Annual Report 2021

fagron.com

Fagron
personalizing medicine

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Fagron at a glance

Financial indicators

(x million euros)

Turnover
573.8 +3.2%
2020: 556.0

REBITDA (EBITDA before non-recurrent result)
118.3 –4.5%
2020: 123.9

Recurrent net result
61.2 –2.8%
2020: 62.9

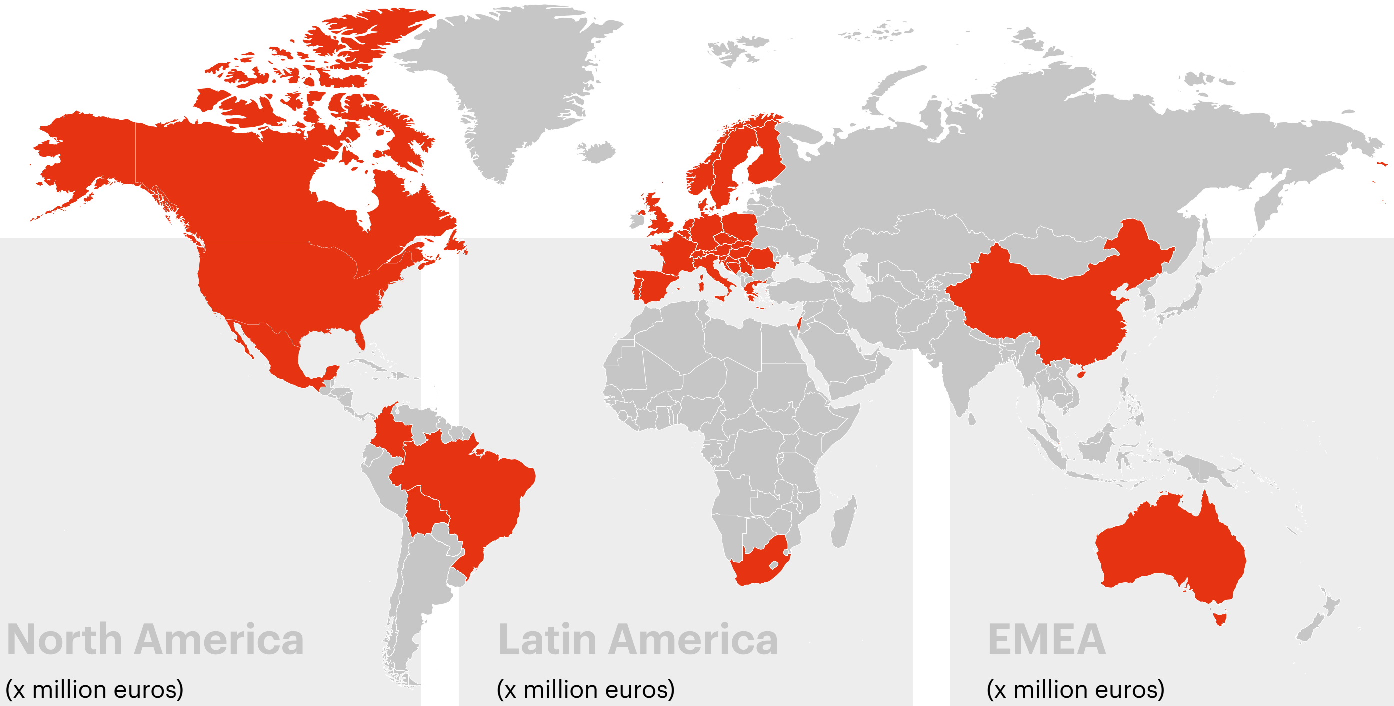
EBIT
87.4 –1.5%
2020: 88.7

Net result
61.4 +2.2%
2020: 60.0

Non-financial indicators

Employees*	Climate change impact scope 1 + 2 (in metric tons of CO_2-eq)	Number of facilities	Units of compounded medicine supplied (in million)	Sustainable engagement score
3,061	12,430	70	5.4	83%

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



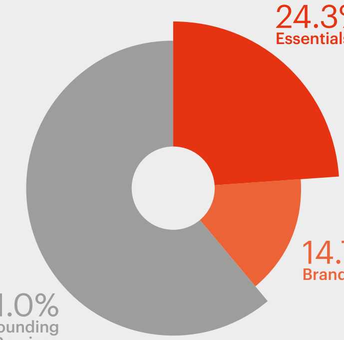
North America

(x million euros)

Turnover
177.6 +11.3%
2020: 159.5

REBITDA
(EBITDA before non-recurrent result)
32.2 –3.7%
2020: 33.4

Turnover per segment



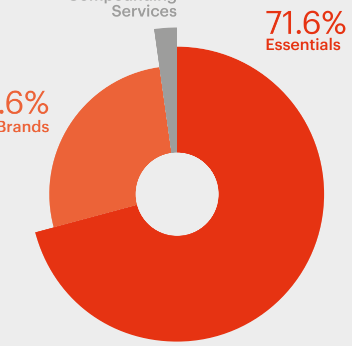
Latin America

(x million euros)

Turnover
141.1 +9.3%
2020: 129.1

REBITDA
(EBITDA before non-recurrent result)
30.5 +18.4%
2020: 25.8

Turnover per segment



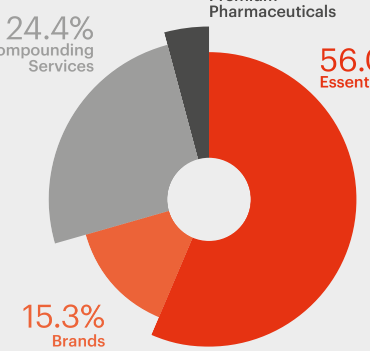
EMEA

(x million euros)

Turnover
255.1 –4.6%
2020: 267.4

REBITDA
(EBITDA before non-recurrent result)
55.6 –14.1%
2020: 64.7

Turnover per segment



CEO's message

2021 was a dynamic year for Fagron. The COVID-19 pandemic still dictated a large portion of the markets in which we operate, with elective care that remained at a low level in many markets. Nevertheless, we succeeded in realising turnover growth. A great achievement that we accomplished with the entire Fagron team.

We also brought a significant number of new products and innovations to the market and managed to attract new, large customers. This has further strengthened our positioning in the market. The successes as well as the challenges of the past year have given us valuable insights that help us to become more relevant for all our stakeholders. The pandemic further emphasised the importance of our products and services. Our contribution to the health of people, including prevention, is more relevant than ever. That is what we, at Fagron, are working for and what energises us.

I am proud of how effectively we operated in 2021. The improved management of our organisation, with a more compact Executive Leadership Team, and the targeted investments in crucial competencies, such as digitisation and supply chain management, have contributed to this achievement. We also improved the collaboration between our global teams, which helped us to make the right decisions in turbulent times.

For a large part, we have been able to mitigate the global supply chain disruptions due to our extensive network of suppliers and by maintaining higher inventory levels. In doing so, we have kept the interruptions in delivery of our products to a minimum. We can now, for the most part, pass on the increased prices for transport, packaging material and some raw materials or expect to be able to do so with some delay.

We saw major differences in our markets in 2021, in particular the impact of COVID-19 differed per market. Partly due to our diversification, geographically as well as in our product and customer portfolio, Fagron's turnover grew by 3.2% (5.9% at constant exchange rates) to € 574 million. Our activities in North America and Latin America contributed significantly. REBITDA decreased by 4.5% to 118 million euros.

Our increase in turnover in sterile compounded medicine in North America is impressive. The launch of new products and the addition of new customers provided significant growth. Combined with the successful integration of the activities we acquired from US Compounding midway through the year, we are well on track to realise our turnover target of 125 million US dollars (run rate) by the end of 2022 in Wichita, which is a great achievement. Brands & Essentials showed a decrease in turnover in 2021. This was caused primarily by the decreasing demand for COVID-19-related products.

Fagron Latin America strengthened its overall position. In Brazil, we further improved our market position and strengthened our organisation. For example, we realised a state-of-the-art GMP facility with the redevelopment of our facility in Anápolis. The integration of our distribution centres in Brazil, resulting in Fagron's largest distribution centre, also ensures greater effectiveness to facilitate further growth.

In EMEA, 2021 was a more difficult year with a varying picture. COVID-19 had a major impact, particularly in Northern Europe, because our products in this market are strongly related to elective care, which remained at a low level in 2021. In addition, we saw a clear impact of registrations by third parties, especially in the first three quarters. In Belgium, we further improved our commercial processes and the integration of Pharma Tamar (Israel) resulted in

synergies and growth. Finally, in Poland, the new repackaging facility in Trzebinia started operating. A gigantic undertaking, from which we will start reaping the benefits in 2022. Combined with the further integration within EMEA, where we will take major further steps in 2022, we are well-equipped to strengthen our position further.

Innovations and product introductions continue to be an important driver for our success.
In 2021, around 10% of the turnover came from new products. Within Fagron, a total of 1,125 new products were introduced worldwide, with which we continue to improve and increase our portfolio and competitive advantage.

In addition to the contribution that our products make to the health of people worldwide, we are also committed to contribute to a better world in other areas. ESG is central to our way of working; we are committed to reducing our impact on the environment, take care of our people and want to make a positive contribution to the communities in which we operate.

At the beginning of 2021, we presented our first ESG strategy and we made good progress last year in implementing the strategy. For example, we reduced our greenhouse gas intensity by 20.4% compared to 2019 (objective: -10%).
At the start of 2022, we set additional challenging targets, demonstrating that our commitment to contributing to a better world is an integral part of our strategy.

We announced our strategic ambitions during our Capital Markets Day in March 2022. We aim to become the global market leader in Brands & Essentials and to offer the leading global platform for sterile outsourcing services.
We also want to further optimise our non-sterile compounding and registration activities and build a future-proof organisation with a clear focus on sustainability.

These ambitions are supported through our focus on Operational Excellence, the Fagron Academy, ESG and our M&A strategy. As One Global Fagron, we will strengthen and integrate our central functions even more prominently, particularly in supply chain management and digitisation. We have already laid an essential foundation in 2021 with, among other thing, the centralisation and integration within the regions. Full of confidence, we look forward to the year 2022.

Rafael Padilla
Chief Executive Officer

Together we create the future of personalizing medicine

Key figures

Financial results

Results (x 1,000 euros)	2017	2017[1] revised	2018	2019	2020	2021
Net turnover	436,934	433,529	471,679	534,695	555,971	573,808
REBITDA[2]	95,727	95,727	99,059	117,001	123,927	118,339
EBITDA	92,157	92,157	93,047	113,706	120,031	116,770
Impairment	0	0	0	0	0	0
EBIT	74,607	74,607	73,472	84,388	88,738	87,438
Net result	47,047	47,047	43,282	41,540	60,037	61,378
Recurrent net result[3]	49,060	49,060	49,491	58,082	62,910	61,171
Gross margin	61.8%	61.5%	61.6%	60.2%	59.2%	58.6%
REBITDA margin	21.9%	22.1%	21.0%	21.9%	22.3%	20.6%
EBITDA margin	21.1%	21.3%	19.7%	21.3%	21.6%	20.3%

Balance sheet (x 1,000 euros)	2017	2018	2019	2020	2021
Total assets	594,047	682,772	801,240	752,826	800,421
Equity	184,881	209,716	246,440	257,819	325,466
Operational working capital[4]	36,135	49,029	44,764	49,682	59,070
Net operational capex[5]	10,032	15,694	22,174	18,421	20,731
Net financial debt[6]	236,197	252,294	284,847	271,290	264,941
Net financial debt / annualised REBITDA	2.48	2.63	2.33	2.06	2.11
Average number of outstanding shares	71,740,277	71,740,277	71,797,971	72,089,385	72,643,423

Cash flow (x 1,000 euros)	2017	2018	2019	2020	2021
Cash flow from operating activities	84,247	73,278	77,175	92,953	78,419
Cash flow from investing activities	–11,741	–54,611	–43,588	–51,299	–31,923
Cash flow from financing activities	–304,391	1,789	–4,486	–53,111	–61,648
Net cash flow for the period	–231,885	20,456	29,102	–11,457	–15,152

Data per share (euros)	2017	2018	2019	2020	2021
Net result[7]	0.65	0.60	0.58	0.83	0.84
Recurrent net result	0.68	0.69	0.81	0.87	0.84
Dividends	0.10	0.12	0.08	0.18	0.20
Closing price (year-end)	11.42	14.28	19.33	19.00	14.80
Market capitalisation[8]	820,098,164	1,025,930,949	1,395,218,214	1,377,075,426	1,079,810,279

Personnel	2017	2018	2019	2020	2021
FTEs as of 31 December[9]	2,054	2,360	2,615	2,712	2,846

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[1]	2020	2021
Scope 1: Direct emissions (in metric tons of CO_2-eq)	2,818	2,944	3,358
Scope 2: Indirect emissions due to energy generation (in metric tons of CO_2-eq)	7,714	8,431	9,072
Climate change impact, scope 1 + 2 – location-based (in metric tons of CO_2-eq)	10,532	11,375	12,430
Scope 3: Other indirect emissions[2] (in metric tons of CO_2-eq)	2,477	830	665
Climate change impact, scope 1 + 2 + 3 - location-based (in metric tons of CO_2-eq)	13,009	12,205	13,095
Total energy consumption (in GJ)	121,159	129,212	148,047

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	2021
Average number of years in a position	4.5	4.1	4.9	5.1	5.0
% of employees with annual career development and performance review	82.3%	89.6%	83.7%	69.9%	88.8%

Our people – Diversity[3]	2017	2018	2019	2020	2021
Number of employees as of 31 December	2,217	2,556	2,790	2,921	3,061
% of employees female	58.1%	58.5%	55.8%	56.6%	53.1%
% of management female	39.0%	40.7%	39.1%	37.4%	40.7%
% of senior management female	26.7%	31.6%	29.8%	28.6%	34.1%
Nationalities in headquarters	9	11	13	17	18
Average age of employees (years)	38.2	38.3	38.8	38.9	37.7

Giving back	2021
Units of compounded medicine supplied (in million)	5.4

Good governance – Compliance with laws and regulations (Fagron NV/Fagron BV)	2017	2018	2019	2020	2021
Total value of fines (x 1,000 euros)	0	0	0	0	0
Total number of non-monetary sanctions	0	0	0	0	0
Cases brought through dispute resolution mechanism	0	1	2	0	0

Good governance – Preventing corruption and bribery	2020	2021
% of employees who completed the Code of Conduct training[4]	67.7%	99.1%

Good governance – Product quality and product safety	2017	2018	2019	2020	2021
Class I Recalls: Recall due to severe side effect	0	2	0	1	1
Class II Recalls: Recall due to side effect	11	10	17	5	2
Class III Recalls: Recall due to GMP standards[5]	12	14	9	7	2

1. Values differ from the values in the 2020 annual report. These values have been adjusted based on a few small changes in activity data and changes in a number of emission factors.
2. Scope 3 emissions as a result of employee business trips.
3. All indicators are based on the number of employees on 31 December (including independent managers and temporary workers).
4. Of the employees who received an invitation.
5. 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 medicine; 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 pharmacists, prescribers, hospitals and the industry, Fagron strives to improve personalised medicine and make it (more) accessible for patients. By personalising treatment, the needs of individual patients are better met. This not only increases the efficacy of the treatment, but also the safety for the patient. Moreover, by better adapting the treatment to the patient's specific situation, the treatment becomes less onerous and treatments become accessible to more people. This contributes to patients' welfare and quality of life. Ultimately, personalised medicine leads to lower healthcare costs. In this way, Fagron contributes to people's health and well-being.

Our activities
Fagron is unique in offering the full range of products and services to its customers worldwide. Fagron supplies raw materials, utensils and equipment, semi-finished products, vehicles and sterile and non-sterile compounded medicine to its customers. Fagron also offers education and training to prescribers and pharmacists through the Fagron Academy. Fagron aligns its portfolio of activities with customer needs in the various markets in which it operates. The local conditions and the healthcare infrastructure, including the applicable legislation, also play a role.

Worldwide market leader
Fagron operates worldwide in 35 countries.[1] Fagron has sterile and non-sterile compounding facilities in Europe (the Netherlands, Belgium and the Czech Republic), 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.

[1] Countries where Fagron realised more than € 250,000 in turnover in 2021.

Our value chain

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

Fagron's value chain starts with the purchase of products and raw materials and ends at the patient.

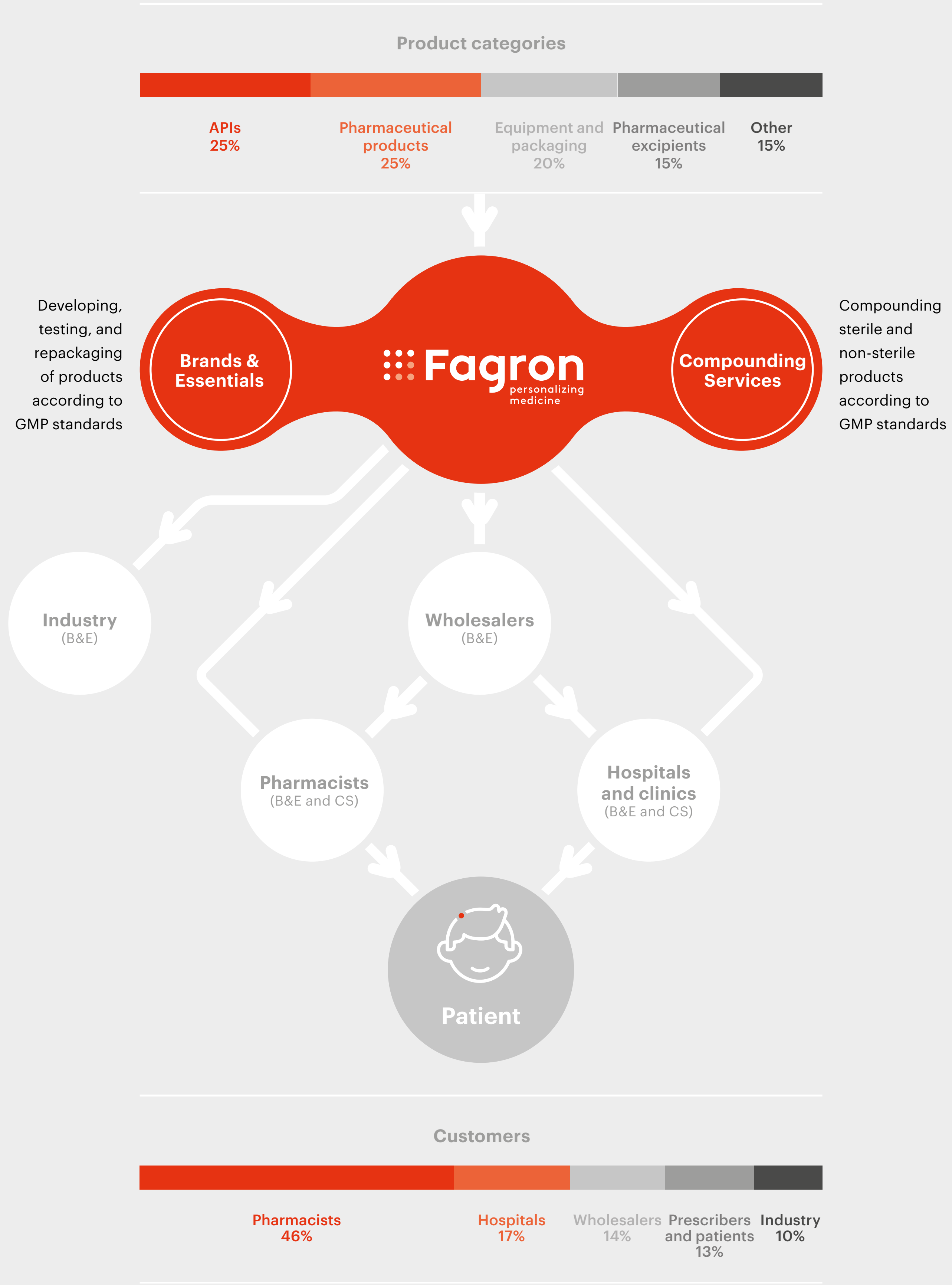
Fagron purchases products and raw materials worldwide that can be grouped into five main product groups. APIs (Active Pharmaceutical Ingredients), pharmaceutical excipients and pharmaceutical products are responsible for approximately 2/3rd, with equipment, packaging and other products responsible for the remaining 1/3rd.

These raw materials and products are used within Fagron's various activities, aimed at offering personalised medicine. In our Brands & Essentials activities, we add value to these raw materials and products by testing raw materials and repackaging products in the correct quantities for our customers (Essentials) and by developing and manufacturing our own products (Brands). All these activities are in accordance with GMP standards. Our customers then use these products to prepare customised medicine and to provide tailored healthcare to the patient.

With Compounding Services, we prepare sterile and non-sterile products with the raw materials and products that we purchased and manufactured. Our compounded medicine allows our customers, pharmacies, hospitals and clinics to provide their patients with customised medicine.

Pharmacists, hospitals, prescribers and patients account for more than 75% of our total customer base, with wholesale and industry accounting for just under 25%.

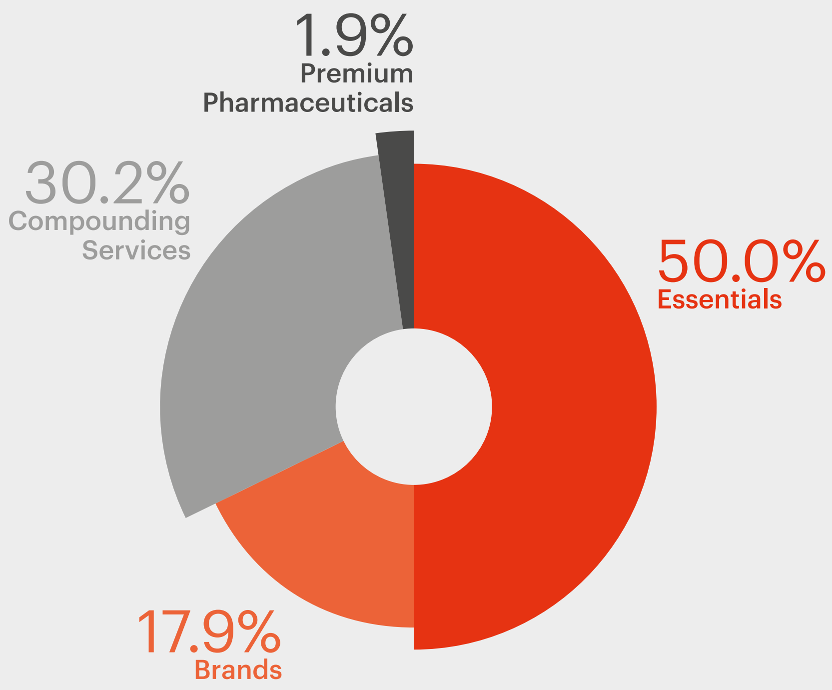
Value Chain



B&E = Brands & Essentials, CS = Compounding Services

Our segments

Turnover 2021



Essentials

Fagron started supplying pharmaceutical grade raw materials in smaller quantities to pharmacies and hospitals in the Netherlands in 1990. The product line was quickly expanded with supplies and equipment in order to compound medicine in the pharmacy. These products are categorised as “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 quality requirements are becoming stricter, there is a greater need for semi-finished products and pharmaceutical grade vehicles that reduces the workload 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, but also equipment for the compounding of medicine. In addition to supplying vehicles, Fagron also provides customers with added value in the form of formulations and compounding protocols. With this, Fagron supports pharmacists in the preparation of personalised medicine and increases accessibility of medicine for patients.

Fagron Genomics also falls under the “Brands” segment. Fagron Genomics specialises in the development, production and marketing of innovative genetic tests. The use of these tests enables the prescription of the most suitable personalised therapy.
We believe this has great potential, especially in terms of lifestyle and prevention.

Compounding Services

In order to help pharmacies further, Fagron began delivering non-sterile “ready-to-dispense” compounded medicine in countries where that is permitted. At the same time, pharmacies, prompted by the increasingly stricter regulations and focus on quality and efficiency, are outsourcing their sterile compounding more frequently. Fagron caters for this need by supplying sterile “ready-to-administer” medication in countries where regulations permit these activities. The sterile and non-sterile products, which meet patients’ specific needs, fall under the “Compounding Services” segment.

Fagron’s Compounding Services provides personalised medicine, which contributes to a more effective treatment and quality of life for the patient. Fagron compounds medicine 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.


Infinity Pharma manufacturing proces.

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 a personalised medicine, that is not commercially available, that meets the patient's specific needs.

Personalisation through compounding
Compounding gives a prescriber the option to offer a personalised treatment, for example, by prescribing a different form of administration or a different dosage, suited to a patient's specific needs. 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 preparation is a customised medicine, pharmaceutical compounding companies like Fagron can prepare personalised medicines on a relatively 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 compounded medicine can be non-sterile as well as sterile. Non-sterile products include tablets, capsules, liquids, suppositories, creams, ointments and suspensions. Sterile products are usually medicines that are administered through injection or infusion and that come with a higher risk of infection and other negative side effects. Examples of sterile pharmaceutical compounded medicine are injections packaged in syringes, vials, ampoules and IV bags.

Quality

Quality lies at the heart of Fagron's operations. It is the most important benchmark for everything we do. We 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 working to come up with new solutions is the key to improving healthcare while achieving sustainable growth and profitability. We are constantly looking for ways to operate better and smarter 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.

Entrepre-neurship

An entrepreneurial spirit fits our organisation. We take responsibility and 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 of personalised medicine that is driven by different trends. The developments below play an important role in this growing demand for personalised medicine.

Demographic developments

Demographic factors, such as a growing world population, an increasing life expectancy and ageing population, contribute to a growing demand for medicines. On top of demographic factors there is a shift towards prognosis and prevention next to treatment and cure.
The attention for a healthy and conscious lifestyle also continues to increase.
The COVID-19 pandemic has further strengthened this trend. Fagron's development of personalised medicine contributes to making and keeping medicine available as widely as possible.

Personalisation

The one-size-fits-all nature of many mass-produced medicines means that some patients' needs cannot be met. Pharmaceutical compounding allows a pharmacist to work together with the prescriber to create a medicine that satisfies the specific needs of a patient whilst considering allergies, other intolerances and the exact required dosage and administration form. Through technological innovation and data analysis a patient's genetic profile can be identified more effectively. As a result, the risk of specific diseases can be reduced, or the course of a disease becomes easier to predict. Based on the genetic profile, a treatment can be customised using personalised medicine and/or supplements.
As a result, these patients experience a better quality of life.

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 healthcare is lowered and the quality of life for patients is increased, while the costs are lower. This development imposes requirements on the administrative form and dosage in which medicine must be made available. Generic, large pharmaceutical companies are not equipped for the compounding of these small(er) batches and ad hoc compounding.

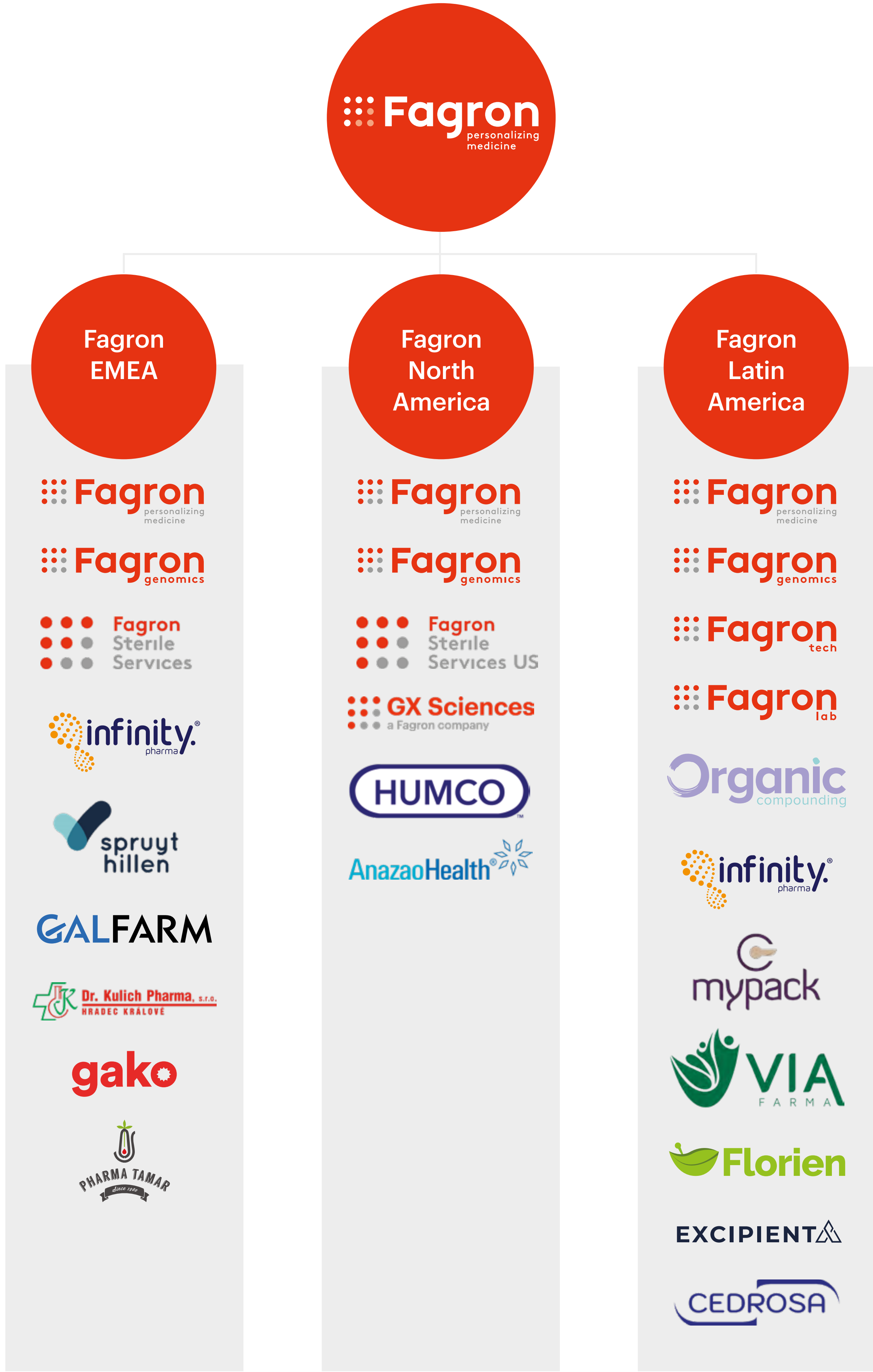
Accessibility

By personalising medicines, they become accessible to more people. By making relatively small adjustments to the strength, administration form or composition, medicine is made suitable for patients who cannot receive commercial medication. In addition, increasing (quality) requirements and regulations cause pharmacies and hospitals to outsource compounding more frequently. In order to keep compounded medicines available, parties like Fagron are essential.

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 – or are no longer available in the proper form – accessible to patients. The reason for unavailable medicine can be, for example, that there is too little demand, and the medicine is not commercially interesting enough for large pharmaceutical companies to continue manufacturing.

