	3 years (50%) 4 years (50%)	5 years	100,000	€ 13.94	0		0	100,000
Jason McGuire	2018	3 years (50%) 4 years (50%)	5 years	50,000	€ 13.94	0		0	50,000
Johan Verlinden	2018	3 years (50%) 4 years (50%)	5 years	50,000	€ 13.94	50,000	€ 19.55	0	0
Marc van der Aa		-	-	-	-	-	-	-	-
Michel Izaù		-	-	-	-	-	-	-	-
Savvas Koulouridas	2018	3 years (50%) 4 years (50%)	5 years	50,000	€ 13.94	0		0	50,000

For further details regarding the subscription rights, see Note 22 to the consolidated financial statements.

Equity holders of the company

According to principle 7.9 of the 2020 Code, the Board of Directors must set a minimum threshold of shares to be held by the members of the executive management. However, Fagron's Board of Directors is of the opinion that the members of the Executive Committee and of the Global Leadership Team should not hold a minimum number of shares in the Company, as sufficient other mechanisms are provided to ensure the professional long-term engagement of these members of executive management.

Fagron believes that its remuneration policy, which includes the allocation of subscription rights, is clearly linked to sustainable organic growth and a selective and targeted acquisition policy, therefore ensuring that the members of the Executive Committee and of the Global Leadership Team act from the perspective of the long-term shareholder.

Fagron does encourage the members of the Executive Committee and of the Global Leadership Team to acquire and retain shares in the Company. The CEO as well as the CFO hold shares in the Company through share acquisition based on subscription rights that were exercised in previous years.

In the coming years, the Company will further analyse whether a minimum threshold has added value for the company.

Other benefits

Fagron strives to grant other benefits, where applicable, in line with the local market practices in the geographic reference markets. In general, the members of the Executive Committee and the Global Leadership Team will align with the benefit plans that exist for the other employees of the company with which they are associated.

The CEO's benefits package consists of health insurance and a company car (no pension scheme). The CFO and the other members of the Global Leadership Team with a Dutch employment contract are affiliated to a collective pension plan (defined contribution scheme). They can also use a company car or opt for a mobility allowance. The Belgian members of the team are independent service providers and therefore are not affiliated to any benefit plan. The American members of the Global Leadership Team are affiliated to the collective health and life insurance plans and of the retirement plan (401(k)) of the company with which they have an employment contract. Finally, the Brazilian team member has a company car and is covered by a health insurance.

Remuneration overview

The first table provides an overview of the remuneration for the members of the Executive Committee and of the Global Leadership Team.

	Fixed remuneration	Annual bonus	Subscription rights allocated	Pension costs	Other benefits	Fixed/variable ratio
Rafael Padilla Executive Director Chief Executive Officer	€ 500,000	€ 369,037	€ 141,375	€ 0	€ 18,729	50%/50%
Karin de Jong Executive Director Chief Financial Officer	€ 335,000	€ 140,210	€ 94,250	€ 7,827	€ 22,741	61%/39%
Constantijn van Rietschoten Member of the Executive Committee	€ 208,000	€ 72,546	€ 62,833	€ 12,397	€ 13,785	63%/37%
Other members of the Global Leadership Team*	€ 1,289,410**	€ 589,747**	€ 609,483	€ 9,986**	€ 66,438**	54%/46%***

* Amounts prorated to the term in accordance with the appointment as member of the Global Leadership Team.

** Total in euros at constant rate (31 December 2019).

*** Average percentages.

Severance pay

No severance pay was granted to members of the Executive Committee or the Global Leadership Team.

Annual change in remuneration and internal pay ratio

In accordance with the Shareholders' Rights Directive (EU) 2017/828 as transposed into Belgian law, an overview is provided of the annual change in the remuneration, the annual change in the development of the company's performance and the annual change in the average remuneration, on a full-time equivalent basis, of employees of the company other than directors, members of the executive board and supervisory board, the other persons entrusted with the management and the persons entrusted with the daily management, over at least five financial years.

The ratio between the highest remuneration of aforementioned management members and the lowest remuneration (in full-time equivalent) of the other employees of the company is also stated.

In order to be able to present and compare, in a consistent and transparent manner, the annual changes in the management remuneration and to compare with the average remuneration of the other employees of the company and with the lowest remuneration of the employees, the following principles are applied:

- The total of the fixed remuneration and the annual bonus paid is taken into account for the calculation of the total remuneration of the executive board members and of the other employees of the Company. The subscription rights granted to the executive board members are disregarded, since they were not allocated on an annual basis and could therefore not make a consistent comparison possible. The other benefits were also disregarded.
- For the non-executive directors, consideration is given to the fixed remuneration for the Chairman of the Board of Directors, to the fixed remuneration for the other non-executive directors and to the additional remuneration for the committees as established in a uniform manner. A comparison on an individual basis is not relevant since specific board members were

members of the Audit Committee and/or the Nomination and Remuneration Committee in specific financial years and not in other years.

- Given Fagron's active buy-and-build strategy with multiple acquisitions in different countries – often with considerable differences in remuneration levels between

these countries – the average remuneration of all employees worldwide would be too volatile and therefore an inconsistent and irrelevant basis for comparison. For this reason, it was decided to include in the comparison the average remuneration of Fagron employees working in Belgium.

		2020	2019	2018	2017	2016	2015
Executive directors							
Rafael Padilla** - Chief Executive Officer							
	Remuneration*	€ 869,037	€ 755,000	€ 727,750	€ 34,806**	-	-
Karin de Jong*** - Chief Financial Officer	Δ %	+15.1%	+3.7%	-	-	-	-
	Remuneration*	€ 475,210	€ 398,588	€ 370,000	€ 347,840	€ 367,760	-
	Δ %	+19.2%	+7.7%	+6.4%	-5.4%	-	-
Non-executive directors							
Chairman of the Board of Directors							
	Remuneration	€ 75,000	€ 100,000	€ 60,000	€ 60,000	€ 55,000	€ 55,000
Fixed remuneration for other non-executive board members	Δ %	-25%	+66.7%	+0.0%	+9.1%	+0.0%	-
	Remuneration	€ 27,900	€ 30,000	€ 30,000	€ 30,000	€ 30,000	€ 30,000
	Δ %	-25%	+0.0%	+0.0%	+0.0%	+0.0%	-
Additional remuneration for the members of the Audit Committee and/or the Nomination and Remuneration Committee	Remuneration	€ 5,400	€ 7,200	€ 7,200	€ 7,200	€ 7,200	€ 7,200
	Δ %	-25%	+0.0%	+0.0%	+0.0%	+0.0%	-
Company performance							
<i>(x million euros)</i>							
Turnover (CER/total growth)		€ 556.0	€ 534.7	€ 471.7	€ 433.5	€ 421.8	€ 427.6
	Δ %	+4.0%	+13.4%	+8.8%	+2.8%	-1.38%	-
REBITDA		€ 123.9	€ 117.0	€ 99.1	€ 95.7	€ 90.6	€ 98.7
	Δ %	+5.9%	+18.1%	+3.6%	+5.6%	-8.2%	-
Remuneration of the other employees							
Average remuneration (FTE)		-	€ 52,694	€ 49,240	€ 46,599	€ 41,923	€ 44,818
	Δ %	-	+7.0%	+5.7%	+11.2%	-6.5%	-
Lowest remuneration (FTE)		-	€ 27,830	€ 26,524	€ 25,421	€ 24,835	€ 26,523
	Δ %	-	+4.9%	+4.3%	+2.4%	-6.4%	-
Ratio between the highest remuneration (CEO) and the lowest remuneration of the other employees		-	27.1	27.4	-	-	-

* Remuneration regards the fixed compensation and annual bonus.

** Appointed as CEO on 27 November 2017.

*** Appointed as CFO on 9 May 2016.



10. Other legal information that must be disclosed by listed companies

Based on Article 3:6, §1 of the Belgian Company Code and Article 34 of the Royal Decree of 14 November 2007 regarding the liabilities of issuers of financial instruments that are allowed to be traded on a regulated market, this chapter contains the information that must be disclosed under this legislation and that is not contained in other chapters of this report.

Specific control rights

No special control rights have been granted to the Fagron shareholders.

Restrictions on the transfer of securities

Fagron's Articles of Association do not impose any restrictions on transfers of shares.

Legal or statutory restrictions on exercising the voting right

Article 7 of Fagron's Articles of Association specifies that if a shareholder has not made the requested deposit on his/her shares within the period specified by the Board of Directors, the exercise of the voting rights attached to the shares will be legally suspended as long as this deposit has not been made. The capital was fully paid-up on 31 December 2020.

In accordance with Article 9 of Fagron's Articles of Association, the Board of Directors may suspend the exercise of the rights associated with a share if these rights are distributed over several persons, until one single representative has been designated as shareholder in relation to Fagron. The same rules are applicable to other securities that Fagron issues.

Procedure for amending the Articles of Association

In accordance with Article 7:153 of the Belgian Company Code, an amendment to Fagron's Articles of Association can only be implemented with the consent of at least 75% of the valid votes cast at the Extraordinary General Meeting of Shareholders where at least 50% of the Company's capital is present or represented. For the calculation of the votes, abstentions are not included in the numerator nor in the denominator. If the attendance quorum of 50% has not been reached, a new Extraordinary General Meeting of Shareholders must be convened, where the shareholders can decide about the agenda items regardless of the percentage of capital that is present or represented at this meeting.

Rules for appointing or replacing directors

The directors are appointed by the General Meeting of Shareholders. The Chairman of the Nomination and Remuneration Committee is responsible for the appointment procedure. The Nomination and Remuneration Committee recommends suitable candidates to the Board of Directors. The Board of Directors then makes a proposal to the General Meeting of Shareholders for the appointment as director. The Nomination and Remuneration Committee specifies the requirements regarding independence, competence and other qualifications regarding the members of the Board of Directors. After consultation with the Chairman of the Board of Directors, the Nomination and Remuneration Committee takes all necessary initiatives in order to ensure an optimal composition of the Board of Directors.

For each new appointment, an evaluation is made of the skills, knowledge and experience already available and required at the Board of Directors level and a profile of the required role is specified. Fagron attaches great importance to diversity, as a result of which special attention is paid to diversity and complementarity regarding the various backgrounds and skills when nominating candidates for the position of director.

The Nomination and Remuneration Committee ensures that the Board of Directors, before considering the candidate, has sufficient information about the candidate (such as a curriculum vitae, the assessment based on an initial interview, a list of the mandates already provided to the candidate and, if necessary, the information that is required in order to assess the independence of the director). After consultation with the Nomination and Remuneration Committee, the Board of Directors specifies the profile of each new independent director, taking into account the applicable independence requirements as stated in the Corporate Governance Charter. The Nomination and Remuneration Committee begins the search for suitable candidates for each vacancy of independent director and can, if desired, engage an external consultant to guide the selection procedure.

The Nomination and Remuneration Committee's proposal to the Board of Directors for a vacant position as independent director contains the following information: (i) an overview of all persons contacted and all applications received, (ii) the proposed candidate's detailed curriculum vitae, (iii) a recommendation from the Nomination and Remuneration Committee regarding the proposed candidate and (iv) any report submitted by an external consultant (if appointed) to the Nomination and Remuneration Committee.

The Board of Directors' decision to nominate a candidate to the General Meeting of Shareholders for appointment as independent director requires a special majority of two-thirds of the votes. The proposal is accompanied by a recommendation from the Board of Directors and relevant information about the candidate director's professional qualifications, including a list of positions already held. This procedure is also applicable to the reappointment of a director.

The Company's Articles of Association stipulate that the directors are appointed for a maximum period of four years. The mandate ends at the end of the Ordinary General Meeting of Shareholders, which was established as the end date for the appointment. Exiting directors can be reappointed. A director's mandate can be revoked at any time with simple majority at the General Meeting of Shareholders.

In the event of premature vacancy in the Board of Directors, the other directors are entitled, in accordance with Article 15 of the Articles of Association, to temporarily appoint a new director in the vacant position until the General Meeting of Shareholders appoints a new director. The appointment will be placed on the agenda of the next General Meeting of Shareholders. The director appointed in this manner is appointed for the remaining term of the director he/she is replacing.

Shareholder agreements known to the issuer that can lead to a restriction in the transfer of securities and/or exercise of the voting right

During the 2020 financial year, the Board of Directors was not aware of any shareholder agreements that could cause a restriction in the transfer of securities and/or exercise of the voting right.

Important agreements that take effect, undergo changes or expire in the event of a change in control over the company

The following agreements take effect, undergo changes or expire in the event of a change in control over the Company:

- ISDA 2002 Master Agreement dated 10 March 2020 entered into between the Company and Belfius NV/SA and corresponding schedule dated 10 March 2020 to the ISDA Master Agreement;
- 375,000,000 euro multi-currency term and revolving facilities agreement dated 1 August 2019 between, among others, the Company and BNP Paribas Fortis SA/NV, ING Belgium SA/NV and KBC Bank NV as bookrunning mandated lead arrangers, Belfius Bank SA/NV, Commerzbank Aktiengesellschaft, Filiale Luxembourg and HSBC France, Brussels Branch as mandated lead arrangers and ING Bank N.V. as agent;
- ISDA 2002 Master Agreement dated 7 March 2018 entered into between the Company and ING Belgium NV/SA and corresponding schedule dated 7 March 2018 to the ISDA Master Agreement;
- 2002 ISDA Master Agreement dated 23 May 2017 entered into between the Company and KBC Bank NV and corresponding schedule dated 23 May 2017 to the ISDA Master Agreement;
- ISDA 2002 Master Agreement dated 10 January 2018 entered into between the Company and HSBC Bank PLC and corresponding schedule dated 10 January 2018;
- ISDA 2002 Master Agreement dated 9 June 2017 entered into between the Company and Commerzbank Aktiengesellschaft and corresponding schedule dated 9 June 2017;
- ISDA 2002 Master Agreement dated 27 July 2017 between the Company and BNP Paribas Fortis NV/SA and corresponding schedule dated 27 July 2017;
- 80,000,000 euro term loan facility agreement dated 27 October 2017 between, among others, the Company and ING Belgium NV/SA and ABN Amro Bank N.V.

as mandated lead arrangers and KBC Bank NV and BNP Paribas Fortis SA/NV as arrangers and ING Bank N.V. as agent;

- Note Purchase Agreement dated 15 April 2014 entered into between the Company and its financiers;
- The Subscription Rights Plans 2016, 2018, 2019 and 2020.

No agreements have been entered into between Fagron and its directors or employees that provide for remuneration when, as a result of a public takeover bid, the directors resign or have to resign without a valid reason or the employment of the employees is terminated.

11. 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. These systems are designed to:

- be constantly informed, with a reasonable degree of certainty, regarding the degree to which Fagron achieves its strategic and operational objectives,
- guarantee the reliability of the financial reports, and
- act in accordance with laws and regulations applicable to Fagron.

The design of these internal risk management and control systems, in relation to Fagron's strategic, operational, compliance and financial reporting risks, has high priority within Fagron and remains continually subject to further refinement and improvement, also considering the development of the environment and the company itself. The design and operation of these internal risk management and control systems is continually evaluated.

Management has implemented various controls to manage the risks that could undermine the realisation of the strategic objectives. Nevertheless, these systems can never guarantee with absolute certainty that no material inaccuracies can occur at Fagron. Fagron gives priority to internal control and management.

In concrete terms, the Fagron internal governance is constructed from the following elements:

Control environment

Fagron conducts conscious risk management using an internal control system that is executed by encouraging a corporate culture where all employees are authorised to fulfil their tasks and responsibilities according to the highest standards of integrity and expertise. The internal control and management is continually assessed and further professionalised, with attention devoted to the governance structure, processes, systems and controls, as well as to awareness by management and employees regarding the importance their proper application.

Without prejudice to the responsibilities of the Board of Directors as a whole, the Audit Committee monitors the effectiveness of the internal control and risk management systems established by Fagron management in order to monitor that the primary risks are identified (including those relating to compliance with laws and regulations), managed and reported to the responsible persons, all of this within the framework established by the Board of Directors.

The Audit Committee meets with the Statutory Auditor at least three times per year in order to discuss matters subject to its authority and about all other matters that result from the audit work. In addition, the management provides a status of the pending disputes to the Audit Committee on a regular basis. The risk is quantified and qualified each time.

Fagron recently established an internal audit function. The Audit Committee assesses the internal auditor's risk analysis, as well as the internal audit charter and the internal audit plan, also receiving the internal audit reports on a regular basis for discussion and review. The internal auditor's mission includes independent and objective quality assurance and support and aims to create added value by improving the underlying business cycles and corresponding internal controls. The internal audit function is in the early stages for now and will be further expanded and professionalised over the course of the coming years so that the internal audit department can help the company achieve its general objectives by systematically evaluating and improving its risk management and control procedures in a disciplined manner. Defects in the internal control that are identified by the internal audit will be reported to management in a timely manner and there will be periodic follow-up in order to ensure that the necessary remedial action is taken.

Development of strategy

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

Budgets

The strategic objectives, including the main opportunities and risks, are discussed with the Executive Committee. Fagron's strategic objectives constitute the basis for the budgets of the business units. In addition to a financial budget, the budget for each business unit contains a number of concrete business objectives that are translated into Key Performance Indicators (KPIs), which are consistently monitored for progress during the year.



Reporting, analysis and review

The financial results and forecasts are analysed each month at local as well as central level, using the Fagron Management Information System. This system is available to the management and the business controllers, as well as to the Executive Committee, the Global Leadership Team and the Corporate Controlling department.

The management and the business controllers report to the Executive Committee, the Global Leadership Team and the Corporate Controlling department on a monthly basis regarding the progress in achieving their business plans, the resulting Key Performance Indicators and financial performance. Progress meetings based on these reports are held on a regular basis, where at least the following is discussed: the actions agreed upon in earlier reviews, the financial results, the updated forecasts, employee turnover and recruitment and the progress and developments in the business.

Fagron's process of financial reporting and communications can be summarised as follows:

- A closing programme with checklist containing the tasks that must be completed for the monthly, quarterly, semi-annual and annual close of the company and its subsidiaries.
- The financial department provides the accounting figures under the supervision of the head of accounting or the financial director of each branch.
- The controllers verify the accuracy of these figures and report on them. Coherence tests through comparisons with historical or budgetary figures, as well as random checks of operations are employed. As part of the closing process, a comprehensive report with financial and operational data must also be provided.

- The Audit Committee assists the Board of Directors in monitoring the integrity of the financial information. In particular, it monitors the relevance and consistency of applying the accounting standards that are used and also, among other things, the criteria for consolidating the group companies' accounts.
- The management informs the Audit Committee of the methods used regarding the accounting processing of significant and unusual operations of which the accounting processing can be susceptible to various approaches. The Audit Committee discusses the financial reporting methods with the Global Leadership Team as well as the Statutory Auditor.

The Board of Directors supervises the internal control and is assisted in this regard by the work of the Audit Committee and the internal auditor. The Statutory Auditor performs an analysis each year of the internal control regarding the risks associated with Fagron's financial statements.

In this context, the Statutory Auditor provides recommendations, if necessary, about the internal control and risk management systems, which are formalised in a management letter. The management takes actions in order to address the findings and therefore improving the internal control environment even further. These measures are followed up and the Audit Committee checks to what extent the Global Leadership Team addresses the recommendations, as presented by the Statutory Auditor.

Global Policies and Code of Ethics

Responsibilities, powers, guidelines and procedures at Fagron have been clearly established in an accessible manner in Fagron's Global Policies and Code of Ethics. Every important process is addressed.

The management and business controllers of the business units are responsible for the proper application of the processes and systems. Acquisitions, as soon further integration takes place, are also integrated in terms of guidelines, procedures, processes and systems.

Compliance reviews and external audits

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

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

12. Information for shareholders

Number of shares and evolution of the capital
Fagron NV was founded on 29 June 2007 (under its previous name of Arseus NV).

Upon incorporation, the share capital was 61,500 euros, represented by 100 registered shares without nominal value, fully paid-up in cash, where each share represents an identical fraction of the Fagron share capital.

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

- (i) contribution in kind of Fagron BV (formerly Arseus BV) shares by Omega Pharma and
- (ii) contribution of the debt claims held by the contributors.

This resulted in the issuance of (i) 6,000,000 and (ii) a) 24,999,900 and b) 195,121 shares. This brought the total number of Fagron shares to 31,195,121 and the capital to 319,810,475.00 euros.

On 16 February 2011, there were 1,018 new shares issued as a result of the exercise of warrants under the Warrant Plan of the Offer. Non-exercised warrants under the Warrant Plan of the Offer have lapsed. After this issue, the number of voting securities of Fagron amounted to 31,196,139. The total number of voting rights (denominator) amounted to 31,196,139. The capital amounted to 319,820,911.43 euros.

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

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

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

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

On 5 June 2015, there were 12,301 new shares issued as a result of the exercise of warrants under the Warrant Plan 1 and 2, both approved by the Board of Directors on 6 September 2007. The number of voting securities of Fagron amounted to 31,443,661. The total number of voting rights (denominator) amounted to 31,443,661. The capital amounted to 322,217,493.06 euros.

On 29 June 2015, 224,133 new shares were issued in the context of the authorised capital. The number of voting securities of Fagron amounted to 31,667,794. The total number of voting rights (denominator) amounted to 31,667,794. The capital amounted to 324,514,856.31 euros in order to increase the

capital within the context of the authorised capital through contribution in kind upon the issuance of new shares.

On 4 August 2015, 444,033 new shares were issued in the context of the authorised capital. The number of voting securities of Fagron amounted to 32,111,827. The total number of voting rights (denominator) amounted to 32,111,827. The capital amounted to 329,066,194.56 euros in order to increase the capital within the context of the authorised capital through contribution in kind upon the issuance of new shares.

On 20 May 2016, there were 22,626,387 new shares issued in the context of the decisions made for that purpose by the Extraordinary General Meeting of 4 May 2016. The number of voting securities of Fagron amounted to 54,738,214. The total number of voting rights (denominator) amounted to 54,738,214. The capital amounted to 460,109,177.55 euros.

On 1 July 2016, the authorised share capital was reduced by 54,182,316.27 euros by making up transferred losses without the cancellation of shares. The number of voting securities of Fagron amounted to 54,738,214. The total number of voting rights (denominator) amounted to 54,738,214. The capital amounted to 405,926,861.28 euros.

On 7 July 2016, there were 17,105,690 new shares issued in the context of the decisions made for that purpose by the Extraordinary General Meeting of 4 May 2016. The number of voting securities of Fagron amounted to 71,843,904. The total number of voting rights (denominator) amounted to 71,843,904. The capital amounted to 494,192,221.68 euros.

On 29 October 2019, there were 335,000 new shares issued as a result of the exercise of warrants under the Warrant Plan 2016, approved by the Board of Directors on 13 June 2016. The number of voting securities of Fagron

amounted to 72,178,904. The total number of voting rights (denominator) amounted to 72,178,904. The capital amounted to 496,496,586.18 euros.

On 11 December 2020, there were 298,750 new shares issued as a result of the exercise of warrants under the Warrant Plan 2016 and 2018. The number of Fagron voting securities amounted to 72,477,654. The total number of voting rights (denominator) amounted to 72,477,654. The capital amounted to 498,551,597.81 euros.

At the time this annual report was created, the capital amounts to four hundred ninety-eight million five hundred fifty-one thousand five hundred ninety-seven euros and eighty-one euro cents (498,551,597.81 euros), represented by seventy-two million four hundred seventy-seven thousand six hundred fifty-four (72,477,654) shares, without indication of nominal value, with an accounting par value of one seventy-two million four hundred seventy-seven thousand six hundred fifty-fourth (1/72,477,654th) part of the capital.

Shareholder structure and notifications of shareholding

Based on the notifications of shareholding received by the Company as of March 31, 2021 and taking into account the denominator, the Company's shareholder structure is as shown in the table on the next page.



	Number of shares	% of effective voting rights
Alychlo NV/ Marc Coucke	10,749,267	14.96%
The Capital Group Companies	7,553,899	10.47%
NN Group NV	7,178,279	9.95%
Kaboutier Management, LCC	2,286,973	3.17%
BNP Paribas Asset Management SA	2,172,099	3.00%

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

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

When these thresholds are exceeded, the parties involved must send a notification to the FSMA (Financial Services and Market Authority) and to the company.

Warrants

On 3 June 2014, the Company's Board of Directors approved the 2014 Warrant Plan for employees and managers/consultants of Fagron NV and/or its subsidiaries, which decision was ratified by the Board of Director's resolution of 2 September 2014 in the presence of Civil-law Notary, Luc De Ferm. The Board of Directors is of the opinion that the option for employees and managers/consultants to participate is a key stimulus for the Company's further expansion and growth.

On 13 June 2016, the Company's Board of Directors approved the 2016 Warrant Plan for employees and managers/consultants of Fagron NV and/or its subsidiaries, where this decision was ratified by resolution of the Extraordinary General Meeting of 1 July 2016 in the presence of Civil-law Notary Liesbet Degroote, where it was resolved to issue 1,000,000 warrants.

In accordance with its authority in Articles 8 and 10.1 of the "Warrant Plan 2016", the Board of Directors resolved to change the time period of the existing exercise period and to add an additional exercise period in Article 8.1 of the "Warrant Plan 2016", in particular, on 1 July 2021. The Board of Directors is of the opinion that the option for employees and managers/consultants to participate is a key stimulus for the Company's further expansion and growth.

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

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

On 4 August 2020, the Company's Board of Directors approved and issued the Subscription Rights Plan 2020 for employees and managers/consultants of Fagron NV and/or its subsidiaries under the authorised capital in the presence of civil-law notary, Stijn Raes, where it was decided to issue 2,600,000 subscription rights.

For further details regarding the conditions of the Warrant Plans 2014, 2016, 2018 and 2019 and the Subscription Plan 2020, along with the movements in the number of subscription rights during the 2020 financial year, see Note 22 to the consolidated financial statements.

Stock options

On 27 October 2011, the Company's Board of Directors approved the Stock Option Plan 2011 for consultants and employees of Fagron NV and/or its subsidiaries, under the suspensive condition of approval by the General Meeting. The Stock Option Plan 2011 was presented for approval to the Annual General Meeting of 14 May 2012, which approved the Stock Option Plan 2011.

In the context of the Stock Option Plan 2011, the Board of Directors intends to (i) better align new managers joining the Group (through acquisitions or otherwise) with the Fagron's long-term success and (ii) be able to offer existing managers an extra financial incentive when they are promoted by offering options.

The Stock Option Plan 2011 can be viewed on the corporate website (www.fagron.com) in the section entitled "Investors".

In 2012, a total of 250,000 stock options were allocated under the Stock Option Plan 2011. In 2014, there were 22,500 stock options exercised and 4,650 stock options allocated under the Stock Option Plan 2011. In 2015, there were 27,500 stock options exercised under the Stock Option Plan 2011. Since 2016, there have been no stock options exercised under the Stock Option Plan 2011. During the 2020 financial year, the last outstanding stock options will expire and therefore there are no longer any outstanding stock options.

For further details regarding the conditions of the Stock Option Plan 2011 and the movements in the number of stock options during the 2020 financial year, see Note 22 to the consolidated financial statements.

Authorised capital

The Extraordinary General Meeting on 8 May 2017 resolved to renew the Board of Directors' authorisation to increase the capital, with a majority of at least three-fourths of the votes and within the limits of the authorisation specified in Article 5bis of the Articles of Association, in one or more rounds by a maximum amount of 494,192,221.68 euros, within a period of five years starting from the date of publication of the decision in the Appendices to the Belgian Official Gazette (19 May 2017).

If the capital is increased within the limits of the authorised capital, then the Board of Directors will be competent to request payment of a share premium. If the Board of Directors so decides, then this issue premium will be deposited into a blocked account, called "issue premium", which will constitute the guarantee of third parties to the same extent as the capital, and which can only be accessed, subject to the option to convert this premium into capital, in accordance with the conditions for reducing the capital stipulated by the Belgian Company Code. This power of the Board of Directors will apply to capital increases that are subscribed to in cash or in kind, or that result from capitalisation of reserves with or without the issue of new shares. The Board of Directors is permitted to issue convertible bonds or subscription rights within the limits of the authorised capital.

This Board of Directors' authorisation to increase the capital, within a period of five years starting from the date of publication of the decision in the Appendices to the Belgian Official Gazette (19 May 2017), with a majority of at least three-fourths of the votes and within the limits of the authorisation specified in Article 5bis of the Articles of Association, expires on 19 May 2022.

During the 2020 financial year, the Board of Directors made a one-time authorisation of authorised capital, in particular, on 4 August 2020, the Board of Directors approved and then issued the Subscription Rights Plan 2020 for employees and managers/consultants of Fagron NV and/or its subsidiaries under the authorised capital in the presence of civil-law notary, Stijn Raes, where it was decided to issue 2,600,000 subscription rights.

Acquisition of treasury shares

The Extraordinary General Meeting of 13 May 2019 granted the Board of Directors a new authorisation to buy back treasury shares up to a maximum of ten percent (10%) of the issued capital, through acquisition or exchange, directly or through an intermediary acting on its own account or on the company's behalf, for a price of no less than one euro and no more than the average of the closing prices in the ten working days prior to the date of the acquisition or exchange, plus 10%, in such a manner that the Company shall at no time possess treasury shares in its own capital with an accounting par value in excess of 10% of the Company's issued capital.

The Company did not purchase any treasury shares in 2020 and did not provide any treasury shares. As of 31 December 2020, Fagron held 103,627 treasury shares.

Access to documents

The statutory and consolidated financial statements, Articles of Association, annual reports and other information that is disclosed for the benefit of the shareholders are available free of charge at the headquarters.

These documents can be accessed digitally on the corporate website (investors.fagron.com) in the section entitled "Corporate Governance".

Annual information

A summary of the "annual information", as specified in Title X of the Prospectus Act in accordance with the Belgian Act of 16 June 2006 on the public offer of investment instruments and the acceptance of trading investment instruments on the regulated market (the "Prospectus Act"), is provided below. All of this information can be viewed on the corporate website (www.fagron.com) in the section entitled "Investors". Some of this information may now be out of date.

Prospectus

Fagron NV (at the time: Arseus NV) issued a prospectus on 11 September 2007 for the IPO as an independent company. On 12 June 2012, Fagron NV (at the time: Arseus NV) issued a prospectus with a view to the Public Offering and admission to the trading of Bonds on the regulated market of Euronext Brussels. On 16 June 2016, Fagron NV issued a prospectus with a view to the Public Offering and admission to the trading of new shares on the regulated market of Euronext Brussels.

Information to the shareholders

Is part of the prospectus of 11 September 2007 and of 16 June 2016.

Periodic press releases and information in 2020

13 February 2020	Annual figures 2019: Fagron realised turnover growth of 13.4%; REBITDA increased to 117.0 million euros
14 April 2020	Trading update Q1 2020: Fagron achieved 16.4% turnover growth
6 August 2020	Semi-annual figures 2020: Turnover increase of 9.1%; REBITDA increased 13.2% to 62.9 million euros
13 October 2020	Trading update Q3 2020: Fagron achieved 10.7% CER turnover growth

Periodic press releases and information in the period from 1 January 2021 through 9 April 2021

11 February 2021	Annual figures 2020: Fagron achieves solid results in exceptional 2020
------------------	--

Occasional press releases and information in 2020

4 March 2020	Disclosure of received notifications
18 March 2020	Disclosure of received notifications
23 March 2020	Disclosure of received notifications
6 April 2020	Disclosure of received notification
10 April 2020	Convocation Annual General Meeting
4 May 2020	Disclosure of received notifications
12 May 2020	Fagron shareholders approve all proposed resolutions
18 May 2020	Disclosure of received notifications
22 May 2020	Disclosure of received notifications
28 May 2020	Disclosure of received notification
5 June 2020	Alychlo successfully concluded a private sale of shares in Fagron
8 June 2020	Disclosure of received notification
11 June 2020	Disclosure of notification received from The Capital Group Companies
11 June 2020	Disclosure of notifications received from Norges Bank
6 July 2020	Disclosure of received notifications
9 July 2020	Disclosure of received notifications
16 July 2020	Disclosure of received notifications
24 July 2020	Disclosure of received notifications
31 July 2020	Disclosure of received notifications
10 August 2020	Disclosure of received notification
19 August 2020	Disclosure of received notifications
28 August 2020	Disclosure of notifications received from Norges Bank

28 August 2020	Disclosure of notification received from NN Group NV
29 September 2020	Disclosure of notification received from NN Group NV
13 October 2020	Disclosure of notification received from Norges Bank
19 October 2020	Disclosure of notification received from Kabouter Management LLC
19 October 2020	Disclosure of notification received from Norges Bank
14 December 2020	Fagron increases capital by exercising subscription rights

Occasional press releases and information in the period from 1 January 2021 through 9 April 2021

29 January 2021	Disclosure of notification received from BNP Paribas Asset Management SA
-----------------	--

Notifications received from shareholding in 2020

27 February 2020	Norges Bank
28 February 2020	Norges Bank
3 March 2020	Norges Bank
11 March 2020	Norges Bank
12 March 2020	Norges Bank
17 March 2020	Norges Bank
18 March 2020	Norges Bank
31 March 2020	Evermore Global Advisors
28 April 2020	Norges Bank
29 April 2020	Norges Bank
12 May 2020	Norges Bank
13 May 2020	Norges Bank
18 May 2020	Norges Bank
20 May 2020	Norges Bank
22 May 2020	Norges Bank
29 May 2020	Norges Bank
5 June 2020	Norges Bank
5 June 2020	The Capital Group Companies
8 June 2020	Norges Bank
9 June 2020	Norges Bank
30 June 2020	Norges Bank
2 July 2020	Norges Bank
3 July 2020	Norges Bank
6 July 2020	Norges Bank

7 July 2020	Norges Bank
9 July 2020	Norges Bank
10 July 2020	Norges Bank
17 July 2020	Norges Bank
22 July 2020	Norges Bank
24 July 2020	Norges Bank
27 July 2020	Norges Bank
28 July 2020	Norges Bank
29 July 2020	Norges Bank
31 July 2020	Norges Bank
11 August 2020	Norges Bank
12 August 2020	Norges Bank
19 August 2020	Norges Bank
20 August 2020	Norges Bank
24 August 2020	Norges Bank
24 August 2020	NN Group NV
25 August 2020	Norges Bank
21 September 2020	NN Group NV
9 October 2020	Norges Bank
12 October 2020	Norges Bank
13 October 2020	Kabouter Asset Management LLC

Notifications received from shareholding in the period from 1 January 2021 through 9 April 2021

21 January 2021	BNP Paribas Asset Management SA
-----------------	---------------------------------



Financial Annual Report 2020

Consolidated financial statements

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

Statement

We declare, to the best of our knowledge, that the consolidated financial statements for the year ending 31 December 2020, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, reflect a true and fair view of the equity, the financial situation and the results of the Company and the companies that are included in the consolidation, and that the Annual Report provides a true and fair view of the development and the results of the company and of the position of the Company and the companies included in the consolidation, and provides a description of the main risks and uncertainties that they face.

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

Rafael Padilla, CEO
Karin de Jong, CFO
9 April 2021

Consolidated income statement

(x 1,000 euros)	Note	2020	2019
Operating income		557,159	536,681
Turnover	6	555,971	534,695
Other operating income	7	1,188	1,985
Operating expenses		468,420	452,293
Trade goods		226,883	212,685
Services and other goods	8	82,359	81,995
Employee benefit expenses	9	125,259	124,695
Depreciation and amortisation	10	31,293	29,319
Other operating expenses	11	2,627	3,600
Operating profit		88,738	84,388
Financial income	12	753	1,682
Financial expenses	12	-15,776	-16,183
Profit before income tax		73,715	69,886
Taxes	13	13,678	14,199
Net profit from continued operations		60,037	55,687
Net result from discontinued operations (attributable to equity holders of the company)	14	0	-14,147
Net result		60,037	41,540
Attributable to:			
Equity holders of the company (net result)		59,601	41,056
Non-controlling interest		436	485
Earnings (loss) per share from continued and discontinued operations attributable to the shareholders during the year			
Profit (loss) per share (in euros)	15	0.83	0.57
From continued operations	15	0.83	0.77
From discontinued operations	15	0	-0.20
Diluted profit (loss) per share (in euros)	15	0.82	0.56
From continued operations	15	0.82	0.75
From discontinued operations	15	0	-0.19

Consolidated statement of comprehensive income

(x 1,000 euros)	Note	2020	2019
Net result for the financial year		60,037	41,540
Other comprehensive income			
Items that will not be reclassified to profit or loss	24		
• Remeasurements of post-employment benefit obligations		1,035	-540
• Tax relating to items that will not be reclassified		-259	135
Items that may be subsequently reclassified to profit or loss			
• Currency translation differences		-49,024	556
Other comprehensive income for the year net of tax		-48,248	151
Total comprehensive income for the year		11,788	41,692
Attributable to:			
Equity holders of the company		11,352	41,207
Non-controlling interest		436	485
Total comprehensive income for the year		11,788	41,692
Total comprehensive income for the year attributable to equity holders of the company:			
From continued operations		11,352	55,354
From discontinued operations	14	0	-14,147
Total comprehensive income for the equity holders		11,352	41,207

The unrealised exchange rate differences of -49 million euros in 2020 are primarily the result of the weakening of the Brazilian real compared to the euro in 2020. In 2019, the positive result of 0.6 million euros was mainly caused by the strengthening of the US dollar compared to the euro.