Sustainability

Corporate social responsibility lies at the core of Fagron's activities and strategy. Fagron's activities contribute to the better health of patients. It is self-evident that all our products meet all relevant quality and safety standards. We provide a working environment for our people that is in line with occupational health and safety standards. We reduce our climate change impact by reducing our energy use, installing solar panels and switching to electric mobility. In addition, we do not accept any violation of human rights and labour rights in our locations, and we endeavour to eliminate violations in our supply chain.



Strategic cornerstones

As a partner to prescribers, pharmacies and hospitals, Fagron makes personalised medicines accessible to healthcare providers as well as their patients. We have a leading position in EMEA and Latin America. 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 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. Fagron's international scope and scale, with corresponding innovation capacity and cross-selling opportunities, create a strong competitive advantage.

Strategic cornerstones

Innovation and product development
As an innovative player, Fagron wants to be a leader in shaping personalised medicine worldwide in order to further develop this market and let it grow. Innovation is the driving force behind Fagron's growth and it is essential in meeting the growing worldwide demand for personalised medicine. Innovation offsets Fagron apart. Through continuous interaction within and in between the various Fagron teams and our customers, promising ideas are quickly identified and developed into products.
Our in-house knowledge, combined with a strong execution capacity, leads to a unique range of products. Our high-quality products are developed based on scientific data and scientific knowledge.

The development of Fagron Genomics' genetic tests is a good example of Fagron's innovative strength. These tests can identify genetic variations, based on which the prescriber is able to prescribe the most suitable and effective personalised therapy to patients. Due to the increasing awareness of the importance of prevention and lifestyle, Fagron sees a potential for Fagron Genomics 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. In addition to responding to new needs by means of 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 linking pins between us and the final patient, the prescribers and pharmacists, have thorough knowledge of the products and services that Fagron offers. Informing and training prescribers and pharmacists about compounding through local Fagron Academy platforms in the countries where we operate is therefore an integral part of the strategy. Through knowledge sharing, training, courses and educational programmes, Fagron Academies increase and improve the compounding knowledge and skills of prescribers and pharmacists. We offer extensive training and educational opportunities about for example, compounding techniques, the use of materials, administration forms and quality and safety procedures. Training courses and knowledge transfer occur through practical training, conferences and webinars and are offered in person as well as digitally and can be general in nature or tailored to a specific customer (group). Fagron works together with various universities, worldwide, with which academic programmes are developed.

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 2021

Operational Excellence
A great deal of progress was made in 2021 in optimising our operations (Operational Excellence). There has been a focus on centralising support functions within the three regions where Fagron operates and a better and closer cooperation between and within the various teams. For example, the new Polish repackaging facility increases the further centralisation of repackaging activities in Europe. In North America, the Brands & Essentials sales organisation was integrated and centralised. In Latin America, further steps were taken in centralising the distribution for all Brazilian brands in one central distribution centre, supported by a new laboratory.
The shared service centre for Latin America was also expanded further, including the R&D activities to increase the synergy and cooperation between Fagron locations in the region. These steps have reinforced the foundation upon which the announced strategic programme can build.

Innovation and product development
Again, many new products were introduced in 2021. For example, the product range of pre-filled IV bags was expanded in North America. This is a strategically important step because it enables Fagron to create lasting relationships with large hospital organisations. The new Avastin syringe, an innovative new silicone-free syringe for eye injections, was also well-received by the market. In Latin America in particular, the demand for products aimed at prevention and a healthier lifestyle has increased further and the new product launches have also been targeted specifically at this segment.

Buy-and-Build
Fagron further strengthened its leading market positions in 2021 through organic growth and a number of targeted strategic acquisitions.
For example, Fagron acquired the compounding activities of US Compounding, which further accelerated the growth of FSS in the US.
In Belgium, a 20% interest was acquired in HeW Pharma, which produces high quality raw materials for pharmacists.

Key steps in our history

2017

Acquisition of Kemig in Croatia, All Chemistry in Brazil (B&E).

Disinvestment of compounding facilities in France.

2018

Acquisition of Humco in the United States (B&E).

2019

Acquisition of Ortofarma Lab, Levviale and Apace in Brazil (B&E), Dr. Kulich Pharma in the Czech Republic (B&E and CS), and Cedrosa in Mexico (B&E).

Disinvestment of HL Technology in Switzerland.

2020

Acquisition of Pharma Tamar in Israel (B&E and CS) and Gako in Germany (B&E).

Partnership with Azelis in Australia and New Zealand including handover of Fagron Australia to Azelis (B&E).

2021

Acquisition US Compounding in the United States (CS).

20% stake in HeW Pharma in Belgium (B&E).

2022 Q1

Acquisition of Letco in the United States (B&E) and PharmaPack in Belgium (B&E).

Disinvestment of CMO activities in the United States (B&E).

B&E = Brands & Essentials, CS = Compounding Services

Medium-term strategic and financial objectives

Fagron spoke about its expectations for Fagron in the medium-term during the Capital Markets Day in March 2022. The following four strategic objectives were presented. Fagron wants:

1. To be market leader in Brands & Essentials in the countries where Fagron operates;
2. To be the leading global platform in sterile outsourcing services;
3. To further optimise its non-sterile compounding activities and registration activities; and
4. To build a future-proof organisation with a clear focus on sustainability.

We will achieve the first strategic objective by further expanding and improving our range of high-quality products, supported by our strong innovative capacities, and further reinforcing our operational efficiency. In addition, we will organise the development of our Brands at a more global level while we continue to sell them locally, applied to the specific needs of our customers in the different markets in which we operate. We will further reinforce and professionalise our Fagron Academy and roll it out worldwide.

We will achieve the second strategic objective by striving for market leadership through innovative product introductions, continuing to deliver high quality sterile products, organic growth and expanding to new regions, specifically in EMEA.

In terms of non-sterile compounding, we will focus on optimising our market leader position and our capabilities and expertise in the registration of compounded medicine.

All this will be supported by our global focus on Operational Excellence, our Fagron Academy, continuous attention to ESG and our targeted M&A strategy with a focus on North America and EMEA.

During the Capital Markets Day, Fagron further outlined the following medium-term financial objectives for the period until 2026:

- 8% organic turnover CAGR (compound annual growth rate) at constant exchange rates for Fagron as a whole. Low single-digit growth is expected for EMEA, high single-digit growth is expected for Latin America and growth in the mid-teens is expected for North America;
- REBITDA margin consistent with the 2017-2021 average;
- Cash generation and earnings conversion to remain sustainably high; and
- Capital allocation strategy aimed at driving growth opportunities.

Value creation model

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

The value creation model provides insight into the inputs we use, how we add value and how that contributes to society. It therefore provides the tools to fully comprehend Fagron's impact on society.

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 natural gas and water in its operations. Fagron has various facilities worldwide. Almost all of Fagron's repackaging and compounding facilities have the GMP status (Good Manufacturing Practice). GMP guarantees the quality of products. In addition, Fagron has various laboratories where quality controls are conducted and a large number of warehouses.

Our human capital consists of more than 3,000 dedicated Fagron employees. Their expertise, experience and motivation are essential to Fagron's success. Our intellectual capital is represented by all 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.

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 are very important for development and innovation.

The financial capital consists of the capital that is made available by external capital providers and shareholders. The starting ground of our capital policies is to ensure continuity and optimise the costs of capital.

What we do

The driver of our value creation model are our business activities. Fagron is a vertically integrated player that operates in the entire value chain of pharmaceutical compounding. The Fagron segments (Essentials, Brands, Compounding Services and Premium Pharmaceuticals) are further described on page 14. Fagron's values, which are described on page 17, are an important guideline for the way in which Fagron operates.

Strategic cornerstones

The strategic cornerstones form 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, education & knowledge transfer and buy-and-build. These cornerstones are described on page 22.

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 106) and the chapter on Fagron's corporate social responsibility from page 58 describe in detail how Good governance is organised and embedded at Fagron. The chapter on risk management (starting on page 48) describes the major risks, as well as the manner in which these are mitigated.

Output

The value that Fagron creates for its stakeholders can be measured based on 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 to pay salaries to employees, taxes to governments and dividends to shareholders in addition to making investments. The total cash flow from operations is explained in more detail on page 158.

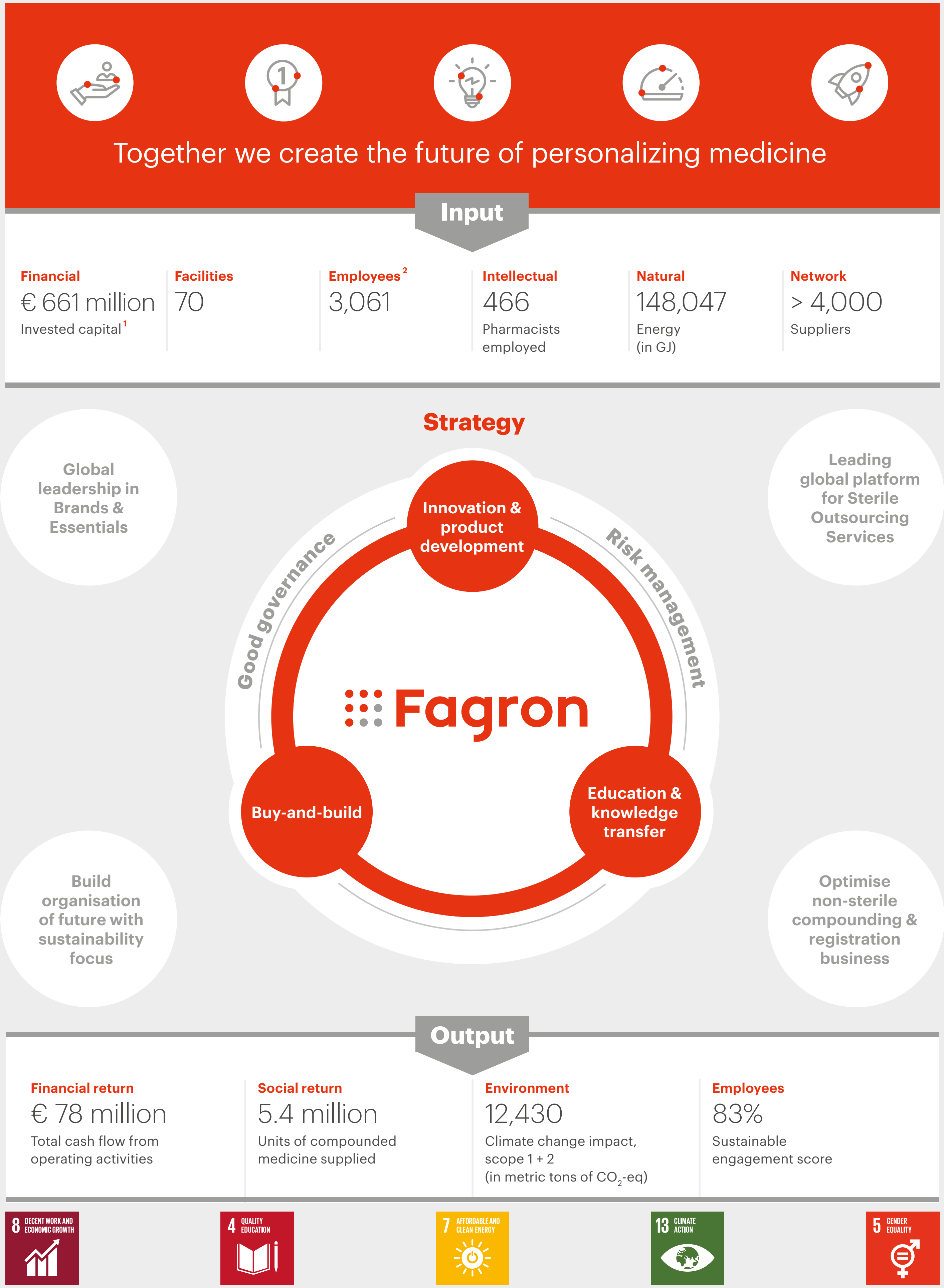
Fagron's social return can be found in delivery of safe medicine and making medicine accessible, products and services that have a positive contribution to patients' health. Quantifying our social return is difficult because Fagron does not deliver directly to the patient. As can be seen on page 13, Fagron primarily supplies products to pharmacies and hospitals, which then use them to help the patients. Almost all of our products and services are used for pharmaceutical compounding, see page 16 for an explanation of pharmaceutical compounding. Our customers use the products in our Brands & Essentials category to prepare medicine, and Fagron prepares products for customers in one of our compounding facilities. Fagron has no insight into the number of patients for whom the sterile and non-sterile compounded medicines are applied. We therefore report the units of compounded medicine that we deliver from one of our compounding facilities, in order to give an indication of our positive contribution to patients' health. Fagron reports in more detail about its corporate social responsibility starting on page 58.

In terms of environmental indicators, Fagron strives to minimise its climate change impact and other negative environment impact as well as resource availability. In addition, Fagron takes responsibility in her supply chain by adhering to strict procedures and protocols and by only working with certified suppliers. Fagron reports in more detail about its objectives and results achieved in terms of corporate social responsibility starting from page 58.

In terms of social indicators, Fagron measures the engagement of its employees, among other things. Fagron reports on these aspects in more detail starting on page 58 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 comprehensive manner. These development objectives provide a roadmap for achieving a more just and sustainable future. Fagron has committed itself to five SDGs with its activities. Page 62 further explains how Fagron contributes to these themes.

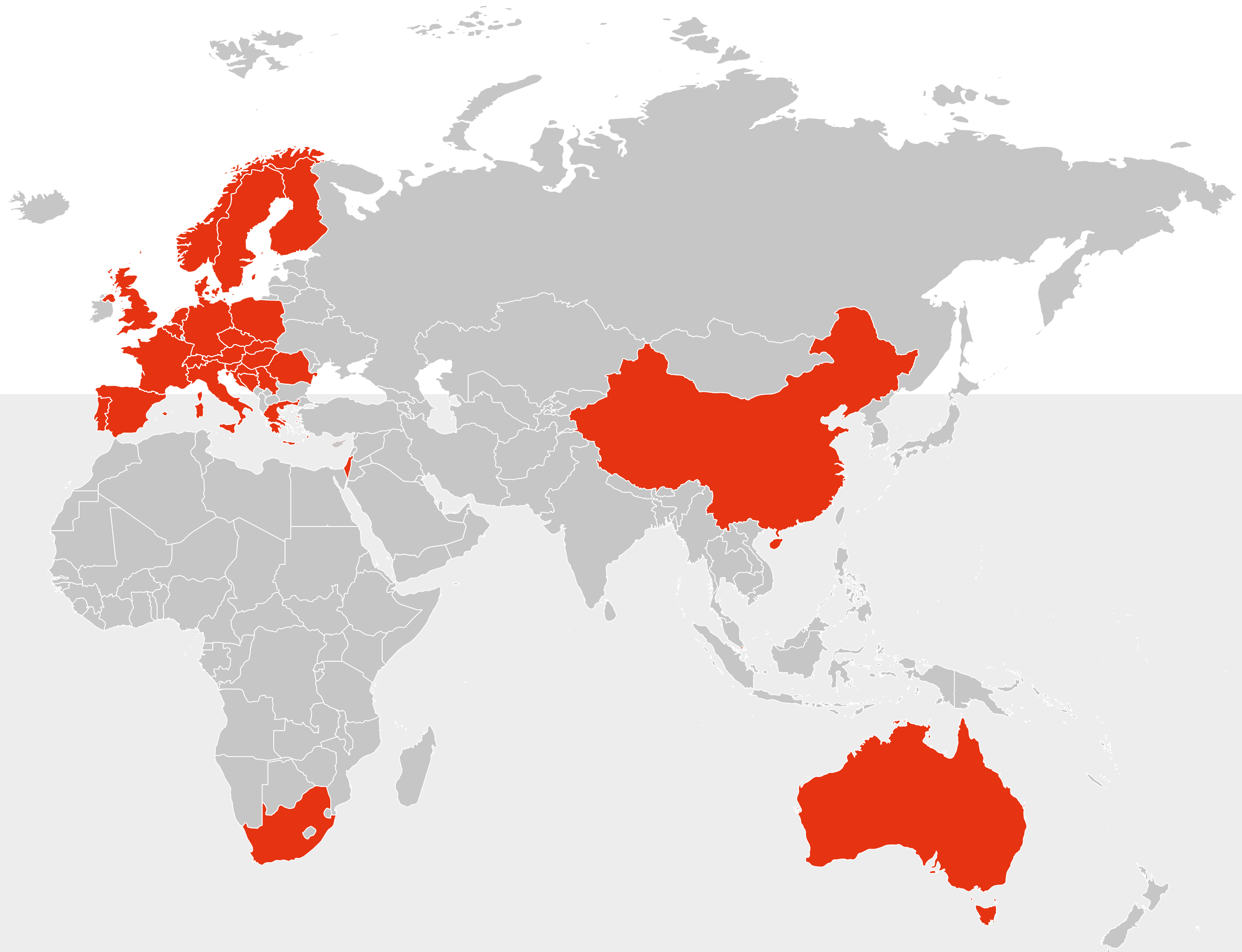


1. Equity + financial debts.
2. Number of employees on 31 December (including managers and temporary workers).

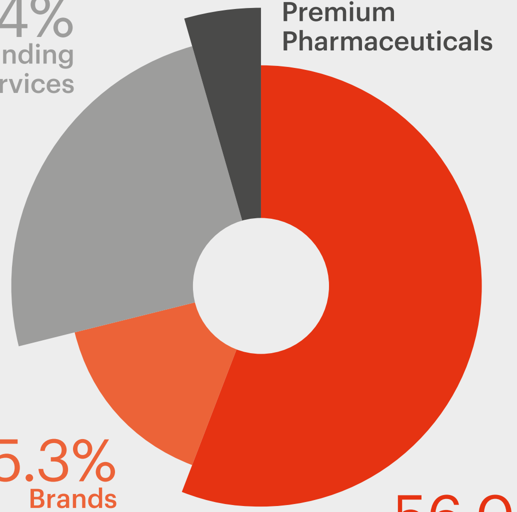
Regions

Fagron EMEA

Fagron has been active in Europe since its establishment in 1990, currently with facilities in 12 countries. The activities in South Africa and Israel are also reported under EMEA. Fagron offers Brands & Essentials in all of these markets. Fagron is also active in Compounding Services in Belgium, Israel, the Netherlands, the Czech Republic and South Africa. The EMEA segment represents 44% of group turnover.



Turnover 2021



Offices/ Other	3
Compounding facilities	11
Laboratories[1]	1
Pharmacists employed	179
Warehouses	11
Repackaging facilities	10
Employees[2]	1,211
Energy (in GJ)	75,522

Turnover
(in millions of euros)

255.1
2020: 267.4
−4.6%

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

55.6
2020: 64.7
−14.1%

Number of facilities	Units of compounded medicine supplied (in million)	Climate change impact scope 1 + 2 (in metric tons of CO_2-eq)	Sustainable engagement score
36	2.3	6,448	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).

Fagron EMEA

The EMEA segment turnover decreased by 4.6% (-4.9% at constant exchange rates) to 255.1 million euros. Turnover decreased organically by 6.8% (-7.1% at constant exchange rates). As the COVID-19 pandemic developed differently within the different countries, as did the actions to keep the virus under control, the EMEA region showed a mixed picture.

The decrease in turnover in Compounding Services of 9.4% (at constant exchange rates) is a reflection of the continuing pressure on elective care in primarily the Northern European countries and the limited recovery of the number of doctor visits as a result of COVID-19. Registrations of non-sterile compounded medicine by third parties also contributed to the decrease in turnover. In the fourth quarter of 2021, the EMEA region achieved organic growth of 2.2% (1.4% at constant exchange rates). This growth was partly due to the lower impact of the registrations in the fourth quarter and a small recovery of elective care in some countries.

Brands & Essentials profited last year from increased demand for COVID-19-related products, which no longer existed in 2021. We did, however, see increasing demand for COVID-19 (self-)tests, mainly in the fourth quarter. Overall, the development of Essentials in 2021 was generally negative and the development for Brands slightly positive. Premium Pharmaceuticals showed a slight increase in turnover in 2021.

Two factors had a – temporary – negative effect on the margins. The new repackaging facility for raw materials in Poland became operational in April 2021. For a smooth transition, the Dutch as well as the Polish GMP repackaging facilities were temporarily used for specific product groups. There was also some delay in passing on the higher costs as a result of the pressure on the supply chain.

Increase efficiency and utilising economies of scale

In the past year, there was once again a focus on increasing efficiency to be able to respond even faster to the market and to better utilise synergies and economies of scale. For instance, another step was made in centralising support functions within the Netherlands. In 2022, in particular, major steps will be made in centralising procurement.

New facilities

After an intensive process, the new GMP facility for the repackaging of pharmaceutical raw material was commissioned in April 2021. This new facility in Trzebinia (near Krakow) is equipped with the latest technologies and systems and meets the highest quality requirements. The GMP audit was completed at the end of December. With this, Fagron has made an important step in the centralisation of the repackaging activities for EMEA. The transition, which has seen some delay, is expected to be fully completed in the course of the first half of 2022, after which a structural annual margin increase of 2 million euros will be realised.

A new GMP sterile compounding facility (Compounding Services) was commissioned in Israel (Tel Aviv) in 2021. This facility replaces the old Pharma Tamar compounding facility that was acquired in 2020. The new facility increases the capacity as well as the quality and efficiency.

From left to right: Solar panel installation at the new repackaging location in Poland, Fagron in Johannesburg (South Africa) and Gako (Germany).

Sustainable solar panels in EMEA

In EMEA, a major step was taken in 2021 towards sustainability by focusing on renewable electricity production. Solar panels were installed at various Fagron locations in 2021 and the first quarter of 2022. For example, 50 panels were installed in Johannesburg that led to a 10% reduction in greenhouse gas emissions from this location. Solar panels were also installed at Fagron Belgium in Nazareth that resulted in a 10% reduction in the footprint. At Gako in Germany and Fagron Nederland in Capelle, emissions are even reduced by 20% due to the installation of solar panels. At our new repackaging facility in Poland, a major project has also been launched in which ultimately 25% of the electricity required for the facility will be generated by solar panels.

For the first quarter in 2022, a number of locations are scheduled to install solar panels, including Greece and Croatia. These installations not only reduce our greenhouse gas emissions, but also reduce energy costs.

Supply Chain
The supply chain remained under pressure in 2021. As a result of, among other things, large-scale vaccination programs, a number of raw materials and types of packaging had more limited availability. Product availability is a critical success factor for Fagron. The extensive worldwide network of approved Fagron suppliers once again proved its worth.
In addition, Fagron's centralised purchasing team, in close cooperation together with the business, continuously monitors the inventories and, where necessary, maintains larger inventories for specific products.

Compounding Services
Fagron offers Compounding Services to pharmacies and hospitals in Belgium, Israel, the Netherlands, the Czech Republic and South Africa. As a result of COVID-19, turnover decreased by 9.4% (at constant exchange rates). Due to the various waves of infection and the measures that were established by local authorities, elective care, particularly in Northern Europe, was barely able to scale up again and recovery was slow. The number of doctor visits also remained low. The registration of a number of non-sterile products by third parties also had a negative impact. Fagron has taken measures to limit the risk of a similar impact in the future, as well as to increase its efforts to realise its own registrations.

Brands & Essentials
The decrease in turnover at Brands & Essentials was caused by a slow recovery of elective care and the number of doctor visits, these were no longer offset by the demand for COVID-19-related products. While there was a clear benefit from this situation in 2020. We did, however, see increasing demand for COVID-19 (self-)tests, mainly in the fourth quarter. The delay in commissioning the repackaging facility in Poland also affected the results.

Genomics was rolled out further in 2021. Fagron Genomics' tests contribute to Brands' turnover development. Based on the Fagron Genomics' tests, doctors can prescribe patients personalised medicine or provide substantiated recommendations regarding the use of nutritional supplements and vitamins.

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. Although Fagron has made further progress in initiated registration processes, no new registrations were realised in 2021. Turnover in this segment increased slightly in 2021. Fagron intends to register more products. In the course of 2021, Fagron expanded the team that is working on this purpose, which is expected to pay off in 2022.

Buy-and-Build
The integration of the German company Gako and the Israeli company Pharma Tamar, both acquired in 2020, were completed in 2021. Fagron acquired a 20% interest in HeW Pharma in December 2021. HeW Pharma manufactures high-quality raw materials for pharmacists in Belgium. Fagron also purchased Pharma-Pack after the balance sheet date in February 2022. Pharma-Pack is a supplier of packaging and laboratory equipment for pharmacies and hospitals in Belgium and has an expected annual turnover of approximately 6 million euros with an expected EBITDA margin of more than 13%.

European market for personalised medicine

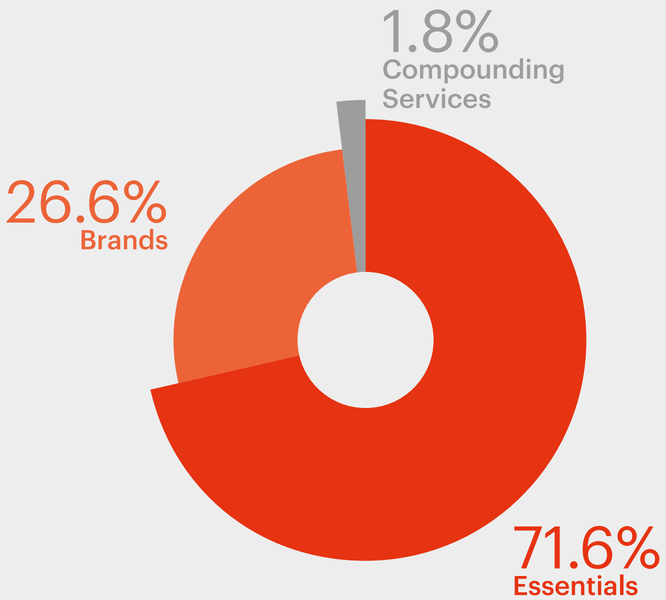
Fagron estimates that approximately 1% – 1.5% of all prescriptions in EMEA involve pharmaceutical compounding. Based on an estimated size of the European market for pharmaceuticals of around 345 to 350 billion euros, this means that the size of the European market for sterile and non-sterile pharmaceutical 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 goods sold in Fagron's compounding facilities, Fagron estimates that in 2020, approximately 10% to 15% of this market corresponds with the costs of pharmaceutical raw material and administration forms, the available market of Brands & Essentials.

Constantijn van Rietschoten, Area Leader EMEA:
"In highly dynamic and challenging circumstances, we again succeeded last year in taking major steps to make even better use of our collective strength. Such as with our state-of-the-art GMP facility in Poland, which not only helps us to make better use of economies of scale, but also to further improve our service level and product availability; critical success factors in the current volatile market. We have a resilient and solid foundation on which to build further. I am fully confident that with our focus on "One Fagron" and "Operational Excellence", we will be able to further strengthen our leading position in our mature markets and to leverage the potential in growth markets."

Fagron Latin America

In Latin America, Fagron is active in Brazil (Brands & Essentials), where Fagron is the market leader, in Colombia (Compounding Services) and since 2019, in the growing Mexican market (Brands & Essentials) for personalised medicine. The Latin America segment represents almost 25% of group turnover.

Turnover 2021



Offices/Other	8
Compounding facilities	4
Warehouses	7
Repackaging facilities	3
Laboratories[1]	1
Pharmacists employed	89
Employees[2]	976
Energy (in GJ)	22,960

Turnover
(in millions of euros)

141.1
2020: 129.1

+9.3%

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

30.5
2020: 25.8

+18.4%

Number of facilities	Units of compounded medicine supplied (in million)	Climate change impact scope 1 + 2 (in metric tons of CO_2-eq)	Sustainable engagement score
23	0.2	850	88%

1. A total of two laboratories, of which one is part of a repackaging facility.
2. Number of employees on 31 December (including independent managers and temporary workers).

Fagron Latin America

All countries where Fagron is active in Latin America contributed to the growth of activities in 2021, which translated into a turnover increase of 9.3% (16.6% at constant exchange rates). Compounding pharmacies are the most important sales channel for Fagron in the region and these have often remained open despite the restrictive COVID-19 measures. Despite the current volatility in the markets, Fagron has managed to further strengthen its competitive position in the Latin American market. In Latin America, particularly the Brazilian market, a large number of new products were once again introduced in 2021, which contributed to the growth. With our focus on prevention, we are well-positioned to benefit from the increased attention for a healthy lifestyle as a result of the COVID-19 pandemic.

In Brazil, with Fagron Technologies, Fagron develops digital solutions and other innovative tools for compounding pharmacies and prescribers for the entire Latin American region.

More efficient and more effective

Progress was made in Latin America this year in centralising the activities in the various countries. In Brazil, all of the GMP repackaging activities have already been centralised and major steps have been taken in the integration of the various distribution centres into a central modern distribution centre. In the second half of 2021, three business units were transferred to the central distribution centre and the other units will follow in 2022. Ultimately, the distribution and repackaging for the entire Brazilian market will be centralised in one location. Activities have also been added to the shared service centre in São Paulo, including the R&D activities. This will further promote the synergy and cooperation within the region. Progress has also been made in centralising the activities in Mexico from three to one location. This process is expected to be completed in the course of the second quarter of 2022. Also in Colombia, all activities were centralised in one location in 2021. This transition will be completely finalised in the course of the first quarter of 2022.

In addition to further increasing the efficiency and utilising the economies of scale, the focus in Latin America will be on the further development of Brands. Education and knowledge transfer are also important points for 2022. The platform where pharmacies and prescribers are trained in the use of and options for personalised medicine, particularly prevention, will be enhanced further.

Central distribution centre for Brazilian brands in Jundiai, Brazil.

Central distribution centre Brazil

At the beginning of 2021, there were six different distribution centres for Brands & Essentials in Brazil for the six brands that are sold in Brazil: Florien, Organic Compounding, Fagron, Via Farma, Excipienta and Infinity Pharma. Mypack also has a distribution centre but sells packaging and no pharmaceutical products. Of the six different distribution centres, three were transferred in 2021 to a new central modern distribution centre.

In 2022, the other three brands will follow: Infinity Pharma, Fagron and Excipienta. Once all of the brands have relocated, a total surface area of 10,000 m^2 will be in use. While setting up the distribution centre, attention was paid to sustainability. Energy-efficient equipment and electric forklifts were selected. In 2022, the possibilities for saving energy will be examined further and a business case will be made for solar panels on the roof.

Brands & Essentials
Brazil is the largest market for Fagron in Latin America for Brands & Essentials. Fagron has eight brands here: Fagron, Fagron Tech, Infinity Pharma, Florien, Via Farma, Excipienta, Mypack and Organic Compounding. The repackaging of pharmaceutical raw materials also takes place in Brazil in the GMP repackaging facility in Anápolis. The renovation of this facility was fully completed in 2021. In addition to greater capacity, the facility now also has access to a state-of-the-art laboratory.

The acquisition of Central de Drogas (Cedrosa) 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. In 2021, Fagron took further steps to connect Cedrosa to Fagron's processes and systems. In 2022, Cedrosa will fully transition to Fagron's way of working and will also change its name to Fagron.

Despite the decreasing demand for COVID-19-related products, Brands & Essentials showed good turnover growth in 2021. This was driven by, among other things, more efficient and more effective market interaction, due to reinforcement and centralisation of the commercial team and product introductions. The centralisation of procurement, among other things, has led to better use of economies of scale, as a result of which the competitive position has become stronger.

Compounding Services
During 2021, Fagron's Latin America compounding activities were based in Colombia, in Bogota and Medellín. These activities, which are a relatively small part of the total Latin American turnover, showed a strong turnover growth of 40.5% at constant exchange rates in 2021. In contrast to 2020, a large number of the prescribers were open in 2021. Fagron Colombia managed to strengthen its market share in this fast-developing market. New product introductions, particularly in sun protection creams and hand and body creams for depigmentation for patients with vitiligo, also contributed to the turnover growth.

Ivan Maróstica, Area Leader Fagron Latin America:
"Despite the many changes that occurred in the organisation in 2021 with the centralisation of activities and the operations, the Fagron Latin America team showed great agility and resilience. We achieved a good result due to our strong position and by utilising our economies of scale. I am proud that the team remained focused on the business, while we also realised major projects that strengthened our competitive position. We look forward to 2022 with the utmost confidence."

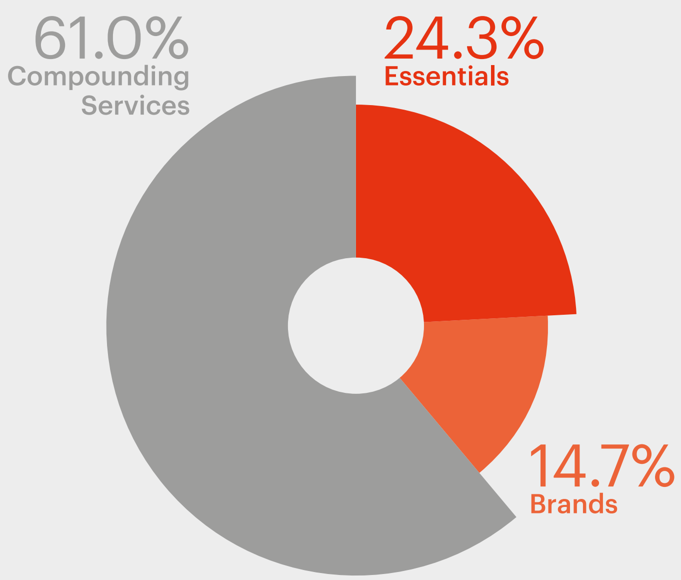
Latin American market for personalised medicine

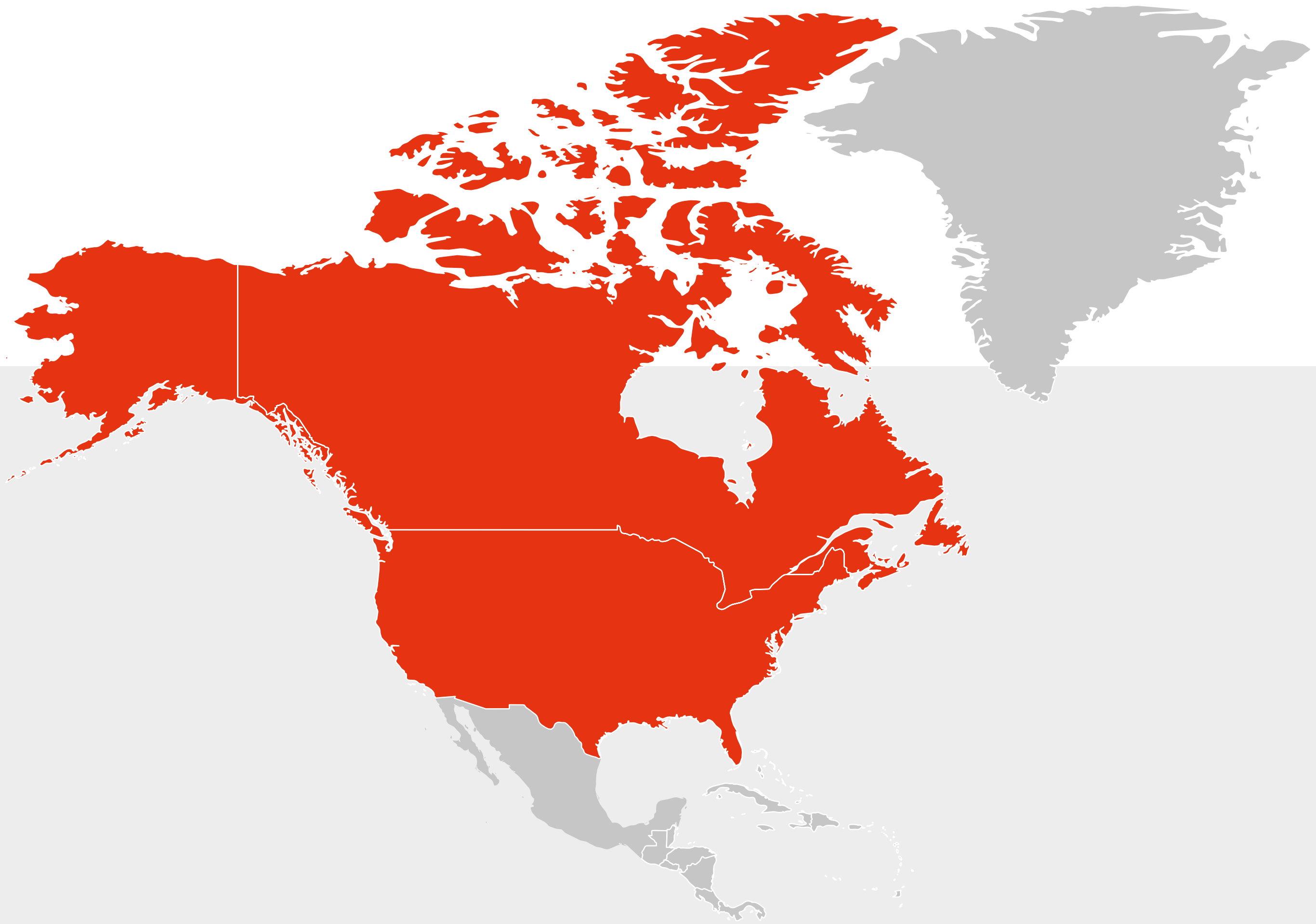
It is estimated that the total market for pharmaceutical raw material and vehicles in Brazil is approximately 1.8 million euros in 2020. Considering the situation and pricing in the local market, it is estimated that the market for pharmaceutical raw material and vehicles for pharmaceutical compounding represented approximately 10% to 15% of the Brazilian market for pharmaceutical compounding in 2020.

Fagron North America

In North America, Fagron is active in the sale of Brands, Essentials and Compounding Services. In 2021, Fagron had locations in Kansas, Texas, Nevada, Florida and Minnesota. The North America segment accounts for 31% of the group turnover.

Turnover 2021





Offices/ Other	1
Compounding facilities	4
Laboratories	1
Pharmacists employed	195
Warehouses[1]	1
Repackaging facilities	2
Employees[2]	796
Energy (in GJ)	47,751

Turnover
(in millions of euros)

177.6
2020: 159.5
+11.3%

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

32.2
2020: 33.4
–3.7%

Number of facilities	9
Units of compounded medicine supplied (in million)	2.9
Climate change impact scope 1 + 2 (in metric tons of CO_2-eq)	5,026
Sustainable engagement score	83%

1. All repackaging and compounding facilities also contain a warehouse.
2. Number of employees on 31 December (including independent managers and temporary workers).

Fagron North America

In 2021, Fagron North America showed strong growth in turnover. Due to launches of new SKUs, contracts with new customers and the acquisition of US Compounding activities, Compounding Services shows growth acceleration. The demand for COVID-19-related products, which contributed substantially to turnover in 2020, almost entirely disappeared in 2021. This resulted in a decrease in Brands & Essentials turnover.

The steps taken in 2020 to improve the operational and commercial processes were clearly bearing fruit in 2021. The increased focus and strengthening of the management team ensured that the organisation and processes became more robust and more efficient.
This resulted, among other things, in closer and better cooperation within and between the various teams. Fagron North America's strong corporate culture, based on quality, entrepreneurship and collaboration, is also a driving force for the success. As a result, the organisation is very capable of handling the dynamic market developments and the challenges associated with significant growth.

Compounding Services
The Fagron Compounding Services sterile activities consisted of four compounding facilities in the United States in 2021. The first two Fagron Sterile Services facilities are located in Wichita (Kansas). The two AnazaoHealth facilities are located in Las Vegas (Nevada) and Tampa (Florida). All of the facilities are registered to compound sterile medicines. The facility in Tampa complies with Section 503A of the Federal Food, Drug and Cosmetic Act (FD&C Act) and can make individual compounded medicine based on prescriptions. The facilities in Las Vegas and Wichita are registered as Section 503B facilities with the US Food & Drug Administration (FDA); they offer outsourcing services and are allowed to compound in batches.

The Compounding Services turnover increased in 2021 by 28.9% compared to the previous year (33.5% at constant exchange rates).

Fagron Sterile Services (FSS)
The 503B facility in Wichita complies with all applicable laws and regulations and can deliver products throughout the United States.
FSS further strengthened its market share in 2021. Due to the expansion of the product portfolio, Fagron is now also an interesting partner for the major players in the market, such as large hospital organisations. This has resulted in many new customers and significantly larger volumes per customer.
One of the most successful introductions from the past year was the new Avastin syringe.
This silicone-free syringe for eye injections has been very well-received. In order to further facilitate this accelerated growth, it was decided in mid-2021 to begin working in two shifts, for which 60 new employees were recruited in Wichita.

In August 2021, Fagron acquired a significant portion of the assets of US Compounding, a subsidiary of Adamis Pharmaceuticals Corporation with an annual turnover of approximately 6.5 million US dollars. With this acquisition, Fagron gained access to a large group of new customers and an expanded product portfolio. The acquisition contributes to better utilisation of the production capacity.
All of this has led to strong turnover growth of FSS at 38.6% (43.6% at constant exchange rates).


Silicon-free syringe filled with Avastin at FSS in Wichita, the United States.

Silicone-free syringe

Fagron has marketed a new type of (eye) syringe filled with Avastin. It is made on the basis of silicone-free oil which prevents unintended substances from being injected alongside Avastin. The syringe was developed in collaboration with the supplier of the syringe. Fagron invested in an automated filling and labelling system for Avastin.
The syringe makes administering the substance easy for patients who need treatment for retinal damage, diabetic oedema and retinopathy. The syringe has a total volume of 0.5 ml.
In general, the syringe can be filled with any sterile solution for an indication where a small volume needs to be injected. The syringe is inserted in the eye and temporarily anaesthetises the effect of the injection. The syringe is designed in such a way that it delivers a very accurate dosage and as a result, provides a better user experience.

Due to the automated filling and finishing machine, manual filling processes are no longer necessary.
As a result, the risk of human error and contamination are further minimised.

In December 2021, FSS was at a run rate (turnover on annual basis) of more than 80 million US dollars. Based on launched and scheduled launches of new SKUs and the integration process of the acquired US Compounding assets and new contracts, we expect that the growth will continue. The introduction of epidurals is scheduled for 2022, as well as the further expansion of the range of pre-filled IV bags. Therefore, FSS is well on track to achieve the turnover target of 125 million US dollars (run rate) by 2022.

AnazaoHealth

The clinics to which AnazaoHealth delivers products were mostly open again starting from the second quarter of 2021, enabling AnazaoHealth to achieve a turnover growth of 20.7% (25.0% at constant exchange rates). New product introductions and further diversification have strengthened AnazaoHealth's market position. This foundation gives Anazao the opportunity to play a consolidating role in the fragmented market in which it operates.

Brands & Essentials

Fagron sells and develops Brands & Essentials in North America under the Fagron and Humco brands. In 2021 this occurred in facilities in St. Paul (Minnesota), Austin and Texarkana (Texas).

In 2021 Fagron's Brands & Essentials activities benefited from the 2020 centralisation of the commercial organisation of the various brands. As a result, customers gain access to the widest product portfolio through a platform that carries the different brands, with one point of contact for comprehensive knowledge transfer and information. This has led to more cross-selling of different brands with existing customers. The improvement of the overall proposition has resulted in an increase in new customers.

Brands & Essentials showed a decrease in turnover 8.2% in 2021 (7.2% at constant exchange rates). This was caused primarily by the decreasing demand for COVID-19-related products. In 2022, the Brands & Essentials activities will further benefit from economies of scale and synergies in sales and marketing, but also in the operational processes.

After the balance sheet date, in February 2022, Fagron announced the acquisition of Letco Medical. Letco is a supplier of pharmaceutical raw materials, supplies and equipment for pharmaceutical compounding in the United States and has an expected turnover in 2021 of approximately 40 million US dollars with an expected EBITDA margin of around 11%. The acquisition of Letco strengthens Fagron's position in Brands & Essentials in North America. It brings Fagron one step closer to realising its ambition to be the market leader in this segment in the countries where Fagron operates.

The sale of 80% of Fagron's contract manufacturing division to a syndicate led by Signet Healthcare Partners was also announced in February 2022. This division provides contract manufacturing and private label services to companies in consumer healthcare and retail and generates annual turnover of around 20 million US dollars. Fagron retains a 20% interest in the new company and the new company will also continue to manufacture a few products for Fagron. The divestiture of the contract manufacturing division enables Fagron to focus on its core activities.

North American market for personalised medicine

Fagron estimates that approximately 1% to 1.5% of all prescriptions in North America involved compounding. With an estimated total size of the North American pharmaceuticals market of around 415 billion euros, this means that the North American market for sterile and non-sterile compounding was worth over 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% to 15% of this market involved the costs of pharmaceutical raw material and administration forms. 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.

Andrew Pulido, Area Leader Fagron North America:

"2021 was all about growth for Fagron North America. It was a dynamic year in which intensive cooperation in and between the teams was pivotal to the rapid acceleration of growth, despite the challenges brought by the COVID-19 pandemic. We further optimised the organisation in 2021 in order to continue this accelerated growth in 2022. Our focus will be on further utilising our operational and commercial strength, while guaranteeing the robustness of our organisation."

Risk management

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

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 for 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 nature of the business and the environment in which it operates. The risk management and control systems are continually subjected to further refinement and improvement considering the developments in the environment, including laws and regulation, 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 of their correct application.

Responsibility for the management of 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. 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 the checking of the risk management and internal control systems.

First line
Responsibilities, guidelines and procedures at Fagron have been established in the company's Global Policies and Code of Conduct. 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, 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 Fagron'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.

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 Executive 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. This system is available to the management and the business controllers, as well as to the Executive Leadership Team and the Corporate Controlling department.

The management and the business controllers report to the Executive Leadership Team and to 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, where at least the following subjects are discussed: the actions agreed upon in earlier progress meetings, the financial results, the updated forecasts, employee turnover and the progress of 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 helps Fagron to achieve its objectives with a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control and governance processes. Concrete examples of activities include (1) conducting audits throughout the entire organisation, (2) reporting audit results, (3) managing the risk plans for the risks described in this chapter and (4) making recommendations to optimise the internal control framework.

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.

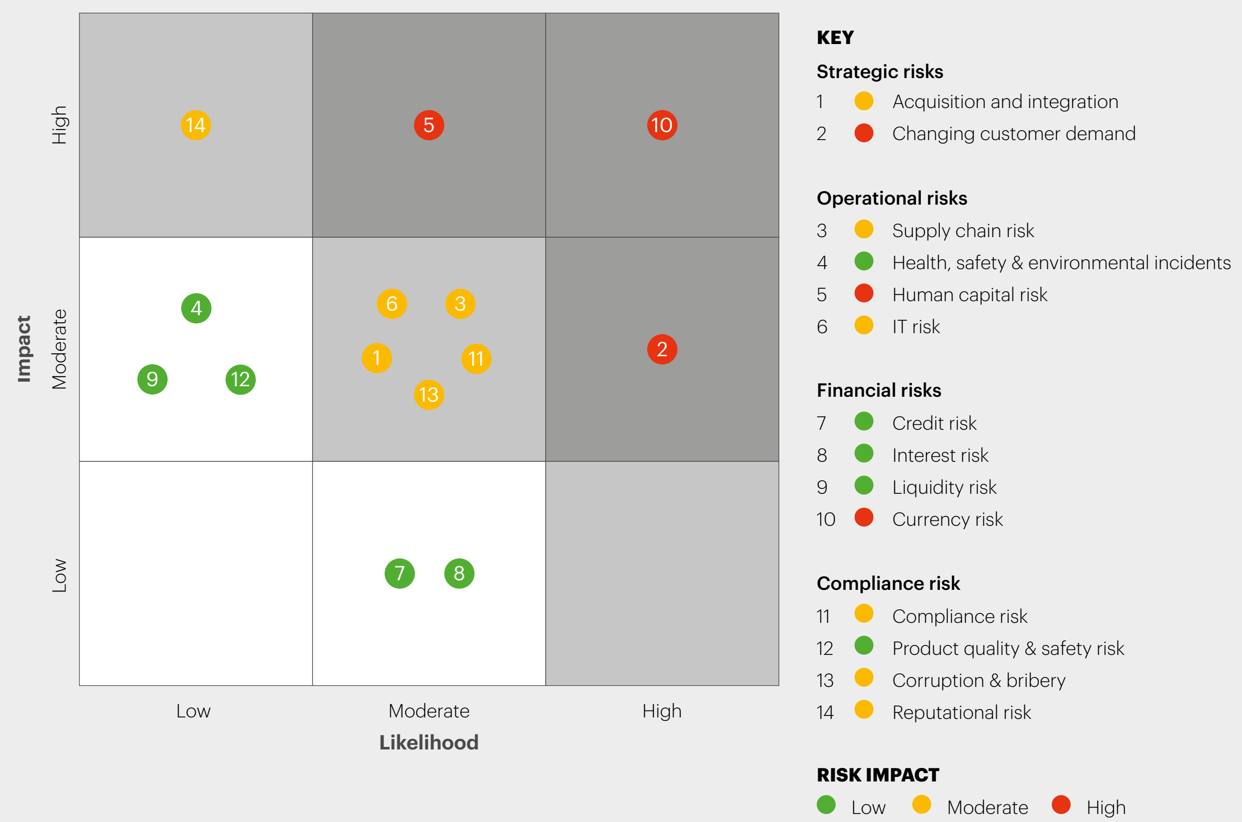
Identification of risks
In 2021, an analysis was performed once again regarding the main risks for Fagron. These risks have remained the same, where the score on "probability" and "impact" indicators changed for a number of risks. These risks are "Changed customer demand" and "Supply Chain". See page 56 for an explanation of these changes.

Action plans and measures
There is an action plan for each of the identified risks. These action plans were adjusted in 2021 and implementation of these action plans is followed-up by the internal auditor. An action plan describes (1) what actions must be taken in order to avoid the risk, (2) the directions that can be explored in order to transfer the risk to a third party, and (3) the control and monitoring measures to be taken in order to avoid the risk or to detect it at an early stage. The action plans for managing risks and the measures taken differ in form and degree of limitation.

Main risks
This chapter describes the main risks and for each risk, the probability, its impact and Fagron's control measures.

Fagron makes a rough distinction with the following four risk categories:
- Financial risks
- Strategic risks
- Operational risks
- Compliance risks

Risk matrix



STRATEGIC RISKS

Risk	Description	Likelihood	Impact	Control measure
Acquisition and integration	Acquisitions continue to be an important part of Fagron's growth strategy. There is a risk that Fagron's future growth can be limited due to failure to complete or integrate recent or possible future acquisitions.	**Moderate**	**Moderate**	Fagron manages this risk by carefully identifying acquisition targets, taking into account cultural and organisational connection to Fagron. Acquisitions are executed in a structured manner. This includes the determination of the transaction structure and a thorough due diligence process. Acquisition activities are performed by an M&A team that, since August 2021, is led by the Head of Legal and M&A, who is a member of the Executive Leadership Team. The acquisition activities are performed with support from well-established external consultants.
Changing customer demand	Fagron operates in various regions in EMEA, North America and Latin America. Customer demand for Fagron's products can be affected by changing patterns of consumption, macroeconomic changes or geopolitical circumstances in these regions.	**High**	**Moderate**	Fagron 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 as much as possible.

OPERATIONAL RISKS

Risk	Description	Likelihood	Impact	Control measure
Supply Chain	Fagron is dependent on third parties for supply and production and is therefore exposed to risks in the supply chain.	**Moderate**	**Moderate**	Fagron ensures 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 Fagron'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**	Fagron 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. Fagron is insured for the financial consequences of incidents regarding health, safety and environment.

OPERATIONAL RISKS

Risk	Description	Likelihood	Impact	Control measure
Human capital	Fagron'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**	Fagron offers competitive salaries and fringe benefits, a performance-oriented bonus scheme and opportunities for international outplacement within Fagron. It also encourages continuous professional development through performance assessments and customised training.
IT	Failures in IT systems and services can have a negative impact on Fagron's business activities.	**Moderate**	**Moderate**	Fagron 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	Likelihood	Impact	Control measure
Credit risk	Fagron operates in different jurisdictions with a wide range of counterparties and is therefore exposed to credit risk.	**Moderate**	**Low**	Fagron 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. Fagron 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 Fagron's operating profit.	**Moderate**	**Low**	Fagron periodically assesses the retained mix between financial debt with a fixed and variable interest rate in order to keep the risk at an acceptable level. Fagron 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 Fagron is unable to meet its financial obligations.	**Low**	**Moderate**	Fagron manages the liquidity by ensuring that there are always sufficient financial resources to be able to satisfy the liquidity requirements. That means that it must be ensured 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.

FINANCIAL RISKS

Risk	Description	Likelihood	Impact	Control measure
Exchange rate risk	Fagron's financial statements are prepared in euros, its reporting currency. Fagron 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	Likelihood	Impact	Control measure
Compliance risk	Fagron 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**	Fagron endeavours to comply with the legislation in all jurisdictions where it operates. The Director of Legal Affairs & M&A, who is a member of the Executive Leadership Team, monitors compliance with legislation in all jurisdictions, while at the local level, employees are appointed to ensure compliance.
Product quality & product safety	Fagron runs risks regarding the safety and quality of its products, or of compounding in general.	**Low**	**Moderate**	Fagron manufactures products in a production network that includes its own manufacturing facilities as well as contract manufacturers, all of which meet the most recent national and international standards (GMP, GDP and/or ISO 9001). Fagron 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 before raw materials are released.

COMPLIANCE RISKS

Risk	Description	Likelihood	Impact	Control measure
Corruption & bribery	Failure to comply with anti-corruption and bribery laws can result in fines and/or a negative impact on Fagron's brand and reputation and its business prospects.	**Moderate**	**Moderate**	Fagron's Code of 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 when they begin at Fagron, 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. This training also always addresses corruption and bribery. A Whistleblower Regulation was introduced in 2019 so that employees can report possible abuses anonymously. At the end of 2021, a start was also made to appoint and train confidential counsellors for a number of locations.
Reputational risk	Any alleged violation of rules or societal standards can negatively impact Fagron's brand and reputation and its business prospects.	**Low**	**High**	Fagron 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 as a result of an internal evaluation and these survey results.

Detailed explanation of selected risks

COVID-19, changing customer demand and the supply chain
For the risks "Changing customer demand" and "Supply Chain", the likelihood indicator was adjusted respectively from moderate to high, and from low to moderate. In 2021, the COVID-19 pandemic still dictated a large part of the markets in which Fagron operates. Elective care remained at a low level, particularly in Europe. The pandemic also had a disruptive effect in the supply chain in 2021. Fagron expects that the customer demand as well as the supply chain will still be affected in 2022 by (the consequences of) the COVID-19 pandemic, although it is expected to be lower than in 2021. In the second half of 2021, a recovery of elective care was observed in North America and in the fourth quarter, a cautious recovery was also seen in some countries in EMEA. Fagron also expects to be able to pass on the increased prices for transport, packaging material and some raw materials - whether or not with some delay.

Ukraine War
The invasion of Russia in Ukraine in February 2022 also has a disruptive effect on the supply chain for a number of products/raw materials because Ukraine and Russia play an important role in the global market for these products. This pertains for example to products containing oil (fossil as well as vegetable oils) and products prepared from grain and corn. In addition, the bans proclaimed on air travel in the region have an impact on transport costs. The invasion also affects worldwide energy and fuel prices. For the time being, Fagron expects to be able to pass on price increases (for the most part) to customers.

Climate change risks
The Task Force on Climate-Related Financial Disclosures (TCFD) provides a framework for reporting on climate change. Fagron endorses the importance of transparency in the management of risks associated with climate change and therefore reports, in this annual report, for the first time in line with TCFD recommendations. These aspects can be found in the various sections of this annual report:

- Management of climate risks and opportunities. The Board of Directors supervises the risk management (see page 48) as well as the ESG policies (see page 58)
- The strategy and risk management of climate change risks is described below and aligns with our risk management (see page 48).
- Our objectives regarding climate impact and energy use, as well as an overview of our greenhouse gas emissions, can be found in the chapter "Fagron's corporate social responsibility" (see page 58).

The risk management for climate risks is the same as for other risks, see page 48. During the identification of risks, Fagron did not identify climate change as one of the main risks for Fagron. The reason for this is because the various risks that are associated with climate change for Fagron fall under one of the main identified risks as described in the table above.

Climate change entails the following risks for Fagron in the short, medium and long-term:

1. Physical climate risks for our facilities, such as natural disasters and (more) extreme weather conditions. The control measures that we take for this purpose are listed under the control measures for the risk "Health, safety & environmental incidents".
2. Physical climate risks for our supply chain, such as natural disasters and (more) extreme weather conditions that affect the security of supply for specific pharmaceutical raw materials. The control measures that we take for this purpose are listed under the control measures for the risk "Supply Chain".
3. Transition risks due to changing requirements for reporting on greenhouse gas emissions. Control measures for this risk are listed under the control measures for the risk "Compliance risk".
4. Transition risks due to changing consumer preferences towards (more) sustainable and (more) climate-friendly products. Control measures for this risk are listed under the control measures for the risks "Reputational risk" and "Changing customer demand".

The expectation in the short term is that these risks have relatively little impact on Fagron's business operations. We also estimate that the risks that climate change poses for Fagron have similar consequences for our competitors.

These risks will become greater for Fagron in the medium and long-term. Fagron did not conduct a scenario analysis for the impact on Fagron's results of an increase in the average temperature on earth by, for example, 1.5, 2 or 4 degrees Celsius. This scenario analysis appears not to be important for Fagron at this time because we do not deem the short-term risks of climate change to be material for Fagron.
By 2023 at the latest, we will conduct a risk analysis in order to better identify the risks of different temperature scenarios for Fagron.

Fagron's corporate social responsibility (ESG Statement)

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

Positive impact

We strive to have a positive impact by consciously dealing with our surroundings and aim to produce all our products ethically and responsibly. This endeavour is expressed, among other things, in our aim to reduce greenhouse gas emissions resulting from our activities and to make a positive contribution to the welfare of our employees. The value creation model (page 26) provides insight in our business model and the inputs and resources that we use to create value.

Fagron's ESG strategy, ESG policies and ESG reporting are in accordance with national and international regulations. Fagron reports on non-financial information in line with the EU Directive (2014/95/EU) and the resulting legislation in Belgium. In preparation for the Corporate Sustainability Reporting Directive (CSRD), implementation is currently expected for the 2022 financial year, we report extensively on ESG topics. We report in accordance with the generally accepted GRI Standards (2021). The GRI Index can be found from page 220.

ESG strategy

An ambitious but realistic ESG strategy (Environmental, Social, Governance) was established in 2020, which took effect in 2021. Based on cumulative insight and interactions with stakeholders in 2021, a strategy with more ambitious objectives was approved by the Board of Directors at the end of the year. This strategy was published in early 2022 and is available via investors.fagron.com.

Stakeholder analysis and materiality assessment

Fagron engages in a dialogue with its stakeholders (including shareholders, customers, personnel, market analysts and ESG rating agencies) on a regular basis. In addition, studies and surveys are conducted once every two years in order to gain insight into our stakeholders' needs and requirements regarding Fagron's ESG strategy and policies. A first stakeholder analysis was conducted in 2020, based on the Fagron Global Employee Survey and contact with shareholders and market analysts. The value and importance that these stakeholders attach to specific topics determined the first selection of material topics.

The approach used for the stakeholder analysis in 2020 will be further professionalised in 2022. The stakeholder analysis will serve as input for the materiality assessment that we will conduct in 2022.

Material topics

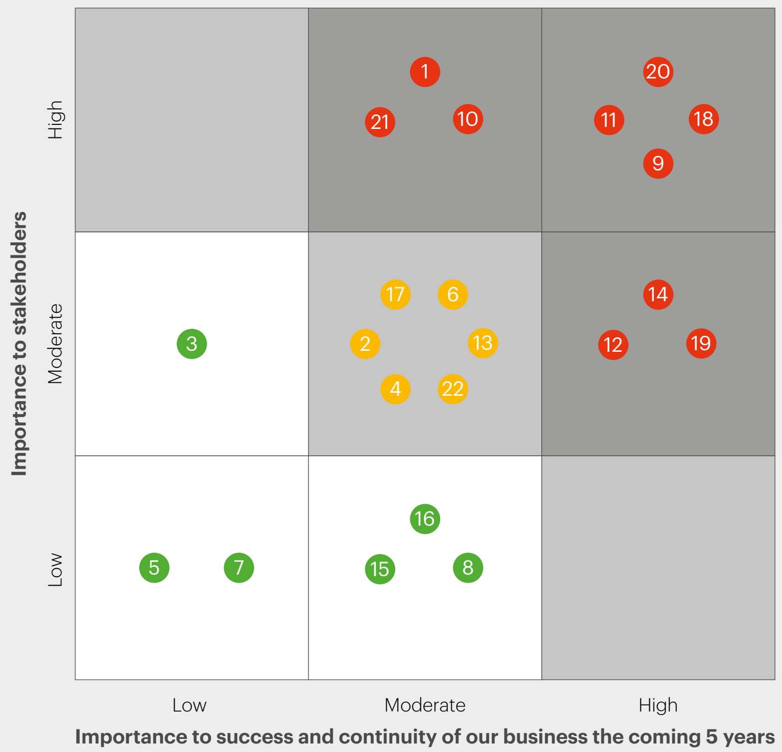
We conducted a materiality assessment in 2020 for the first time. The material topics were determined based on the results of the stakeholder analysis conducted in 2020 and the degree in which subjects are important for Fagron's success in the next five years. These subjects were divided into the following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

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

The topics that score "High" or "Moderate" in the materiality matrix also form the basis of Fagron's ESG strategy in 2021. We report on these topics in this annual report. In 2022, a new materiality assessment will be conducted, and the material topics will (possibly) change.

[1] The degree in which subjects are important for Fagron's success in the coming years has been determined by conducting two internal surveys, one of the (still at that time) Global Leadership Team and one of the managers of all companies in the Fagron Group.