Consolidated statement of financial position

(x 1,000 euros)	Note	2020	2019
Non-current assets		530,943	562,052
Goodwill	16	364,654	389,326
Intangible fixed assets	16	24,513	28,811
Property, plant and equipment	17	86,188	87,606
Leasing and similar rights	28	32,437	33,601
Financial fixed assets	18	2,340	4,287
Deferred tax liabilities	19	20,811	18,420
Current assets		221,883	239,189
Inventories	20	79,794	77,479
Trade receivables	21	42,140	44,588
Other receivables	21	15,702	10,438
Cash and cash equivalents	21	84,248	106,684
Total assets		752,826	801,240
Equity	22	257,819	246,440
Shareholders' equity (parent)		253,107	242,028
Non-controlling interest		4,712	4,413
Non-current liabilities		294,751	363,029
Provisions	23	3,394	5,653
Pension obligations	24	4,781	5,778
Deferred tax liabilities	19	2,128	339
Borrowings	25	256,900	322,619
Lease liabilities	28	27,548	28,189
Financial instruments	25	0	451
Current liabilities		200,256	191,771
Borrowings	25	64,440	34,119
Lease liabilities	28	6,650	6,604
Trade payables	26	72,252	77,303
Tax liabilities for the current year		8,635	9,736
Other current taxes, remuneration and social security	19	22,938	22,106
Other current payables	25	24,930	41,847
Financial instruments		411	56
Total liabilities		495,007	554,800
Total equity and liabilities		752,826	801,240

Consolidated statement of changes in equity

(x 1,000 euros)	Note	Share capital & share premium	Other reserves	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of 1 January 2019		507,670	-244,085	-18,823	-38,921	205,841	3,875	209,716
Profit for the period		0	0	0	41,056	41,056	485	41,540
Other comprehensive income		0	98	0		98	53	151
Total comprehensive income for the period		0	98	0	41,056	41,154	538	41,692
Capital increase		2,472	0	0	0	2,472	0	2,472
Declared dividends	22	0	0	0	-8,621	-8,621	0	-8,621
Share-based payments	22	0	1,182	0	0	1,182	0	1,182
Reclassification		0	0	0	0	0	0	0
Balance as of 31 December 2019		510,142	-242,805	-18,823	-6,486	242,028	4,413	246,440
Profit for the period		0	0	0	59,601	59,601	436	60,037
Other comprehensive income		0	-48,112	0	0	-48,112	-137	-48,248
Total comprehensive income for the period		0	-48,112	0	59,601	11,489	300	11,788
Capital increase		3,845	0	0	0	3,845	0	3,845
Declared dividends	22	0	0	0	-5,774	-5,774	0	-5,774
Share-based payments	22	0	1,520	0	0	1,520	0	1,520
Reclassification		0	0	0	0	0	0	0
Balance as of 31 December 2020		513,987	-289,397	-18,823	47,340	253,107	4,712	257,819

Consolidated cash flow statement

(x 1,000 euros)	Note	2020	2019
Operating activities			
Profit before income taxes from continued operations		73,715	69,886
Profit before income taxes from discontinued operations		0	-14,147
Taxes paid		-18,268	-15,741
Adjustments for financial items		15,024	14,502
Total adjustments for non-cash items	29	32,692	22,785
Total changes in working capital	30	-10,209	-110
Total cash flow from operating activities		92,953	77,175
Investment activities			
Capital expenditure		-18,421	-22,174
Proceeds from sold shareholdings		0	3,140
Investments in existing shareholdings (subsequent payments) and in new holdings		-32,877	-24,554
Total cash flow from investment activities		-51,299	-43,588
Financing activities			
Capital increase		3,845	2,472
Dividends		-5,766	-8,609
New borrowings	25	63,582	418,315
Reimbursement of borrowings	25	-100,207	-401,723
Interest received		753	1,682
Interest paid		-15,318	-16,623
Total cash flow from financing activities		-53,111	-4,486
Total net cash flow for the period		-11,457	29,102
Cash and cash equivalents - start of the period		106,684	77,579
Gains or losses on currency translation differences		-10,980	3
Cash and cash equivalents - end of the period		84,248	106,684
Changes in cash and cash equivalents		-11,457	29,102
Net cash flow from discontinued operations			
Total cash flow from operating activities		0	-21,610
Total cash flow from investment activities		0	0
Total cash flow from financing activities		0	0
Total net cash flow from discontinued operations		0	-21,610

The negative net cash flow from discontinued activities in 2019 relates to the payment of a final settlement with the U.S. Department of Justice concerning a civil law investigation in the context of an industry-wide investigation into the pricing of pharmaceutical products, for discontinued activities in 2016.

The item "adjustments for financial items" relates to interest paid and received and to other financial expenses and income that are not cash flows, such as the revaluation of the financial instruments.

Notes to the consolidated financial statements

1 General information

Fagron is a leading global company operating in the field of pharmaceutical compounding and focuses on delivering personalised pharmaceutical care to hospitals, pharmacies, clinics and patients in 60 countries worldwide.

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

These consolidated financial statements were approved for publication by the Board of Directors on 9 April 2021.

2 Financial reporting principles

The principal accounting policies applied in preparing these consolidated financial statements are detailed below. These policies have been consistently applied by all of the consolidated entities, including subsidiaries, for all of the years presented, unless stated otherwise.

The Fagron consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statements have been prepared on the basis of the historical cost convention, with the exception of derivative financial instruments and contingencies, which are listed at fair value.

The consolidated financial statements for Fagron NV and its subsidiaries for the entire year of 2020 have been prepared on a going concern basis, which assumes that the company will continue to be able to meet its liabilities as they become due in the foreseeable future.

IFRS developments

The following amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2020 and have been approved by the EU.

Published, mandatory and approved by the EU

		Anticipated impact
Adjustment to the definition of “material” in IAS 1 and IAS 8 1 January 2020	The changes clarify the definition of “material” and increase the consistency between the IFRS. The amendment clarifies that the reference to unclear information regards situations in which the effect is comparable to omission or misrepresentation of that information. It also states that an entity must assess materiality in the context of the financial statements as a whole. In addition, the change also clarifies the meaning of “primary users of financial statements for general purposes to whom those financial statements are directed”, by defining them as “existing and potential investors, credit providers and other creditors” who must appeal to the financial statements in order to also obtain a large portion of the financial information they need. The changes are not expected to have any significant impact on the preparation of the financial statements.	Fagron has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements.
Adjustment to IFRS 3 Business Combinations: definition of a company 1 January 2020	Adjustments to IFRS 3 “Definition of a business combination”, effective date 1 January 2020, which clarifies that while business combinations have normal outputs, these outputs are not required in order to regard an integrated set of activities and assets as a business combination. In order to regard an acquired set of activities and assets as a business combination, it must at least contain an input and a substantial process that together can contribute to the ability to create output.	Fagron has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements.
Adjustments to IFRS 9, IAS 39 and IFRS 7 Reformation of the Reference Interest Rates 1 January 2020	The reformation of the reference interest rate (adjustment to IFRS 9, IAS 39 and IFRS 7) clarifies that when applying hedge accounting, entities must assume that the reference interest rates that form the basis for the hedged cash flows and the cash flows from the hedging instrument, will not be altered as a result of the reformation.	Fagron has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements.

The following new standards, changes to standards and interpretations have been issued and approved by the EU, but are not yet mandatory for the first time for the financial year beginning 1 January 2020.

Published, not yet approved by the EU and not yet mandatory

		Anticipated impact
Adjustments to IFRS 16 Lease Agreements: Covid-19-related lease concessions 1 June 2020	This change provides a simplification for lease commitments that were granted as a result of the COVID-19 crisis. The lessee can decide to not analyse whether it regards a change to the existing contract if specific conditions are met.	Fagron has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements.
Adjustment to IFRS 4 Insurance contracts – postponement of IFRS 9 1 January 2021	The change revises the fixed expiration date for the temporary exemption in IFRS 4 Insurance Contracts for the application of IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods that begin on or after 1 January 2023.	Fagron will review the effects of these amendments and process them if applicable.

Published, not yet approved by the EU and not yet mandatory

		Anticipated impact
Adjustments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Reformation of the Reference Interest Rates - Phase 2 1 January 2021	The changes in the reformation of the interest rate benchmark - Phase 2 (changes in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical tool for adjustments required by the reformation, clarifying that hedge accounting will not be discontinued only due to the IBOR reformation, and introduce explanations that enable users to understand the nature and scope of the risks stemming from the IBOR reformation to which the entity is exposed and how the entity manages those risks, as well as the entity's progress in the transition from IBORs to alternative benchmark rates and how the entity manages this transition.	Fagron will review the effects of these amendments and process them if applicable.
Annual improvements 2018–2020 (applicable for financial years as of 1 January 2022)	<ul style="list-style-type: none"> IFRS 1 - The change allows a subsidiary that applies paragraph D16 (a) from IFRS 1 to value cumulative conversion differences using the amounts reported by its parent company, based on the parent company's transition date to IFRSs. IFRS 9 - The change clarifies which fees an entity charges when it applies the “10 percent” test in paragraph B3.3.6 from IFRS 9 when assessing whether a financial liability must no longer be included. An entity only includes fees that are paid or received between the entity (the borrower) and the lender, including fees that are paid or received by the entity or the lender on behalf of the other. IFRS 16 - The change to illustrative example 13 in IFRS 16 removes from the example the illustration of the repayment of improvements in leasehold by the lessor in order to eliminate possible confusion about the treatment of lease incentives that may arise due to the way in which lease incentives are illustrated. IAS 41 - The change removes the requirement in paragraph 22 from IAS 41 for entities to exclude tax cash flows when determining the fair value of a biological asset using a cash value technique. 	Fagron will review the effects of these amendments and process them if applicable.
Adjustments to IAS 37 Provisions, contingent liabilities and contingent assets: unprofitable contracts – Costs of fulfilling an unprofitable contract 1 January 2022	The adjustments clarify that the costs required to execute a contract are costs that are directly related to the contract and consist of: <ul style="list-style-type: none"> The marginal costs for the execution of the contract, for example, the direct labour and material costs; and An allocation of the other costs that are directly related to the contract, for example, part of the amortisation costs of the tangible assets used for the execution of the contract. 	Fagron will review the effects of these amendments and process them if applicable.
Adjustments to IFRS 3 Business Combinations: references to the conceptual framework 1 January 2022	These changes to IFRS 3 regard the references to the conceptual framework that were updated and did not result in any significant changes to the standard itself.	Fagron will review the effects of these amendments and process them if applicable.

Published, not yet approved by the EU and not yet mandatory

		Anticipated impact
Adjustments to IAS 16 Property, plant and equipment: income obtained for the intended use 1 January 2022	The changes prohibit the deduction of the costs of property, plant and equipment from all proceeds from the sale of products that are produced while that asset is brought to the location and condition that are necessary in order to be able to function in the manner intended by the management. Instead, an entity re-ports the proceeds from the sale of such items and the cost price of the production of those items in the income statement.	Fagron will review the effects of these amendments and process them if applicable.
Adjustments to IAS 1 Presentation of the Financial Statements and IFRS Practice Statement 2: Explanation of accounting policies 1 January 2022	The changes require an entity to state its material accounting policies instead of its major accounting policies. Further changes explain how an entity can identify a material accounting policy. Examples of situations have been added in which an accounting policy is probably of material importance. To support the change, the Board also developed guidelines and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2.	Fagron will review the effects of these amendments and process them if applicable.
IFRS 17 Insurance contracts 1 January 2023	IFRS 17 requires that insurance liabilities are valued at the current fulfilment value and offers a more uniform approach to valuation and presentation for all insurance contracts. These requirements are intended to achieve the goal of consistent, principle-based accounting for insurance contracts. IFRS 17 replaces IFRS 4 Insurance contracts as of 1 January 2023.	Fagron will review the effects of these amendments and process them if applicable.
Adjustments to IAS 1 Presentation of the Financial Statements: classification of liabilities as current or non-current 1 January 2023	The adjustments can be applied for financial years starting from 1 January 2022 and must be applied retro-actively. Early application is permitted.	Fagron will review the effects of these amendments and process them if applicable.
Adjustments to IAS 8 Accounting policies, changes in estimates and errors: Definition of estimates 1 January 2023	The changes replace the definition of a change in estimates with a definition of estimates. According to the new definition, accounting estimates are "monetary amounts in financial statements that are subject to valuation uncertainties". Entities develop accounting estimates when the accounting policies require that items be valued in the financial overviews in a way that constitutes a valuation uncertainty. The changes clarify that an estimate change resulting from new information or new developments is not the correction of an error.	Fagron will review the effects of these amendments and process them if applicable.

The other new standards, changes in standards and interpretations that were published but are not yet mandatory for this financial year starting on 1 January 2020, are not applicable for Fagron.

Consolidation criteria

The consolidated financial statements comprise Fagron and its subsidiaries. Subsidiaries are entities which the Group controls. The Group controls an entity when the Group has power over the entity and is exposed to, or has rights to, variable income from the entity and has the ability to affect the amount of variable income through its power over the entity. Subsidiaries are fully consolidated as of the date on which control is transferred to Fagron. They are no longer consolidated as of the date on which Fagron no longer has control.

Any contingent consideration to be entered into by the Group is recognised at fair value on the acquisition date. Changes in the fair value of the contingent consideration that is an asset or liability are recognised in accordance with IFRS 9 and in the income statement. Contingent considerations that are classified as equity are not revalued and the settlement of the liabilities is accounted for within equity.

An acquisition is recognised using the purchase method. The cost price of an acquisition is defined as the fair value of the assets given, shares issued and liabilities assumed on the date of the acquisition. Identifiable assets acquired and liabilities and contingencies assumed in a business combination are initially recognised at their fair value on the acquisition date. For each business combination, Fagron values any minority interest in the party acquired at fair value or at the proportional share in the identifiable net assets of the party acquired. The acquisition costs already incurred are recognised as expenses. The positive difference between the acquisition price and the fair value of the share of Fagron in the net identifiable assets of the acquired subsidiary on the date of acquisition constitutes goodwill and is recognised as an asset.

Intra-group transactions, balances and unrealised gains on transactions between companies of the Group are eliminated. Unrealised losses are also eliminated, but are considered to be an indication of an impairment. Where necessary, the accounting basis for amounts reported by subsidiaries have been adjusted in accordance with the accounting policies of Fagron.

Transactions with minority interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with shareholders in their capacity as shareholders. For purchases from minority interests, the difference between the price that was paid and the corresponding share acquired against the carrying amount of the net assets of the subsidiary is recognised in equity. Gains or losses on disposals to minority interests are also recognised in equity.

Foreign currency conversion

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

- Assets and liabilities at the year-end rate;
- Income statement at the average exchange rate for the year;
- 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 converted to the functional currency using the exchange rates that apply on the transaction date. Profits and losses from exchange rate differences resulting from settling these transactions and from the conversion of monetary assets and liabilities in foreign currencies at exchange rates valid at year-end are recognised in the income statement.

Exchange rates of key currencies

	Balance sheet		Income statement	
	2020	2019	2020	2019
US dollar	1.2271	1.123	1.1417	1.119
Brazilian real	6.3735	4.516	5.8922	4.414
Polish zloty	4.5597	4.257	4.4448	4.297
Mexican peso	24.4160	21.2202	24.5420	21.5488

Fixed Assets held for sale and discontinued operations (14)

Non-current assets and groups of assets to be sold are classified as fixed assets held for sale when the book value will be recovered principally through a sales transaction or through continued use of that asset.

In order to be classified as fixed asset held for sale, the following criteria must be satisfied in accordance with IFRS 5:

- Management must be committed to the sale;
- An active programme has been initiated in order to locate a buyer for the assets;
- The assets (or groups of assets that will be sold) are immediately available for sale, taking into account the usual terms and conditions for sale;
- The sale is highly probable, expected to occur within 12 months after first classification as non-current asset available for sale;
- The asset is offered for sale at a reasonable price: the price is in line with the fair value;
- The actions required to complete the sale of the assets indicate that it is unlikely that the plan will significantly change or be withdrawn.

If Fagron has committed to a plan to sell a subsidiary which results in Fagron relinquishing control over a subsidiary and the aforementioned criteria are satisfied, then all of the assets and liabilities from that subsidiary are classified as fixed assets held for sale and liabilities related to assets held for sale, regardless of whether Fagron will retain a non-controlling interest after the sale.

Assets held for sale and liabilities related to assets held for sale (or groups of assets that will be sold) are recognised at the lower of the original book value and the fair value less the costs to sell the asset.

A discontinued operation is a component of the Group that represents a separate, important operation or geographic business area, is part of a single coordination plan to dispose of a separate, important operation or geographic business area, or concerns a subsidiary that was acquired exclusively with the intention of selling it.

The classification as a discontinued operation will occur on the date when the transaction satisfies the conditions in order to be recognised as being held for sale or when an operation has been sold.

When an operation has been classified as a discontinued operation, the result from the discontinued operations over the reporting period will be presented separately in the income statement and in the statement of comprehensive income.

In addition to the requirements for the presentation in the balance sheet of groups of assets that will be sold, comparable figures are included in the income statement and in the statement of comprehensive income for the presentation of the results of discontinued operations. Furthermore, the net cash flows that can be attributed to the operating, investment and financing activities of the discontinued operations are reported separately.

Goodwill (16)

Goodwill represents the positive difference between the cost of an acquisition and the fair value of the Fagron share in the net identifiable assets of the acquired subsidiary on the acquisition date. Goodwill is checked at least once per year for impairment, but also each time a trigger event occurs. Goodwill is recognised at cost price less accumulated impairment losses. Impairment losses on goodwill are never reversed. Gains and losses on the disposal of an entity include the book value of goodwill relating to the entity sold.

Intangible fixed assets (16)

Intangible fixed assets are valued at cost price less accumulated amortisation and impairment. All intangible fixed assets are checked for impairment when there is an indication that the intangible asset may require impairment.

Brands, licences, patents and other

Intangible fixed assets are recognised at cost, provided this cost is not higher than the reported economic value and the cost price is not higher than the recoverable value. No other intangible fixed assets with an unlimited useful life were identified. The costs of brands with a definite useful life are capitalised and amortised on a straight-line basis over a period of 5 to 7 years. When a part of the price paid for a business combination relates to trade names, brand names, formulas and customer files, these items will be considered intangible fixed assets.

Research and development

Research costs related to the prospect of gaining new scientific or technological knowledge and understanding are recognised as costs at the moment they are incurred.

Development costs are defined as costs incurred for the design of new or substantially improved products and for the processes preceding commercial production or use. They are capitalised when, among other things, the following criteria are met:

- Technical feasibility of the project;
- Intention to complete the project and to use or sell the asset;
- Ability to use or sell the asset;
- Likelihood that the asset will generate future economic benefits;
- Adequate resources to complete the asset;
- Ability to measure the reliability of the costs.

Development costs are amortised using the straight-line method over the period of their expected benefit, which is currently a maximum of 5 years. Amortisation starts at the moment these assets are ready for use.

In-house development

Unique products developed in-house, including software controlled by Fagron, which are expected to generate future economic benefits, are capitalised at the cost directly related to their production. The software is depreciated over its useful life, which is currently estimated at 5 years.

Software

Acquired software is capitalised at cost price and then valued at cost price less accumulated depreciation and impairment losses. The assets are depreciated over the useful life, which is currently estimated at 5 years.

Impairment

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

Property, plant and equipment (17)

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

All assets are depreciated using the straight-line method, based on the estimated economic life. Any residual value taken into account when calculating the depreciation is reviewed on an annual basis. The "right to use" assets are depreciated over the shorter period of the lease period and the useful life. When it is fairly certain that the ownership will be obtained at the end of the lease, the "right to use" assets are depreciated over the useful life.

Financial fixed assets (18)

Financial assets and financial liabilities are recorded in the Fagron balance sheet when Fagron becomes party to the contractual provisions of the instrument.

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

Income taxes (19)

Income taxes as recognised in the income statement include the income tax on the current year and deferred taxes. Current income taxes include the expected tax liabilities on Fagron's taxable income for the financial year, based on the applicable tax rates at balance sheet date, and any adjustments from previous years. Income tax due on dividends is recognised when a liability to pay the dividend is recognised.

Deferred taxes are recognised using the balance sheet liability method and are calculated on the basis of the temporary differences between the book value and the tax base. This method is applied to all temporary differences arising from investments in subsidiaries and associates, except for differences where the timing of settling the temporary difference is controlled by Fagron and where the temporary difference is not likely to be reversed in the near future. The calculation is based on the tax rates as enacted or substantially enacted at balance sheet date and expected to apply when the related deferred tax is realised, or the deferred tax liability is settled. Under this calculation method, Fagron is also required to account for deferred taxes relating to any difference between the fair value of the net acquired assets and their book value for tax purposes resulting from any acquisitions. Deferred taxes are recognised to the extent that the tax losses carried forward are likely to be offset in the foreseeable future. Deferred income tax receivables are fully written off when it is no longer probable that the corresponding tax benefit will be realised.

Fagron will offset tax assets and tax liabilities if, and only if, Fagron has a legally enforceable right to offset the recognised amounts; and either (a) intends to settle on a net basis, or (b) to realise the asset and settle the liability simultaneously.

Inventories (20)

Raw materials, auxiliary materials, and trade goods are valued at the acquisition value in accordance with the FIFO method or the net realisable value (NRV) at the balance sheet date, whichever is lower. Work in progress and finished products are valued at production cost. In addition to the purchasing cost of raw materials and auxiliary materials, production costs and production overhead costs directly attributable to the individual product or the individual product group are included.

Trade receivables (21)

Trade receivables are initially valued at transaction price. After the initial valuation, trade receivables are valued at amortised cost. Provisions are made based on the lifetime expected loss allowance for all customers based on historical payment behaviour and forward-looking information.

When trade receivables are transferred to a third party (through factoring), the trade receivables are removed from the balance sheet if (1) there is no longer a right to receive cash flows and (2) Fagron has substantially transferred all risks and rights.

Cash and cash equivalents (21)

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

Capital (22)

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are recognised in the equity as a deduction, net of taxes, from the proceeds.

If a company of Fagron purchases share capital of Fagron (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the shareholders of Fagron until the shares are cancelled, reissued or disposed of. If such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects, is included in equity attributable to the shareholders of Fagron.

Provisions (23)

Provisions exist for restructuring costs, legal claims, risk of losses or costs potentially arising from personal securities or collateral constituted as guarantees for creditors or commitments to third parties, from liabilities to buy or sell non-current assets, from the fulfilment of completed or received orders, technical guarantees associated with turnover or services already completed by Fagron, unresolved disputes, fines and penalties related to taxes, or compensation for dismissal. Fagron recognises a provision if:

- Fagron has an existing legal or actual obligation as a result of past events;
- it is more likely than not that an outflow of resources will be necessary to fulfil the obligation; and
- the amount can be estimated reliably.

Provisions for restructuring costs comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are recognised based on management's best estimate of the expenditure required to settle the present obligation at balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Employee benefit expenses

Share-based payments (22)

Fagron operates an equity-based compensation plan, where the remuneration is paid in shares. The total amount that must be recorded as costs over the final vesting period is determined by reference to the fair value of the subscription rights or options allocated, without taking into account the impact of any non-market unconditional commitments (for example, profitability and turnover growth targets). Non-market unconditional commitments are taken into account in the assumptions about the number of subscription rights or options that are expected to become exercisable. On each balance sheet date, Fagron revises its estimates of the number of subscription rights or options that are 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, after deducting any directly attributable transaction costs, are recorded in the share capital (nominal value) and share premiums when the subscription rights are exercised. The modalities of the existing plans were not changed this year.

Pension obligations (24)

The companies of Fagron operate various pension schemes. The pension schemes are funded through payments to insurance companies, determined by periodic actuarial calculations. Fagron has both defined benefit and defined contribution plans.

The liability recorded on the balance sheet for the defined pension schemes is the current value of the future payment obligations less the fair value of the fund investments. The obligation is calculated periodically by independent actuaries using the "projected unit credit" method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately, in the period in which they arise, being added or deducted to or from the equity via the unrealised result.

For defined contribution plans, Fagron pays contributions to insurance companies. Once the contributions have been paid, Fagron will cease to have any further liabilities. Contributions to defined contribution plans are recognised as costs in the income statement at the moment they are made.

Borrowings (25)

Loans are initially recorded at fair value, net of transaction costs incurred. Loans are then recorded at amortised costs; any difference between the proceeds (after deducting the transaction costs) and the redemption value is recorded in the income statement over the loan period using the effective interest method. Borrowings are classified as current liabilities, unless Fagron has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Consultancy costs for the refinancing are part of the financial costs.

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

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

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

Derivative financial instruments (25)

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

Derivative financial instruments are recognised at fair value on the balance sheet. Fair values are derived from market prices. Since the Fagron derivative contracts do not satisfy the criteria as specified in IFRS 9 to be considered as hedging instruments, changes in the fair value of derivatives are recognised in the income statement.

Leases (28)

The standard requires lessees to include a "right to use" asset and a lease obligation. IFRS 16 also requires that depreciation costs linked to the "right to use" assets and interest expenses are recognised on these lease liabilities.

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

Revenue recognition

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

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

Segment reporting

IFRS 8 defines an operating segment as a component of an entity:

- that engages in business activities from which it may earn turnover and incur expenses;
- whereby the operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Fagron determines and presents operational segments based on the information that is provided internally to the Executive Committee, Fagron's decision-making body in 2020. An operating segment is a group of assets and activities engaged in providing products or services that are the basis of the internal reporting to Fagron's Executive Committee.

The reporting structure and presentation of the financial results per Fagron segment are in line with the way in which the business is managed. The financial information of the Fagron segments provided to the Executive Committee is split into Fagron Europe, Middle East and Africa (EMEA), Fagron North America and Fagron Latin America.

Earnings per share (EPS) (15)

Fagron presents basic and diluted earnings per share (EPS) for common shares. Basic EPS is calculated by dividing the profit or loss for the period attributable to holders of common shares by the sum of the weighted average number of common shares outstanding during the period. Dividend distribution to the shareholders of Fagron is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

For the purpose of calculating diluted EPS, the profit or loss for the period attributable to holders of common shares adjusted for the effects of all dilutive potential shares is divided by the sum of the weighted average number of outstanding ordinary shares used in the basic EPS calculation and the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

3 Risk management

Adequate and reliable financial reporting is essential for both the internal management reports and the external reporting. Group-wide reporting guidelines have been drawn up within Fagron to this end, based on IFRS and internal information needs.

Risk management is important for Fagron in order to secure the company's long-term business objectives and value creation. The policy of Fagron is to focus on identifying all major risks, on developing plans to prevent and manage these risks, and on putting in place measures to contain the consequences should such risks effectively occur. Still, Fagron cannot conclusively guarantee that such risks will not occur or that there will be no consequences when they occur.

All entities periodically prepare business plans, budgets and interim forecasts at predetermined moments. Discussions with management of the entities take place periodically on the general course of affairs, including the realisation and feasibility of the forecasts issued and strategic

decisions. With regard to tax regulations, Fagron makes use of the possibilities offered by the tax laws and regulations without taking any unnecessary risks in doing so. Fagron has the support of external tax advisers in this regard.

In addition to strategic and operational risks, Fagron is also subject to various financial risks. To sustain its day-to-day operations, Fagron has the following credit facilities at its disposal.

Sustainability-linked syndicated credit facility

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

Financial covenants syndicated credit facility

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

As of the end of 2020, the full term loan of 130 million euros (2019: 130 million euros) and an amount of 127 million euros had been withdrawn under the syndicated credit facility (2019: 140 million euros) and Fagron complied with the aforementioned financial covenants.

The credit facility is a so-called Sustainability Linked Loan, where the interest is linked to Fagron's sustainability objective to reduce greenhouse gas intensity (Scope 1 and Scope 2 of the GHG protocol) by approximately 30% in six years. Based on the annual progress measured, a discount or an addition can be applied to the credit facility's interest rate.

Starting in 2020, the sustainability objective to reduce Fagron's greenhouse gas intensity by approximately 30% in six years is also linked to the variable remuneration system for management.

Privately placed loans

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

The key covenants of this credit facility are the net financial debt/recurring EBITDA ratio and the recurring EBITDA/net interest expenses ratio. In addition, the total EBITDA, calculated as being the result before interest, taxes, depreciation, amortisation and impairment of the guarantors should be at least 70% of the consolidated EBITDA of the total Group. At the end of 2020, Fagron was in compliance with the financial covenants below.

Financiële convenanten onderhandse leningen

Test period	Net financial debt/REBITDA	REBITDA/net interest expenses
Semi-annual test periods (June/December)	Max. 3.25x	Min. 4.00x

Capital management

The Group's objectives in relation to capital management are:

- to safeguard the company's equity in order to guarantee its continuity; and
- to maintain the best possible capital structure so as to reduce capital costs.

Fagron does not have any explicit return on capital policy. There were no changes to the capital management policy during the year.

The amount to be paid on dividends can be adjusted by the Group (see note 22) in order to retain or adjust the capital structure. It may also issue new shares or dispose of assets in order to reduce indebtedness.

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

Cash pool

Fagron manages the cash and financing flows and the risks arising from these by means of a group-wide treasury policy. In order to optimise the financial position and keep the related interest charges to a minimum, the companies' cash flows are centralised as much as possible by means of cash pooling. Fagron has a total of three local cash pools in the regions of North America and Europe (the Netherlands and Belgium). These are used by the operating companies, whereby zero balancing is applied in Europe and target balancing in North America. The three local cash pools are pooled daily into one central notional cash pool.

Liquidity risk

Liquidity risk is the risk that Fagron is unable to meet its financial obligations. The expected cash flow is assessed and analysed on a regular basis. The goal is to have sufficient financial resources available at all times to meet the liquidity needs.

Credit risk

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

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

Net book value financial assets

(x 1,000 euros)	Category	Level	Gross value	Impairment	Net book value
Trade receivables	GK	2	44,279	-2,139	42,140
Other receivables	GK	2	16,676	-974	15,702
Cash and cash equivalents	GK	2	0	0	84,248

Term of financial instruments

(x 1,000 euros)	Category	Level	Average effective interest	Total book value	< 1 year	1 - 5 years	< 5 years
Leasing liabilities	GK	2	3.9%	34,198	6,650	21,333	6,214
Credit institutions	GK	2	2.1%	321,296	64,440	256,856	0
Other financial debt	GK	2		44	0	44	0

Interest risk

Fagron regularly assesses the maintained mix of financial debts with fixed and variable interest rates. At this moment, the financing consists in part of financing with a variable interest rate ranging from 1 to 6 months. A higher Euribor rate of 10 base points would have increased the variable interest charges of approximately 209 thousand euros before tax (2019: 183 thousand euros).

Exchange rate risk

The exchange rate risk is the risk on results due to fluctuations in the exchange rates. Fagron reports its financial results in euros and is, because of the international distribution of its activities, subject to the potential impact of currencies on its profits. Fagron reports its financial results in euros and is, because of the international distribution of its activities, subject to the potential impact of currencies on its profits. Exchange rate risk is the result on the one hand of several entities of Fagron operating in a functional currency other than euros and on the other hand of the circumstance that purchasing and retail prices of Fagron have foreign currencies as reference. The risk regarding the Fagron entities that operate in a functional currency other than the euro involves entities that operate in US dollars, Brazilian reals, Polish zloty, Czech crowns, Swiss francs, British pounds, Danish crowns, Israeli shekels, Colombian pesos, Chinese yuan, South African rand, Australian dollars, Croatian kuna, Canadian dollars and Mexican pesos. In 2020, these entities collectively represent 64.2% of the consolidated turnover.

Some of the Group’s turnover is realised in currencies other than the euro, such as in Brazil, the United States, Poland, and Mexico. The table below shows the hypothetical supplementary effect of the euro strengthening or weakening by 10% against the US dollar, the Brazilian real, the Polish zloty and the Mexican Peso for the year 2020 and its subsequent effect on profit before tax and equity capital.

(x 1,000 euros)	Profit before tax		Equity	
	Strengthening	Weakening	Strengthening	Weakening
US dollar	-953	1,165	-4,966	6,069
Brazilian real	-1,683	2,057	-8,605	10,518
Polish zloty	-1,237	1,512	-3,652	4,463
Mexican peso	-188	229	-1,680	2,054

The company also incurs indirect currency risk as a large part of its purchases in Brazil are actually transactions in US dollars. This means that the Group’s products become relatively more expensive to Fagron’s customers each time the US dollar rises against the Brazilian real. The risk is difficult to quantify, as such price increases are directly charged to the consumer entirely or partly.

Currency risks in relation to debt in foreign currency, privately placed loans (senior unsecured notes), some of which were borrowed in US dollars, have been hedged in part with intercompany loans to the US subsidiary.

Fair value risk

In 2020, Fagron used financial derivatives in order to hedge interest and currency risks. Fagron hedged the variable interest rate for 42.5 million US dollars of financing. In accordance with IFRS, all financial derivatives are recognised either as assets or as liabilities. In accordance with IFRS 9, financial derivatives are recognised at fair value. Changes in fair value are recognised by Fagron directly in the income statement because these are financial derivatives that do not qualify as cash flow hedging instruments.

4 Critical accounting estimates and judgments

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are deemed reasonable given the circumstances.

Critical estimates and judgments

Fagron makes estimates and judgments concerning the future. The resulting estimates will, by definition, rarely match the related actual results. Those estimates and assumptions that entail a significant risk of causing the need for a material adjustment of the book value of assets and liabilities within the next financial year are discussed below. An overview of the important estimates and judgments is provided below.

Estimated impairment loss for goodwill and other intangible fixed assets

Fagron performs an annual goodwill impairment test in accordance with the accounting policies specified in note 16. The recoverable amount of cash flow-generating units is the higher of the asset’s fair value less costs to sell and enterprise value. These calculations require the application of estimates. In 2019 and 2020, no impairment loss was recognised.

Provisions for disputes

As stated, provisions are valued at present value of the best estimate by management of the expenditure required to settle the existing obligation at the balance sheet date. Provisions for disputes require significant professional judgment in terms of the ultimate outcome of administrative law rulings or court judgments. Estimates are always based on all available information at the moment the financial statements are prepared. However, the need for significant adjustments cannot be absolutely precluded if a ruling or judgment proves not as expected. Judgments and estimates are continuously evaluated on the basis of past experience and other factors, including projected development of future events that are regarded as reasonable given the circumstances. See also note 23: Provisions and note 31: Contingencies.

Uncertain tax positions

The company is subject to tax on profits in different jurisdictions. Significant judgments must be made in determining the provision for tax on profits. There are some transactions and calculations for which the ultimate taxable amount is uncertain. When the final income tax is determined, the deviations will affect the current and deferred taxes and liabilities for the period in which the determination is made. See also note 19: Taxes, remuneration and social security and note 31: contingencies.

5 Segment information

Fagron has adjusted the reporting structure and presentation of the financial results per segment bring these in line with the way in which the business is managed. Fagron’s results are reported in the segments Fagron EMEA, Fagron North America, Fagron Latin America and HL Technology. This structure is tailored to the various activities of Fagron and also supports effective decision-making and individual responsibility. This is in accordance with IFRS 8, which states that the operational segments must be determined on the basis of the components that the Executive Committee applies to assess the performance of the operational activities and on which the decisions are based.

Fagron is organised into three main operational segments:

- Fagron EMEA** refers to Fagron's European activities in the Netherlands, Belgium, Poland, Germany, Italy, Czech Republic, Spain, France, Denmark, Greece, Croatia and the United Kingdom, as well as the activities in Israel and South Africa. Fagron EMEA is active in all product groups of Fagron;
- Fagron North America** encompasses all Fagron activities in the United States. Fagron North America is active in all product groups of Fagron;
- Fagron Latin America** refers to all of the Fagron activities in Brazil, Colombia and Mexico. In Latin America, Fagron is primarily active in Fagron Brands and Fagron Essentials.

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

Fagron's activities can be subdivided into four categories:

- Fagron Compounding Services** refers to all personalised medicine that is prepared in Fagron's sterile and non-sterile facilities;
- Fagron Brands** encompasses the innovative concepts, products and vehicles developed by Fagron, often in close cooperation with prescribers, pharmacies and universities;
- Fagron Essentials** refers to all pharmaceutical raw material, equipment and supplies that a pharmacist needs in order to prepare medication himself/herself in the pharmacy;
- Fagron Premium Pharmaceuticals** refers to a limited number of non-sterile compounds that are supplied to pharmacies.