Materiality matrix



LEGEND

Low impact on the environment
1 Climate change
2 Energy use
3 Water use
4 Waste management
5 Plastic use
6 Emissions to air and soil
7 Biodiversity
8 Green products

Our people
9 Human rights & labour rights
10 Diversity
11 Health & safety
12 Training & education
13 Career development

Responsibility in supply chain
14 Human rights & labour rights
15 Environment
16 Animal testing

Giving back
17 Giving back

Good governance
18 Corruption & bribery
19 Product quality & safety
20 Compliance with laws and regulations
21 Grievance mechanism
22 Fair tax policy

MATERIALITY SCORE
Low Moderate High

ESG management

Management of existing ESG policy
Fagron's CFO is ultimately responsible for the implementation of the updated ESG strategy as published at the beginning of 2022.
The progress of the implementation of ESG policies is discussed in the ESG team once every two weeks. This team consists of the CFO, Global Investor Relations Manager and Global ESG Officer. This team will be expanded further with a Global Legal Counsel in the second quarter of 2022.

The responsibility for the day-to-day activities differs per ESG category:

1. Low impact on the environment: Global ESG Officer
2. Our people: Global HR Director and Global ESG Officer
3. Responsibility in the supply chain: Global Procurement Director and Global ESG Officer
4. Giving back: Global ESG Officer
5. Good governance: Global Quality Director (Product quality and safety), Head of Legal and M&A (Compliance with laws and regulations), Global HR Director (Prevention of corruption and bribery, grievance mechanism and other ethical issues) and the Global ESG Officer.

The local companies play an important role in the implementation of ESG policies. After all, the installation of solar panels or adhering to quality standards always occurs at local level. This means that there is regular contact between the ESG team, those responsible for the day-to-day activities within a category and the location managers.

Progress is discussed regularly in the Executive Leadership Team and in the Board of Directors. The Board of Directors authorizes the ESG strategy, monitors the implementation of ESG policies and makes adjustments where necessary. Both bodies discuss, among other things, the results achieved in terms of ESG, adjustments to the ESG strategy and policies based on the annual evaluation (see next paragraph) and ESG as part of the strategy and the annual budget.

Improving and adjusting Fagron's ESG policies
Improvement and adjustment of Fagron's ESG strategy and policies occurs through an annual evaluation of the policies per material topic and through an evaluation of the material topics in the materiality assessment that takes place every two years.

The ESG team conducted a first evaluation in 2021. This evaluation consisted of an analysis of all ESG related conversations between the ESG team and shareholders and analysts during the year and evaluation meetings with those responsible for the day-to-day activities per ESG category (for example, the Global HR Director for the category Our people). The approach for evaluation will be further professionalised in 2022.

Based on the conducted evaluation, the ESG strategy was adjusted and approved by the Executive Leadership Team and the Board of Directors. The adjustments are described per ESG category in the remainder of this chapter.

Sustainable Development Goals

Fagron endorses all 17 Sustainable Development Goals (SDGs) that were defined by the United Nations in 2015. Based on the defined ESG strategy, Fagron selected five SDGs on which it actively focuses and where we believe we can make the biggest contribution. We are making an active contribution to achieving these five SDGs in 2030.

ESG category	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.	7 **Affordable and clean energy** 13 **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 more than 3,000 employees worldwide.	5 **Gender equality** 8 **Decent work and economic growth**
Responsibility in the supply chain	Fagron contributes to SDG 8 through the Business Partner Code of Conduct.	8 **Decent work and economic growth**
Giving back	Fagron contributes to SDG 3 by delivering personalised medicine and medicine for vulnerable patient groups.	3 **Good health and well-being**
Good governance	Fagron contributes to SDG 8 through its efforts to achieve annual turnover growth.	8 **Decent work and economic growth**

Fagron's sustainable economic activities (Taxonomy regulation)

The European Taxonomy Regulation (Sustainable Finance Taxonomy – Regulation (EU) 2020/852) stipulates that a large number of companies, including Fagron, must publish information on whether their economic activities can be classified as "environmentally sustainable". Three indicators must be reported upon: turnover, capital expenditures and operational expenditures that contribute to the "environmentally sustainable" economic activities.

After a thorough review of the relevant regulations (EU Taxonomy Climate Delegated Act), it can be stated that Fagron's economic activities cannot be classified as "environmentally sustainable". Fagron's activities are classified mainly in the NACE codes 21.10 (Manufacture of pharmaceutical products), 26.51 (Manufacture of measuring, control, monitoring and navigation instruments and equipment), 46.46 (Wholesale of pharmaceutical products), 47.73 (Pharmacists in specialised stores) and 82.92 (Packaging companies). Fagron's economic activities do not fall under the categories identified in the legislation: "Forestry", "Repair of water areas", "Manufacturing", "Energy", "Distribution of water, wastewater and wastewater management and remediation", "Transport", "Construction and real estate activities", "Information and communication", "Professions, scientific and technical activities", "Financial and insurance activities", "Education", "Human healthcare and social services – Shelters" or "Art, entertainment and recreation". In terms of manufacturing, the relevant legislation only refers to the manufacture of equipment and materials that contribute to the industry's energy transition or sustainability. This means that 100% of Fagron's turnover, capital expenditures and operational expenditures fall under the category "economic activities ineligible for taxonomy". This means that 0% of our activities are eligible for the Taxonomy regulation.

We are of the opinion that Fagron, with its policies regarding climate impact and energy use, contributes to the environmental target for mitigating climate change. Fagron also contributes to the environmental objective prevention and pollution control as defined in the taxonomy. For Fagron's commitment regarding both subjects, see the "Low impact on the environment" section starting on the next page. Fagron, however, does not engage in economic activities in either topic and, as such, is ineligible for the taxonomy.

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.

The following are important themes that are part of the "Low impact on the environment" category:

- Climate impact and energy use
- Emissions to air and soil
- Waste management
- Other environmental issues

We report on the environmental topics for all companies that are part of the Fagron Group and that have been part of the Group the entire financial year. This means that, for example, Cedrosa, which became a member of the Fagron Group in 2019, has been included for the first time in the environmental disclosures for the 2020 financial year.

Climate impact and energy use

The health and safety of people worldwide is affected by the consequences of climate change. It is therefore important to keep the global temperature increase below 2 degrees Celsius compared to the temperature in the pre-industrial era (1900). Fagron's activities lead to greenhouse gas emissions through energy consumption in its facilities, lease cars and business trips (flights). We are committed to conduct business in line with the Paris Agreement. This means reducing greenhouse gas emissions to (close to) zero by 2050.

Goals and objectives

After having conducted a baseline measurement in 2018, Fagron formulated goals for the first time in 2019 to reduce the greenhouse gas intensity of all its activities by 30% between 2019 and 2025. This objective includes sub-objectives for energy use, business travel (by car and airplane) as well as the installation of solar panels. Additionally, we have the objective to reduce the energy intensity in our own facilities by 3% per year. The objective for the end of 2025 is a reduction of 18% compared to 2019. At the beginning of 2022, we added the objective to generate 100% of the electricity we use ourselves or to purchase renewable electricity.

Fagron intends to further refine the objectives at the end of 2022 by setting an absolute greenhouse gas emission target for scope 1, 2 and 3 emissions in line with the Science Based Target Initiative (SBTi). By doing this, we would like to align our policy regarding climate impact even better with the objectives as formulated in the Paris Agreement. This also means that we endeavour to report scope 3 emissions in the 2022 annual report for all relevant scope 3 categories in addition to Business Travel, on which we already report.

Policies and initiatives

Energy-saving initiatives

Based on the four energy scans conducted at the beginning of 2021, a number of energy-saving measures were taken. These include installing LED lighting and replacing three air conditioning units, three industrial refrigerators and a freezer with newer equipment.

The type of lighting in all Fagron facilities worldwide was identified in 2021 and work has begun to replace existing lighting with energy-efficient LED lighting. In 2021 and the first quarter of 2022, projects were started or finalized in 14 facilities to replace old lighting with LED lighting. After completing these projects, 50 of our 69 facilities worldwide will be equipped with LED lighting. Of the other facilities, five facilities in Mexico and Colombia will be integrated into two new facilities. Two facilities have already been closed at the beginning of 2022. A plan will be made in 2022 for the remaining facilities to also replace the lighting with LED lighting.

In order to get a better understanding of energy use, an energy management system will be introduced in 2022 in a number of larger locations. In 2021, Gako's facility was certified in accordance with ISO 15001:2008 for energy management.

Renewable energy

We are constantly working on opportunities to make our energy use more sustainable. We do this primarily by installing solar panels on the roofs of our facilities worldwide. Solar panels were installed in 2021 on five facilities that provide, per location, approximately 20% of the facility's electricity consumption. With the two facilities that already had solar panels on the roof in 2020, this means seven facilities with solar panels at the end of 2021. We expect to install solar panels at another eight locations in 2022 (15 in total by the end of 2022).

In addition to generating renewable electricity, we purchase electricity from renewable sources in a number of locations. In 2021, 8.9% of the total amount of electricity used was from own generation and purchased electricity from renewable sources.

Lease policy

At the end of 2020, a new lease policy was rolled out in EMEA, with the goal of having all lease cars be fully 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 infrastructure in the relevant region. In 2021, a large number of lease cars running on fossil fuels were replaced by electric or plug-in hybrid lease cars. This brings the total to 18% of all lease cars (2020: 14%). The reason why the share of electric or plug-in hybrid lease cars has increased only slightly is because for 2021, we also include the existing lease cars from the 2020 acquisitions (Pharma Tamar, Gako) in the carbon footprint.

Travel Policy

Fagron's Global Travel Policy was amended in 2020, where the most important change was a reduction in business travel by plane. Flying is only permitted after a strict evaluation procedure in which the necessity of flying is demonstrated. In addition, travel by train is encouraged as much as possible. A start was made in 2021 with the introduction of a new booking application for travel that allows centralised booking, and which will facilitate control and monitoring of the travel policy. The COVID-19 pandemic still had an impact on travel behaviour in 2021, we expect that this impact will be less in 2022.

Results

The calculation of greenhouse gas emissions is based on the Greenhouse Gas Protocol (GHG Protocol). Fagron reports its scope 2 climate impact in accordance with the location-based and the market-based methodology. In this annual report, we only show the results according to the location-based methodology. The complete carbon footprint report, including a more comprehensive description of methodology, is located on investors.fagron.com.

The table below provides an overview of the subjects included in the Fagron Carbon Footprint. The results are shown on page 68/69.

Greenhouse Gas Intensity

We calculate the greenhouse gas intensity by dividing the total greenhouse gas emissions in metric tons of CO_2-eq by the Group's turnover in millions of euros. For the greenhouse gas intensity, we normalise the turnover each year with the 2019 exchange rate in order to counter any positive or negative consequences of fluctuating exchange rates. This is especially important because the exchange rate of the Brazilian real compared to the euro shows large fluctuations.

The absolute greenhouse gas emissions have increased slightly (+1%) compared to the emissions in 2019, mainly due to acquisitions that took place in the past three years.
The greenhouse gas intensity decreased by 20.4% compared to 2019.

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

1. Purchased electricity minus the electricity used on site for charging electric/plug-in hybrid cars.
2. Car use paid by Fagron through reimbursement of fuel consumption or reimbursement per kilometre/mile.
3. Excluding business travel, paid via a mobility budget.

Change in greenhouse gas emissions between 2019 and 2021 (in metric tons of CO_2-eq)

Scope 1: Direct emissions
3,358
2019: 2,818[2]
+540 (+19%)

Scope 3: Other indirect emissions
665
2019: 2,477[2]
–1,812 (–73%)

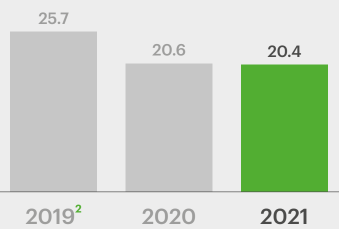
Scope 2: Indirect emissions due to energy generation
9,072
2019: 7,714[2]
+1,358 (+18%)

Total emissions (scope 1 + 2 + 3) – location-based
13,095
2019: 13,009[2]
+86 (+1%)

Change in greenhouse gas intensity between 2019 and 2021

(in metric tons of CO_2-eq per million € turnover)[1]

Total
20.4
2019: 25.7

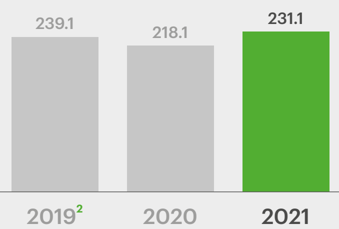


–5.2 (–20%)

Change in energy intensity between 2019 and 2021

(in GJ per million € turnover)[1]

Total
231.1
2019: 239.1



–13.0 (–3%)

1. Against constant exchange rates of 2019.
2. Value differs from the value in the 2020 annual report. The value was adjusted based on a few small changes in activity data and changes in a number of emission factors.

Change in energy consumption between 2019 and 2021

(in GJ)

Fuel consumption non-renewable sources
50,545
2019: 44,902[1]
+5,644

Fuel consumption renewable sources
0
2019: 0

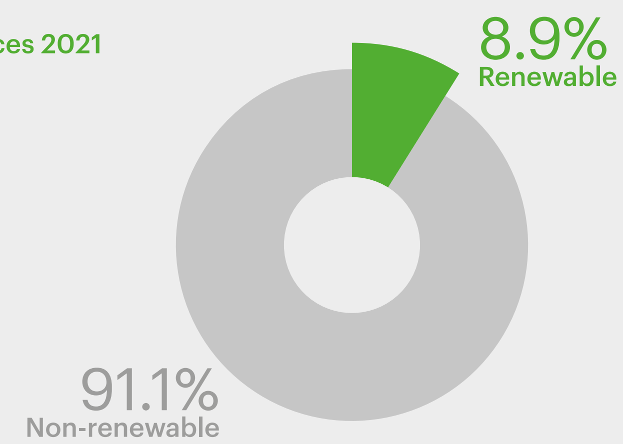
Electricity consumption
96,562
2019: 75,452[1]
+21,110

Total energy consumption
148,047
2019: 121,159[1]
+26,888 (+8%)

Electricity sold
0
2019: 0

Heat consumption
940
2019: 805[1]
+135

Electricity consumption from renewable sources 2021
(in GJ)
8,543



1. Value differs from the value in the 2020 annual report. The value was adjusted based on a few small changes in activity data and changes in a number of emission factors.

Emissions to air and soil

In addition to greenhouse gas emissions, the activities for Fagron also generate other emissions to air and soil. Emissions to air mainly concern combustion emissions such as nitrogen dioxides (NOx), sulphur dioxide (SO2) and particulate matter emissions (PM10) that are released during the combustion of natural gas, petrol and diesel in our facilities and (lease) cars. Emissions to soil mainly concern emissions that are released via our wastewater. These emissions can have a negative impact on human health. With our ESG policies, we try to contribute to the realisation of a cleaner living environment.

Policies, initiatives, ambitions and objectives

Inventory of emissions to air

In 2021, we identified the types and quantities of combustion emissions that we generate. Based on weight, nitrogen emissions (in NOx-eq) are the largest emission type. Because the other air emissions (SO2 and PM10) weigh much less and are associated with our nitrogen emissions, we decided to report nitrogen emissions on an annual basis. We also set a target to reduce the nitrogen emission intensity of our facilities and vehicles by 40% compared to 2019.

Inventory of emissions to soil

We work with pharmaceutical raw materials in our repackaging and preparation facilities. These raw materials can have a negative impact on people and the environment if they end up in nature via waste or wastewater. You can read more about our waste management policy in the paragraph on Waste management (page 71). Emissions to air from our own facilities (particularly combustion emissions) and emissions that are released during waste processing can end up in the soil.

A final source of emissions to soil could be pharmaceutical raw materials in our wastewater. We comply with local wastewater legislation at all locations. An initial inventory revealed that 14 of the 37 total laboratories, repackaging and compounding facilities are in locations where the public wastewater treatment meets European wastewater guidelines and the risk of pharmaceutical raw material ending up in the soil is very small. In addition to these 14 facilities, there are six facilities that were closed in the first quarter of 2022 or will be integrated with another facility . There is a possibility that pharmaceutical raw materials will end up in the environment at the remaining 15 locations due to poor local wastewater treatment. In 2022, we will look into whether the safety measures we have taken, combined with the local wastewater treatment at these locations, are sufficient in order to prevent undesired emissions.

[2] Two facilities, the locations in FSS USA, were integrated in early 2022 and the activities of the old Infinity Pharma location in the Netherlands (Helmond) were moved to Oldenzaal.
[3] This concerns the facilities in Mexico and Colombia.

Indicators for emissions to air and soil	2021	2019	KPI
Nitrogen oxide emissions (in kg NOx-eq)	4,680	4,793	-
Nitrogen oxide emission intensity (in kg NOx-eq per million € turnover) [1]	7.31 (-23%)	9.46	-40% in 2025 compared to 2019

[1] At 2019 constant exchange rates.

Reduction of nitrogen emissions

The policies and initiatives aimed at reducing climate impact and energy consumption also lead to a reduction in nitrogen emissions. This is specifically the case for the reduction of natural gas consumption in our locations and the electrification of the lease cars.

Results

The absolute nitrogen emissions decreased slightly between 2019 and 2021. Nitrogen emission intensity decreased sharply to 7.31 kg NOx-eq per million € turnover, a reduction of 23%.

Waste management

Our warehouses, repackaging facilities and compounding facilities (sporadically) release pharmaceutical waste. We package products that we supply to customers in accordance with the legislation for pharmaceutical and dermatological products. Waste flows such as pharmaceutical and packaging waste can have negative consequences for the environment if they are not properly handled. In addition, raw materials are lost if waste flows are not recycled.

Goals and objectives

Waste is generated in Fagron's supply chain, whether it concerns our suppliers, facilities or customers. We believe that we must start by improving the waste management in our facilities. Fagron complies with all legislation regarding waste management and we feel responsible for minimising the environmental impact by improving the processing of packaging waste that we generate in all our facilities.

At the beginning of 2022, we set a goal for ourselves to ensure that all types of packaging waste released in our facilities are being separated and recycled by the end of 2025. The packaging waste streams are:

- Paper/cardboard (packaging and other paper and cardboard)
- Metal packaging
- Plastic packaging

Policies, initiatives and results

In 2021, we identified the types of waste that are released at the various locations. However, the identification of the quantity of waste per location turned was complicated because at most facilities the waste processor does not charge on the basis of weight or volume of processed waste. However, packaging waste was the largest flow in all facilities. Because the greatest reduction in environmental impact can be achieved through better separation of these waste flows, we set ourselves the goal of realising separated waste processing of packaging waste in all facilities by the end of 2025.

By the end of 2021, paper/cardboard was already separated in more than 50% of the locations, metal packaging in approximately 33% of the locations and plastic packaging in approximately 25% of the locations.

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 effectively as possible.

Our people

Fagron works actively to create a work environment 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.

The following are important themes that are part of the "Our people" category:

- Employee engagement
- Diversity
- Health & safety
- Human and labour rights
- Training & development

We report on the social topics for all companies belonging to the Fagron Group. Unlike the environmental topics, companies are included in the disclosures from the moment they are part of the Fagron Group and therefore not only when the company has been part of the Group for a full financial year.

Employee engagement

Fagron finds that being a good employer is important and believes in the positive impact on company performance of 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.

Policies and initiatives

Employee Survey

Since 2016, we have conducted a Global Employee Survey once every two years. Part of this Global Employee Survey is a Sustainable Engagement Score; the intensity of the connection between employees and the organisation.

We measure sustainable engagement based on three factors. Firstly, we measure the degree in which employees feel that they are involved in decision-making processes. Secondly, we assess the degree in which employees feel that they have access to the resources they need in order to be able to perform their work properly. Finally, we measure whether employees feel energetic based on questions about physical, interpersonal and emotional well-being at work. For this purpose, Fagron uses a number of standard questions from Wallis Towers Watson.

Based on the results of the 2020 employee survey, an action plan was developed for the years 2021 and 2022. This action plan focuses on internal communication, employee well-being and training and development.
In terms of internal communication, a global communication tool (Workplace) was introduced with the goal of increasing the collaboration and connectivity between our employees.
An internal communication matrix was also implemented to ensure that communications to the different target groups are made in a consistent manner and via the appropriate communication channels. Regarding employee well-being, various initiatives were taken, particularly locally, and the general awareness regarding well-being at and outside of work was increased with the programme, "Fagron Feel Good". In terms of training and development, among other things, an onboarding programme was launched in Latin America. In 2022, the programme will be rolled out in other regions. A new Global Employee Survey will be conducted in 2022.

Ambitions, objectives and results

Fagron's ambition is to create a culture in which employees feel engaged. We measure how well we do this by conducting a Global Employee Survey once every two years. Our goal is to have at least 85% of employees participate in the survey and achieve a Sustainable Engagement Score of at least 80%.

In 2020, 87% of all employees completed the Global Employee Survey. The Sustainable Engagement Score from these employees was 83%.

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 believe that everyone deserves the same opportunities, regardless of gender, age, orientation, nationality, ethnicity or other personal characteristics. 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.

Ambitions, objectives and results
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 see the importance of diversity in teams; diverse teams contribute to better decision-making. That is why we strive for a balanced male-female ratio at all levels of the organisation.

Fagron set a target to have a 50/50 gender distribution of all its personnel. In December 2021, the Board of Directors specified that this 50/50 male-female ratio is also applicable as an objective for all Fagron management starting from the beginning of 2022. This means that we set ourselves the target that by the end of 2025, 50% of management will consist of women. In 2021, 40.7% of management was female (2020: 37.4%). The goal is also to have at least 1/3rd of senior management consisting of women in 2025, where that figure was 34.1% in 2021.

Nationality and ethnicity

Fagron strives for a workforce that reflects (the local) society. Various initiatives are taken 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 2021, 18 nationalities were employed at the headquarters (2020: 17).

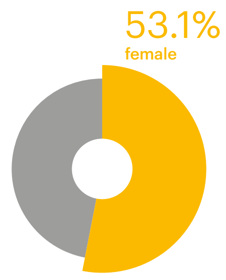
Age

Fagron strives to show a diverse age profile through all levels of the organisation. Fagron has a diverse workforce in terms of age. In 2021, the average age of a Fagron employee was 38 years (2020: 39 years). The average age among management and senior management is slightly higher.

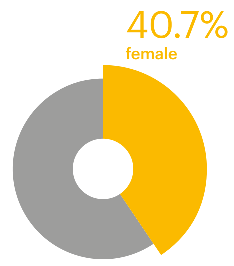
People who have poor job prospects

Fagron wants to make a positive contribution in the labour process regarding 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.

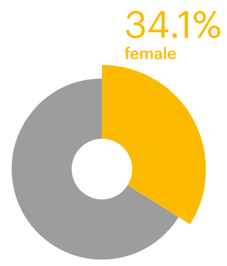
% of female employees



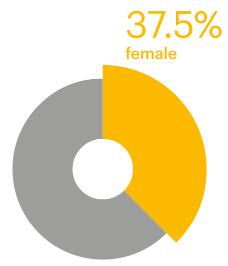
% of female management



% of female senior management



% of female Board of Directors

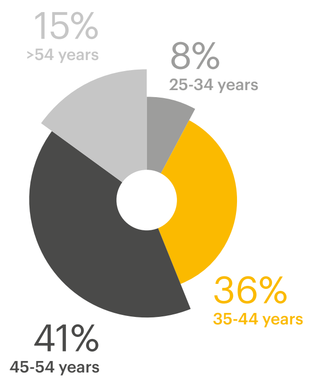


Gender equality indicators[1]	2021	2020	2019	2018	2017	KPI
% of employees female	53.1%	56.6%	55.8%	58.5%	58.1%	50%
% of management female	40.7%	37.4%	39.1%	40.7%	39.0%	50%
% of senior management female	34.1%	28.6%	29.8%	31.6%	26.7%	33.3%
% Board of Directors female	37.5%	37.5%	37.5%	36.4%	36.4%	33.3%

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

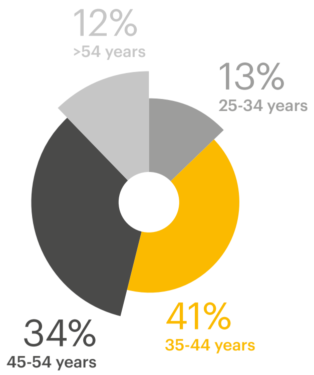
Average age of senior management

2021: 46.7 years



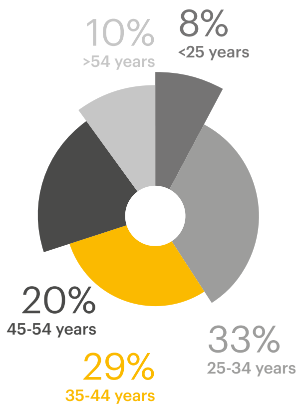
Average age of management

2021: 44.4 years



Average age of employees

2021: 37.7 years



Age indicators[1]	2021	2020	2019	2018	2017	KPI
Average age of senior management	46.7	45.5	45.0	45.2	44.2	–
% senior management <25 years	0%	0%	0%	0%	0%	–
% senior management 25-34 years	8%	4%	2%	4%	2%	–
% senior management 35-44 years	36%	48%	52%	49%	57%	–
% senior management 45-54 years	41%	37%	39%	34%	28%	–
% senior management >54 years	15%	11%	7%	13%	13%	–
Average age of management	44.4	43.1	43.5	43.2	42.0	–
% management <25 years	0%	0%	0%	0%	1%	–
% management 25-34 years	13%	15%	14%	14%	15%	–
% management 35-44 years	41%	40%	46%	48%	50%	–
% management 45-54 years	34%	32%	28%	25%	23%	–
% management >54 years	12%	13%	12%	13%	11%	–
Average age of employees	37.7	38.9	38.8	38.3	38.2	–
% employees (FTE) <25 years	8%	7%	8%	8%	9%	–
% employees (FTE) 25-34 years	33%	34%	33%	34%	33%	–
% employees (FTE) 35-44 years	29%	29%	29%	29%	30%	–
% employees (FTE) 45-54 years	20%	20%	21%	20%	19%	–
% employees (FTE) >54 years	10%	10%	9%	9%	9%	–

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

Policies and initiatives

Development of KPI for ethnicity

In 2021, we performed an internal analysis into the possibility of developing a KPI for ethnicity that can be applied in all regions and countries where Fagron is active. However, in particular due to a difference in privacy legislation, developing a KPI turned out to be impractical. It was therefore decided not to adopt any KPI. However, explicit attention will be paid in the coming years to preventing discrimination on the basis of ethnicity.

Diversity & Inclusion Survey

The first Fagron Diversity & Inclusion survey was conducted in 2021. Approximately 1,100 employees participated in the survey, which included questions about respectful interactions, discrimination based on background, and involvement in decisions. It is apparent from the survey that the vast majority of these employees feel that they can be themselves and they do not feel disadvantaged in any way because of their background. A point for improvement from the survey was that a large number of employees believe that management can do better in emphasising the importance of diversity and inclusion. This point has been included in the internal communication plan in 2021 and will be part of a new management training course.

Diversity & Inclusion soundboard group

In order to ensure that we take appropriate action in terms of diversity and inclusion, we have established a Diversity & Inclusion soundboard group. This group consists of people from different backgrounds and from different countries who are very concerned about this subject. They provide input about the priorities and make proposals for actions; all initiatives to promote diversity will also be discussed with them.

Encouraging women in management

In order to promote gender equality at management level, a mentor programme will be established in 2022. In doing so, ambitious women who aspire to a management position in the long-term will be paired with a woman with a (senior) management position. This way, we want to encourage career development of women.

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.

Ambitions, objectives and results
Our goal is to reduce the number of work-related injuries as much as possible. The highest priority here is to ensure that there are zero fatalities, and that no incident occurs that leads to serious long-term or permanent injuries. We view incidents that cause minor injuries as a warning signal to tighten and adjust our procedures and emergency plans where necessary.

In 2021, there were no fatalities or employees who sustained a work-related long-term or permanent injury.

Policies and initiatives

Monitoring system
Procedures and emergency response plans are in place at Fagron facilities worldwide to ensure the health, safety and welfare of our employees. A monitoring system was also established in 2021 at group level where each facility reports on a monthly basis. When an accident has occurred, it is necessary to report on a quarterly basis what steps were taken to prevent future accidents. This can include, for example, additional education or the modification of procedures or emergency response plans.

Improving mental and physical welfare of employees
Through various initiatives, Fagron works proactively on the mental and physical welfare 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.

Health & safety Indicators[1]	2021	KPI
Fatalities due to work-related accidents	0	0
Work-related long-term or permanent injuries	0	0
Other registered work-related injuries	32	–

1. We use the definitions from GRI 403-9 for this purpose. Work-related long-term or permanent injuries are injuries from which employees cannot fully recover within six months. Other registered work-related injuries are short-term or non-permanent injuries that require more care than first aid (a bandage, disinfection of a wound).

Human rights and labour rights

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

Non-discrimination and intimidation
In line with the ILO (International Labour Organization) convention on labour rights , Fagron strives for equal pay for equal work. Fagron is also committed to providing all employees with a work environment that is free of violence, intimidation, bullying or other forms of threat. We do not tolerate any form of discrimination, intimidation, abuse or any other action that may be considered as intimidating, offensive or discriminatory. If a case occurs, appropriate action will be taken swiftly. In the past year, nine possible incidents regarding discrimination and intimidation were reported. Of these, six were related to discrimination and three to intimidation. The investigation of six of these reports has been completed, the other reports are still under investigation. In two of the reports where the investigation was completed, it was concluded that there was actual discrimination or intimidation. Appropriate measures have been taken in these cases.

Slavery and forced labour
Fagron has issued a Modern Slavery Statement to combat and prevent modern slavery and human trafficking in our company and our supply chain. There is no slavery or forced labour at Fagron's facilities.

Child labour
We prohibit any use of child labour worldwide. Everyone who is employed at Fagron is at least the legal minimum required age for work in the relevant country. If the legal minimum required age in a country is under 18 years, extra attention is paid to these young employees and the work they carry out. In 2021, Fagron did not have any employees under the age of 18.

Freedom of association and collective negotiations
Everyone who works at Fagron is free to become a member of a trade union or organisation that promotes the interests of the individual. This policy is in line with the ILO conventions on these issues.

1 International Labour Organization (ILO), Declaration on Fundamental Principles and Rights at Work.
2 International Labour Organization (ILO), Collective labour Convention.
International Labour Organization (ILO), Freedom of Association and Protection of the Right to Organise Convention.
International Labour Organization (ILO), Right to Organise and Collective labour Convention.

Indicators for human and labour rights 2021

Reports of discrimination via the Fagron Integrity Line or other competent authority	Reports of intimidation via the Fagron Integrity Line or other competent authority	Employees <18 years (FTE)	% Employees covered by a collective labour agreement
6	3	0	38%
KPI: –	KPI: –	KPI: –	KPI: –

At the end of 2021, 1,172 Fagron employees were subject to a collective labour agreement (this is 38% of all employees). Different types of collective labour agreements are applied.
For example, the terms of employment for the employees of Fagron Italy are negotiated at the sector level, while Fagron Services Netherlands negotiates directly with the trade union. At the end of 2021, a trade union was established by several Czech employees who will negotiate terms of employment for the first time in 2022. We also expect that the number of employees covered by a collective labour agreement will increase in 2022 compared to 2021.

Policies and initiatives

Analysis of risk regarding violations of human rights and labour rights

In 2021, Fagron identified and assessed the risk regarding violations of human rights and labour rights for non-discrimination, intimidation, and freedom of association and collective negotiations.

It appears from the analysis that the freedom of association and collective negotiations is not violated anywhere. This fact is also clearly reflected in the share of Fagron employees covered by a collective labour agreement.
A number of discrimination and intimidation cases occurred in the past and were also reported in 2021 via the Fagron Integrity Line. We believe that a combination of education about our Code of Conduct (see page 88) and an expansion of our grievance mechanism with confidential counsellors (see page 90) will reduce this risk in the future.

Training & development

We believe that encouraging the development of employees contributes positively to our company as well as to the employability and job satisfaction of employees. Offering employees training and career opportunities results in employees continuing to work for Fagron longer and increases the quality of the work delivered. Employees expand their capacities, because of which they are sustainably employable or remain in the labour market. Personal development also often leads to more job satisfaction.

Goals and objectives

We want to optimise the training and development opportunities at Fagron by increasing the training offering and creating a culture where personal development is encouraged. Concrete objectives include:

- At least 80% of employees have an annual career development and performance review meeting with their immediate supervisor.
- Introduction of learning management system to support the training and development process and realisation of a training catalogue in 2022.

Policies, initiatives and results

Annual performance and development cycles

Evaluation meetings and feedback discussions have long been embedded in the Fagron HR policy. Fagron implemented annual performance and development cycles at group level, currently with a continuous feedback cycle. 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 performance and development evaluation discussions, which resulted in a temporary decrease in the number of discussions. In 2021, the number of conversations returned to the 2019 level.

Introduction of learning management system

Our objective for 2021 was to introduce a learning management system.
The implementation of this system has not yet been completed due to, among other things, COVID-19. Further steps will be taken in 2022.

Course catalogue and training offering

We optimise training and development opportunities by offering classroom training, online courses and practical training such as peer tutoring. In 2021, we started to list the existing internally developed courses for the training catalogue. The survey is expected to be completed in the first half of 2022 and the catalogue will become available to all employees in the second half of 2022.

Training & development indicators	2021	2020	2019	2018	2017	KPI
Average number of years in a position	5.0	5.1	4.9	4.1	4.5	–
% of employees with annual development and performance review	88.8%	69.9%	83.7%	89.6%	82.3%	80%

Responsibility in the 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.

Human rights and labour rights

We trust that our suppliers will do business responsibly and will support human rights and labour rights. All suppliers of pharmaceutical raw material comply with GMP, or ISO 19001 certification and the regular quality audits conducted by Fagron have never revealed an indication of human rights violations.

Based on the geographical location of our suppliers in 2021, Fagron conducted a high-level risk analysis regarding the risk of (1) violation of the right to fair treatment of employees, (2) violation of the right to freedom of association and collective negotiations, (3) child labour and (4) forced labour. From this analysis, we can conclude that approximately 25% of the Tier 1 suppliers may have be at risk regarding one of these issues, particularly suppliers in China and India.

We will look further into the supply chain in 2022 (Tier 2 and where possible, Tier 3). We will also set up a first due diligence framework for our supply chain in line with the proposed European directive for Corporate sustainable due diligence. In addition to possible abuses of human rights and labour rights, this framework will also address possible environmental misconduct.

Business Partner Code of Conduct

To provide insight into the risks around 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 around:

- Human and labour rights: fair treatment of employees (non-discrimination), fair and living wages, reasonable working hours, freedom of association and collective negotiations, banishment of child labour and forced labour;
- Health and safety at work;
- Environment: compliance with laws and regulations, waste and emissions, discharge of wastewater 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 was incorporated in all new purchasing contracts. Our target is that by 2025 those suppliers that account for 75% of the value of our trade goods, will have signed the Business Partner Code of Conduct. We will also discuss ESG in our supply chain with all these suppliers. We will report on our progress regarding this objective starting in 2022.

Giving back

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

Fagron products

Fagron contributes to society by making and keeping safe medication accessible.
By increasing access to safe medication, Fagron contributes to patients' health. Fagron primarily provides products to pharmacies and hospitals, which then use them to help patients. Almost all our products and services are used for compounding. Our customers use the products in our Brands & Essentials category to prepare medication themselves and Fagron prepares products for customers in one of our compounding facilities.

Pharmaceutical compounding involves the creation of unregistered or not patent-protected pharmaceutical preparations by or upon request of pharmacies and hospitals or based on a doctor's prescription. The objective is to prepare personalised medication that is not commercially available and that meets the patient's specific needs. Pharmaceutical compounding gives a prescriber the option to offer a personalised treatment, for example, by prescribing a different administration form or a different dosage, suited to a patient's specific needs. 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 dosage form, such as a topical dosage in the form of a cream, can reduce side effects and the potential for addiction and deliver the medication directly at the location of the condition more effectively, for example when treating pain.

Quantifying our positive contribution is difficult because Fagron does not deliver directly to the patient. Fagron has no insight into the number of patients that use the sterile and non-sterile compounded medication. The units of compounded medicine that we supply from one of our compounding facilities gives an indication of our positive contribution to patients' health. In 2021, Fagron supplied approximately 5.4 million units of compounded medicine. Fagron also offers a large portfolio of Active Pharmaceutical Ingredients (API), which enables (hospital) pharmacists to prepare products themselves.

Fagron Academy

The Fagron Academy was established to improve the knowledge and skills of prescribers and pharmacists in the field of pharmaceutical compounding. The activities of the Fagron Academy consist of:

- Online education;
- Live (online) events;
- Practical events where compounding professionals can practice compounding techniques in a Fagron Academy test set-up;
- Giving lectures at conferences for doctors and pharmacists;
- The online formula databases: Compounding Matters and FACTS.

Fagron Academy offers extensive training and educational opportunities free of charge in areas such as compounding methods, use of materials, administration forms and quality and safety procedures. The Fagron Academy also offers a free Compounding Matters database with 889 formulas and compounding instructions for personalised medicine.

In addition to Compounding Matters and the free training and education options offered, Fagron Academy North America also offers, for a small fee, education and an online formula database (FACTS) tailored to the requirements of the North American market. This service was offered until the end of 2021 to customers who spent a minimum purchase amount per year on Fagron products in North America. This policy was changed starting from the first half of 2022 because the minimum purchase amount proved to be an obstacle for small pharmacists, in particular. By requesting a small monthly or annual contribution, higher quality information can be provided and, in particular, pharmacists can be better helped with customised education.

Fagron Foundation

The Fagron Foundation was established in 2012 to improve healthcare in a community and increase access to healthcare. The Foundation makes healthcare products and equipment available and asks attention to healthcare for vulnerable patient groups.

Initiatives

Actions in 2021

In the past year, the Foundation's initiatives, just as in 2020, were partially related to COVID-19. Worldwide, among other things, donations have been made to provide communities and hospitals in various countries with air purifiers, face masks, hand creams, hydroalcoholic gels and COVID-19 (self-)tests. Fagron made further contributions in 2021 toward supporting, dealing with and preventing COVID-19.

In addition to COVID-19-related material donations, the various Fagron companies also initiated projects to improve healthcare for specific target groups. In June, Fagron Netherlands employees participated in a sponsor run for the Sophia Children's Hospital to raise funds for healthcare for new-borns or unborn children. In October, Fagron Sterile Services United States held a campaign for No-Shave November to raise funds for cancer prevention, education and research.

Fagron Foundation Day 2022

Fagron will organise its first Fagron Foundation Day in 2022. On this day, all Fagron employees and management will do volunteer work or collect money for a charity related to healthcare. Each Fagron company chooses its own local initiative in which to contribute.

[1] We determine the number of compounds by dividing the total turnover per compounding facilities (Compounding and Premium Pharmaceuticals) by the average price of compounds per facility.

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 the good governance category are:

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

We report on the good governance topics for all companies belonging to the Fagron Group. Unlike the environmental topics, companies are included in the disclosures from the moment they are part of the Fagron Group and therefore not only when the company has been part of the Group for a full financial year.

Product quality and product safety

As a worldwide market leader in pharmaceutical compounding, Fagron applies a strict policy on product quality and safety. A product that does not meet all quality specifications can, in the worst case, cause (severe) side effects in end users. Product quality and safety is therefore a priority for Fagron. Of course, our products can only make a positive contribution to patients' health when they do not cause unexpected side effects.

Goals and objectives

Our goal is to deliver products that meet all product quality and safety requirements. A good indicator for this goal is the number of products that must be recalled in one year. In a few 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 severe 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 standards.

Product quality & product safety indicators	2021	2020	2019	2018	2017
Class I Recalls: Recall due to severe side effect	1	1	0	2	0
Class II Recalls: Recall due to side effect	2	5	17	10	11
Class III Recalls: Recall due to GMP standards	2	7	9	14	12

Policies and initiatives

Supplier selection procedure

An extensive supplier selection procedure ensures 100% traceability of the more than 2,500 pharmaceutical raw materials that Fagron uses. New suppliers are screened extensively. Suppliers of products with a higher risk profile are subjected to an on-site audit. These audits focus primarily on the quality and safety of the product.

Good Manufacturing Practice (GMP)

Fagron has 34 compounding and repackaging facilities worldwide that fully comply with GMP or comparable local laws. This concerns a combination of certified facilities and facilities where an audit is carried out on a regular basis by the authorities in accordance with GMP standards and legislation. The facilities that only consist of a warehouse, 19 in total, all comply with GDP (Good Distribution Practice) or comparable local laws.

Annual training

International certifications such as GMP and GDP require that all employees who come into contact with pharmaceutical products must attend several 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 tests

Fagron has a technical team of experts that ensures that the products we receive from our suppliers and that we produce ourselves have the required properties before they are brought on the market. In doing so, we distinguish between products that we repackage or use in one of our sterile or non-sterile compounding facilities and products that we do not process but only deliver to clients.

Raw materials and final products in our sterile and non-sterile compounding facilities are tested to guarantee that 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. All products that we repackage in one of our repackaging facilities are also tested. In addition to pharmaceutical raw materials, these products also include excipients such as cream base and fillers such as lactose and methylcellulose. The majority (approximately 2/3rd) of the pharmaceutical products that we supply from our repackaging and compounding facilities are tested in-house in one of our own quality laboratories before they are released, the rest (approximately 1/3rd) is tested by a (external) third party.

The products that arrive in our warehouses are checked for all required documentation and are only released for sale if they have also been stored under the proper conditions (temperature, humidity). We also check whether the transport of incoming and outgoing products is conducted as agreed upon with the suppliers and distributors.

Results

Even though Fagron has grown significantly in terms of geographic distribution and quantity of products, the number of product recalls has decreased in recent years. In 2021, there were five recalls over the entire organisation.

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. Failure to comply with laws and regulations can have a negative impact for our stakeholders. For example, there could be reputational damage or damage to the health of end users of our products when there is failure to comply with product quality or safety requirements.

The Fagron companies are responsible for ensuring that the relevant regulations are met on a local level. 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 product quality and safety requirements of the products we supply worldwide.

In 2021, Fagron BV, among others, was summoned in a case involving Gako, one of the Fagron group companies. To date, there has been no ruling in this case and no fines or sanctions have been imposed on Fagron NV. A ruling is expected in 2022 at the earliest. In 2020 and 2021, Fagron NV and Fagron BV were not subject to any fines or sanctions in the socio-economic sphere or around environmental laws and regulations, nor was there involvement in any dispute settlement.

In previous years, Fagron was involved in a few disputes. These concern a case in 2018 and two cases in 2019. The value of the settlements amounted to 3 million euros in 2018 and a total of 21 million euros in 2019.

Preventing corruption and bribery

Fagron attaches great importance to transparency and fair trade. 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 health care systems in the markets in which Fagron operates. Fagron contributes to fair trade by acting against corruption and bribery.

Policies and initiatives

Code of Conduct

The Code of Conduct describes Fagron's expectations for its management and employees regarding compliance with laws and regulations as well as ethical conduct regarding, among other things, corruption, bribery and human and labour rights. All employees and management have access to this Code of Conduct via the Fagron intranet. The Code of Conduct is publicly available under governance documents at investors.fagron.com.

Indicators for prevention of corruption and bribery 2021

% of employees who completed the Code of Conduct training	% of management who completed the Code of Conduct training	Reports of corruption via the Fagron Integrity Line or other competent authority
99.1% [1]	100%	0
KPI: 90%	KPI: 100%	KPI: –

[1] The percentage of the employees to whom the training was offered.

The Global Anti-Bribery & Anti-Corruption Policy is part of the Code of Conduct. Any violation of this policy leads to corrective measures, including possible termination of employment.

Management and employees attend an annual Code of Conduct training course. This training was offered for the first time in 2020 and each year, it emphasises one of the Code of Conduct topics. In 2021, the emphasis was on anti-corruption and anti-bribery. In 2022, bribery and corruption will also be addressed in the training, but the emphasis will be placed on human and labour rights.

Annual risk analysis

As part of our annual risk analysis, we assess the risk of corruption and bribery in each country in which we operate. For the entire organisation, we estimate the likelihood of non-compliance with anti-corruption legislation to be "moderate" (see Risk management, page 48) and our mitigating measures are geared towards this likelihood. The risk differs per country.

Internal audit procedure

The internal audit department's mission is to offer independent and objective assurance and advice to improve the Group's activities. The internal auditor helps the Group to achieve its objectives with a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Concrete examples of activities include managing risk plans for the risks as described under risk management (see Risk management page 48), conducting internal audits and reporting and following up on points for improvement. One of the risks involved is corruption and bribery.

Several companies in the Fagron Group are scrutinised on an annual basis during an internal audit. This means that all Fagron companies are visited by the internal auditor approximately every five years. The topics to be addressed during an audit depend on the risk assessment conducted for the company visited. In any event, financial control processes are always examined and points for improvement are suggested. In 2022, the internal audit procedure will be adjusted in such a way that an explicit audit will also be conducted regarding compliance with Fagron's Code of Conduct in terms of corruption and bribery.

Goals and objectives
To ensure that both employees and management adhere to these policies, we have set the following two objectives:

- At least 90% of all Fagron employees complete the annual Code of Conduct training.
- 100% of Fagron's management complete the annual Code of Conduct training.

Results
No cases of corruption or bribery were reported via the Fagron Integrity Line or other competent authority in 2021. A total of 99.1% of the employees to whom the training was offered, attended the Code of Conduct training.
The number of employees who were offered the training is lower than the stated objective because it was decided to only offer the training electronically due to COVID-19. As not all Fagron employees use a computer in their day-to-day work (warehouse employees, production employees), the training was not offered to all employees. The training will be offered to a larger portion of the employees in 2022.
The training was offered to 100% of the management and the entire management also attended the training.

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 risk of abuse and irregularities. A properly functioning grievance mechanism reduces the risk of corruption and bribery as well as the risk of unwanted behaviour (see also human and labour rights on page 79).

Goals and objectives
Fagron believes it is important that all employees know how the grievance mechanism works and that access to the grievance mechanism is as easy as possible. To ensure this goal, the annual Code of Conduct training explicitly addresses the grievance mechanism and in due course, all employees will have access to a confidential counsellor.

Fagron has set the following objective:

- 100% of Fagron employees will have access to a confidential counsellor.

Policies and initiatives
With the grievance mechanism procedure, Fagron has created a safe, structured way to report suspicions of misconduct, behaviour that is not in line with the Code of Conduct, or other irregularities. In addition to reporting to the manager, the confidential counsellor can be contacted, or the Fagron Integrity Line can be used.

Confidential counsellor
The grievance mechanism was adjusted in 2021 by adding a third reporting option to the options of reporting to the manager or via the Fagron Integrity Line. For each entity, a confidential counsellor will be appointed and trained who can support employees in making a report and who can identify misconduct at an early stage. At the end of 2021, 5% of all employees had access to a confidential counsellor. In the first quarter of 2022, 16 employees began training, after which 35% of the employees will have access to a confidential counsellor. We will further expand the coverage in 2023 and our goal is to achieve 100% coverage in 2025.

Fagron Integrity Line
The Fagron Integrity Line is available online 24/7 for all Fagron employees 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. The regulation is based on the assumption that in the event of suspicion of a wrongdoing, an internal investigation will be carried out first. If the investigation does not lead to improvement, an external report will be made.

The European Whistleblower Directive took effect on 17 December 2021. This directive provides legal protection for whistleblowers who follow an internal whistleblower scheme. Of the countries in the European Union where Fagron has entities (11 in total), only some of them have also implemented the directive into local legislation. In seven countries in the European Union where Fagron is active, the European Directive has not yet been implemented into local legislation or there was no protection for whistleblowers. These countries are Belgium, Germany, Poland, Spain, Greece, Croatia and the Czech Republic. In the United Kingdom, the United States and South Africa, whistleblowers at companies were already legally protected. As soon as the other countries in the European Union have also implemented the Directive into local legislation, there will be legal protection for whistleblowers in 14 of the 19 countries where Fagron has a location.

In 2021, much attention was paid to increasing employee awareness of the Fagron Integrity Line through, among other things, emphasis on the Integrity Line during the Code of Conduct training. This approach has paid off as more employees are finding their way to the Fagron Integrity Line. In 2021, 15 complaints were submitted. Of these, nine complaints were related to discrimination (six complaints) and intimidation (three complaints). See the section on human and labour rights (page 79) for a description of the handling of these complaints. The other complaints mainly regarded the COVID-19 policy and health and safety in the work environment. The health & safety section (page 78) provides more information about how we are continuously trying to improve our health and safety policy.

2021 grievance mechanism indicators

Number of complaints submitted via Fagron Integrity Line	% of employees with access to a confidential counsellor
15	5%
KPI: –	KPI: 100% in 2025

Fair tax policy

The way in which Fagron deals with taxes has a direct influence on the communities in which we operate. Fagron sees the payment of taxes as part of the creation of sustainable long-term value for all stakeholders. Tax evasion results in communities missing out on tax income that is needed to be able to operate.

Ambitions
Fagron strives to comply with the letter and spirit of the tax laws in the countries in which we operate. In view thereof, we rely on internal and external tax experts to stay informed of changes in tax legislation. Our tax policy is based on the principle that we pay taxes worldwide based on the economic value of activities. Fagron believes it is important that tax payments end up in the regions and communities in which it operates.

Policies and initiatives
Annual risk analysis
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 48). Any concerns regarding unethical or illegal conduct in terms of our tax strategy can be reported via the Fagron Integrity Line (see page 91).

Providing insight into the difference between the statutory tax rate and effective tax
In 2021, we examined the effective income tax that we pay in the countries and regions in which we operate. We have been reporting the effective tax at group level for years, but starting this year, we provide more insight into the effective tax per region and the difference with the statutory tax rate.

Results
The effective tax rate for the entire group in 2021 as a percentage of the profit before taxes was 20.1%. The statutory income tax for the entire group in 2021 was 26.9%. The difference between the statutory income tax and the effective tax rate was 6.8%. The difference is the greatest in the North America region, caused by the entry of a deferred tax asset based on expected future profitability. In Latin America and EMEA, the effective tax rate is similar to the statutory income tax. For a more detailed explanation of income tax, see Note 18 in the financial statements.

Fair tax policy indicators	Effective income tax 2021	Statutory income tax 2021	Difference
EMEA	23.0%	23.5%	0.5%
North America	–7.0%	24.5%	31.5%
Latin America	31.3%	33.8%	2.5%
Fagron Group	20.1%	26.9%	6.8%

Other ethical issues

Code of Conduct
The Code of Conduct is the document that we use to indicate how we expect Fagron employees and partners to behave.
The document contains, in particular, information about how to act legally and ethically correct in the day-to-day operations. This Code is applicable to all employees in the Fagron Group companies and our partners. These are all persons who work for Fagron and are engaged via a third party. The themes that are part of the Code of Conduct are also described per theme in this annual report. These themes include corruption and bribery (see page 88), human and labour rights (see page 79 and page 82), health and safety in the work environment (see page 78), protection of information (see below) and the grievance mechanism (see page 90). Employees are offered an annual Code of Conduct training course that emphasises one specific subject each year.

Patient privacy
Fagron considers privacy important. Medical patient information is information that is only intended for the patient and the parties to whom the patient gives consent to access this data, such as a practitioner. In principle, Fagron supplies to hospitals, pharmacies and clinics that use the products for the patient and rarely supplies directly to the patient. For most of the products that we supply, we do not come into contact with patient data. The only exception is when we compound products based on prescription in one of our sterile or non-sterile compounding facilities.

In some of our compounding facilities where we compound products for individual patients, we are legally obligated to store patient and compounding data. The legal retention period differs per location and is between 5 and 15 years. In all cases, Fagron handles the patient's privacy-sensitive data with care and adheres to the local privacy legislation, such as the GDPR in Europe.

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 2021, the market capitalisation of Fagron amounted to 1,079.8 million euros, a decrease of 21.6% compared to the value as of 31 December 2020. There were 72,960,154 shares issued on 31 December 2021.

Average number of shares outstanding

The number of voting securities was 72,960,154 on 31 December 2021. The total number of voting rights (denominator) is 72,960,154. The authorised capital amounts to 501,870,567.62 euros.

Shares
ISIN code: BE0003874915
Euronext: FAGR

Options
ISIN code: BE0003874915
Euronext Derivatives Brussels: RCU

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 6 April 2022. 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 Meeting of Shareholders of 9 May 2022 to pay a gross dividend of 0.20 euro per share over the 2021 financial year.

Shareholders

Share ownership	Number of shares	% of effective voting rights
NN Group NV	11,101,452	15.22%
FMR LLC	3,692,481	5.06%
Alychlo NV	3,641,933	4.99%
Kabouter Management LLC	3,569,500	4.89%
Mawer Investment Management Ltd.	2,202,410	3.02%

	Number of shares
Koen Hoffman	0
Rafael Padilla	92,072
Karin de Jong	12,500
Giulia van Waeyenberge	0
Veerle Deprez	0
Michael Schenk	6,037
Rob ten Hoedt	0

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 the 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. 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:

Karen Berg
Global Investor Relations Manager
+31 6 53 44 91 99
karen.berg@fagron.com

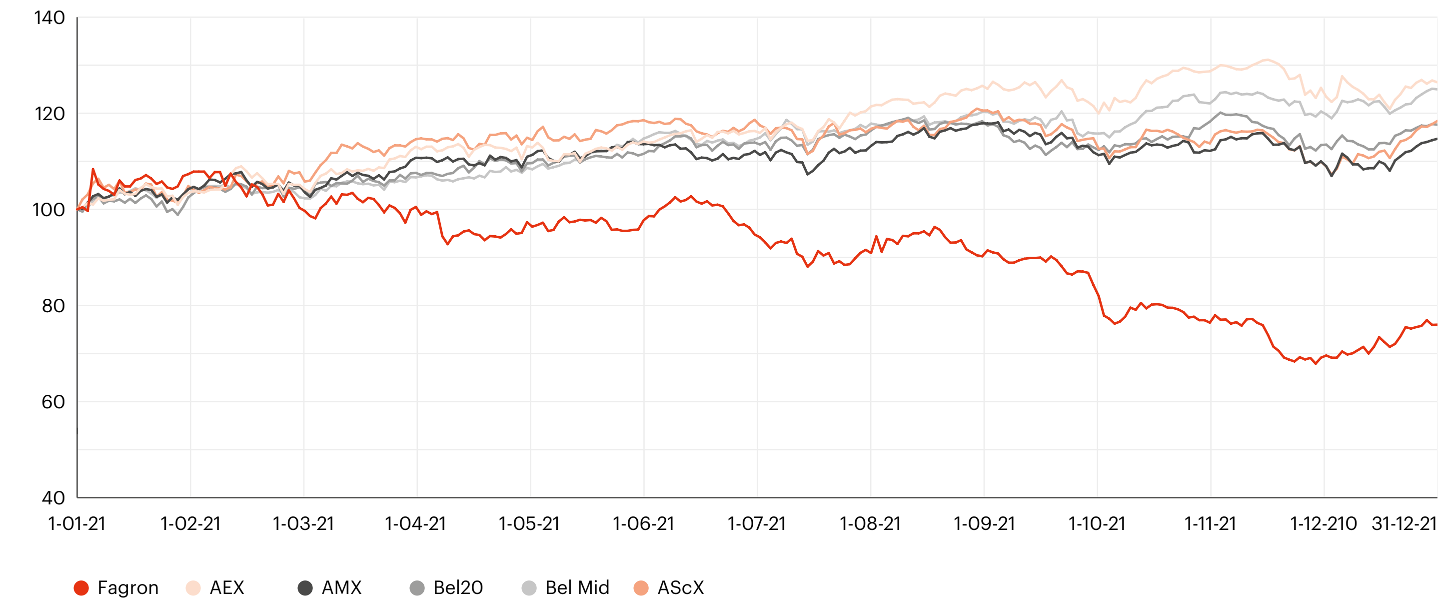
Financial calendar

14 April 2022*	Trading update, first quarter 2022
9 May 2022	Annual General Meeting of Shareholders
4 August 2022*	Half-year figures 2022
13 October 2022*	Trading update, third quarter 2022

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

Trading	2017	2018	2019	2020	2021
Highest price	€ 13.50	€ 17.10	€ 19.33	€ 23.10	€ 21.56
Lowest price	€ 9.00	€ 10.02	€ 14.17	€ 14.80	€ 13.11
Closing price end of the financial year	€ 11.42	€ 14.28	€ 19.33	€ 19.00	€ 14.80
Highest day volume	1,758,530	1,370,323	1,789,353	584,169	525,563
Lowest day volume	45,321	23,859	37,587	9,133	15,223
Dividends	€ 0.10	€ 0.12	€ 0.08	€ 0.18	€ 0.20
Dividend yield at closing price	0.9%	0.8%	0.4%	0.9%	1.4%
Market capitalisation at the end of the financial year	€ 820,098,164	€ 1,025,930,949	€ 1,395,218,214	€ 1,377,075,426	€ 1,079,810,279

Development in Fagron share price and the indices in 2021



Chairman’s message

COVID-19 also played a major role in 2021. Although large-scale vaccination campaigns took place in many parts of the world, and are still in progress, daily life is still influenced considerably by the emergence of new virus variants and corresponding waves of infection. The impact on healthcare is still large, but we did see differences during 2021. For example, we saw that the pressure on elective care continued, particularly in the European countries where Fagron operates, while we saw recovery in North America, especially in the second half of 2021. This, however, continued to have an impact on Fagron. While Fagron benefited from a high demand for COVID-19-related products in 2020, we saw that demand reduced significantly in 2021. Nevertheless, Fagron showed turnover growth in 2021.

The General Meeting of Shareholders on 10 May 2021 was again held electronically due to the COVID-19 measures. There were no changes in the Board of Directors in 2021. In December 2021, the Board of Directors announced its intention to expand with two independent non-executive directors to further reinforce the expertise within the Board: Ms Bakker and Mr Sharma. It was also announced in February 2022 that following the end of the appointment period of Vanzel G. Comm.V., represented by Giulia Van Waeyenberge, after the end of the Fagron General Meeting of Shareholders in May 2022, the Board of Directors intends to submit the appointment of Ms Desender as independent and non-executive director.
Ms Bakker and Mr Sharma attend the Board of Directors meetings as of December as advisors and Ms Desender as of mid-February, in order to ensure a smooth transfer and introduction period.

Therefore, the appointments of Ms Bakker, Ms Desender and Mr Sharma as independent and non-executive directors for a period of four years will be submitted to the General Meeting of Shareholders in May 2022. At the end of the General Meeting of Shareholders, Vanzel G. Comm.V., represented by Giulia Van Waeyenberge, will resign from the Board of Directors due to the end of the appointment period and one of the two non-executive directors affiliated with Alychlo NV will resign from the Board of Directors, in line with Alychlo NV’s reduced interest in Fagron NV.

In order to increase effectiveness, the Global Leadership Team has been transformed into the Executive Leadership Team. This team is smaller and, in addition to the CEO and the CFO, now consists of the Area Leaders Constantijn van Rietschoten (EMEA), Andrew Pulido (North America) and Ivan Maróstica (Latin America) and the Head of Legal and M&A (Johan Verlinden). During the Capital Markets Day held in March, the team provided a strategic update and presented the medium-term objectives for our three regions and for Fagron as a whole.

I want to thank our customers, suppliers, shareholders and other stakeholders for placing their confidence in Fagron in the past year.
I want to thank all Fagron employees, who made a tremendous effort last year and convey my pride for the hard work. Their initiative and entrepreneurship, as well as the demonstrated resilience and flexibility, enable Fagron to continue to respond well to the changing market conditions and show its strength in these dynamic times. As a result of the pandemic, Fagron has become even more relevant, further strengthening our confidence in the future.

Koen Hoffman
Chairman Board of Directors

Report of the Board of Directors about the consolidated financial statements

Consolidated income statement

Fagron's turnover increased by 3.2% in 2021 (5.9% at constant exchange rates) to 573.8 million euros. The organic turnover growth was 1.8% (4.5% at constant exchange rates). REBITDA decreased by 4.5% (-1.5% at constant exchange rates) to 118.3 million euros. REBITDA as a percentage of the turnover decreased by 170 base points to 20.6%.

Fagron EMEA
The turnover of the EMEA segment declined 4.6% in 2021 (-4.9% at constant exchange rates) to 255.1 million euros. Adjusted for the acquisitions of Gako (Germany) and Pharma Tamar (Israel), the organic turnover decline was 6.8% (-7.1% at constant exchange rates). REBITDA decreased 14.1% to 55.6 million euros. REBITDA as a percentage of turnover declined 240 basis points to 21.8%. This was partly due to the Dutch and Polish GMP repackaging facilities temporarily operating alongside each other to ensure a smooth transition. Furthermore, we experienced delays in the passing on of cost increases resulting from supply chain pressures; this has put - temporary - pressure on our margins.

Developments per country within the EMEA region differ which are linked to the differences in activities and the related impact of COVID-19. As a result, some countries realized turnover growth while others experienced turnover decline. The various infection waves which continued to occur put constant pressure on elective care especially in the Northern European countries and doctor's visits hardly recovered. Combined with the impact of the registration of a number of non-sterile compounds by third parties, this resulted in a decline in turnover in Compounding Services for 2021. However, in the fourth quarter we saw the decline levelling off significantly compared to the first nine months of the year. This was partly due to the lower impact of the registrations in the fourth quarter and a cautious recovery of elective care in some countries.

Whereas Brands and Essentials benefitted from increased demand for COVID-19 related products in 2020, this was no longer the case in 2021, although we did see growing demand for COVID self-tests, particularly in the fourth quarter. On balance, Essentials developed negatively and Brands slightly positive in 2021. Premium Pharmaceuticals reported a slight increase in turnover in 2021.