The segment results for continued operations for the period ending 31 December 2020 are as follows:

2020 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Turnover	267,379	159,533	129,060	555,971
Intersegment turnover	551	271	166	988
Total turnover	267,930	159,803	129,226	556,959
Operating result per segment	49,765	17,786	21,188	88,738
Financial result				-15,023
Profit before taxes				73,715
Taxes on profits				13,678
Net profit from continued operations				60,037

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

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

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

2020 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Depreciation and amortisation	10,385	12,723	4,375	27,482
Depreciation on inventories	2,479	789	0	3,267
Depreciation on receivables	233	257	53	544

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

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

2020 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Unassigned/ intersegment elimination	Total
Total assets	339,919	218,248	151,482	43,177	752,826
Total liabilities	86,639	163,626	35,290	209,452	495,007
Capital expenditure	6,935	4,203	5,303	0	16,440

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

The segment assets consist primarily of property, plant and equipment, intangible fixed assets, inventories, receivables and cash from operations. The difference between the aforementioned capital expenditures and the capital expenditures in the cash flow statement relates particularly to the impact of capital expenditures still to be paid at the end of 2019 and 2020 and proceeds from divestments.

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

6 Turnover

(x 1,000 euros)	2020	2019
Sale of goods	555,971	534,695
Turnover	555,971	534,695

7 Other operating income

(x 1,000 euros)	2020	2019
Gain on disposal of fixed assets	173	277
Other operating income	1,015	1,708
Total other operating income	1,188	1,985

8 Services and other goods

(x 1,000 euros)	2020	2019
Sale and distribution costs	29,471	28,367
Contracted services	23,820	22,663
Other services and goods	29,068	30,965
Total services and other goods	82,359	81,995

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

9 Employee benefit expenses

(x 1,000 euros)	2020	2019
Wages and salaries	85,541	86,663
Social security costs	15,823	15,987
Pension costs – defined benefit plans	403	389
Pension costs – defined contribution plans	2,190	2,377
Other post-employment benefit contributions	3,904	1,889
Other employee expenses	17,399	17,390
Total employee benefit expenses	125,259	124,695

On 31 December 2020, Fagron's workforce (fully consolidated companies) for continued operations amounted to 2,844 (2019: 2,728) employees or 2,711.7 (2019: 2,614.9) full-time equivalents. The distribution of the number of full-time equivalents per operating segment is as follows:

Full-time equivalents (rounded to one unit) ¹	2020	2019
EMEA	1,193	1,128
North America	642	585
Latin America	877	902
Total	2,712	2,615

¹ FTEs of own employees are on the basis of continued operations.

10 Depreciation, amortisation and impairment

(x 1,000 euros)	2020	2019
Depreciation and amortisation	19,673	18,201
Depreciation leasing and similar rights	7,809	7,761
Write-down on inventories	3,267	3,329
Write-down on receivables	544	27
Depreciation and amortisation	31,293	29,319

11 Other operating expenses

(x 1,000 euros)	2020	2019
Increase (decrease) in provisions for current liabilities	-260	-32
Increase (decrease) in provisions for pension liabilities	-223	81
Taxes and levies (excluding income tax)	1,729	1,127
Other operating expenses	1,380	2,423
Total other operating expenses	2,627	3,600

12 Financial result

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

(x 1,000 euros)	2020	2019
Financial income	753	1,447
Currency translation differences	0	235
Total financial income	753	1,682
Financial expenses	-3,448	-3,666
Interest expenses	-9,514	-10,928
Interest on leasing liabilities	-1,340	-1,268
Currency translation differences	-1,307	0
Revaluation of financial derivatives	-168	-320
Total financial expenses	-15,776	-16,183
Total financial result	-15,024	-14,502

The revaluation of financial derivatives of -0.2 million euros in 2020 (2019: -0.3 million euros) relates to the change in the market value of the interest rate derivatives that are not a cash flow and cannot be presented as a hedge instrument in accordance with IFRS 9. The derivatives were valued on the basis of discounted cash flows.

The financial result, excluding the revaluation of the financial derivatives, amounts to -14.9 million euros in 2020 (2019: -14.2 million euros). This increase is caused primarily by a decrease in financial income from 1.7 million euros to 0.8 million euros due to negative currency translation differences and lower cash deposits.

13 Income taxes

Income taxes from continued operations are as follows:

(x 1,000 euros)	2020	2019
Current tax expenses	17,376	17,242
Deferred taxes	-3,698	-3,043
Tax on profits	13,678	14,199
Effective tax rate	18.56%	20.32%
Profit before income tax from continued operations	73,715	69,886
Tax calculated at weighted Fagron NV's statutory tax rate	18,429	20,672
Effect of rate differences compared with foreign jurisdictions	689	-1,882
Income not subject to taxes	-864	-1,439
Expenses not deductible for tax purposes	799	723
Tax on profit previous years	459	-109
Valuation of non-deductible losses	-4,276	-2,719
Other	-1,557	-1,047
Tax on profits	13,678	14,199

The "Tax calculated based on Fagron NV's statutory tax rate" is the taxes expected based on the Belgian statutory rate. The "Effect of rate differences compared with foreign jurisdictions" pertains to the impact of the statutory rates to which the entities in the Group are subject compared to the Belgian statutory rate.

The "Income not subject to taxes" concerns the exempt income and expenses and is mainly related to ICMS in Brazil.

The "Expenses not deductible for tax purposes" are all costs that are not tax-deductible and relate mainly to non-deductible intercompany expenses and other non-deductible expenses.

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

The item "Other" concerns all other movements that impact the effective tax rate. This primarily pertains to the use of tax losses that were not recognised earlier as a deferred tax claim and tax losses in the current year which have not been recognised because of insufficient expected future tax profits.

14 Discontinued operations

The total result for the discontinued operations and the total of cash flows from the discontinued operations are shown below. The result in 2019 relates particularly to the final settlement with the U.S. Department of Justice regarding a civil law investigation in the context of an industry-wide investigation into the pricing of pharmaceutical products, for discontinued activities in 2016.

Net result from discontinued operations

(x 1,000 euros)	2020	2019
Operating income	0	0
Turnover	0	0
Other operating income	0	0
Expenses	0	14,147
Profit before income tax	0	-14,147
Attributable income taxes	0	0
Profit / (loss) from revaluation to fair value, settlement costs and costs of sale	0	0
Profit / (loss) for the year from discontinued operations (attributable to the company's shareholders)	0	-14,147

Net cash flows from discontinued operations

(x 1,000 euros)	2020	2019
Total cash flow from operating activities	0	-21,610
Total cash flow from investment activities	0	0
Total cash flow from financing activities	0	0
Total net cash flows from discontinued operations	0	-21,610

15 Earnings per share

(in euros)	2020	2019
Basic earnings (loss) per share	0.83	0.57
• from continued operations	0.83	0.77
• from discontinued operations	0	-0.20
Diluted earnings (loss) per share	0.82	0.56
• from continued operations	0.82	0.75
• from discontinued operations	0	-0.19

The earnings used in the calculations are as follows:

(x 1,000 euros)	2020	2019
Profit (loss) attributable to equity holders of the company	59,601	41,056
• from continued operations	59,601	55,202
• from discontinued operations	0	-14,147

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

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

(number of shares x 1,000)	2020	2019
Weighted average number of ordinary shares	72,089	71,798
Effect of subscription rights and stock options	296	1,208
Weighted average number of ordinary shares (diluted)	72,385	73,006

No ordinary share transactions were executed after the balance sheet date which have impacted on earnings per share. The number of subscription rights and stock options that do not have any dilutive impact during the period, but which could possibly have an impact in the future, is equal to zero. These are subscription rights and stock options for which the exercise price is higher than the average Fagron stock price in 2020.

16 Intangible fixed assets

(x 1,000 euros)	Goodwill	Development	Concessions & patents	Brands and customer relations	Software	Other	Intangible fixed assets	Total
Net book value as at 1 January 2019	365,135	5,132	1,015	14,884	5,195	26	26,252	391,388
Investments	0	2,722	142	209	894	0	3,968	3,968
Acquisitions	29,540	0	0	6,190	0	0	6,190	35,731
Transfers and disposals	-6,916	-251	-4	1,227	120	0	1,092	-5,824
Amortisation	0	-1,351	-177	-5,732	-1,880	0	-9,141	-9,141
Exchange differences	1,566	14	2	445	-11	0	450	2,016
Net book value as of 31 December 2019	389,326	6,265	978	17,224	4,318	26	28,811	418,137
Gross book value	638,369	11,448	2,145	40,023	16,650	48	70,314	708,683
Accumulated amortisation	-249,043	-5,183	-1,167	-22,799	-12,333	-22	-41,503	-290,547
Net book value	389,326	6,265	978	17,224	4,318	26	28,811	418,137
Net book value as of 1 January 2020	389,326	6,265	978	17,224	4,318	26	28,811	418,137
Investments	0	1,748	3	321	1,041	0	3,114	3,114
Acquisitions	12,462	128	584	3,689	35	0	4,435	16,897
Transfers and disposals	0	246	58	151	172	0	627	627
Amortisation	0	-2,052	-313	-6,307	-1,653	0	-10,325	-10,325
Exchange differences	-37,135	-130	-5	-1,432	-578	-2	-2,148	-39,282
Net book value as of 31 December 2020	364,654	6,205	1,304	13,646	3,335	23	24,513	389,167
Gross book value	613,697	13,554	2,728	39,785	16,200	46	72,314	686,011
Accumulated amortisation	-249,043	-7,349	-1,424	-26,139	-12,866	-23	-47,801	-296,844
Net book value	364,654	6,205	1,304	13,646	3,335	23	24,513	389,167

The intangible fixed assets have not been encumbered with collateral.

The category "Development" consists mainly of unique software developed in-house in full control of Fagron. The development costs were fully capitalised in 2019 and 2020. These are mainly related to employee costs.

Impairment

Goodwill is checked at least once per year for impairment, but also each time a trigger event occurs. In 2019 and 2020, this did not lead to an impairment of the goodwill.

Goodwill

Goodwill acquired in business mergers and acquisitions is allocated to cash-generating units or groups of cash-generating units which are expected to have future economic benefits following the merger or acquisition. Goodwill is recognised at cost price less accumulated impairment losses.

The net book value of goodwill was attributed as follows to the cash-generating units:

(x million euros)	December 2020	December 2019
Fagron Europe Essentials and Brands	111.8	113.6
Fagron Europe Compounding Services and Premium Pharmaceuticals	58.7	58.7
Fagron United States Essentials and Brands	73.4	77.8
Fagron Sterile Services	15.7	17.1
AnazaoHealth	28.1	30.6
Fagron Latin America Essentials and Brands	64.1	83.2
Fagron Rest of the World	12.9	7.9
Total	364.7	389.3

The decrease in goodwill was caused particularly by a weakening of the Brazilian real and the US dollar against the euro.

Goodwill impairment test

The methodology for testing impairment is in accordance with IAS 36. Goodwill is tested at least annually for impairment with respect to cash-generating units and consistently when a trigger event occurs during the year which may result in an impairment loss. When the goodwill impairment test is conducted, the recoverable amount, being the value in use, is calculated per cash-generating unit.

The key judgments, estimates and assumptions that are commonly used are as follows:

- The main estimates used in the goodwill impairment test are the turnover growth rate, the gross margin percentage, the discount rate and the long-term growth rate.
- The first year of the model is based on detailed financial budgets approved by Management and the Board of Directors.
- The year-one budget figures are extrapolated for the years two to five, taking into account an internal growth rate or using a business plan. The figures take into account economic assumptions and historical experience of market share, turnover and expenses, capital expenditures and working capital.
- For the following years, an estimate of the perpetual growth is used. For the main cash flow-generating units, the following long-term growth rates were used: 2% for Fagron Europe Compounding Services and Premium Pharmaceuticals, Fagron Europe Essentials and Brands, Fagron United States Essentials and Brands, Fagron Sterile Services and AnazaoHealth and 7% for Fagron Brazil Essentials and Brands. The same growth rates were used in 2019.
- Projections made for Brazil and the United States are done in their functional currency unit and are discounted at the weighted average capital cost of the unit. For the main cash flow-generating units, the following weighted average cost of capital was used: 7.7% (pre-tax: 9.6%) for Fagron Europe Compounding Services and Premium Pharmaceuticals, 7.7% (pre-tax: 9.6%) for Fagron Europe Essentials and Brands, 9.8% (pre-tax: 11.9%) for Fagron United States Essentials and Brands, 9.8% (pre-tax: 11.8%) for Fagron Sterile Services, 9.8% (pre-tax: 11.7%) for AnazaoHealth and 16.6% (pre-tax: 22.5%) for Fagron Latin America Essentials and Brands. A weighted average cost of capital was used in 2019 of 8.0% (pre-tax: 9.9%) for Fagron Europe Compounding Services and Premium Pharmaceuticals, 8.0% (pre-tax: 10.1%) for Fagron Europe Essentials and Brands, 9.4% (pre-tax: 11.3%) for Fagron United States Essentials and Brands, 9.4% (pre-tax: 11.3%) for Fagron Sterile Services, 9.4% (pre-tax: 11.1%) for AnazaoHealth and 15.8% (pre-tax: 21.1%) for Fagron Latin America Essentials and Brands.

The outcome of the impairment test for the main cash flow generating units indicates that a reasonable change in the assumptions used will not lead to an impairment.

17 Property, plant and equipment

(x 1,000 euros)	Land and buildings	Machinery and installations	Furniture and vehicles	Leasing and other similar rights	Other property, plant and equipment	Assets under construction	Total
Net book value as at 1 January 2019	42,209	19,264	4,998	137	2,039	4,793	73,439
Changes to the financial reporting principles (IFRS 16)	0	0	0	38,113	0	0	38,113
Investments	1,204	2,300	2,133	4,817	105	17,996	28,555
Acquisitions	2,633	635	269	531	0	4	4,071
Transfers and disposals	-2,303	335	-41	-2,185	47	-2,341	-6,488
Depreciation	-2,900	-4,188	-1,562	-7,761	-409	0	-16,821
Exchange differences	203	174	-16	-49	12	15	339
Net book value as of 31 December 2019	41,046	18,519	5,782	33,601	1,794	20,466	121,208
Gross book value	61,696	48,506	19,150	41,397	5,145	20,466	196,361
Accumulated depreciation	-20,651	-29,988	-13,368	-7,795	-3,351	0	-75,153
Net book value	41,046	18,519	5,782	33,601	1,794	20,466	121,208
Net book value as of 1 January 2020	41,046	18,519	5,782	33,601	1,794	20,466	121,208
Investments, including additions for IFRS 16	1,396	1,965	1,404	7,448	256	8,305	20,774
Acquisitions	2,450	1,042	1,658	1,972	0	0	7,121
Transfers and disposals	-345	1,446	-351	-599	1,072	-5,637	-4,413
Depreciation	-2,000	-4,293	-1,846	-7,809	-496	0	-17,157
Exchange differences	-1,693	-1,425	-772	-2,176	-121	-2,414	-8,908
Net book value as of 31 December 2020	39,835	17,253	5,874	32,437	2,505	20,721	118,625
Gross book value	61,002	48,365	18,833	46,368	6,209	20,721	201,498
Accumulated depreciation	-21,167	-31,113	-12,959	-13,931	-3,704	0	-82,874
Net book value	39,835	17,253	5,874	32,437	2,505	20,721	118,625

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

18 Financial non-current assets

(x 1,000 euros)	Investments	Loans and receivables	Total
Net book value as at 1 January 2019	943	1,216	2,158
Investments	13	2,072	2,084
Transfers and disposals	-7	37	31
Other movements	0	13	13
Net book value as of 31 December 2019	948	3,338	4,287
Investments	61	261	321
Transfers and disposals	5	-2,551	-2,546
Other movements	0	278	278
Net book value as of 31 December 2020	1,014	1,326	2,340

The investments consist primarily of a minority interest of 1.0 million euros, where the investments are valued on a fair value basis and differences with respect to the fair value are shown in the income statement. However, this asset is valued at cost due to the lack of reliable information about its fair value.

An analysis of the aforementioned assets showed that none of these assets need to be impaired in 2020 and 2019.

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

19 Taxes, remuneration and social security

a) Current taxes, remuneration and social security

(x 1,000 euros)	2020	2019
Tax liabilities for the current year	8,635	9,736
Other current tax and VAT payable	9,177	8,981
Remuneration and social security payable	13,761	13,125
Current taxes, remuneration and social security	31,573	31,842

b) Deferred tax assets

(x 1,000 euros)	Differences in depreciation rates	Employee benefits	Provisions	Tax losses	Other	Total
Balance on 1 January 2019	761	85	879	15,322	-986	16,061
Result	37	1335	-253	1863	-805	2,177
Change in scope of consolidation	0	0	0	0	183	183
Impairment	0	0	0	0	0	0
Balance on 31 December 2019	798	1,420	626	17,185	-1,608	18,420
Result	-31	-118	307	663	1,442	2,266
Change in scope of consolidation	0	50	0	75	0	125
Impairment	0	0	0	0	0	0
Balance on 31 December 2020	767	1,352	933	17,923	-166	20,811

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

An impairment test on tax losses is performed twice per year. If it becomes clear that the losses cannot be offset within a reasonable time, they are written off. This calculation is based on result projections with a five-year forecast horizon, based on detailed financial budgets approved by the management for the first year and an extrapolation of these figures for the second through fifth year. Extending the result projection for one year in the region with the most significant deferred tax asset will result in its increase by approximately 3.5 million euros.

Based on the impairment test in 2020 on tax losses, no impairment occurred. At the end of 2020, the tax losses amounted to 274.8 million euros, of which 84.2 million euros were assessed, resulting in a deferred tax asset of 17.9 million euros.

c) Deferred tax liabilities

(x 1,000 euros)	Differences in depreciation rates	Other	Total
Balance on 1 January 2019	3,013	-2,754	259
Result	108	0	108
Change in scope of consolidation	-28	0	-28
Discontinued operations	0	0	0
Balance on 31 December 2019	3,093	-2,754	339
Result	539	0	539
Change in scope of consolidation	1,778	0	1,778
Discontinued operations	0	0	0
Balance on 31 December 2020	5,410	-2,751	2,659

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

On the balance sheet date, the Group has not included any deferred tax liability for taxes payable as the result of any dividend payment. The Group has not included any deferred tax liability because no adopted intercompany dividend policy applies, and an autonomous decision can therefore be made as to when a dividend will be paid and in what amount. The unvalued deferred tax liability is nil.

20 Inventories

(x 1,000 euros)	2020	2019
Raw materials	21,559	20,575
Work in progress	190	413
Finished goods	16,215	15,006
Trade goods	41,830	41,485
Inventories	79,794	77,479

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

21 Trade receivables, other receivables, cash and cash equivalents

a) Trade receivables and other receivables

(x 1,000 euros)	2020	2019
Trade receivables	44,279	46,203
Provision for impairment of receivables	-2,139	-1,615
Total trade receivables	42,140	44,588
Other receivables	15,702	10,438

There is no concentration of credit risk with respect to trade receivables, as a large number of Fagron's customers are internationally dispersed. If there are indications that trade receivables will be uncollectible, a provision has been made.