Fagron Latin America
The turnover of the Latin America segment increased 9.3% in 2021 (16.6% at constant exchange rates) to 141.1 million euros. Organic turnover growth at constant exchange rates was 16.5%. REBITDA increased 18.4% to 30.5 million euros. REBITDA as a percentage of turnover rose by 170 basis points to 21.7%, mainly because of a strong fourth quarter, efficiency improvements and product mix.

In Latin America compounding pharmacies are Fagron's most important sales channel and these mostly stayed open despite the COVID-19 restrictions. All countries where Fagron operates in Latin America achieved turnover growth in 2021, allowing Fagron to further strengthen its competitive position. Brands and Essentials both displayed good organic turnover growth.
The Compounding Services activities in Colombia, which represent a relatively small share of total turnover in Latin America, realized very strong turnover growth of 40.5% at constant exchange rates in 2021.

With our focus on prevention, we are well positioned to benefit from the increased focus on a healthy lifestyle.

Fagron North America
The turnover of the North America segment increased 11.3% in 2021 (15.3% at constant exchange rates) to 177.6 million euros. Organic turnover growth was 14.3% at constant exchange rates. REBITDA declined 3.7% to 32.2 million euros. The REBITDA margin declined with 280 basis points to 18.1%. This decline was mainly due to the introduction of a second shift at FSS.

Brands and Essentials reported a decrease in turnover of 8.2% (-7.2% at constant exchange rates). The decline was mainly due to the fading demand for COVID-19 related products.

Fagron Compounding Services (FSS and AnazaoHealth) realized a very strong turnover increase of 28.9% (33.5% at constant exchange rates). In December, FSS had a run rate (turnover; annualized) of over US$80 million. Taking into consideration completed and planned SKU introductions, including the introduction of epidurals in 2022, the further expansion of the range of prefilled intravenous (IV) bags, the high level of automation, the progress in integrating the assets acquired from US Compounding and newly concluded contracts, we expect this growth to continue. As a result, FSS is well on track to achieve its turnover target of 125 million US dollars (run rate) in 2022.

The consolidated gross margin (the difference between turnover on the one hand and trade goods on the other) increased by 2.2% to 336.3 million euros, particularly the result of changes in the product mix. The gross margin as a percentage of turnover decreased by 60 base points compared to 2020 to 58.6% and increased by 40 base points in the second half of 2021 compared to the first six months of that year.

The total operational costs, defined as services and other goods, employee benefit expenses and other operating expenses minus other operating income, were 219.5 million euros, an increase of 5.0% compared to 2020. The cost coverage, defined as operational costs versus gross margin, was 65.3% in 2021.

Depreciation and amortisation decreased by 6.4% from 31.3 million euros in 2020 to 29.3 million euros in 2021.

The operating profit amounted to 87.4 million euros in 2021, a decrease of 1.5% compared to 2020.

The financial result amounted to -10.6 million euros, an improvement of 4.4 million euros compared to 2020.

This brought the profit before income tax to 76.8 million euros, an increase of 3.1 million euros compared to 2020.

The effective tax rate as a percentage of the profit before taxes was 20.1% in 2021 compared to 18.6% in 2020. Taxes increased in 2021 to 15.4 million euros compared to 13.7 million euros in 2020.

The net result was 61.4 million euros in 2021 compared to 60.0 million euros in 2020, an increase of 2.2%.

Consolidated statement of financial position

The consolidated balance sheet total increased by 6.3% from 752.8 million euros in 2020 to 800.4 million euros in 2021.

Assets
Total non-current assets were 566.7 million euros, an increase of 35.8 million euros compared to 2020.

Goodwill increased by 15.7 million euros to 380.4 million euros.

Intangible fixed assets increased by 6.2 million euros to 30.7 million euros. Property, plant and equipment increased by 6.1 million euros to 92.3 million euros.

The net operational capex came to € 20.7 million (3.6% of turnover) in 2021. An increase compared to € 18.4 million in 2020 (3.3% of turnover). The capex consists mainly of investments in existing and new facilities in North America, Brazil, Israel and Poland, ESG-related investments and investments in software implementations.

The financial non-current assets, consisting of financial non-current assets and other non-current assets available for sale, amounted to 4.5 million euros in 2021, an increase of 2.2 million euros compared to 2020.

The leasing and similar rights amounted to 36.3 million euros compared to 32.4 million euros in 2020.

Deferred tax assets represented a value of 22.5 million euros.

The total current assets amount to 233.7 million euros in 2021 compared to 221.9 million euros in 2020, an increase of 11.8 million euros. Inventories increased by 11 million euros, trade receivables increased by 9.8 million euros, the other receivables increased by 4.6 million euros, while cash and cash equivalents decreased by 13.6 million euros.

Equity and liabilities
Total equity amounted to 325.5 million euros. This is an increase of 67.7 million euros compared to 2020. This increase was caused by the 2021 result (70.6 million euros), the capital increase (6.8 million euros), the dividend made payable (-13.0 million euros) and share-based payments (3.3 million euros).

Total liabilities decreased from 495.0 million euros in 2020 to 475.0 million euros in 2021. This represented a decrease of 20.0 million euros.

Provisions decreased by 1.6 million euros to 1.8 million euros.

Pension obligations in 2021 amounted to 4.3 million euros, a decrease of 0.5 million euros compared to 2020.

Deferred tax liabilities relate to, among other things, temporary differences between reporting and tax accounting at the local entities. These amounted to 2.5 million euros in 2021 compared to 2.1 million euros in 2020.

Non-current interest-bearing financial liabilities (long-term borrowings and leasing liabilities) amounted to 321.3 million euros in 2021, an increase of 36.9 million euros compared to 2020.

Current interest-bearing financial liabilities (short-term borrowings and leasing liabilities) amounted to 14.3 million euros in 2021, a decrease of 56.8 million euros compared to 2020.

On 31 December 2021, 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 265.0 million euros, compared to 271.3 million euros at end of year 2020.

The short-term trade payables were 11.4 million euros higher than in 2020 and amounted to 83.7 million euros.

The tax liabilities for the current year amounted to 7.2 million euros, a decrease of 1.4 million euros compared to 2020.

Other current taxes, remuneration and social security amounted to 23.7 million euros, an increase of 0.8 million euros compared to 2020.

Other (current) liabilities amounted to 16.0 million euros in 2021 compared to 24.9 million euros in 2020.

Consolidated statement of cash flows

The consolidated statement of cash flows begins with the profit before income tax of 76.8 million euros.

This amount is decreased by the outgoing cash flows before taxes of 18.6 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 42.9 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 22.7 million euros). The total cash flow from operating activities amounted to 78.4 million euros, a decrease of 15.7% compared to 93.0 million euros in 2020.

Total cash flow from investment activities produced an outflow of 31.9 million euros related to net investments of 20.7 million euros and payments for existing (subsequent payments) and new holdings of 11.2 million euros.

The total of cash flows from financing activities represented an outflow of 61.6 million euros. The new borrowings (66.2 million euros) and capital increases (6.8 million euros) resulted in an inflow of 73.0 million euros. The outgoing cash flows consisted of the payment of interest on loans and other financial elements such as financial discounts of 13.8 million euros, the payment of the dividend 13.0 million euros and the repayment on loans of 99.5 million euros.

In total, cash and cash equivalents in 2021 decreased by 15.2 million euros: from 84.2 million euros at the start of the reporting period to 70.6 million euros at the end of the reporting period. The difference of 1.6 million euros between the changes in cash and cash equivalents of 15.2 million euros and the decrease of the cash and cash equivalents of 13.6 million euros was caused by currency translation differences.

Significant events after balance sheet date

For significant events after the balance sheet date, see Note 34 as included in the Notes to the consolidated financial statements.

Description of risk management

See the chapter on risk management 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 corporate social responsibility.

Corporate Governance Statement

The new Belgian Corporate Governance Code (the Code) came into force on 1 January 2020. Fagron applies the Code and uses it as a reference code, in accordance with Article 3:6, §2 of the Belgian Companies Code and the Royal Decree of 12 May 2019 laying down the corporate governance code to be complied with by listed companies. The Code aims to ensure transparency in corporate governance by requiring each listed company to disclose information in two separate documents: the Corporate Governance Charter and the Corporate Governance Statement in the annual report.

The Code 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 (hereinafter also: the Company) complies with the provisions of the Code.

Governance principles

The most important aspects of Fagron's management policy – more specifically the role, responsibilities, composition and operation of the Board of Directors, its advisory Committees and the Executive Leadership Team – are stated in the Corporate Governance Charter. 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 6 February 2017 and will soon be adjusted in order to align it with the provisions of the Code and Fagron's new governance structure. The most recent version of the Corporate Governance Charter can be consulted on the investor page on the Fagron website under the Corporate Governance/Governance documents section (investors.fagron.com).

The Corporate Governance Charter and its Annexes contain the internal regulations of the Board of Directors, the Audit and Risk Committee, the Nomination and Remuneration Committee and the Executive Leadership Team (starting in 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 the Executive Leadership Team. 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 page on the Fagron website under the Corporate Governance/Governance documents section (investors.fagron.com). Future changes to the Corporate Governance Charter will also be published on the corporate website.

On the date of this report, Fagron fully complies with the provisions of the Code, except for a limited number of deviations regarding principle 7.6 that provides for the payment of part of the remuneration for the non-executive directors in shares and regarding principle 7.9, which stipulates that members of the executive management must maintain a minimum threshold for shares in the Company.

[1] The Code is available online at https://www.corporategovernancecommittee.be/en.

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

Governance structure

In the financial year 2021, Fagron transformed its management structure into a unitary board as described in Articles 7:85 et seq. of the Belgian Companies Code. A proposal was 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 Companies Code. Starting from the 2021 financial year, the Board of Directors evaluates 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 is authorised to perform all actions that are necessary or useful to achieve the objective of Fagron, except for the actions that are reserved by law or the Articles of Association for the General Meeting. The Executive Committee was discontinued and the Board of Directors delegated specific management authority to the Executive Leadership Team. This team will execute this authority under the CEO's chairmanship.

1. General Meeting

Composition of the General Meeting
The General Meetings are convened by the Board of Directors, the Statutory Auditor or, where appropriate, by the liquidators.

The annual General Meeting will be held on the second Monday of May at 3 p.m. or, if this date falls on a public holiday, at the same time on the following workday, at Fagron NV's registered office or at the location stated in the convocation notice for the meeting. Convocation notices for the General Meetings are in the form and within the time limits as required by law and the convocation notices must at least contain the details as stated in Article 7:129 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 receipt.
Upon receipt of the requests, the Company shall act in accordance with the Belgian Companies Code, in particular Article 7:129 Belgian Companies Code. The provision in Article 7:129 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.

As soon as the convocation notice has been published, the shareholders may submit the previously specified questions 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.

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.

Fagron's Articles of Association were amended during the Extraordinary General Meetings:
- On 14 May 2012, to comply with the 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 authorization 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 December 14, 2005); and
  - Amendment of the provisions in the Articles of Association concerning the liquidation procedure in accordance with the stipulations of the Belgian Companies Code (Acts of 19 March 2012 and 25 April 2014).
- On 29 June 2015, in order to increase the capital within the context of the authorised capital through contribution in kind upon the issuance of new shares.
- On 5 August 2015, in order to increase the capital within the context of the authorised capital through contribution in kind upon the issuance of new shares.
- On 20 May 2016, in order to increase the capital against the issuance of new shares, as approved during the Extraordinary General Meeting of 4 May 2016.
- On 1 July 2016, in order to reduce the capital by making up transferred losses without the cancellation of shares.
- On 7 July 2016, in order to increase the capital against the issuance of new shares, as approved during the Extraordinary General Meeting of 4 May 2016.
- On 8 May 2017, in order to renew the authorisation in the context of the authorised capital for a period of five years.
- On 13 May 2019, in order to renew the authorisation for the acquisition and disposal of treasury shares for a period of 5 years.
- On 10 May 2021, in order to align the Articles of Association with the Belgian Companies Code;
- On 9 June 2021, in order to increase the capital resulting from subscription rights.

The coordinated Articles of Association can be accessed on the investor page from the Fagron website under the Corporate Governance/Governance documents section (investors.fagron.com).

2. Board of Directors

Composition of the Board of Directors
The Board of Directors consists of at least three and no more than eleven directors, with at least one-third being 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 Belgian Companies Code and therefore meet the criteria as determined in principle 3.5 of the Code. For the 2021 financial year, both the composition and operation of the Fagron Board of Directors satisfy all provisions of the Code.

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 can fulfil its role to the best of its ability;
- Each director meets the specific qualitative requirements set out in the Corporate Governance Charter;
- None of the directors 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 publication date of this report, the Board of Directors has eight members and the Board is composed as follows:
- Two executive directors;
- Six non-executive directors, of which four are independent directors who meet the criteria of Article 7:87, §1 Belgian Companies Code and principle 3.5 of the Code;
- Three of the eight directors are female and five of the eight directors are male. This composition satisfies the criteria stated Article 7:86 Belgian Companies 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, permanently represented by Marc Coucke, and Michael Schenck BV, permanently represented by Michael Schenck, were renewed for a period of four years to end immediately after the Annual Meeting of the year 2024.

The current mandate of AHOK BV, permanently represented by Koen Hoffman, ends after the General Meeting of 2023.

A proposal will be made to the General Meeting of 9 May 2022 to appoint Vera Bakker, Ann Desender and Neeraj Sharma as independent non-executive directors for a period of four years (to end after the General Meeting of 2026). Vanzel Comm.V., permanently represented by Giulia Van Waeyenberge and Alychlo NV, permanently represented by Marc Coucke, will resign from the Board of Directors on 9 May 2022.

A proposal will also be made to the General Meeting of 9 May 2022 to reappoint Rafael Padilla, Karin de Jong and Management Deprez BV, permanently represented by Veerle Deprez, each for a period of four years, to end after the General Meeting of 2026.

Composition during the financial year 2021	Term of mandate	Independent director	Nomination and Remuneration Committee	Audit and Risk 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: NRC:	10/10 5/5
AHOK BV, permanently represented by Koen Hoffman (Chairman)	AGM 2023	•	•	•	Board of Directors: AC: NRC:	10/10 4/4 5/5
Vanzel G. Comm.V., permanently represented by Giulia van Waeyenberge	AGM 2023	•		• (Chairman)	Board of Directors: AC:	10/10 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: AC: NRC:	10/10 4/4 5/5
Robert ten Hoedt	AGM 2024	•			Board of Directors:	10/10

Below you will find 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).

Rafael Padilla – Chief Executive Officer

Rafael Padilla started his career in 2002 at Fagron in the Netherlands and has been Fagron's CEO since 2017. Rafael Padilla has a long-time operational and commercial track record within Fagron. Under his leadership, Fagron has been able to successfully expand its activities in Southern Europe and Latin America since 2010 through strong organic growth and acquisitions. 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.

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 Executive Master of Finance and Control at the Erasmus University of Rotterdam.

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, 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 director at the listed companies, Greenyard and Tessenderlo Group, as well as at various companies belonging to the Greenyard group and De Weide Blik group.

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

Giulia van Waeyenberge is a member of the Executive Committee of the investment company, Sofina. She previously worked at the investment company De Eik and as vice president at Bank of America Merrill Lynch in London and Singapore. Giulia graduated from the Catholic University of Leuven (Electrical Engineer), Singapore Management University (Economics), INSEAD (International Directors Programme Certificate), IMD (Executive Leadership) and Harvard Business School (Audit Committee in a New Era). Giulia van Waeyenberge has a seat on various boards of directors, including the board of the Port of Antwerp, Collibra, GL events and Mérieux Nutrisciences.

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.

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 began his career in Corporate Finance in France and has worked in Africa as a volunteer and an entrepreneur. Michael Schenck holds master's degrees in Business Administration and International Management from the Erasmus University of Rotterdam and HEC Paris.

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).

Vera Bakker - subject to approval by the AGM

Vera Bakker is Vice President Global Supply Chain Foods at Unilever. She started at Unilever as a supply chain trainee almost 25 years ago and has since climbed up within the organisation and has fulfilled various roles with a focus on various parts of the supply chain in the Netherlands, the United Kingdom, Brazil and Switzerland. Vera Bakker holds a master's degree in Chemical Engineering and an MBA from the Katz Business School, University of Pittsburgh.

Ann Desender – subject to approval by the AGM

Ann Desender has been Chief Financial Officer at Barco since 2016. She started her career at Barco more than 14 years ago as Vice President Corporate Finance & Controlling and has since grown into her current position within the organisation. She started her career at Anderson (now Deloitte). Ann Desender holds a master's degree in Applied Economics and completed the Advanced Management Programme at the IESE Business School.

Neeraj Sharma – subject to approval by the AGM

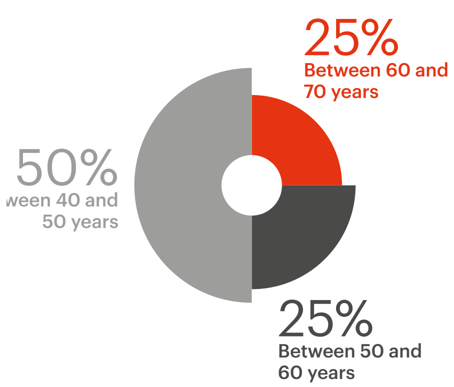
Neeraj Sharma is Chief Executive Officer of SteriScience, a niche company specialised in sterile injectable products with factories in India and Europe. Mr Sharma started his career at Ranbaxy, now Sun Pharmaceuticals, where he worked for more than 25 years in numerous positions in various countries, including India, Southeast Asia, Belgium, Italy, the United Kingdom and the Netherlands, the last seven years of which he was head of the Generics Business – Western Europe. Neeraj Sharma holds a bachelor's degree in Engineering and an MBA Business Management from the Institute of Management Technology, Ghaziabad.

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 Companies 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.

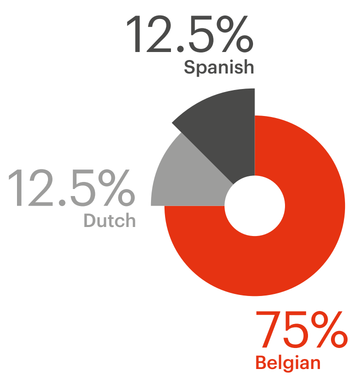
The appointment and renewal of the mandates of the directors and the appointment of the members of the advisory Committees takes into account diversity in gender, age, education and professional background, as well as complementary skills, experience and knowledge as evidenced by their biographies.

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.

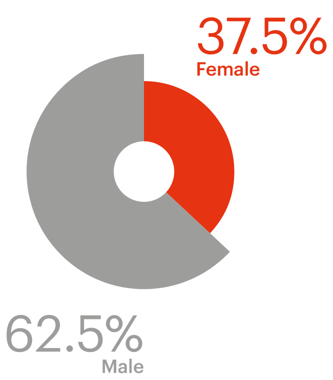
Age



Nationality



Gender



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 Fagron's operating results;
- Approving the internal control and risk management framework;
- Appointing the Executive 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 appointing the CEO and the other members of the Executive Leadership Team (since 2021);
- Determining the Company's ESG strategy and supervising the evolution in its implementation; and
- Selecting the Statutory Auditor upon the recommendation of the Audit and Risk Committee and supervising its performance, as well as supervising the internal audit function.

The Chairman chairs the meetings of the Board of Directors and monitors 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 2021 (18 January, 9 February, 7 April, 10 May, 31 May, 1 June, 8 June, 3 August, 28 October and 2 December). All directors were present at these meetings. All the meetings were attended by the Head of Legal and M&A, Johan Verlinden, and some of the meetings were attended partially by members of the Executive Leadership Team for topics belonging in their area of competence.

The non-executive directors of the Board of Directors met twice in 2021 without the executive directors (15 April and 21 October). The key topics discussed were the future organisation (specifically the composition of the Board of Directors and the Executive Leadership Team), the company's remuneration policy and the further expansion of the Company's growth and acquisition strategy. All of the non-executive members attended these meetings.

In 2021, the Board of Directors mainly focused its attention on the following issues:

- Fagron's strategic development, including the further expansion of the growth and acquisition strategy;
- Performing a global business review;
- Analysis, research and assessment of Fagron's financing structure;
- Assessing Fagron's financial and operating results;
- Convening and setting 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 Companies Code, as well as the resulting proposed amendments to the Articles of Association;
- Adjusting Fagron's Remuneration Policy and Report and, in general, following up on activities to comply with the provisions of the Shareholders' Rights Directive (EU) 2017/828;
- Following up, strengthening and supporting the company's ESG strategy and policies;
- Further establishing and detailing the internal audit function and the supervision of the company's compliance activities;
- Following up and analysing the digital developments and security within the company;
- Following up on the progress of the budget reviews at regional level for the 2021 financial year and then analysing and approving the budget for the 2022 financial year;
- Approving and following up on investment opportunities and acquisitions;
- Evaluation and analysis of the performance of the Executive Leadership Team members;
- Supervising compliance with the requirements of the MAR Regulation;
- Discussing the remuneration policy for non-executive directors, taking into account the recommendations from the Code;
- Formal self-assessment of the composition, operation and effectiveness of the Board of Directors; and
- Assessing the press releases created for the announcement of the periodic, semi-annual and annual financial results;

Evaluation process 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 and of the interaction with the Executive Leadership Team (starting in 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 whilst 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. Assess the operation of the Board of Directors and the Committees;
2. Determine whether the key issues are thoroughly prepared and discussed;
3. 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; and
4. Assess the management structure and composition of the Board of Directors and the Committees considering the required composition of the Board of Directors and of the Committees.

The most recent evaluation of the operation of the Board of Directors, in terms of its scope, composition, operation and that of its Committees and of their interaction with the Executive Committee, still in place at that time, occurred 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 and involvement of each director.

3. Specialised Committees within the Board of Directors

The Board of Directors has set up two advisory Committees: the Audit and Risk Committee and the Nomination and Remuneration Committee. Their role, duties, operation and composition are established in accordance with the Belgian Companies Code and the recommendations of the Code and are described in their respective internal regulations, which are added as annex to the Corporate Governance Charter. 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 and Risk Committee

Composition of the Audit and Risk Committee

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

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

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

For the 2021 financial year, the composition of the Audit and Risk Committee satisfies all the requirements stated in the Code and the Belgian Companies Code. All members of the Audit and Risk Committee have collective expertise in Fagron's activities and have sufficient accounting and audit experience.

Operation and role of the Audit and Risk Committee

The Audit and Risk Committee met four times in 2021 (9 February, 3 August (2 times) and 2 December). All members of the Audit and Risk Committee attended these meetings. Also in attendance at these meetings, upon the Audit and Risk Committee's request, were Rafael Padilla, Karin de Jong and the internal auditor. The Statutory Auditor attended three of the four meetings (9 February, 3 August and 2 December). The Audit and Risk Committee can invite other persons to attend meetings.

The Audit and Risk 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 and Risk Committee is responsible for developing a long-term audit program that covers all the Company's activities and in particular, is responsible for:

- Determining the internal financial reporting to the Board of Directors;
- Monitoring the financial reporting process;
- Monitoring the effectiveness of the Company's internal control and risk management systems;
- Monitoring the internal audits and their effectiveness;
- 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; and
- Assessing and monitoring the independence of the Statutory Auditor, taking note of additional services provided to the Company.

In the financial year 2021, the Audit and Risk Committee mainly dealt with the following topics:

- Monitoring 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 evaluating the performance of the Statutory Auditor;
- Monitoring the improvements to Fagron's internal control and risk management systems and their effectiveness, in particular with regard to cybersecurity attacks and IT governance;
- Reviewing and approving the annual (internal) audit plan and following up on the progress of activities;
- Follow up of pending disputes reported by subsidiaries;
- Follow up of the most important regulatory developments and changes and their possible impact;
- Assessing whether internal audit recommendations from the internal auditor have been implemented;
- Preventing fraud, unlawful acts and shortcomings in internal control.

In 2019, the Audit and Risk Committee began setting 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 who further shaped the set-up and expansion of the internal audit function during the 2021 financial year.

More specifically for the 2021 financial year, the internal audit function focused on:

- Developing a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control issues identified by management and submitting that plan to the Audit and Risk Committee for review and approval, as well as submitting periodic corresponding updates;
- Implementing the annual audit plan, as approved, including any special tasks or projects requested by management and the Audit and Risk Committee;
- Conducting independent process assessments, including special investigations, to provide assurance to the Audit and Risk Committee and management about the effectiveness of the existing control mechanisms;
- Periodic reporting to the Audit and Risk Committee and the management of the results of all audit activities;
- Reporting of major problems regarding the processes for managing Fagron's activities, including improvements to those processes, and providing information about such problems until a solution is found;
- Periodically providing information about the status and results of the annual audit plan and the adequacy of the resources per department; and
- Coordinating and supervising other control and monitoring functions (risk management, compliance, security, ethics, environment, external audit).

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 Belgian Companies Code, who meet the criteria of principle 3.5 of the Code.

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 Non-Executive Director;
- Michael Schenck BV, permanently represented by Michael Schenck - Non-Executive Director;
- AHOK BV, permanently represented by Koen Hoffman - Independent Non-Executive Director.

For the 2021 financial year, the composition of the Nomination and Remuneration Committee satisfies all of the requirements stated in the Code and the Belgian Companies Code.
The members of the Nomination and Remuneration Committee have collective competence and expertise around remuneration and remuneration policy.

Function and role of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee met five times in 2021 (14 January, 4 February, 11 March, 24 March and 23 November).
All members of the Nomination and Remuneration Committee in office, the CEO and the Global HR Director attended these meetings.
The CEO is invited to attend meetings of the Nomination and Remuneration Committee when the Committee discusses the appointment or remuneration of the other members of the Executive Leadership Team. The Nomination and Remuneration Committee can invite other people to attend meetings.

The Committee's main duties with regard to nominations are: drawing up the appointment procedures for the members of the Board of Directors and the Executive Leadership Team (starting in 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 Leadership Team and evaluating potential candidates for a position within the Executive Leadership Team.

The Committee's main duties regarding remuneration are:

- Preparing, assessing and making proposals to the Board of Directors about the remuneration policy to be implemented regarding the directors, the members of the Executive Leadership Team and, where applicable, regarding the ensuing proposals that must be presented to the shareholders by the Board of Directors;
- Preparing, assessing and making proposals to the Board of Directors about the individual remuneration of the directors, the members of the Executive 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;
- Preparing recommendations regarding performance objectives for the CEO and the other members of the Executive Leadership Team;
- Preparing recommendations regarding the allocation of annual bonuses and long-term incentives for the CEO and the other members of the Executive Leadership Team;
- Discussing the operation and performance of the Executive Leadership Team members;
- Discussing with the CEO at least once a year regarding the operation as well as the performance of the Executive Leadership Team;
- 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; and
- Providing an explanation of the remuneration report and policy at the annual General Meeting.

In the 2021 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, regarding the Code 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;
- Discussing and submitting proposals to the Board of Directors, in consultation with the CEO, regarding the composition of and the functions within the Executive Leadership Team;
- Assessing and determinating performance criteria and objectives for the members of the Executive Leadership Team; and
- Handling matters relating to remuneration, the allocation of annual bonuses and long-term incentive remuneration to the members of the Executive Leadership Team;

4. Executive Leadership Team

In response to the amendment to the Articles of Association that was approved during the annual meeting of 10 May 2021, the Executive Committee ceased to exist and was replaced by the Global Leadership Team, as described in the annual report for the 2020 financial year. During the 2021 financial year, the Board of Directors, upon recommendation from the Nomination and Remuneration Committee, decided to entrust the executive management to a core group within the Global Leadership Team, called the Executive Leadership Team. Since then, the executive management lies with the Executive Leadership Team, where the CEO is responsible for the daily management, in close cooperation with the CFO. Fagron's daily and operational management is conducted by the Executive Leadership Team.

Composition of the Executive Leadership Team

The Board of Directors appoints the members of the Executive Leadership Team based on the recommendations from the Nomination and Remuneration Committee and after consultation and upon recommendation of the CEO.
The members are appointed for an indefinite period 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 Executive Leadership Team are stated in the individual agreement between the team member and Fagron.

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

Rafael Padilla – Chief Executive Officer

Rafael Padilla started his career in 2002 at Fagron in the Netherlands and has been Fagron's CEO since 2017. Rafael Padilla has a long-time operational and commercial track record within Fagron. Under his leadership, Fagron has been able to successfully expand its activities in Southern Europe and Latin America since 2010 through strong organic growth and acquisitions. 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

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 Executive Master of Finance and Control at the Erasmus University Rotterdam.

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 at Merrill Lynch. Andrew Pulido studied Economics (BA) at Vanderbilt University.

Constantijn van Rietschoten – Area Leader EMEA

Constantijn van Rietschoten has worked at Fagron since 2008 and has been Area Leader EMEA since August 2021. 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. Starting in 2016, he was Chief Corporate Affairs Officer, responsible for corporate communication, investor relations, stakeholder engagement, public affairs and ESG. Constantijn van Rietschoten studied Public Administration at Erasmus University Rotterdam.

Ivan José Maróstica – Area Leader Latin America

Ivan Maróstica has been Area Leader 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 Pontificial Universidade Católica de Campinas.

Johan Verlinden – Head of Legal and M&A

Johan Verlinden started his career as a lawyer at the Brussels and Turnhout bars. Johan Verlinden has been working at Fagron since 2013 as Global Legal Affairs Director and has been Fagron's Head of Legal and M&A since August 2021. 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.

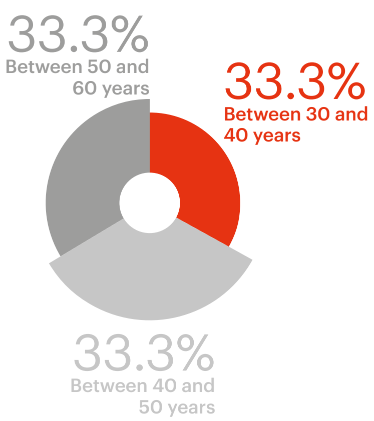
Diversity in the Executive Leadership Team
In the composition of the Executive Leadership Team, Fagron values complementary skills, experience, knowledge and diversity.
In appointing the members of the Executive Leadership Team, diversity in the following areas was taken into account: gender, age, education and professional background, as well as complementary skills, experience and knowledge.

From 2021, the Executive Leadership Team consists of one female member and five male members. The Executive Leadership Team is composed of representatives from five nationalities from different age categories. As their position within Fagron requires, the team members' education, work experience and career paths differ, which ensures a complementary set of knowledge and skills within the Executive Leadership Team.

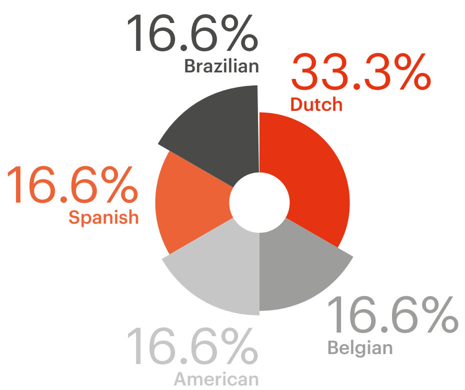
Operation and role of the Executive Leadership Team
Since the approval by the Extraordinary General Meeting of 10 May 2021 of the change in the Fagron management structure to a unitary system, the Board of Directors delegates the daily management to the CEO. The daily management includes all actions 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 based on 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 from the Executive Leadership Team to the Board of Directors or the advisory Committees, depending on the topic.

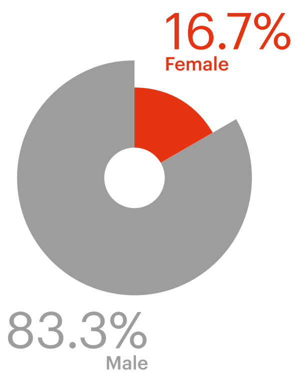
Age



Nationality



Gender



The role of the Executive Leadership Team is to supervise and ensure the management of Fagron's global activities, under the leadership of the CEO and considering Fagron's general strategy as determined by the Board of Directors. The main responsibilities of the Executive Leadership Team are developing strategic guidelines, analysing budgets and operational objectives, and supervising the local management teams. The individual members of the Executive 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 Executive 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 Executive Leadership Team.
In exercising its responsibilities, the Executive Leadership Team is assisted by a team of staff members in key positions from Fagron's various divisions.

The main responsibilities of the Executive Leadership Team are:
- Developing and implementing Fagron's vision, mission, strategic objectives and direction and advising the Board of Directors in this regard, focusing on long-term value creation by the company;
- Observing Fagron's daily and operational management;
- Investigating potentially interesting investment opportunities and making proposals in this regard to the Board of Directors;
- Rolling out strategic partnerships with key customers and building and maintaining strong customer relationships;
- Organising and monitoring internal controls, without prejudice to the Board of Directors' supervisory role;
- Supervising the complete, timely, reliable and accurate preparation of the financial statements, in accordance with Fagron's accounting principles and policies;
- Following up Fagron's mandatory publication of the financial statements, the annual reports and other material financial and non-financial information;
- Assessing Fagron's financial situation and budget and providing information to the Board of Directors about the company's financial results and financial position;
- Advising and implementing the decisions made by the Board of Directors and exercising the powers delegated to them by the Board of Directors.
- Providing, in a timely manner, all information that the Board of Directors needs in order to perform its tasks.

The Executive 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.

Except in exceptional circumstances, the CEO provides relevant information on behalf of the Executive 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.

Evaluation process of the Executive Leadership Team
Each year, the CEO and the Nomination and Remuneration Committee evaluate the operation and performance of the members of the Executive Leadership Team. The evaluation of the Executive Leadership Team occurs in the context of the annual salary review of the members of the Executive Leadership Team.

6. Statutory Auditor

Fagron's Statutory Auditor is "Deloitte Bedrijfsrevisoren BV", with registered office at Luchthaven Brussel Nationaal 1, Bus 1J, 1930 Zaventem and registered in the K.B.O. (Kruispuntbank van Ondernemingen) under number 0429.053.863, represented by Ine Nuyts. Ine Nuyts, Auditor, was designated as representative who is authorised to represent Deloitte Bedrijfsrevisoren BV and who is charged with performing the mandate on its behalf and at its expense.

Starting in 2019, Deloitte Bedrijfsrevisoren BV was appointed as Fagron's Statutory Auditor for a period of three financial years, ending after the Annual General Meeting to be held in 2022. It will be proposed to the General Meeting of Shareholders on 9 May 2022 to reappoint Deloitte Bedrijfsrevisoren BV, represented by Ms Ine Nuyts, as Statutory Auditor for a period of three years, to be terminated after the General Meeting of 2025.

Deloitte received a total annual Audit fee of 461,299 euros in 2021. Of this amount, 122,040 euros concerned Fagron NV. A proposal will be submitted to the General Meeting of Shareholders on 9 May 2022 to approve this remuneration.

Details about the remuneration of the Statutory Auditor in 2021 are contained in Note 33 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 Companies Code and the additional rules that are stated in Fagron's Corporate Governance Charter in the context of its policy regarding transactions and other contractual relationships between the Company and its directors or members of the Executive Leadership Team that are not covered by the previous conflict of interest regulations.

Conflicts of interest within the meaning of Article 7:96 of the Belgian Companies 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, the director concerned must report this fact to the other directors, pursuant to Article 7:96 of the Belgian Companies Code, at the start of the meeting, and he/she will act in accordance with that Article. 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.

The procedure from Article 7:96 of the Belgian Companies Code was applied twice in 2021, specifically during the meeting of the Board of Directors on 10 May (Granting discharge to the members of the Executive Committee) and the meeting on 8 June (Exercising Subscription Rights). The passages from the minutes of the relevant meetings are 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 10 May 2021:
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 Companies Code when granting discharge to Mr Rafael Padilla and Ms Karin de Jong, respectively, in their capacity as members of the Company's Executive Committee during the 2020 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 2020 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 2020 financial year.

During the 2020 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 2020 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 2020 financial year.

Extract from the minutes of the Board of Directors of 8 June 2021:
Exercise of Subscription Rights
Before proceeding to the agenda, Mr Rafael Padilla and Ms Karin de Jong announce that they believe that for them, 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 Companies 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 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.

Experience over the past years has shown that options and subscription rights and participation as shareholders are crucial 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
A company must also comply with the procedure from Article 7:97 of the Belgian Companies Code when it, 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. Pursuant to Article 7:97 of the Belgian Companies 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.

In the 2021 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 Companies Code.

Policy regarding transactions and other contractual relationships between the Company and its directors or members of the executive management Team who are not covered by the conflicts of interest regulation
The Board of Directors has drawn up several guidelines for transactions and other contractual relationships between Fagron and its Board members or members of the Executive Leadership Team who are not covered by the conflicts of interest regulation. All members of the Board of Directors and the Executive Leadership Team 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 group companies.

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

If Article 7:96 of the Belgian Companies Code is applicable, the director in question must refrain further from participating in the relevant deliberations and the voting. In the 2021 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 Companies Code.

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

The Board of Directors has established rules to prevent privileged information from being used illegally by directors, shareholders, members of the management, employees and certain third parties (jointly referred to as "Insiders"). These rules are an integral part of the Corporate Governance Charter and can be accessed on the investor page of the Fagron website under the section, Corporate Governance/Governance documents (investors.fagron.com). 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 perform any transactions regarding the Company's securities during the so-called Closed Periods and Blocked Periods.

A Closed Period is:

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

The Blocked Period is the period that is communicated as such by the Compliance Officer upon the instructions from the Board of Directors or the Executive Leadership Team and which commences from the date on which the Insider Knowledge becomes known to the Board of Directors or the Executive Leadership Team and lasts until immediately after the Insider Knowledge has been announced or until the date on which the Insider Knowledge is no longer price-sensitive in nature.

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

9. Remuneration report and policy

Development of the Remuneration Policy
During 2021, Fagron developed a Remuneration Policy based on the Code 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 was approved by the General Meeting of 10 May 2021. As a result of the approval by the Extraordinary General Meeting of 10 May 2021 and the transformation of Fagron's management structure into a unitary board as described in Articles 7:85 et seq. of the Belgian Companies Code, this Remuneration Policy is applicable to the members of the Executive Leadership Team since the year 2021.

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, considering the status as a listed company and the size of Fagron, the sector in which Fagron operates and with relevant benchmarks against designated comparable companies and general international market practices. In determining the remuneration of the non-executive directors, account is taken of the fact that this must be 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 Leadership Team based on the recommendations from 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, considering relevant benchmarks and 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 investor page of the Fagron website under the section, Corporate Governance/ Governance Documents (investors.fagron.com).

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

As approved 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. The other non-executive directors of the Company receive an annual remuneration of 30,000 euros, plus 7,200 euros for each Committee of which they are a member. The relevant members of the Executive Leadership Team do not receive any separate remuneration for their membership in the Board of Directors.

The remunerations for directors remained unchanged in 2021 since the previous year.
On 13 April 2020, the non-executive members of the Board of Directors decided to voluntarily relinquish 25% of their remuneration for the 2020 financial year and use the funds to combat the COVID-19 virus. In 2021, the directors' remunerations were paid out normally.
The Board of Directors proposes to the Annual Meeting of 9 May 2022 to keep the remuneration of the non-executive members of the Board of Directors for the 2022 financial year at the same level as for the 2021 financial year.

Principle 7.6 of the Code specifies that the non-executive directors must receive part of their remuneration in shares in the Company. These shares must be held for at least one year after the end of their mandate as director and at least three years after their allocation. Currently, the non-executive members of the Board of Directors do not receive any remuneration in the form of Fagron shares. In the coming years, the Nomination and Remuneration Committee will further analyse whether and to what extent the allocation of Fagron shares to non-executive directors as part of their remuneration has

Board remuneration 2020 - 2021	2020	2021	Δ%
AHOK B.V., permanently represented by Koen Hoffman Non-Executive Director Chairman, Member of the Audit and Risk Committee, Member of the Nomination and Remuneration Committee	€ 75,000	€ 100,000	+33%
Vanzel G. Comm.V., permanently represented by Giulia van Waeyenberge Non-Executive Director Member of the Audit and Risk Committee	€ 27,900	€ 37,200	+33%
Management Deprez B.V., permanently represented by Veerle Deprez Non-Executive Director Member of the Nomination and Remuneration Committee	€ 27,900	€ 37,200	+33%
Alychlo NV, permanently represented by Marc Coucke Non-Executive Director	€ 22,500	€ 30,000	+33%
Michael Schenk BV, permanently represented by Michael Schenk Non-Executive Director Member of the Audit and Risk Committee, Member of the Nomination and Remuneration Committee	€ 33,300	€ 44,400	+33%
Rob ten Hoedt Non-Executive Director	€ 22,500	€ 30,000	+33%

added value for the company and provide a recommendation about the future remuneration of the non-executive directors and any changes that should be recommended in that regard.

Remuneration of the executive directors who are members of the Executive Leadership Team

In the 2021 financial year, Fagron's new management structure was approved by the Extraordinary General Meeting and the Executive Committee ceased to exist. Fagron's daily operational management is now the responsibility of the Executive Leadership Team, chaired by the CEO. The executive directors who are members of the Executive Leadership Team do not receive any separate remuneration for their membership in the Board of Directors.

Starting in the 2021 financial year, the Global Leadership Team was tasked with Fagron's executive management. To increase the effectiveness, the Global Leadership Team was reduced in August 2021 and named the Executive Leadership Team. The team now consists of the CEO and the CFO, the Area Leaders – Constantijn van Rietschoten (EMEA), Andrew Pulido (North America) and Ivan Maróstica (Latin America) - and the Head of Legal and M&A (Johan Verlinden).

This report describes the remuneration on an individual basis for the executive board members and as a whole for the other members of the Executive Leadership Team as it exists on the date of this report.

The remuneration package of the members of the Executive 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 remunerations Executive Leadership Team 2020 - 2021	2020	2021	%
Rafael Padilla Executive Director Chief Executive Officer	€ 500,000	€ 506,000	+1.2%
Karin de Jong Executive Director Chief Financial Officer	€ 335,000	€ 339,020	+1.2%
Other members of the Executive Leadership Team*	€ 926,341**	€ 1,014,088**	+9.5%

* Amounts prorated to the term in accordance with the appointment as member of the Executive Leadership Team.
** Total in euros at constant exchange rate (31 December 2021).

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 Leadership Team. This analysis compares the remuneration packages (in terms of size and complexity) with similar multinational companies in Europe, Brazil or the United States, depending on the place of residence 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 Leadership Team. This analysis will be repeated in 2022. 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, considering the responsibilities, the individual performance, the experience and the competencies of each member of the Executive Leadership Team as well as the aforementioned market comparison and the general operating results. Based on these criteria, the fixed (gross) remunerations of Rafael Padilla and Karin de Jong were increased by 1.2% to 506,000 euros and 339,020 euros, respectively, as of 1 January 2021.

The table above provides an overview of the fixed remunerations paid to the members of the Executive Leadership Team in 2020 and 2021.

Annual bonus

The Nomination and Remuneration Committee evaluated the bonus criteria for 2021, set in accordance with the Remuneration policy, of the members of the Executive Leadership Team, based on the Company's audited results. Based on the input from the Nomination and Remuneration Committee, the Board of Directors has approved the bonuses.

This mainly concerns financial objectives – (1) turnover, (2) REBITDA and (3) OWC – and personal, discretionary (usually qualitative) objectives. The turnover objective was achieved partially at group level, not achieved in EMEA and North America, but was achieved in Latin America. The REBITDA objective was only achieved in Latin America. The OWC objective was achieved in North America, partially in Latin America, but not in EMEA and at group level. The financial objectives for the members of the Executive Leadership Team have therefore been partially achieved.

The effective pay-out of the annual variable remuneration is dependent on the achievement of predefined sustainability objectives (bonus-malus). The sustainability objective for 2021 was to reduce the greenhouse gas emission intensity by 10% compared to 2019; the objective is to achieve a 15% reduction for 2022. This objective is applicable to the Area Leaders in their region and to the other members of the Executive Leadership Team on Fagron's emissions. When these objectives are achieved, the annual remuneration is paid at 110%; if they are not achieved, the pay-out percentage is 90%. The sustainability objective for the bonus reference year 2021 was not achieved for the EMEA region, as a result of which the Area Leader's bonus was paid out for 90%. For the other regions and at group level, the sustainability objectives were achieved and the bonuses were paid out for 110%.

For the Area Leader North America, an additional annual bonus was proposed where the on-target bonus is equal to half of the regular bonus and the maximum of this bonus is equal to 31.25% of the annual salary. This additional bonus is based on several specific criteria, in particular, various business KPIs and objectives for predefined projects.

The maximum for this bonus was achieved. The Area Leader North America was also granted a discretionary bonus for exceptional performance regarding the restructuring of the business, crucial as a foundation for future growth, equal to one annual salary (2022 annual salary).

As specified in the Remuneration Policy, the Company 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. The sustainability objectives have already been established through 2025 and gradually increase from a reduction in the greenhouse gas emission intensity compared to the 2019 base year of 10% in 2021 to a reduction of 30% greenhouse gas emission intensity in 2025.

For the bonus reference year 2021, a right of reclaim was provided for acquired bonuses. No appeal was made in 2021 to such right of reclaim.

The table below provides an overview of the bonuses achieved and paid out for the bonus reference year 2021.

2021 Bonuses for the Executive Leadership Team	On-target bonus (% of fixed remuneration)	Bonus received (% of on-target bonus)	Pay-out ratio (90% or 110%)	Total bonus
Rafael Padilla Executive Director Chief Executive Officer	100%	18%	110%	€ 100,749
Karin de Jong Executive Director Chief Financial Officer	75%	23%	110%	€ 43,074
Other members of the Executive Leadership Team*	41.66%	61%**	105%**	€ 260,513**

* Average percentages and excluding the additional bonus for the Area Leader North America.
** Total in euros at constant exchange rate (31 December 2021).

Subscription rights allocated in 2021	Number of subscription rights	Exercise Price	Vesting	Term
Subscription Rights Plan 2020				
Rafael Padilla Executive Director CEO	112,500	€ 19.44	3 years (100%)	10 years
Karin de Jong Executive Director CFO	75,000	€ 19.44	3 years (100%)	10 years
Constantijn van Rietschoten Member, Executive Leadership Team Area leader EMEA	50,000	€ 19.44	3 years (100%)	10 years
Andrew Pulido Member, Executive Leadership Team Area Leader North America	50,000	€ 19.44	3 years (100%)	10 years
Ivan Maróstica Member, Executive Leadership Team Area Leader Latin America	50,000	€ 19.44	3 years (100%)	10 years
Johan Verlinden Member, Executive Leadership Team Head of Legal and M&A	50,000	€ 19.44	3 years (100%)	10 years

Long-term variable remuneration - Subscription rights

The long-term variable remuneration consists of allocating subscription rights to the members of the Executive Leadership Team. The allocations do not occur on an annual basis, 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 the Company and its subsidiaries. This plan aims to provide an additional incentive to the Company's directors and management. The Subscription Rights Plan 2020 is available on the investor page on the Fagron website under the Corporate Governance/Governance documents section (investors.fagron.com). In 2021, based on this plan, 387,500 subscription rights were allocated to the members of the Executive Leadership Team.

The table above provides an overview of the subscription rights allocated to the members of the Executive Leadership Team.

For further details regarding the subscription rights, see Note 21 to the consolidated financial statements.

Vesting of warrants and subscription rights

The vesting of warrants and subscription rights occurs after the expiration of a predetermined period with an applicable condition that the beneficiaries are still associated with the Company or its subsidiaries through an employment contract or service agreement, unless there is explicit recognition by the Board of Directors as "good leaver" or in the event of retirement, death or permanent disability. In addition, Fagron's Articles of Association stipulate that it can deviate from the provisions in Article 7:91 of the Belgian Companies Code for all persons who fall under the scope of those provisions.

Warrants exercised in 2021	Allocation	Vesting	Term	Outstanding balance on 31/12/2020	Exercise price	Number of subscription rights exercised in 2021	Stock price upon exercise	Number of expired subscription rights in 2021	Outstanding balance on 31/12/2021
Warrant Plan 2018									
Rafael Padilla	2018	3 years (50%) 4 years (50%)	5 years	250,000	€ 13.94	60,000	€ 18.60	0	190,000
Karin de Jong	2018	3 years (50%) 4 years (50%)	5 years	–	–	–	–	–	–
Constantijn van Rietschoten	2018	3 years (50%) 4 years (50%)	5 years	–	–	–	–	–	–
Andrew Pulido	2018	3 years (50%) 4 years (50%)	5 years	15,000	€ 13.94	15,000	€18.87	–	–
Ivan Maróstica	2018	3 years (50%) 4 years (50%)	5 years	100,000	€ 13.94	50,000	€ 18.87	–	50,000
Johan Verlinden	2018	3 years (50%) 4 years (50%)	5 years	–	–	–	–	–	–

The table above provides an overview of the warrants and subscription rights exercised in 2021 from the members of the Executive Leadership Team.

For further details regarding the subscription rights, see Note 21 to the consolidated financial statements.

Overview of outstanding warrants and subscription rights

The table on the next page provides an overview of all outstanding warrants and subscription rights of the members of the Executive Leadership Team.

Shareholder of the company

According to principle 7.9 of the Code, the Board of Directors must specify a minimum threshold of shares that must be held by the members of the Executive Leadership Team. However, the Board of Directors is of the opinion that the members of the Executive Leadership Team should not have to hold a minimum number of shares in the Company since there are sufficient other mechanisms provided in order to guarantee the professional long-term commitment of the 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 management team act from the perspective of the long-term shareholder.

Fagron does encourage the members of the Executive Leadership Team to acquire and retain Fagron shares. Various members of the Executive Leadership Team hold Fagron shares. In the coming years, the Board of Directors will further analyse whether the minimum threshold has added value.

An overview of the number of shares held by the members of the Board of Directors and the Executive Leadership Team is available on the investor page of the Fagron website under the Shareholders section (investors.fagron.com).

Outstanding warrants and subscription rights	Plan	Allocation	Vesting	Term	Exercise price	Outstanding balance on 31/12/2021
Rafael Padilla	Warrant Plan 2018	2018	3 years (50%) 4 years (50%)	5 years	€ 13.94	190,000
	Subscription Rights Plan 2020	2020	3 years (100%)	10 years	€ 18.52	112,500
	Subscription Rights Plan 2020	2021	3 years (100%)	10 years	€ 19.44	112,500
Karin de Jong	Subscription Rights Plan 2020	2020	3 years (100%)	10 years	€ 18.52	75,000
	Subscription Rights Plan 2020	2021	3 years (100%)	10 years	€ 19.44	75,000
Constantijn van Rietschoten	Subscription Rights Plan 2020	2020	3 years (100%)	10 years	€ 18.52	50,000
	Subscription Rights Plan 2020	2021	3 years (100%)	10 years	€ 19.44	50,000
Andrew Pulido	Warrant Plan 2019	2020	3 years (50%) 4 years (50%)	5 years	€ 18.92	85,000
	Subscription Rights Plan 2020	2020	3 years (100%)	10 years	€ 18.52	50,000
	Subscription Rights Plan 2020	2021	3 years (100%)	10 years	€ 19.44	50,000
Ivan Maróstica	Warrant Plan 2018	2018	3 years (50%) 4 years (50%)	5 years	€ 13.94	50,000
	Subscription Rights Plan 2020	2020	3 years (100%)	10 years	€ 18.52	50,000
	Subscription Rights Plan 2020	2021	3 years (100%)	10 years	€ 19.44	50,000
Johan Verlinden	Subscription Rights Plan 2020	2020	3 years (100%)	10 years	€ 18.52	50,000
	Subscription Rights Plan 2020	2021	3 years (100%)	10 years	€ 19.44	50,000

Other benefits

Fagron strives to grant, where applicable, other benefits in line with the local market practices in the geographic reference markets. In general, the members of the Executive Leadership Team 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 Executive Leadership Team with a Dutch employment contract are members of the collective pension plan (fixed contribution scheme). They can also opt for a company car or mobility allowance. The Belgian member of the team is an independent service provider and is therefore not affiliated with any benefit plan. The American member of the Executive Leadership Team is affiliated to the collective health and life insurance plans and of the pension plan (401(k)) of the company with which he has an employment contract. The Brazilian team member has a company car and is covered by health insurance.

Total remuneration Executive Leadership Team 2021	Fixed remuneration	Annual bonus	Subscription rights allocated	Pension costs	Other benefits	Fixed/variable ratio
Rafael Padilla						
Executive Director						
CEO	€ 506,000	€ 100,749	€ 141,375	€ 0	€ 14,779	68%/32%
Karin de Jong						
Executive Director						
CFO	€ 339,020	€ 43,074	€ 94,250	€ 7,946	€ 20,101	73%/27%
Other members of the Executive Leadership Team	€ 1,014,088*	€ 260,513*	€ 358,150	€ 20,017*	€ 43,169*	64%/36%**

* Total in euros at constant exchange rate (31 December 2021).
** Average percentages.

Remuneration overview

The table above provides an overview of the remuneration of the members of the Executive Leadership Team.

Severance pay

No severance pay was allocated to members of the Executive Leadership Team.

Deviations from the remuneration policy

There were no deviations from the remuneration policy in 2021, except for the additional bonus for the Area Leader North America as described above.

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, expressed in full-time equivalents, of Company employees other than the directors, the members of the Executive Board and the 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 Company employees 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 with the average remuneration of other Fagron employees and with the lowest remuneration of the employees, the following principles are utilised:

- 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. The subscription rights allocated to the executive board members have been disregarded since they are not allocated on an annual basis and therefore cannot be compared in a consistent manner. The other benefits are also disregarded.
- For the non-executive directors, consideration is given to the fixed remuneration for the Chairman of the Board of Directors, to 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 and Risk Committee and/or the Nomination and Remuneration

Management Remuneration		2021	2020	2019	2018	2017	2016
Executive directors							
Rafael Padilla** - CEO	Remuneration*	€ 606,749	€ 869,037	€ 755,000	€ 727,750	€ 34,806**	–
	Δ %	–30.2%	+15.1%	+3.7%	–	–	–
Karin de Jong*** - CFO	Remuneration*	€ 382,094	€ 475,210	€ 398,588	€ 370,000	€ 347,840	€ 367,760
	Δ %	–19.6%	+19.2%	+7.7%	+6.4%	–5.4%	–
Non-executive directors							
Chairman of the Board of Directors	Remuneration	€ 100,000	€ 75,000	€ 100,000	€ 60,000	€ 60,000	€ 55,000
	Δ %	+33.3%	–25.0%	+66.7%	0.0%	+9.1%	–
Fixed remuneration for other non-executive board members	Remuneration	€ 30,000	€ 22,500****	€ 30,000	€ 30,000	€ 30,000	€ 30,000
	Δ %	+3.3%	–25.0%	–	–	–	–
Additional remuneration for the members of the Board of Directors' Committees	Remuneration	€ 7,200	€ 5,400	€ 7,200	€ 7,200	€ 7,200	€ 7,200
	Δ %	+33.3%	–25.0%	–	–	–	–
Company performance							
(x million euros)							
Turnover (CER/total growth)		€ 573.8	€ 556.0	€ 534.7	€ 471.7	€ 433.5	€ 421.8
	Δ %	+3.2%	+4.0%	+13.4%	+8.8%	+2.8%	–1.38%
REBITDA		€ 118.3	€ 123.9	€ 117.0	€ 99.1	€ 95.7	€ 90.6
	Δ %	–4.5%	+5.9%	+18.1%	+3.6%	+5.6%	–8.2%
Remuneration of other employees							
Average remuneration (FTE)		–	€ 56,701	€ 52,694	€ 49,240	€ 46,599	€ 41,923
	Δ %		+7.6%	+7.0%	+5.7%	+11.2%	–6.5%
Lowest remuneration (FTE)		–	€ 27,740	€ 27,830	€ 26,524	€ 25,421	€ 24,835
	Δ %		–0.3%	+4.9%	+4.3%	+2.4%	–6.4%
Ratio between the highest remuneration (CEO) and the lowest remuneration		–	31.3	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.
**** Value differs from the Dutch version of the Annual report, this is the correct value.

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.

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

Based on Article 3:6, §1 of the Belgian Companies 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 Companies 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
Company 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 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 job vacancy is specified. Fagron attaches significant 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.

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 Nomination and Remuneration Committee ensures that the Board of Directors has sufficient information about the candidate in order to be able to consider the candidate, such as a curriculum vitae, the assessment based on an initial interview, a list of the mandates that the candidate already possesses and, if necessary, the information required in order to assess the director's independence.

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.

Fagron's Articles of Association stipulate that directors are appointed for a maximum period of four years. The mandate ends at the end of the General Meeting of Shareholders, which is set 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 Fagron's 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 2021 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; This term loan facility agreement was transferred to the multicurrency term and revolving facilities agreement dated 1 August 2019 as stated above;
- Note Purchase Agreement dated 15 April 2014 between the Company and its financiers. This Note was fully repaid in 2021;
- 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 Fagron strategy with the corresponding risk profile and 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.

Fagron gives priority to internal control and risk management and to the design of these internal risk management and control systems regarding Fagron's strategic, operational, compliance and financial reporting risks. Given Fagron's development and the environment in which it operates, the design and operation of these internal risk management and control systems are continuously evaluated and continuously subjected to further refinement and improvement.

Despite the various controls that have been implemented in order to manage the risks that could undermine the realisation of the strategic objectives, these cannot, however, provide absolute certainty that no material inaccuracies can occur at Fagron.

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 and Risk 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 and Risk 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 update of the pending disputes to the Audit and Risk Committee on a regular basis. The risk is quantified and qualified each time.

Fagron recently established an internal audit function. The Audit and Risk Committee assesses the internal auditor's risk analysis, the internal audit charter and the internal audit plan and receives 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 and will be further expanded and professionalised in the coming years so that the internal 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 through

the internal audit will be reported to management in a timely manner and will be followed up periodically 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 major opportunities and risks, are discussed with the Executive Leadership Team. 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 KPIs, which are monitored for progress during the year.

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

The management and the business controllers report to the Executive Leadership Team and the Corporate Controlling department on a monthly basis regarding the progress in realising their business plan, the resulting KPIs and financial performance. Progress meetings based on these reports are held on a regular basis, where at least the following is discussed: the actions agreed upon in earlier reviews, the financial results and updated expectations, 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 and Risk 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 and Risk 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 and Risk Committee discusses the financial reporting methods with the Executive 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 and Risk 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 and Risk Committee checks to what extent the Executive Leadership Team addresses the recommendations from the Statutory Auditor.

Global Policies and Code of Conduct
Responsibilities, powers, guidelines and procedures at Fagron have been clearly established in an accessible manner in Fagron's Global Policies and Code of Conduct. 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 and Risk Committee. The compliance reviews are performed by Corporate Controlling and address the proper application of internal procedures 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 based on the results. These instruments contribute to 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:

- Contribution in kind of Fagron BV (formerly Arseus BV) shares by Omega Pharma; and
- 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 Fagron voting securities 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 Fagron voting securities 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 Fagron voting securities 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 Fagron voting securities 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 Fagron voting securities 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 Fagron voting securities 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 Fagron voting securities 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 Fagron voting securities 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 Fagron voting securities 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 Fagron voting securities 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 Fagron voting securities 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 Fagron voting securities 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.

On 9 June 2021, there were 482,500 new shares issued as a result of the exercise of warrants under the Warrant Plans 2016, 2018 and 2019. The number of Fagron voting securities amounted to 72,960,154. The total number of voting rights (denominator) amounted to 72,960,154. The capital amounted to 501,870,567.62 euros.

Consequently, the capital at the time of the creation of this annual report is 501.870.567.62 euros, represented by 72,960,154 shares, without indication of nominal value with a fraction value of 1/72,960,154th of the capital.

Shareholder structure and notifications of shareholding
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.

Fagron's shareholder structure as of April 6, 2022 is shown in the chapter "Information about the Fagron share" on page 94 and further.

Warrants
On 13 June 2016, the Board of Directors approved the 2016 Warrant Plan for employees and managers/consultants of Fagron NV and 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 Board of Directors approved the Warrant Plan 2018 for employees and managers/consultants of Fagron NV and its subsidiaries. This was confirmed by decision 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 Board of Directors approved the Warrant Plan 2019 for employees and managers/consultants of Fagron NV and its subsidiaries. This was confirmed by decision 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 Board of Directors approved and issued the Subscription Rights Plan 2020 for employees and managers/consultants of Fagron NV and 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 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 21 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 Fagron's 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, the Board of Directors has the authority to request payment of a share premium. If the Board of Directors so decides, 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 Companies Code. This power of the Board of Directors will apply to capital increases that are subscribed to in cash or in kind, or that result from capitalisation of reserves with or without the issue of new shares. The Board of Directors is permitted to issue convertible bonds or 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 Fagron's 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 its subsidiaries under the authorised capital in the presence of civil-law notary Stijn Raes, where it was resolved to issue 2,600,000 subscription rights.

The Board of Directors did not authorise any authorised capital during the 2021 financial year. A proposal will be made to the Extraordinary General Meeting of 9 May 2022 to renew the authorisation for authorised capital for a period of five years in order to provide the Board of Directors the option to increase the capital by 10%.

Acquisition of treasury shares
The Extraordinary General Meeting of 13 May 2019 granted the Board of Directors an 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 2021 and did not provide any treasury shares. As of 31 December 2021, 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 head office.

These documents can also be access electronically on the investor page of the Fagron website (investors.fagron.com).