Fagron applies a strict credit policy with regard to its customers, ensuring that the company controls and minimises credit risk. No individual customers make up a substantial part of either turnover or outstanding receivables. Fagron uses factoring. The factoring balance on 31 December 2020 amounted to 29.5 million euros (2019: 20.4 million), which explains the decrease in trade receivables.

(x 1,000 euros)	Carrying amount	Of which not overdue at year-end	Of which due at year-end			
			less than 30 days	between 31 and 90 days	between 91 and 150 days	more than 150 days
Trade receivables on 31 December 2020	42,140	25,397	8,910	4,264	2,173	1,396
Percentage expected credit losses 2020		0.1%	3.5%	7.5%	15%	50%
Trade receivables at 31 December 2019	44,588	31,367	7,072	4,026	1,176	946
Percentage expected credit losses 2019		0.1%	3.5%	7.5%	15%	50%

(x 1,000 euros)	Provision for impairment of receivables
Balance as of 1 January 2019	-2,541
Additions:	
• Through business combinations	-125
• Other	-36
Amounts used	1,246
Other	0
Balance as of 31 December 2019	-1,615
Additions:	
• Through business combinations	0
• Other	-564
Amounts used	0
Other	40
Balance as of 31 December 2020	-2,139

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

b) Cash and cash equivalents

(x 1,000 euros)	2020	2019
Investments with a maturity of less than three months	464	1,271
Cash and cash equivalents	83,784	105,413
Cash and cash equivalents	84,248	106,684

The decrease in cash and cash equivalents is mainly explained by the negative cash flow from investment activities and financing activities.

The majority of the cash comprises cash and cash equivalents in bank accounts and cash. The cash and cash equivalents are centralised as much as possible in a cash pool, held in accounts with banks that mostly have an A-rating. All new bank accounts are only opened with banks awarded at least an A-rating.

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

22 Equity

Authorised capital

The Extraordinary General Meeting decided on May 14, 2012 to renew the Board of Directors' authorisation to increase the authorised capital, such within the limits of the existing authorisation as set out in Article 5bis of the Articles of Association, in one or more rounds by a maximum amount of 320,023,050.35 euros, such within a period of five years from the date of announcing such a decision in the Annexes of the Belgian Bulletin of Acts, Orders and Decrees. This proxy to increase the capital may be exercised only subject to the approval of at least three fourths (3/4) of the directors present or lawfully represented. By resolution of the Extraordinary General Meeting of 8 May 2017, the authorisation of the Board of Directors was renewed to increase the capital in one or more times with a maximum amount of 494,192,221.68 euros.

On 29 June 2015, 224,133 new shares were issued in the context of the authorised capital. The number of voting securities of Fagron amounted to 31,667,794. The total number of voting rights (denominator) amounted to 31,667,794. The capital amounted to 322,217,493.06 euros in order to increase the capital by 2,297,363.25 euros in the context of the authorised capital by contribution in kind upon the issue of new shares bringing it to 324,514,856.31 euros.

On 4 August 2015, 444,033 new shares were issued in the context of the authorised capital. The number of voting securities of Fagron amounted to 32,111,827. The total number of voting rights (denominator) amounted to 32,111,827. The capital amounted to 324,514,856.31 euros in order to increase the capital by 4,551,338.25 euros in the context of the authorised capital by contribution in kind upon the issue of new shares bringing it to 329,066,194.56 euros.

Since the granting of the authorised capital authorisation to the Board of Directors, the Company's capital was therefore increased by 6,848,701.50 euros (on June 29, 2015 and August 4, 2015).

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 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 subscription rights within the limits of the authorised capital.

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

The movements in this balance sheet item are presented in the statement of changes in equity. No treasury shares were bought back in 2020 (2019: nil). As of 31 December 2020, Fagron NV owns 103,627 treasury shares (2019: 103,627). In accordance with IFRS, these shares are deducted from equity and do not affect the income statement. In 2020, 298,750 new shares were issued in the context of warrant plans (2019: 335,000). The nominal number of shares on 31 December 2020 was 72,477,654 (2019: 72,178,904). The total number of outstanding shares on 31 December 2020 was 72,374,027 (2019: 72,075,277).

	2020		2019	
Number of ordinary shares and the equity value thereof	Number of shares x 1,000	Value of shares x 1,000 euros	Number of shares x 1,000	Value of shares x 1,000 euros
Issued shares as at 1 January	72,179	510,142	71,844	507,670
Reclassification	0	0	0	0
Issued shares as at 31 December	72,478	513,987	72,179	510,142
Treasury shares as at 31 December	104	18,823	104	18,823
Shares outstanding as at 31 December	72,374	513,968	72,075	491,319

All ordinary shares are fully paid. The ordinary shares have no nominal value denotation but have an accounting par value of 1/72,178,904th of the capital as of 31 December 2020 (2019: 1/71,843,904th). Each ordinary share carries one vote and a right to dividends.

Share-based payments

On 13 June 2016, the company's Board of Directors approved the Warrant Plan 2016 for employees, directors and managers/consultants of Fagron and/or its subsidiaries, where this decision was ratified by resolution of the Extraordinary General Meeting of 1 July 2016 in the presence of Civil-law Notary, Liesbet Degroote, where it was resolved to issue 1,000,000 warrants. In 2016, there were 983,091 warrants granted at an exercise price of 7.38 euros.

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

On 12 April 2019, the company's Board of Directors approved the Warrant Plan 2019 for employees, directors and consultants of the company and/or its subsidiaries. The warrants were issued in response to the decision taken by the Board of Directors dated 13 May 2019 in the presence of notary Barbara Glorieux and her colleague notary Liesbet Degroote. In total 335,000 warrants were issued. In 2019, 110,000 warrants were granted at an exercise price of 17.17 euros.

On 4 August 2020, the company's Board of Directors approved the Subscription Rights Plan 2020 for employees, directors and consultants of the company and/or its subsidiaries. The subscription rights were issued in response to the decision taken by the Board of Directors dated 6 August 2020 in the presence of notary Barbara Glorieux and her colleague notary Liesbet Degroote. A total of 2,600,000 subscription rights were issued. In 2020, 995,000 subscription rights were granted at an exercise price of 18.52 euros.

The condition for vesting subscription rights for employees is that they still have an employment contract with the company; for directors and consultants the condition is that their relationship with the company has not been terminated. The costs of the subscription rights have been determined at the subscription rights' real value on grant date and are spread over the vesting period of the subscription rights. The costs are incorporated in other employee benefit expenses and amount to 1.5 million euros for the 2020 financial year and 1.2 million euros for the 2019 financial year. The subscription rights are settled via equity instruments.

In 2020, 298,750 shares (2019: 335,000) were issued as a result of the exercise of warrants under the Warrant Plan 2016 and 2018. The number of Fagron shares with voting rights is currently 72,477,654 (2019: 72,178,904). The total number of voting rights (denominator) is currently 72,477,654 (2019: 72,178,904). The capital amounts to 498,551,597.81 euros (2019: 496,496,586.18 euros).

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

	Average exercise price in euros	Number of warrants
Outstanding as at 1 January 2019	17.67	2,080,500
Granted	17.17	110,000
Forfeited	13.94	-130,000
Forfeited	16.31	-3,000
Forfeited	39.37	-405,000
Exercised	7.38	-335,000
Outstanding as at 31 December 2019	13.94	1,317,500
Granted	18.52	995,000
Granted	18.96	85,000
Forfeited	18.52	-22,500
Forfeited	17.17	-70,000
Forfeited	13.94	-115,000
Forfeited	16.31	-2,500
Exercised	13.94	-250,000
Exercised	7.38	-48,750
Outstanding as at 31 December 2020	16.57	1,888,750

The weighted average exercise price per share at year-end amounted to 16.57 euros in 2020 (2019: 13.94 euros). All warrant plans are equity settled plans. The share price on the exercise date was 18.97 euros.

As of 31 December 2020, the total number of warrants not yet exercised that could give cause to the issuance of the same number of Company shares amounted to 1,888,750. Their average exercise price amounts to 16.57 euros. Outstanding warrants at year-end have the following expiry dates and exercise prices:

Exercise date	Average exercise price in euros	Number of warrants	Year of expiry
2021 – July (Warrant Plan 2016)	7.38	6,250	2021
2021 – May (Warrant Plan 2018)	13.94	392,500	2023
2022 – May (Warrant Plan 2018)	13.94	392,000	2023
2023 – May (Warrant Plan 2019)	17.17	40,000	2024
2024 – August (Warrant Plan 2019)	19.03	85,000	2025
2023 – August (Subscription Rights Plan 2020)	18.52	972,500	2030
	16.57	1,888,750	

Stock option plan

On 27 October 2011, the company's Board of Directors approved the Stock Option Plan 2011 for consultants and employees of Fagron NV and/or its subsidiaries, such under the suspensive condition of approval by the General Meeting. The Stock Option Plan 2011 was approved by the Annual General Meeting of 14 May 2012. In 2012, the procedure of Article 523 of the Belgian Company Code was applied.

In June 2012, 250,000 stock options were granted at an exercise price of 13.73 euros. The options are settled via equity instruments. In 2014, 4,650 stock options were granted at an exercise price of 32.82 euros. During 2020, the stock options outstanding on 31 December 2019 expired and no new stock options have been granted.

	Average exercise price in euros	Number of stock options
Outstanding as at 1 January 2019	32.82	4,650
Outstanding as at 31 December 2019	32.82	4,650
Outstanding as at 31 December 2020	0	0

Fair value

The fair value of the subscription rights and stock options was determined using the "Black & Scholes" valuation model at grant date. The main data used in the model were the share price at grant date, the above-mentioned exercise price, the standard deviation of Fagron share price returns during option life and expected dividend, the option life specified above, and the annual risk-free interest rate. Costs are recognised using the straight-line method from grant date to exercise date.

Dividends

In 2020, a dividend of 5.8 million euros was made payable (2019: 8.6 million euros). A gross dividend of 0.18 euros per share will be proposed for 2020 at the Annual General Meeting of 10 May 2021, which represents a total dividend of 13.0 million euros. This dividend is not included in this financial statement.

A further explanation of the equity is included in the Corporate Governance Statement.

Other reserves

(x 1,000 euros)	Consolidated reserves	Cumulative conversion differences	Transactions with non-controlling interest	Remeasurements of post-employment benefit obligations	Share-based payments	Total
Balance as of 1 January 2019	-195,967	-60,386	-377	-1,137	13,782	-244,085
Other comprehensive income	0	503	0	-405	0	98
Share-based payments	0	0	0	0	1,182	1,182
Change in non-controlling interest	0	0	0	0	0	0
Balance as of 31 December 2019	-195,967	-59,883	-377	-1,542	14,964	-242,805
Other comprehensive income	0	-48,888	0	776	0	-48,112
Share-based payments	0	0	0	0	1,520	1,520
Change in non-controlling interest	0	0	0	0	0	0
Balance as of 31 December 2020	-195,967	-108,771	-377	-766	16,484	-289,397

23 Provisions

(x 1,000 euros)	Taxes	Disputes	Other	Total
Balance as of 1 January 2019	5,423	160	8,177	13,759
Additions:				
• Through business combination	0	0	0	0
• Other	0	114	100	214
Amounts used	0	0	-7,482	-7,482
Release	-526	-67	-419	-1,012
Currency translation differences	-72	-4	250	174
Balance as of 31 December 2019	4,824	203	626	5,653
Additions:				
• Through business combination	0	0	0	0
• Other	0	413	0	413
Amounts used	0	-61	-35	-96
Release	-1,717	0	-400	-2,117
Currency translation differences	-384	-75	0	-459
Balance as of 31 December 2020	2,723	480	191	3,394

24 Pension obligations

Pension obligations and costs

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

(x 1,000 euros)	2020	2019
Defined benefit pension plans	3,798	4,727
Other defined benefit pension plans	983	1,051
Pension obligations	4,781	5,778

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

In accordance with IAS19, defined benefit liabilities are estimated using the Projected Unit Credit method. Under this method, each participant's benefits under the plan are attributed to years of service, taking into consideration future salary increases and the plan's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited services. If an employee's service in later years will lead to a materially higher level of benefit than in earlier years, these benefits are attributed on a straight-line basis.

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

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

(x 1,000 euros)	2020	2019
Present value of defined benefit obligations	23,542	22,922
Fair value of plan assets	-19,744	-18,195
Present value of net defined benefit obligations	3,798	4,727
Net liability arising from defined benefit obligations	3,798	4,727

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

(x 1,000 euros)	Present value of defined benefit obligations	Fair value of plan assets	Total
Balance as of 1 January 2019	20,218	-15,989	4,229
Pension costs attributed to the year of service			
Interest expense (income)	439	-346	93
Actuarial (gains)/losses:			
• Return on plan assets (excluding interest income)	0	-2,439	-2,439
• Actuarial (gains)/losses arising from changes in demographic assumptions	-45	0	-45
• Actuarial (gains)/losses arising from changes in financial as-sumptions	2,889	0	2,889
• Actuarial differences as a result of adjustments in experience	0	0	0
Employer contributions	0	0	0
Plan contribution	-579	579	0
Balance as of 31 December 2019	22,922	-18,195	4,727
Pension costs attributed to the year of service (income)	-225	0	-225
Interest expense (income)	340	-268	72
Actuarial (gains)/losses:			
• Return on plan assets (excluding interest income)	0	-1,794	-1,794
• Actuarial (gains)/losses arising from changes in demographic assumptions	-406	0	-406
• Actuarial (gains)/losses arising from changes in financial as-sumptions	1,334	0	1,334
• Actuarial differences as a result of adjustments in experience	90	0	90
Employer contributions	0	0	0
Plan contribution	-513	513	0
Balance as of 31 December 2020	23,542	-19,744	3,798

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

Actuarial assumptions

The principal actuarial assumptions used for the actuarial valuations are:

	31 December 2020	31 December 2019
Weighted average discount rate	1.20%	1.50%
Expected rate of salary increase	N/A	N/A
Expected rate of price inflation	N/A	N/A
Future rate of pension increases actives	1.75%	1.75%

The life expectancy is determined on the basis of the AG2020 Forecast Table.

Realised and unrealised result

The amounts recognised in the realised and unrealised result in respect of these defined benefit plans are as follows:

(x 1,000 euros)	31 December 2020	31 December 2019
Interest expense	72	93
Pension costs (income) attributed to the year of service	-225	0
Pension costs defined benefit plans recognised in the income statement	-153	93
Actuarial differences on the present value of unfunded liabilities:		
Return on plan assets (excluding interest income)	-1,794	-2,439
Actuarial (gains)/losses arising from changes in demographic assumptions	-406	-45
Actuarial (gains)/losses arising from changes in financial assumptions	1,334	2,889
Actuarial differences as a result of adjustments in experience	90	0
Pension costs defined benefit plans recognised in other comprehensive income	-776	405
Total comprehensive income for the year	-929	498

There were no new entrants to the defined benefit plan; further accrual only takes place in a defined contribution plan. New employees are offered a defined contribution plan.

The expected pension income from defined benefit pension plans for 2020 are 0.2 million euros and only concern interest costs and pension income.

Sensitivity analysis

The sensitivity analysis shows the sensitivity of the defined benefit obligation on 31 December 2020 and the "pension costs attributed to the year of service" compared to the principal actuarial assumptions.

The following table shows the defined benefit obligation on 31 December 2020 for each principal actuarial assumption compared to the corresponding amounts if the actuarial assumption of the relevant scenarios would be applied. Salary increases are not included in the sensitivity analysis.

	Base scenario	Increase in base scenario	Decrease in base scenario
Weighted average discount rate	1.20%	1.45%	0.95%
Defined benefit obligation	23,542	22,438	24,727
Inflation increase	1.75%	2.25%	1.25%
Defined benefit obligation	23,542	23,918	23,192
Life expectancy	+/- 0 year	+1 year	-1 year
Defined benefit obligation	23,542	24,267	22,813

Pension plans in Belgium

Fagron has nine pension plans in place in Belgium which are legally structured as defined contributions plans. Because of a previous legislative amendment in Belgium applicable to 2nd pillar pension plans (the Supplementary Pensions Act), all Belgian Defined Contribution plans have to be considered as defined benefit plans under IFRS. The Supplementary Pensions Act was established in 2015 as follows:

- The employer must continue to guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions made until December 31, 2015;
- As of 2016, the employer must guarantee a minimum return ranging between 1.75% and 3.75% for all contributions, depending on the development of the average interest on OLO 10 years over a period of 24 months. The current guaranteed minimum return is 1.75%.

Because of this minimum guaranteed return for defined contributions plans in Belgium, the employer is exposed to a financial risk. The employer has a legal obligation to pay further pension contributions in the financing fund if the fund does not hold sufficient assets to pay all current and future pension commitments. These Belgian defined contributions plans should therefore be classified and accounted for as defined benefit plans under IAS 19.

In the past, Fagron did not apply the defined benefit accounting for these plans because higher discount rates were applicable and the return on plan assets provided by insurance companies was sufficient to cover the minimum guaranteed return. As a result of continuous low interest rates on the European financial markets, the employers in Belgium effectively assumed a higher financial risk related to the pension plans with a minimum fixed guaranteed return than in the past. As a result, these plans need to be considered defined benefit plans.

Management made an estimate of the potential additional liabilities as of 31 December 2020. Based on this estimation, it has been established that there are no substantive liabilities. The 2020 employer contribution for these Belgian pension plans amounts to 0.1 million euros (2019: 0.1 million euros). The employee contribution for 2020 is nil (2019: nil); the employee contribution was stopped in 2014. The total amount of the fund investments as of 31 December 2020 amounts to 1.2 million euros (2019: 1.1 million euros).

25 Financial debt and financial instruments

(x 1,000 euros)	2020	2019
Non-current		
Financial lease liabilities	27,548	28,189
Bank borrowings	256,856	322,578
Other borrowings	44	40
Total non-current	284,448	350,808
Current		
Financial lease liabilities	6,650	6,604
Bank borrowings	64,440	34,119
Total current	71,090	40,723
Total financial debts	355,538	391,531

	2020		2019	
(x 1,000 euros)	Financial leases	Bank borrowings and other borrowings	Financial leases	Bank borrowings and other borrowings
Non-current borrowings by term				
More than 1 year but less than 5 years	21,333	256,900	21,171	322,619
More than 5 years	6,214	0	7,018	0
Total non-current borrowings	27,548	256,900	28,189	322,619

	Non-cash mutatie					2020
(x 1,000 euros)	2019	Cash flow from financing activities	Additions IFRS 16	Acquisitions/divestments	Exchange rates	
Non-current borrowings	350,808	-70,029	6,146	5,244	-7,721	284,448
Current borrowings	40,723	33,405	702	1,309	-5,049	71,090
Total borrowings	391,531	-36,624	6,848	6,552	-12,770	355,538

Bank borrowings and financial instruments

The book value of the bank borrowings is expressed in euros. The effective interest rate on the balance sheet date on 31 December 2020 was 2.1% (2019: 2.50%). The decrease in the loans (in total) is due to lower drawdowns on the multi-currency facility.

Privately placed loans

On 15 April 2014, Fagron NV issued a series private loans comprising of 45.0 million US dollars 4.15% Series A Senior Notes due 15 April 2017, 22.5 million euros 3.55% Series B Senior Notes due 15 April 2017, 15.0 million euros 4.04% Series C Senior Notes due 15 April 2019, 5.0 million euros Floating Rate Series D Senior Notes due 15 April 2019, 20.0 million US dollars 5.07% Series E Senior Notes due 15 April 2019 and 60.0 million US dollars 5.78% Series F Senior Notes due 15 April 2021. The Series A, Series B Notes, Series C Notes, Series D Notes and Series E Notes were fully repaid at maturity. The total EBITDA, calculated as result before interest, taxes, depreciation and amortisation, of the Guarantors is at least 70 percent of the consolidated Group EBITDA.

Financial covenants privately placed loans

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

Sustainability-linked syndicated credit facility

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

Financial covenants syndicated credit facility

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

At the end of 2020, an amount of 127 million euros had been withdrawn under the syndicated credit facility (2019: 140 million euros). In addition to these financial covenants and as is the case with the privately placed loans, the EBITDA of the Guarantors must be at least 70% of the Group's consolidated EBITDA.

The credit facility is a so-called Sustainability Linked Loan, where the interest is linked to Fagron's sustainability objective to reduce greenhouse gas intensity (Scope 1 and Scope 2 of the GHG protocol) by 30% in six years. Based on the annual progress measured, a discount or an addition can be applied to the credit facility's interest rate.

From 2020, the sustainability aim to reduce Fagron's greenhouse gas intensity by 30% in six years' time is also linked to the variable fee-based system for management.

From 2018, Fagron used financial derivatives in order to hedge the interest risk for 42.5 million dollars of financing. These instruments were valued in accordance with a Level 2 method. This implies that the valuation was based on inputs other than the listed prices in active markets such as included in Level 1. The fair values of all derivatives held for hedging purposes were based on valuation methods. These methods maximise the use of detectable market data, where available, and minimise the impact of the company's estimates and projections. The interest hedging instruments are valued on the basis of discounted cash flows. The parameters used for these models are those applicable as at year-end and are therefore classified as Level 2. The valuation was calculated using the discounted cash flows of the nominal value and interest flows. The term to maturity of the financial derivatives runs until March 2021.

The fair value of financial derivatives at year-end 2020 was -0.4 million euros (2019: -0.5 million euros). In 2020, the fair value of the derivatives decreased as a result of the higher interest rate in the U.S. (3m Libor).

All financial instruments are valued at amortised cost except for derivative financial instruments and contingent considerations for acquisitions, which are valued at fair value. The fair value of the financial instruments valued at the amortised cost price approximates the carrying amount.

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

Company name of guarantors

ACA Pharma NV	Fagron Sp. Z.o.o.
B&B Pharmaceuticals Inc.	Arseus Capital NV
Fagron Belgium NV	Galfarm Sp. z.o.o.
Fagron GmbH & Co KG	Fagron NV
Fagron Inc.	Pharmaline BV
Fagron Nederland BV	SM Empreendimentos Farmaceuticos Ltda
Anazahealth Corp Inc	Spruyt hillen BV
Fagron Compounding Services LLC	Fagron BV

26 Trade payables

(x 1,000 euros)	2020	2019
Payables	71,620	71,894
Investment payables	632	5,409
Trade payables	72,252	77,303

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

27 Other current payables

(x 1,000 euros)	2020	2019
Prepayments	14	23
Other payables	17,653	36,796
Accrued expenses	7,263	5,028
Other current payables	24,930	41,847

The other debts relate to amounts still to be paid for existing participations (subsequent payments) for 13.5 million euros (2019: 32.9 million euros). This explains the decrease compared to 2020.

The accrued expenses include an amount of 1.4 million euros (2019: 1.6 million euros) related to interest still to be paid. The remainder of this item concerns various accruals and deferrals.

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

28 Leases

(x 1,000 euros)	Closing balance sheet of leases on 31 December 2019	Closing balance sheet of leases on 31 December 2020
Assets		
Buildings & land	31,857	30,454
Machinery & installations	515	577
Furniture and vehicles	1,229	1,405
Total lease assets	33,601	32,437
Liabilities		
Lease liabilities - non-current	28,189	27,548
Lease liabilities - current	6,604	6,650
Total lease liabilities	34,793	34,198

(x 1,000 euros)	2020	2019
Depreciation and amortisation		
Buildings & land	6,581	6,715
Machinery & installations	322	291
Furniture and vehicles	906	755
Total depreciation	7,809	7,761
Costs related to low-value leases	104	24
Costs related to short-term leases	689	845
Costs related to variable costs	110	7
Financial expenses	1,340	1,268

29 Total adjustments for non-cash flow items

(x 1,000 euros)	2020	2019
Amortisation of intangible fixed assets	10,325	9,141
Depreciation of property, plant and equipment	17,157	16,821
Write down of inventories and receivables	3,811	3,356
(Profit)/loss on sale of non-current assets	362	-273
Movements in provisions	-483	-7,442
Share-based payments	1,520	1,182
Total adjustments for non-cash items	32,692	22,785

30 Total changes in working capital

(x 1,000 euros)	2020	2019
Changes in operational working capital	-9,720	4,853
Changes in other working capital	-489	-4,963
Total changes in working capital	-10,209	-110

31 Contingencies

Fagron faces certain risks for which no provision has been made (such as the possible tax liabilities with regard to ICMS in Brazil or VAT in Poland) because it is unlikely that these risks will have a negative impact for the Group. ICMS is a business tax incentive programme called Produzir for companies based in the Brazilian state of Goiás. This is contested by several Brazilian states.

In Poland, a VAT audit was started in 2017 at two subsidiaries. The VAT percentage applied to almost all the products sold by the Polish subsidiaries is being questioned by the Polish tax authority. We are contesting this assertion. Due to an adjustment in the VAT legislation, Fagron applied an increased VAT rate in November 2019. At one of the subsidiaries an assessment of PLN 4 million was issued for the February 2017 period. Fagron objected to the imposed assessment and has appealed this decision to the administrative court. After the legal proceedings, the highest administrative court ruled in favour of Fagron in December 2019, which is considered to be final. An assessment of 3.6 million PLN was imposed at the other company for the period February and March 2017. Fagron objected to the imposed assessment, which was rejected. In October 2019, Fagron appealed against this pronouncement to the administrative court, which ruled in favour of Fagron. The tax authorities appealed against this ruling and the case will be heard by the Supreme Court.

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

Fagron is also involved in a number of claims, disputes and legal proceedings within the normal conduct of its business. Management is of the opinion that it is unlikely that these claims, disputes and lawsuits will have a negative impact on the financial situation at Fagron. A provision has been made for claims where it is deemed probable that they will lead to a payment, and for which a reliable estimate can be made (see note 23).

32 Related parties

The overall remuneration package for members of the Executive Committee and the CEO individually, as well as the non-executive directors, is shown below for the financial years 2020 and 2019:

(x 1,000 euros)	Fixed remuneration component	Variable remuneration component
2019 financial year		
Rafael Padilla, Chief Executive Officer	475	280
Executive Committee, including the Chief Executive Officer	1,004	400
Non-executive members of the Board of Directors	339	0
2020 financial year		
Rafael Padilla, Chief Executive Officer	500	369
Executive Committee, including the Chief Executive Officer	1,043	582
Non-executive members of the Board of Directors	209	0

The variable remuneration component consists of the bonus realised over the course of 2020 that is paid out in 2021. The Nomination and Remuneration Committee annually prepares proposals for the remuneration policy and/or other benefits for members of the Executive Committee and the CEO.

In 2020, 237,500 subscription rights and no stock options were granted to the members of the Executive Committee, in the composition in effect on 31 December 2020. In 2020, Mr Padilla and the other members of the Executive Committee exercised 287,500 subscription rights. None of the subscription rights owned by Mr Padilla and the other members of the Executive Committee expired in 2020. The members of the Executive Committee, in the composition in effect on 31 December 2020, together hold 487,500 subscription rights.

33 Business combinations

Fagron completed a number of acquisitions in the 2020 financial year. Full control was acquired from all companies.

Fair value of the acquired assets and liabilities of Cedrosa

For the acquisition activity in 2019 in Mexico, approximately 20.8 million euros were paid in cash and cash equivalents, representing an increase in goodwill of 9.8 million euros. The goodwill is expected to be non-tax deductible. The final fair value of the acquired assets and liabilities is detailed below.

(x 1,000 euros)	2020	2019
Intangible fixed assets	6,187	6,187
Property, plant and equipment	678	678
Inventories	5,645	5,645
Trade receivables	3,238	3,238
Other receivables	124	124
Cash and cash equivalents	639	639
Total assets	16,512	16,512
Borrowings	1,045	1,045
Lease liabilities	359	359
Deferred tax liabilities	1,778	0
Trade payables	1,227	1,227
Other current payables	1,171	1,079
Total liabilities	5,579	3,709
Net acquired assets	10,933	12,803
Goodwill	9,841	7,971
Total acquisition amount	20,774	20,774

Fair value of the acquired assets and liabilities of other companies

The limited acquired activities in 2020 were paid with approximately 9.2 million euros of cash and cash equivalents, representing an increase in goodwill of 12.4 million euros. The goodwill is expected to be non-tax deductible. The final fair value of the acquired assets and liabilities is detailed below.

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

At the end of the year, the Group had an amount of approximately 13.5 million euros in liabilities outstanding to former shareholders, which were determined on the basis of business plans at the time of acquisition, see also Note 27.

The expectation is that the deferred payments for business combinations will be paid in 2021 and 2022.

The deferred payments for business combinations range from 0 euros to a maximum of 13.5 million euros and are valued at fair value at the moment of acquisition. This is estimated based on the maximum compensation if the conditions are met. The current expectation is that the remunerations will be paid on the expiration dates.

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

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

(x 1,000 euros)	2020	2019
Audit fee for the Group audit		
Fagron Group	463	463
Remuneration for Deloitte Bedrijfsrevisoren	351	343
Remuneration for parties linked to Deloitte Bedrijfsrevisoren	112	120
Remuneration for additional services rendered by the Statutory Auditor to Fagron		
Other audit assignments	14	6
Other non-auditing assignments	4	2
Remuneration for additional services rendered by parties linked to the Statutory Auditor		
Tax advisory assignments		
Other non-auditing assignments	0	96

35 Significant events after the balance sheet date

Everything was prepared in the first week of April, including an additional syndicated credit facility drawdown for the repayment of 60 million US dollars 5.78% Senior Notes Series F with a term until 15 April 2021.

36 Additional notes

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

Fagron Services BV has a liability in the amount of 0.5 million euros, the initial mortgage loan amounts to 2.0 million euros. The Group does not have any material liabilities to purchase fixed assets at the moment.

2. Fagron NV signed a liability statement on behalf of a number of Dutch subsidiaries, specifically:

Fagron Brazil Holding BV
 Fagron BV
 Fagron Nederland BV
 Fagron Services BV
 Fagron Steriele Bereidingsapotheek BV
 Infinity Pharma BV
 Fagron Holding NL BV
 Pharmaline BV
 Pharma Assist BV
 Spruyt hillen BV
 Twipe BV

3. Exemption from a German subsidiary:

Fagron GmbH & Co KG in Barsbüttel (Germany) is exempt from the obligation to set up its financial statements and financial report according to §264b of the German commercial code, and to audit and publish these in line with the applicable regulations for businesses.

37 List of the consolidated companies

Name	Address	Ownership
A Apace Embalagens Em Vidro E Plastico Ltda	Rua Gustavo da Silveira, nº 164, Vila Santa Catarina (Brazil)	100.0%
ABC Chemicals NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
ABC Dental & Pharmaceutical Consultancy NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
ACA Pharma NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
All Chemistry Do Brasil Ltda	Rua Cocais 300 – Jardim Oriental, 04347-170 São Paulo (Brazil)	100.0%
AnazaoHealth Inc.	5710 Hoover Boulevard, 33634 Tampa, Florida (United States)	100.0%
ApodanNordic PharmaPackaging A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen (Denmark)	100.0%
Arseus Capital NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Arseus Dental Solutions SAS	37 Rue Helene Muller, 94320 Thiais (France)	100.0%
B&B Pharmaceuticals Inc.	8591 Prairie Trail Drive, 80112 Englewood, Colorado (United States)	100.0%
Central de Drogas S.A. de C.V.	Atenco 17, La Perla, Alce Blanco, 53348 Naucalpan de Juárez (Mexico)	100.0%
Coast Quality Pharmacy LLC	5710 Hoover Boulevard, 33634 Tampa, Florida (United States)	100.0%
DPI Inc.	5967 S. Garnett Rd., 74146 Tulsa, Oklahoma (United States)	100.0%
Dr Kulich Pharma S.R.O	Piletická 178/61, 500 03 Hradec Králové (Czech Republic)	100.0%
Ducere LLC	5710 Hoover Boulevard, 33634 Tampa, Florida (United States)	100.0%
Dynaceuticals Ltd	55 14th Avenue, Northcliff, Gauteng (South Africa)	100.0%
Fagron a.s.	Holická 1098/31M, 77900 Olomouc (Czech Republic)	73.1%
Fagron Academy LLC	1111 Brickell Avenue, Suite 1550, 33131 Miami, Florida (United States)	100.0%
Fagron Belgium NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Fagron Brazil Holding BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Fagron BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Fagron Canada Inc.	1 Place Ville-Marie, Porte 1300, H3B 0E6, Montréal, Quebec (Canada)	100.0%
Fagron Colombia SAS	Calle 90 19A-49 Bogota (Colombia)	100.0%
Fagron Compounding Services LLC	8710 E. 34th St. N., 67226 Wichita, Kansas (United States)	100.0%
Fagron Compounding Services NV	Woestijnstraat 53, 2880 Bornem (Belgium)	100.0%
Fagron Essentials Holding LLC	2400 Pilot Knob Road, 55120 St. Paul, Minnesota (United States)	100.0%
Fagron Genomics S.L.U.	Carrer de Josep Tapiolas 150, 08226 Terrassa (Spain)	100.0%
Fagron GmbH & Co KG	Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)	100.0%
Fagron Hellas A.B.E.E.	12km NR, 42100 Trikala-Larissa (Greece)	100.0%
Fagron Holding NL BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Fagron Holding USA LLC	2400 Pilot Knob Road, 55120 St. Paul, Minnesota (United States)	100.0%
Fagron Hrvatska d.o.o.	Donjozelinska ul. 114, 10382 Donja Zeline (Croatia)	100.0%
Fagron Iberica SAU	Carrer de Josep Tapiolas 150, 08226 Terrassa (Spain)	100.0%
Fagron Inc.	2400 Pilot Knob Road, 55120 St. Paul, Minnesota (United States)	100.0%
Fagron Italia Srl	Via Lazzari 4-6, 40057 Granarolo Dell'Emilia, Quarto Inferiore (Italy)	100.0%
Fagron Lékárna Holding s.r.o.	Holická 1098/31M, 77900 Olomouc (Czech Republic)	100.0%
Fagron Nederland BV	Venkelbaan 101, 2908 KE Capelle aan den IJssel (The Netherlands)	100.0%
Fagron Nordic A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen (Denmark)	100.0%
Fagron NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Fagron Sarl	Intendente Neyer 924, B1643 Beccar (Argentina)	100.0%
Fagron SAS	37 Rue Helene Muller, 94320 Thiais (France)	100.0%
Fagron Services Brazil Ltda	Via Primaria 5D, Daia, 75132-120 Anapolis (Brazil)	100.0%
Fagron Services BV	Molenwerf 13, 1911 DB Uitgeest (The Netherlands)	100.0%
Fagron SH Ltd	2315 Ocean Tower, 550 Yan An East Road, 200001 Shanghai, (China)	100.0%
Fagron South Africa Ltd	55 14th Avenue, Northcliff, Gauteng (South Africa)	100.0%
Fagron Sp. z o.o	Ul. Pasternik 26, 31354 Krakau (Poland)	100.0%
Fagron Steriele Bereidingsapotheek BV	Siemensstraat 4, 7903 AZ Hoogeveen (The Netherlands)	100.0%
Fagron Technologies Ltda	Avenida 9 de Julho 3575, 13208-056 Jundiá (Brazil)	100.0%
Fagron UK Ltd	4B Coquet Street, NE1 2QB Newcastle upon Tyne (United Kingdom)	100.0%

Name	Address	Ownership
Fagron Verwaltungsgesellschaft mbH	Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)	100.0%
Florien Fitoativos Ltda	Estrada Vicente Bellini 175, 13427-225 Piracicaba City (Brazil)	100.0%
Freedom Pharmaceuticals Inc.	801 W. New Orleans Street, 74011 Broken Arrow, Oklahoma (United States)	100.0%
Galfarm Sp. z.o.o.	Ul. Przemystowa, 12, 30701 Krakow (Poland)	100.0%
GX Sciences, LLC	4150 Freidrich Ln, Austin TX 78744 (United States)	100.0%
HL Technology SA	Rue Jardiniere 153, 2300 La Chaux-de-Fonds (Switzerland)	0.0%
Humco Holding Group Inc.	201 W. 5th Street, 12th floor, 78701 Austin, Texas (United States)	100.0%
Humco Qsub 1 Inc.	7400 Alumax Drive, 75501 Texarkana, Texas (United States)	100.0%
Infinity Pharma BV	Steenovenweg 15, 5708 HN Helmond (The Netherlands)	100.0%
JCB Laboratories LLC	7335 W. 33rd Street. North, 67205 Wichita, Kansas (United States)	100.0%
Jupiter Health Holding LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Levviale Industria de Insumos Farmacêuticos Ltda	VP - 1D - Quadra 2 - Módulos 3 e 4 - D.A.I.A., Anápolis - GO, 75132-035 (Brazil)	100.0%
Liberty Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Link Medical LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Ma'ayan Haim	20 Trumpeldor St., Beit Dagan, Israel	100.0%
Mar-Kern Ltd	Main Road 20, Knysna, 6570 George (South Africa)	100.0%
Mercury Innovations LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Midwest Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Northern Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Ortofarma Laboratorio de Controle de Qualidade Ltda	BR 040 – Empresarial Park Sul 39, 36120-0100 - Matias Barbosa / MG (Brazil)	100.0%
Pharma Assist BV	Dieselstraat 3, 7903 AR Hoogeveen (The Netherlands)	100.0%
Pharma Tamar	30 Eliyahu Eitan St., Rishon Le-Zion, Israel	100.0%
Pharmacy Services Inc.	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Pharmaline BV	Munsterstraat 4, 7575 ED Oldenzaal (The Netherlands)	100.0%
Pierson Laboratories Inc.	7400 Alumax Drive, 75501 Texarkana, Texas (United States)	100.0%
Pro-Health lab coleta de análises clínicas Ltda	O4.571-000 - av engenheiro luiz carlos berrini, 1500, andar 9 conj 91 (Brazil)	100.0%
PSI Services Inc.	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Ran Pharma	30 Eliyahu Eitan St., Rishon Le-Zion, Israel	100.0%
Rausa Kem Pharmacy Ltd	Clarendon Street 61, Parow Valley, 7500 Kaapstad (South Africa)	100.0%
SM Empreendimentos Farmaceuticos Ltda	Rua Olimpadas 66, 7th floor - Vila Olimpia, 04555-010 São Paulo (Brazil)	100.0%
Southern Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Spruyt hillen BV	Tinbergenlaan 1, 3401 MT IJsselstein (The Netherlands)	100.0%
Texas Southern Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Twipe BV	Tinbergenlaan 1, 3401 MT IJsselstein (The Netherlands)	100.0%

Statutory Auditor's Report

Statutory Auditor's report to the Shareholders' Meeting of Fagron NV on the consolidated accounts for the year ended 31 December 2020 – Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Fagron NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 13 May 2019, in accordance with the proposal of the board of directors ("bestuursorgaan" / "organe d'administration") issued upon recommendation of the audit committee. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2021. We have performed the statutory audit of the consolidated financial statements of Fagron NV for 2 consecutive periods.

Report on the consolidated financial statements

Unqualified Opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 752 826 (000) EUR and the consolidated statement of comprehensive income shows a profit for the year then ended of 60 037 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2020 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

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

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

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

Goodwill – impairment testing

Goodwill amounts to 364 654 (000) EUR and represents 48% of the total consolidated statement of financial position at 31 December 2020.

Goodwill is tested annually for impairment at the level of the cash generating units (“CGU”). These calculations are based on estimates of future cash flows.

The annual impairment testing of goodwill was important for our audit because it relies on a number of critical judgements, such as the determination of the CGU as well as estimates and assumptions used in a discounted free cash flow model to determine the CGU’s recoverable value. The key judgments are the sales growth, the gross margin rate, the discount rate and the long term growth rate. Due to the inherent uncertainty involved in forecasting and discounting cash flows, we consider the annual impairment test of goodwill as a key audit matter.

We focused our audit efforts on the impairment assessment of the Fagron US Essentials and Brands and Fagron US Sterile Services cash generating units.

We refer to note 4 and 16 to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures include the evaluation of the design and implementation of the relevant controls over the preparation and approval of the budget and the impairment models.

Supported by our valuation specialists, we challenged the key assumptions, methodologies and data used by the group in its determination of the recoverable value, for example by analysing sensitivities in the group’s discounted cash flow model and benchmarking with external macro-economic data to determine if they were reasonable and consistent with the current economic climate. Furthermore, we assessed the historical accuracy of management’s estimates.

Additionally, we assessed the sensitivities of assumptions on the CGU’s headroom and verified whether a reasonable possible change in assumptions could cause the carrying amounts to exceed its recoverable value. We assessed the adequacy of the company’s disclosures in the consolidated financial statements.

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

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

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group’s ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor’s report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the Board of Directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

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

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

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

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

The non-financial information as required by article 3:32, § 2 of the Code of companies and associations, has been disclosed in a separate report that is part of section "Fagron's corporate social responsibility" of the annual report. This statement on non-financial information includes all the information required by article 3:32, § 2 of the Code of companies and associations and is in accordance with the consolidated financial statements for the financial year then ended. The non-financial information has been established by the company in accordance with the United Nations' Sustainable Development Goals ("SDG's"). In accordance with article 3:80 § 1, 5° of the Code of companies and associations we do not express any opinion on the question whether this non-financial information has been established in accordance with these SGD's.

Statements regarding independence

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

Other statements

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

Signed in Antwerp.
The Statutory Auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises BV/SRL
Represented by Ine Nuyts



Statutory Financial Statements

Condensed stand-alone income statement Fagron NV

(x 1,000 euros)	2020	2019
Operating income	4,794	2,255
Turnover	0	0
Other operating income	2,916	2,255
Non-recurring operating income	1,878	0
Operating expenses	3,899	2,996
Trade goods, raw and auxiliary materials	0	0
Services and other goods	3,753	2,710
Employee benefit expenses	143	204
Depreciation and amortisation	1	4
Provisions for risks and costs	0	-5
Other operating expenses	2	9
Non-recurring operating expenses	0	74
Operating result	895	-741
Financial result	2,733	35,732
Recurring financial result	2,733	35,732
Non-recurring financial result	0	0
Profit for the financial year before taxes	3,628	34,991
Tax on the result	214	119
Net result for the financial year	3,414	34,872

Condensed stand-alone balance sheet Fagron NV

(x 1,000 euros)	2020	2019
Non-current assets	498,074	498,072
Formation expenses	0	0
Intangible fixed assets	0	0
Property, plant and equipment	2	0
Financial fixed assets	498,072	498,072
Current assets	223,918	225,765
Debtors due after one year	0	0
Inventories and orders in progress	0	0
Debtors due within one year	165,852	203,230
Investments	1,969	2,003
Cash and cash equivalents	54,705	19,295
Accrued expenses	1,392	1,237
Total assets	721,992	723,837
Equity	528,962	534,748
Capital	498,552	496,497
Share premiums	1,958	168
Legal reserves	3,038	2,867
Unavailable reserves - treasury shares	1,969	2,003
Available reserves	23,445	33,213
Retained earnings	0	0
Liabilities	193,030	189,089
Creditors due after one year	0	53,409
Creditors due within one year	192,066	134,921
Accrued expenses	964	759
Total liabilities	721,992	723,837

Appropriation of profits Fagron NV

(x 1,000 euros)	2020	2019
Profit to be appropriated	3,414	34,872
Profit for the year to be appropriated	3,414	34,872
Profit carried forward from the previous year	0	0
Transfers from capital and reserves	9,802	0
From the capital and share premiums	0	0
From the reserves	9,802	0
Addition to capital and reserves	170	29,098
To the legal reserves	170	1,744
To the other reserves	0	27,354
Profit to be carried forward	0	0
Profit to be carried forward	0	0
Profit to be distributed as dividends	13,046	5,774
Dividend	13,046	5,774

Accounting policies

The accounting policies are established in accordance with the KB of 29 April 2019 implementing the Belgian Company Code.

Statutory financial statements of Fagron NV

As required under Article 105 of the Belgian Company Code, this annual report is a condensed version of the statutory financial statements of Fagron NV. The annual report and the Statutory Auditor's report will be filed and will be available for inspection at the company's office.

The Statutory Auditor has expressed its unqualified opinion on the Fagron NV statutory financial statements for the 2020 financial year.

Alternative performance indicators

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

(x € 1,000)	2020	2019
Operating profit (EBIT)	88,738	84,388
Depreciation and amortisation	31,293	29,319
EBITDA	120,031	113,706
EBITDA	120,031	113,706
Non-recurrent result	3,895	3,294
EBITDA before non-recurrent result	123,927	117,001
Net financial debt		
Non-current financial debt	256,900	322,619
Non-current lease liabilities	27,548	28,189
Current financial debt	64,440	34,119
Current lease liabilities	6,650	6,604
Cash and cash equivalents	84,248	106,684
Net financial debt	271,290	284,847

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

Alphabetical terminology list

In addition to the terms as defined in IFRS, this annual report also includes other terms. These “alternative performance indicators” are defined below. The IFRS terminology is in italics.

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

Forward-looking statements caution

This annual report may contain forward-looking statements. Forward-looking statements are statements that are not historical facts, containing information such as, but not limited to, communications expressing or implying beliefs, expectations, intentions, forecasts, estimates or predictions (and the assumptions on which they are based) on the part of Fagron. Forward-looking statements by definition involve risks and uncertainties. The actual future results or circumstances may therefore differ materially from those expressed or implied in forward-looking statements. Such a difference may be caused by a range of factors (such as, but not limited to, evolving statutory and regulatory frameworks within which Fagron operates, claims in the areas of product liability, currency risk, etcetera).

Any forward-looking statements contained in this annual report are based on information available to the management of Fagron at date of publication. Fagron cannot accept any obligation to publish a formal notice each time changes in said information occur or if other changes or developments occur in relation to forward-looking statements contained in this annual report.

In the event of differences between the English translation and the Dutch original of this annual report, the latter prevails.

GRI Index

Management approach per topic

The table below describes the management approach per ESG topic.

	Management approach	GRI
Climate change/ Greenhouse gas emissions	Reducing greenhouse gas emissions in our own organisation (scope 1), of purchased energy (scope 2) and in our business travel (scope 3).	GRI 305
Energy use	Reducing energy consumption in our own organisation and in purchasing energy for use in our facilities and vehicles (both owned and leased).	GRI 302
Compliance with laws and regulations	We are committed to complying with laws and regulations in all jurisdictions in which we operate. The local companies are responsible for local compliance. At group level, we pay specific attention to compliance with the laws and regulations of the Group (Fagron NV) and the Fagron holding (Fagron BV).	GRI 419
Corruption and bribery	As part of our annual risk analysis, each year we analyse the risk of corruption and bribery per country in which we operate. A Global Anti-Bribery & Anti-Corruption Policy is part of the Fagron Code of Conduct. This policy clearly describes what is expected of Fagron employees and management.	GRI 205
Diversity	We believe in the importance of diversity in management teams in order to make better business decisions. We pay specific attention to diversity in terms of gender, age, nationality, ethnicity and employment for people with a disability.	GRI 405
Human and labour rights	We care about human rights and labour rights of our people, and strive to eradicate any violation of human or labour rights in our facilities.	GRI 406, GRI 407, GRI 408, GRI 409
Product quality and product safety	All products brought to market by Fagron have been assessed for quality and safety. Fagron uses an extensive supplier selection procedure to ensure 100% traceability of the more than 2,500 pharmaceutical raw materials.	GRI 416
Training & Development	We have a long tradition of annual performance and development cycles that we have implemented at group level. In 2019, we transformed the annual cycle into a continuous feedback cycle that allows our employees and leaders to give each other feedback on a regular basis. The regular check-ins are collected and used for the year-end evaluation. This effective mechanism increases employee ownership in terms of their development and supports them in setting personal goals and discussing career and training opportunities.	GRI 404

The subjects "Health & safety" and "Fair tax policy" are not yet in line with the GRI Standards. We have applied the GRI standards for the other material topics.

General Standard Disclosures

Topic	GRI Standard	GRI Disclosure	Location in 2020 Annual Report
General Standard Disclosures	102-1	Name of organisation	Fagron NV
	102-2	Activities, brands, products and services	Chapter "About Fagron"
	102-3	Location of headquarters	Rotterdam, the Netherlands
	102-4	Location of operations	List of consolidated companies (p. 203)
	102-5	Ownership and legal form	Information about the Fagron share (p. 82)
	102-6	Markets served	Fagron at a glance (p. 2/3) Information per region (from p. 28)
	102-7	Scale of the organisation	Fagron at a glance (p. 2/3) Financial Annual Report 2020 (from p. 150)
	102-8	Information on employees and other workers	Our people (from p. 69)
	102-9	Supply chain	Fagron at a glance (p. 2/3) Information per region (from p. 28) Responsibility in supply chain (from p. 76)
	102-10	Significant changes to the organisation and its supply chain	Fagron at a glance (p. 2/3) Information per region (from p. 28) Financial Annual Report 2020 (from p. 150)
	102-11	Precautionary Principle or approach	Yes applicable to the field of environment Low impact on the environment (p. 64)
	102-12	External initiatives	N/A
	102-13	Membership of associations	N/A
	102-14	Statement from senior decision-maker	CEO's message (p. 4)
	102-16	Values, principles, standards and standards of behaviour	Fagron Code of Business Conduct, available on Fagron website
	102-17	Mechanisms for advice and concerns about ethics	Good governance (p. 78)
	102-18	Governance structure	Corporate Governance Statement (p. 94)
	102-40	List of stakeholder groups	Fagron's corporate social responsibility (p. 60)
	102-41	Collective bargaining agreements	This information is not yet available at Fagron group level
	102-42	Identifying and selecting stakeholders	Fagron's corporate social responsibility (p. 60)
	102-43	Approach to stakeholder engagement	(p. 60)
	102-44	Key topics and concerns raised	
	102-45	Entities included in the consolidated financial statements	List of consolidated companies (p. 201)
	102-46	Defining report content and topic boundaries	Fagron's corporate social responsibility (p. 60)
	102-47	List of material topics	(p. 60)
	102-48	Restatements of information	N/A
102-49	Changes in reporting	N/A	
102-50	Reporting period	2020	
102-51	Date of most recent report	This annual report	
102-52	Reporting cycle	Annually	
102-53	Point of contact for questions regarding the report	Constantijn van Rietschoten	
102-54	Claims of reporting in accordance with the GRI Standards	Fagron's corporate social responsibility (p. 60)	
102-55	GRI content index	GRI Index	
102-56	External assurance	N/A	

Climate change

Topic	GRI Standard	GRI Disclosure	Location in 2020 Annual Report
Management approach	103-1	Explanation of the material topic and its Boundary	Fagron's corporate social responsibility (p. 60)
	103-2	The management approach and its components	
	103-3	Evaluation of management approach	Low impact on the environment (p. 64)
Greenhouse gas emissions	305-1	Direct (Scope 1) GHG emissions	Low impact on the environment (p. 64)
	305-2	Energy indirect (Scope 2) GHG emissions	More details, including an extensive methodology description and emission factors can be found in the report
	305-3	Other indirect (Scope 3) GHG emissions	
	305-4	GHG emissions intensity	
	305-5	Reduction of GHG emissions	"Fagron Carbon Footprint 2019 and 2020", accessible via investors.fagron.com
Other emissions	305-6	Emissions of ozone depleting substances (ODS)	We do not see this indicator as material for any of our ESG topics
		Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	This information is not yet available at Fagron group level

Energy use

Topic	GRI Standard	GRI Disclosure	Location in 2020 Annual Report
Management approach	103-1	Explanation of the material topic and its Boundary	Fagron's corporate social responsibility (p. 60)
	103-2	The management approach and its components	
	103-3	Evaluation of management approach	Low impact on the environment (p. 64)
Energy use	302-1	Energy consumption within the organisation	Low impact on the environment (p. 64) More details, including an extensive methodology description and energy factors can be found in the report "Fagron Carbon Footprint 2019 and 2020", accessible via investors.fagron.com
		Energy consumption outside of the organisation	We do not see this indicator as material for any of our ESG topics
		Energy intensity	Low impact on the environment (p. 64)
		Reduction of energy consumption	More details, including an extensive methodology description and energy factors can be found in the report "Fagron Carbon Footprint 2019 and 2020", accessible via investors.fagron.com
		Reductions in energy requirements of products and services	We do not see this indicator as material for any of our ESG topics

Diversity

Topic	GRI Standard	GRI Disclosure	Location in 2020 Annual Report
Management approach	103-1	Explanation of the material topic and its Boundary	Fagron's corporate social responsibility (p. 60)
	103-2	The management approach and its components	
	103-3	Evaluation of management approach	Our people (p. 69)
	405-1	Diversity of governance bodies and employees	Our people (p. 69)
	405-2	Ratio of basic salary and remuneration of women to men	This information is not yet available at Fagron group level

Human and labour rights

Topic	GRI Standard	GRI Disclosure	Location in 2020 Annual Report
Management approach	103-1	Explanation of the material topic and its Boundary	Fagron's corporate social responsibility (p. 60)
	103-2	The management approach and its components	
	103-3	Evaluation of management approach	Our people (p. 69)
	406-1	Incidents of discrimination and corrective actions taken	Our people (p. 69)
	407-1	Operations and suppliers in which the right to free-dom of association and collective bargaining may be at risk	
	408-1	Operations and suppliers at significant risk for incidents of child labour	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour		

Training & Development

Topic	GRI Standard	GRI Disclosure	Location in 2020 Annual Report
Management approach	103-1	Explanation of the material topic and its Boundary	Fagron's corporate social responsibility (p. 60)
	103-2	The management approach and its components	
	103-3	Evaluation of management approach	Our people (p. 69)
	404-1	Average hours of training per year per employee	This information is not yet available at Fagron group level
	404-2	Programmes for upgrading employee skills and transition assistance programmes	
	404-3	Percentage of employees receiving regular performance and career development reviews	Our people (p. 69)

Compliance with laws and regulations

Topic	GRI Standard	GRI Disclosure	Location in 2020 Annual Report
Management approach	103-1	Explanation of the material topic and its Boundary	Fagron's corporate social responsibility
	103-2	The management approach and its components	(p. 60)
	103-3	Evaluation of management approach	Good governance (p. 78)
Compliance with laws and regulations	419-1	Non-compliance with laws in regulations in the social and economic area	Good governance (p. 78)

Corruptie en omkoping

Topic	GRI Standard	GRI Disclosure	Location in 2020 Annual Report
Management approach	103-1	Explanation of the material topic and its Boundary	Fagron's corporate social responsibility
	103-2	The management approach and its components	(p. 60)
	103-3	Evaluation of management approach	Good governance (p. 78)
Anti-Corruption	205-1	Operations assessed for risks related to corruption	Good governance (p. 78)
	205-2	Communication and training about anti-corruption policies and procedure	
	205-2	Confirmed incidents of corruption and actions taken	

Productkwaliteit en productveiligheid

Topic	GRI Standard	GRI Disclosure	Location in 2020 Annual Report
Management approach	103-1	Explanation of the material topic and its Boundary	Fagron's corporate social responsibility
	103-2	The management approach and its components	(p. 60)
	103-3	Evaluation of management approach	Good governance (p. 78)
Product quality and product safety	416-1	Assessments of the health and safety impacts of product and service categories	Good governance (p. 78)
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	

Colophon

Fagron N.V.
Lichtenauerlaan 182
3062 ME Rotterdam

T +31 88 33 11 288
F +31 88 33 11 210

www.fagron.com

Issued by:
Lindner & van Maaren, Haarlem
Domani B.V., The Hague