Financial Annual Report 2021

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 2021, 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
8 April 2022

Consolidated income statement

(x 1,000 euros)	Note	2021	2020
Operating income		**577,918**	**557,159**
Turnover	6	573,808	555,971
Other operating income	7	4,110	1,188
Operating expenses		**490,481**	**468,420**
Trade goods		237,523	226,883
Services and other goods	8	88,789	82,359
Employee benefit expenses	9	132,503	125,259
Depreciation and amortisation	10	29,332	31,293
Other operating expenses	11	2,334	2,627
Operating profit		**87,438**	**88,738**
Financial income	12	2,780	753
Financial expenses	12	–13,397	–15,776
Profit before income tax		**76,820**	**73,715**
Taxes	13	15,442	13,678
Net result		**61,378**	**60,037**
Attributable to:			
Shareholders of the company (net result)		61,004	59,601
Non-controlling interest		375	436
Earnings (loss) per share from continued and discontinued operations attributable to the shareholders during the year			
Profit (loss) per share (in euros)	14	**0.84**	**0.83**
Diluted profit (loss) per share (in euros)	14	**0.84**	**0.82**

Consolidated statement of comprehensive income

(x 1,000 euros)	Note	2021	2020
Net result for the financial year		**61,378**	**60,037**
Other comprehensive income			
Items that will not be reclassified to profit or loss	23		
• Remeasurements of post-employment benefit obligations		315	1,035
• Tax relating to items that will not be reclassified		–79	–259
Items that may be subsequently reclassified to profit or loss			
• Conversion differences		8,986	–49,024
Other comprehensive income for the year net of tax		**9,222**	**–48,248**
Total comprehensive income for the year		**70,600**	**11,788**
Attributable to:			
Shareholders of the company		70,225	11,352
Non-controlling interest		375	436

The unrealised exchange rate differences of 9 million euros in 2021 were caused primarily by a strengthening of the US dollar compared to the euro.

The unrealised exchange rate differences of -49 million euros in 2020 were caused primarily by a weakening of the Brazilian real compared to the euro.

Consolidated statement of financial position

(x 1,000 euros)	Note	2021	2020
Non-current assets		**566,709**	**530,943**
Goodwill	15	380,411	364,654
Intangible fixed assets	15	30,665	24,513
Property, plant and equipment	16	92,338	86,188
Leasing and similar rights	27	36,287	32,437
Financial non-current assets	17	4,463	2,340
Deferred tax liabilities	18	22,545	20,811
Current assets		**233,711**	**221,883**
Inventories	19	90,834	79,794
Trade receivables	20	51,897	42,140
Other receivables	20	20,335	15,702
Cash and cash equivalents	20	70,646	84,248
Total assets		**800,421**	**752,826**
Equity	21	**325,466**	**257,819**
Shareholders' equity (parent)		320,105	253,107
Non-controlling interest		5,361	4,712
Non-current liabilities		**329,892**	**294,751**
Provisions	22	1,783	3,394
Pension obligations	23	4,329	4,781
Deferred tax liabilities	18	2,510	2,128
Borrowings	24	290,586	256,900
Lease liabilities	27	30,684	27,548
Current liabilities		**145,062**	**200,256**
Borrowings	24	6,796	64,440
Lease liabilities	27	7,522	6,650
Trade payables	25	83,660	72,252
Tax liabilities for the current year		7,211	8,635
Other current taxes, remuneration and social security	18	23,723	22,938
Other current payables	24	16,046	24,930
Financial instruments		103	411
Total liabilities		**474,954**	**495,007**
Total equity and liabilities		**800,421**	**752,826**

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
Balance as of 1 January 2020		**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	21	0	0	0	−5,774	−5,774	0	−5,774
Share-based payments	21	0	1,520	0	0	1,520	0	1,520
Balance as of 31 December 2020		**513,987**	**−289,397**	**−18,823**	**47,340**	**253,107**	**4,712**	**257,819**
Profit for the period		0	0	0	61,004	61,004	375	61,378
Other comprehensive income		0	8,948	0	0	8,948	274	9,222
Total comprehensive income for the period		**0**	**8,948**	**0**	**61,004**	**69,951**	**649**	**70,600**
Capital increase		6,798	0	0	0	6,798	0	6,798
Declared dividends	21	0	0	0	−13,046	−13,046	0	−13,046
Share-based payments	21	0	3,295	0	0	3,295	0	3,295
Balance as of 31 December 2021		**520,785**	**−277,154**	**−18,823**	**95,297**	**320,105**	**5,361**	**325,466**

Consolidated cash flow statement

(x 1,000 euros)	Note	2021	2020
Operating activities			
Profit before income taxes from continued operations		76,820	73,715
Taxes paid		–18,614	–18,268
Adjustments for financial items		10,618	15,024
Total adjustments for non-cash items	28	32,297	32,692
Total changes in working capital	29	–22,701	–10,209
Total cash flow from operating activities		**78,419**	**92,953**
Investment activities			
Capital expenditure		–20,731	–18,421
Investments in existing shareholdings (subsequent payments) and in new holdings		–11,192	–32,877
Total cash flow from investment activities		**–31,923**	**–51,299**
Financing activities			
Capital increase		6,798	3,845
Dividends		–13,028	–5,766
New borrowings	24	66,173	63,582
Reimbursement of borrowings	24	–99,488	–92,452
Payment of lease liabilities		–8,334	–7,755
Interest received		1,584	753
Interest paid		–15,353	–15,318
Total cash flow from financing activities		**–61,648**	**–53,111**
Total net cash flow for the period		**–15,152**	**–11,457**
Cash and cash equivalents - start of the period		84,248	106,684
Gains or losses on currency translation differences		1,550	–10,980
Cash and cash equivalents - end of the period		70,646	84,248
Changes in cash and cash equivalents		**–15,152**	**–11,457**

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 compounds and focuses on delivering personalized pharmaceutical care to hospitals, pharmacies, clinics and patients in 35 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 8 April 2022.

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 2021 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 2021 and have been approved by the EU.

Published, mandatory and approved by the EU		Anticipated impact
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 1 January 2021	The amendments to the interest rate benchmark reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical tool for adjustments required by the reform, clarifying that hedge accounting will not be discontinued only due to the IBOR reform, and introduce explanations that enable users to understand the nature and scope of the risks stemming from the IBOR reform 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.	See Note 24.

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 2021.

Published, approved by the EU and not yet mandatory		Anticipated impact
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: • 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 that are 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.
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 reports 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.

The following new standards, changes to standards and interpretations have been issued, but not yet approved by the EU and are not yet mandatory for the financial year beginning 1 January 2021.

Published, not yet approved by the EU and not yet mandatory		Anticipated impact
Annual improvements 2018–2020 1 January 2022	• 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 IFRS. • IFRS 9 - The change clarifies which fees an entity charge 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.
Adjustment to IFRS 4 Insurance contracts – postponement of IFRS 9 1 January 2023	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 has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements.
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 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.

Published, not yet approved by the EU and not yet mandatory		Anticipated impact
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 2023 and must be applied retroactively. Early application is permitted.	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 2023	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.
Adjustments to IAS 8 Accounting policies, changes in estimates and errors: Definition of estimates 1 January 2023	The adjustments 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 2021, are not applicable for Fagron.

Consolidation criteria

The consolidated financial statements comprise Fagron and its subsidiaries. Subsidiaries are entities which Fagron controls. Fagron controls an entity when Fagron 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 Fagron 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, 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 that result 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	
	2021	2020	2021	2020
US dollar	1.133	1.227	1.183	1.142
Brazilian real	6.310	6.374	6.381	5.892
Polish zloty	4.597	4.560	4.566	4.445
Mexican peso	23.144	24.416	23.985	24.542

Fixed assets held for sale and discontinued operations (16)

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 Fagron 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 the 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 are 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;
- Option to use or sell the asset;
- Probability that the asset will generate future economic benefits;
- Adequate resources to complete the asset;
- Ability to measure the cost reliability.

Development costs are amortised using the straight-line method over the period of their expected benefit, which is currently a maximum of 5 years. Amortisation starts at the moment these assets are ready for use.

In-house development

Unique products developed in-house, including software controlled by Fagron, which are expected to generate future economic benefits, are capitalised at the cost directly related to their production. The software is depreciated over its useful life, which is currently estimated at 5 years.

Software

Acquired software is capitalised at cost price and then valued at cost price less accumulated depreciations and impairment losses. The assets are depreciated over the useful life, which is currently estimated at 5 years.

Impairment

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

Property, plant and equipment (16)

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

All assets are depreciated using the straight-line method, based on the estimated economic life. Any residual value taken into account when calculating the depreciation is reviewed on an annual basis. The "right to use" assets are depreciated over the shorter period of the lease period and the useful life. When it is fairly certain that the ownership will be obtained at the end of the lease, the "right to use" assets is depreciated over the useful life.

Financial fixed assets (17)

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.

Tax on profits (18)

Income taxes as recognised in the income statement include the income tax on the current year and deferred taxes. Current income taxes include the expected tax liabilities on Fagron's taxable income for the financial year, based on the applicable tax rates at balance sheet date, and any adjustments from previous years. Income tax due on dividends is recognised when a liability to pay the dividend is recognised.

Deferred taxes are recognised using the balance sheet liability method and are calculated on the basis of the temporary differences between the book value and the tax basis. This method is applied to all temporary differences arising from investments in subsidiaries and associates, except for differences where the timing of settling the temporary difference is controlled by Fagron and where the temporary difference is not likely to be reversed in the near future. The calculation is based on the tax rates as enacted or substantially enacted at balance sheet date and expected to apply when the related deferred tax is realised or the deferred tax liability is settled. Under this calculation method, Fagron is also required to account for deferred taxes relating to any difference between the fair value of the net acquired assets and their book value for tax purposes resulting from any acquisitions. Deferred taxes are recognised to the extent that the tax losses carried forward are likely to be offset in the foreseeable future. Deferred income tax receivables are fully written off when it 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 (19)

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 (20)

Trade receivables are initially valued at transaction price. After the initial valuation, trade receivables are valued at amortised cost. Provisions are made based on 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 (20)

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

Capital (21)

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 (22)

Provisions will be made 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, when:

- 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. No provisions are 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 (21)

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 on the basis of 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 (23)

The Fagron companies 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 minus 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 (24)

Loans are initially recorded at fair value, after deducting the 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 entered into a new (sustainable) syndicated credit facility with its credit providers 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 (24)

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 (27)

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.

At the start of the contract, Fagron assesses whether it is a lease contract or it contains a lease. 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, Fagron 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 used.

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 Leadership Team, Fagron's decision-making body. 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 Leadership Team.

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 Leadership Team is split into Fagron Europe, Middle East and Africa (EMEA), Fagron North America and Fagron Latin America.

Earnings per share (EPS) (14)

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.

Sustainable syndicated credit facility

On 1 August 2019, Fagron refinanced the existing bank loans with 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. The first option for extension was exercised in 2021 and the term loan facility of 130 million euros and 210 million euros of the revolving credit line were extended by 1 year.

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 2021, the full-term loan of 130 million euros (2020: 130 million euros) and an amount of 161 million euros had been withdrawn under the syndicated credit facility (2020: 127 million euros) and Fagron satisfied 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 15 April 2014, which includes 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 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 Series F Notes were repaid in full on 15 April 2021, with which the entire privately placed loan was repaid.

Capital management

Fagron'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 policy for return on capital. There were no changes to the capital management policy during the year.

Fagron can adjust the amount to be paid on dividends (see Note 21) in order to retain or adjust the capital structure. It can also issue new shares or dispose of assets in order to reduce the debt position.

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 in one cash pool. 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, Fagron 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 valued 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 euro)	Category	Level	Gross value	Impairment	Net book value
Trade receivables	GK	2	54,405	–2,508	51,897
Other receivables	GK	2	21,306	–971	20,335
Cash and cash equivalents	GK	2	0	0	70,646

Term of financial instruments

(x 1,000 euro)	Category	Level	Average effective interest	Total book value	< 1 year	1 -5 years	< 5 years
Leasing liabilities	GK	2	3.9%	38,205	7,522	24,164	6,520
Credit institutions	GK	2	1.5%	297,101	6,796	290,305	0
Other financial debt	GK	2		281	0	281	0

Interest risk

Fagron regularly assesses the employed mix between a fixed and variable interest. At this moment, the financing consists 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 187 thousand euros before tax (2020: 209 thousand euros). Currently, all debt is based on variable interest that is partially fixed through interest hedges.

Exchange rate risk

The exchange rate risk is the risk on results due to fluctuations in the exchange rates. Fagron reports its financial results in euros and is, because of the international distribution of its activities, subject to the potential impact of currencies on its profits. Exchange rate risk is the result on the one hand of several entities of Fagron operating in a functional currency other than euros and on the other hand of the circumstance that purchasing and retail prices of Fagron have foreign currencies as reference. The risk regarding the Fagron entities that operate in a functional currency other than the euro involves entities that operate in the US dollar, Brazilian real, Polish zloty, Czech crown, British pound, Danish crown, Israeli shekel, Colombian peso, Chinese yuan, South African rand, Australian dollar, Croatian kuna, Canadian dollar and Mexican peso. In 2021, these entities collectively represent 68.4% of the consolidated turnover.

Some of Fagron'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 2021 and its subsequent effect on profit before tax and equity capital.

	Profit before tax		Equity	
(x 1,000 euros)	Strengthening	Weakening	Strengthening	Weakening
US dollar	–1,575	1,288	–8,333	6,818
Brazilian real	–2,504	2,049	–12,225	10,003
Polish zloty	–1,084	887	–3,712	3,037
Mexican peso	–139	113	–2,030	1,661

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 Fagron'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 2021, Fagron used financial derivatives in order to hedge interest and currency risks. Fagron hedged the variable interest rate for 100 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

In accordance with the accounting policies stated in Note 15, Fagron performs an annual check in order to determine whether the goodwill has suffered impairment. The recoverable value of cash-generating units is the highest value of the fair value of the asset minus the sales costs and the net present value. These calculations require the application of estimates. In 2020 and 2021, 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 22: Provisions and Note 30: 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 18: Taxes, remuneration and social security and Note 30: contingencies.

5 Segment information

Fagron has adjusted the reporting structure and presentation of the financial results per segment to 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 and Fagron Latin America. 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 Leadership Team applies to assess the performance of the operational activities and on which the decisions are based.

Fagron is organised into three main operational segments:

1. **Fagron EMEA** refers to Fagron's European activities in the Netherlands, Belgium, Poland, Germany, Italy, the 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 every Fagron activity category;
2. **Fagron North America** encompasses all Fagron activities in the United States. Fagron North America is active in every Fagron activity category;
3. **Fagron Latin America** refers to all of the Fagron activities in Brazil, Colombia and Mexico. In South America, Fagron is primarily active in Fagron Brands and Fagron Essentials.

Fagron's activities can be subdivided into four categories:

1. **Fagron Compounding Services** refers to all personalised medicine that is prepared in Fagron's sterile and non-sterile facilities;
2. **Fagron Brands** encompasses the innovative concepts, products and vehicles developed by Fagron, often in close cooperation with prescribers, pharmacies and universities;
3. **Fagron Essentials** refers to all pharmaceutical raw material, equipment and supplies that a pharmacist needs in order to prepare medication himself/herself in the pharmacy;
4. **Fagron Premium Pharmaceuticals** regards a limited number of non-sterile compounds that are supplied to pharmacies.

The segment results for continued operations for the period ending 31 December 2021 are as follows:

2021 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Turnover	255,103	177,626	141,079	573,808
Intersegment turnover	781	273	156	1,211
Total turnover	**255,884**	**177,899**	**141,235**	**575,019**
Operating result per segment	42,286	19,807	25,345	87,438
Financial result				–10,618
Profit before taxes				76,820
Taxes on profits				15,442
Net profit from continued operations				**61,378**

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**

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

2021 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Depreciation and amortisation	10,275	11,589	4,619	26,483
Depreciation on inventories	1,761	372	0	2,132
Depreciation on receivables	282	–216	651	716

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

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

2021 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Unassigned/ intersegment elimination	Total
Total assets	348,837	248,750	171,692	31,142	800,421
Total liabilities	106,193	173,753	40,541	154,466	474,954
Capital expenditure	7,319	5,675	7,210	0	20,204

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

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 2020 and 2021 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 and no customer accounts for more than 10% of Fagron's proceeds.

6 Turnover

(x 1,000 euros)	2021	2020
Sale of goods	573,808	555,971
Turnover	**573,808**	**555,971**

2021 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Fagron Compounding Services	73,162	108,304	2,590	184,056
Fagron Brands & Essentials	181,941	69,322	138,489	389,752
Total	**255,103**	**177,626**	**141,079**	**573,808**

2020 (x 1,000 euros)	Fagron EMEA	Fagron North America	Fagron Latin America	Total
Fagron Compounding Services	76,127	84,031	1,938	162,097
Fagron Brands & Essentials	191,251	75,501	127,121	393,874
Total	**267,379**	**159,533**	**129,060**	**555,971**

7 Other operating income

(x 1,000 euros)	2021	2020
Gain on disposal of fixed assets	364	173
Other operating income	3,746	1,015
Total other operating income	**4,110**	**1,188**

The increase in other operating income mainly regards a release of conditional liabilities related to acquisitions in Latin America.

8 Services and other goods

(x 1,000 euros)	2021	2020
Sale and distribution costs	33,647	29,471
Contracted services	23,897	23,820
Other services and goods	31,245	29,068
Total services and other goods	**88,789**	**82,359**

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

9 Employee benefit expenses

(x 1,000 euros)	2021	2020
Wages and salaries	89,316	85,541
Social security costs	15,866	15,823
Pension costs – defined benefit plans	373	403
Pension costs – defined contribution plans	3,055	2,190
Other post-employment benefit contributions	2,159	3,904
Other employee expenses	21,734	17,399
Total employee benefit expenses	**132,503**	**125,259**

The increase in other employee benefit expenses mainly regards higher costs for subscription rights and bonuses.

On 31 December 2021, Fagron's workforce (fully consolidated companies) for continued operations amounted to 3,061 (2020: 2,844) employees or 2,846.4 (2020: 2,711.7) 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]	2021	2020
EMEA	1,155	1,193
North America	753	642
Latin America	938	877
Total	**2,846**	**2,712**

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

10 Depreciation, amortisation and impairment

(x 1,000 euros)	2021	2020
Depreciation and amortisation	18,025	19,673
Depreciation leasing and similar rights	8,458	7,809
Write-down on inventories	2,132	3,267
Write-down on receivables	716	544
Depreciation and amortisation	**29,332**	**31,293**

11 Other operating expenses

(x 1,000 euros)	2021	2020
Increase (decrease) in provisions for current liabilities	4	–260
Increase (decrease) in provisions for pension liabilities	–13	–223
Taxes and levies (excluding income tax)	1,367	1,729
Other operating expenses	976	1,380
Total other operating expenses	**2,334**	**2,627**

12 Financial result

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

(x 1,000 euros)	2021	2020
Financial income	1,421	753
Revaluation of financial derivatives	1,359	0
Total financial income	**2,780**	753
Financial expenses	–4,694	–3,448
Interest expenses	–6,656	–9,514
Interest on leasing liabilities	–1,350	–1,340
Currency translation differences	–698	–1,307
Revaluation of financial derivatives	0	–168
Total financial expenses	–13,397	–15,776
Total financial result	**–10,618**	**–15,024**

The revaluation of financial derivatives of 1.4 million euros in 2021 (2020: -0.2 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 -12.0 million euros in 2021 (2020: -14.9 million euros). This decrease was mainly caused by a decrease in interest charges from 9.5 million to 6.7 million euros due to repayment of the privately placed loans.

13 Tax on profits

Income taxes from continued operations are as follows:

(x 1,000 euros)	2021	2020
Current tax expenses	15,517	17,376
Deferred taxes	–75	–3,698
Tax on profits	**15,442**	**13,678**
Effective tax rate	20.10%	18.56%
Profit before income tax from continued operations	**76,820**	**73,715**
Tax calculated at weighted Fagron NV's statutory tax rate	19,205	18,429
Effect of rate differences compared with foreign jurisdictions	1,485	689
Income not subject to taxes	–506	–864
Expenses not deductible for tax purposes	838	799
Tax on profit previous years	–24	459
Valuation of non-deductible losses	–3,593	–4,276
Other	–1,963	–1,557
Tax on profits	**15,442**	**13,678**

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 Fagron 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 valuation of non-deductible losses mainly regards the valuation of losses that we expect to be able to offset against future profits.

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 Earnings per share

(in euros)	2021	2020
Basic earnings (loss) per share	**0.84**	**0.83**
• from continued operations	0.84	0.83
• from discontinued operations	0	0
Diluted earnings (loss) per share	**0.84**	**0.82**
• from continued operations	0.84	0.82
• from discontinued operations	0	0

The earnings used in the calculations are as follows:

(x 1,000 euros)	2021	2020
Profit (loss) attributable to shareholders of the company	**61,004**	**59,601**
• from continued operations	61,004	59,601
• from discontinued operations	0	0

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)	2021	2020
Weighted average number of ordinary shares	72,643	72,089
Effect of subscription rights	72	296
Weighted average number of ordinary shares (diluted)	**72,715**	**72,385**

No ordinary share transactions were executed after the balance sheet date which have impacted on earnings per share. The number of subscription rights 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 for which the exercise price is higher than the average Fagron stock price in 2021.

15 Intangible fixed assets and goodwill

(x 1,000 euros)	Goodwill	Development	Concessions & patents	Brands and customer relations	Software	Other	Intangible fixed assets	Total
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
Depreciation and 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 depreciation	−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**
Net book value as at 1 January 2021	364,654	6,205	1,304	13,646	3,335	23	24,513	389,167
Investments	0	2,698	2	0	2,145	0	4,846	4,846
Acquisitions	4,254	0	0	6,169	0	0	6,169	10,423
Transfers and disposals	0	246	0	−214	2,315	−25	2,322	2,322
Depreciation and amortisation	0	−2,167	−198	−4,826	−1,268	1	−8,458	−8,458
Exchange differences	11,503	107	3	1,031	131	1	1,273	12,776
Net book value as of 31 December 2021	**380,411**	**7,090**	**1,111**	**15,806**	**6,658**	**0**	**30,665**	**411,075**
Gross book value	**630,495**	**16,744**	**2,708**	**38,569**	**20,732**	**22**	**78,775**	**708,229**
Accumulated depreciation	250,085	−9,654	−1,597	−22,763	−14,073	−22	−48,110	−297,153
Net book value	**380,411**	**7,090**	**1,111**	**15,806**	**6,658**	**0**	**30,665**	**411,075**

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 2020 and 2021. 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 2020 and 2021, 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 2021	December 2020
Fagron Europe Brands & Essentials	111.8	111.8
Fagron Europe Compounding Services and Premium Pharmaceuticals	58.7	58.7
Fagron United States Brands & Essentials	83.6	73.4
Fagron Sterile Services	17.0	15.7
AnazaoHealth	30.4	28.1
Fagron Latin America Brands & Essentials	65.1	64.1
Fagron Rest of the World	13.7	12.9
Total	**380.4**	**364.7**

The increase in goodwill is mainly due to a strengthening of 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 realisable value, 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 Brands & Essentials, Fagron United States Brands & Essentials, Fagron Sterile Services and AnazaoHealth and 7% for Fagron Brazil Brands & Essentials. The same growth rates were used in 2020.
- 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, a weighted average cost of capital was used of 7.9% (pre-tax: 9.9%) for Fagron Europe Compounding Services and Premium Pharmaceuticals, 7.9% (pre-tax: 10.0%) for Fagron Europe Brands & Essentials, 9.7% (pre-tax: 11.6%) for Fagron United States Brands & Essentials, 9.7% (pre-tax: 11.5%) for Fagron Sterile Services, 9.7% (pre-tax: 11.5%) for AnazaoHealth and 17.5% (pre-tax: 23.9%) for Fagron Latin America Brands & Essentials.
- In 2020, a weighted average cost of capital was used of 7.7% (pre-tax: 9.6%) for Fagron Europe Compounding Services and Premium Pharmaceuticals, 7.7% (pre-tax: 9.6%) for Fagron Europe Brands & Essentials, 9.8% (pre-tax: 11.9%) for Fagron United States Brands & Essentials, 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 Brands & Essentials.

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.

16 Tangible fixed assets

(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 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 and amortisation	−2,713*	−4,293	−1,846	−7,809	−496	0	−17,157
Exchange differences	−2,000*	−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**
Net book value as of 1 January 2021	**39,835**	**17,253**	**5,874**	**32,437**	**2,505**	**20,071**	**118,625**
Investments, including additions for IFRS 16	9,254	2,628	1,556	12,227	1,821	99	27,585
Acquisitions	363	0	0	0	0	0	363
Transfers and disposals	−29	1,607	−58	−1,245	26	−3,927	−3,627
Depreciation and amortisation	−2,891	−4,784	−1,333	−8,445	−572	0	−18,025
Exchange differences	833	748	140	1,314	119	553	3,705
Net book value as of 31 December 2021	**47,365**	**17,450**	**6,180**	**36,287**	**3,899**	**17,445**	**128,626**
Gross book value	72,143	51,520	20,542	56,572	7,886	17,445	226,107
Accumulated depreciation	−24,779	−34,069	−14,362	−20,285	−3,987	0	−97,482
Net book value	**47,365**	**17,450**	**6,180**	**36,287**	**3,899**	**17,445**	**128,626**

* Value differs from the Dutch version of the Annual report, this is the correct value.

Fagron'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 35: additional notes.

17 Financial non-current assets

(x 1,000 euros)	Investments	Loans and receivables	Total
Net book value as of 1 January 2020	**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**
Investments	600	275	876
Transfers and disposals	1,139	46	1,185
Other movements	0	63	63
Net book value as of 31 December 2021	2,753	1,710	4,463

The change in investments consists primarily of 1.3 million euros of derivatives. Investments are valued on an actual value basis and differences compared 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 2021.

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

18 Tax on profits, remuneration and social security

a) Current taxes, remuneration and social security

(x 1,000 euros)	2021	2020
Tax liabilities for the current year	7,211	8,635
Other current tax and VAT payable	8,052	9,177
Remuneration and social security payable	15,671	13,761
Current taxes, remuneration and social security	**30,934**	**31,573**

b) Deferred tax assets

(x 1,000 euros)	Differences in depreciation rates	Employee benefits	Provisions	Tax losses	Other	Total
Balance on 1 January 2020	**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**
Result	–97	–21	451	1,147	257	1,737
Change in scope of consolidation	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Balance on 31 December 2021	**670**	**1,331**	**1,384**	**19,070**	**91**	**22,545**

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 3.6 million euros.

Based on the impairment test in 2021 on tax losses, no impairment occurred. At the end of 2021, the tax losses amounted to 273.5 million euros (2020: 274.8 million), of which 93.4 million euros (2020: 84.2 million) were assessed, resulting in a deferred tax asset of 19.1 million euros (2020: 17.9 million). A significant portion of the tax losses regards the United States and will lapse in 2036.

c) Deferred tax liabilities

(x 1,000 euros)	Differences in depreciation rates	Other	Total
Balance on 1 January 2020	**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**
Result	172	–321*	–149*
Change in scope of consolidation	0	0	0
Discontinued operations	0	0	0
Balance on 31 December 2021	**5,582**	**–3,072**	**2,510**

* Value differs from the Dutch version of the Annual report, this is the correct value.

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

On the balance sheet date, Fagron has not included any deferred tax liability for taxes payable as the result of any dividend payment. Fagron has not included any deferred tax liability because no adopted intercompany dividend policy applies and so Fagron can determine itself when a dividend will be paid and in what amount. The unvalued deferred tax liability is nil.

19 Inventories

(x 1,000 euros)	2021	2020
Raw materials	25,974	21,559
Work in progress	218	190
Finished goods	16,342	16,215
Trade goods	48,299	41,830
Inventories	**90,834**	**79,794**

The increase in inventories is primarily explained by higher product availability.

20 Trade receivables, other receivables, cash and cash equivalents

a) Trade receivables and other receivables

(x 1,000 euros)	2021	2020
Trade receivables	54,405	44,279
Provision for impairment of receivables	–2,508	–2,139
Total trade receivables	**51,897**	**42,140**
Other receivables	20,335	15,702

There is no concentration of credit risk with respect to trade receivables because many of Fagron's customers are dispersed internationally. A provision has been made insofar as there are indications that trade receivables will be uncollectible.

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 2021 amounted to 31.7 million euros (2020: 29.5 million).

(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 2021	51,897*	34,231*	10,475	4,182	1,990	1,019
Percentage expected credit losses 2021		0.1%	3.5%	7.5%	15%	50%
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%

* Value differs from the Dutch version of the Annual report, this is the correct value.

(x 1,000 euros)	Provision for impairment of receivables
Balance as of 1 January 2020	**–1,615**
Additions:	
• Through business combinations	0
• Other	–564
Amounts used	0
Other	40
Balance as of 31 December 2020	**–2,139**
Additions:	
• Through business combinations	0
• Other	–719
Amounts used	0
Other	350
Balance as of 31 December 2021	**–2,508**

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)	2021	2020
Investments with a maturity of less than three months	395	464
Cash and cash equivalents	70,252	83,784
Cash and cash equivalents	**70,646**	**84,248**

The decrease in cash and cash equivalents is explained in the consolidated statement of cash flows.

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.

21 Equity

Authorised capital

The Extraordinary General Meeting decided on 14 May 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 29 June 2015 and 4 August 2015).

If the capital is increased within the limits of the authorised capital, the Board of Directors has the authority 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 repurchased in 2021 (2020: nil). As of 31 December 2021, Fagron NV owns 103,627 treasury shares (2020: 103,627). In accordance with IFRS, these shares are deducted from equity and do not affect the income statement. In 2021, there were 482,500 new shares issued in the context of warrant plans (2020: 298,750). The nominal number of shares on 31 December 2021 was 72,960,154 (2020: 72,477,654). The total number of outstanding shares on 31 December 2021 was 72,856,527 (2020: 72,374,027).

	2021		2020	
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 of 1 January	72,478	513,987	72,179	510,142
Reclassification	0	0	0	0
Issued shares as of 31 December	**72,960**	**520,785**	**72,478**	**513,987**
Treasury shares as of 31 December	104	18,823	104	18,823
Shares outstanding as of 31 December	**72,857**	**520,766**	**72,374**	**513,968**

All ordinary shares are fully paid. The ordinary shares have no nominal value denotation but have an accounting par value of 1/72,960,154th of the capital as of 31 December 2021 (2020: 1/72,477,654th). 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 Board of Directors 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 Civil-law Notary Barbara Glorieux and her colleague Civil-law 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 Civil-law Notary Barbara Glorieux and her colleague Civil-law Notary Liesbet Degroote. A total of 2,600,000 subscription rights were issued. In 2020, there were 995,000 subscription rights granted at an exercise price of 18.52 euros and in 2021, there were 900,000 subscription rights granted at an exercise price of 19.44 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 3.3 million euros for the 2020 financial year and 1.5 million euros for the 2019 financial year.
The subscription rights are settled via equity instruments.

In 2021, 482,500 shares (2020: 298,750) were issued as a result of the exercise of warrants under the Warrant Plan 2016, 2018 and 2019. The number of Fagron shares with voting rights is currently 72,960,154 (2020: 72,477,654). The total number of voting rights (denominator) is currently 72,960,154 (2020: 72,477,654). The capital amounts to 501,870,567.62 euros (2020: 498,551,597.81 euros).

The changes in the number of outstanding warrants under the 2016 Warrant Plan, 2018 Warrant Plan, 2019 Warrant Plan, 2020 Subscription Rights Plan and their related weighted average exercise prices are as follows:

	Average exercise price in euros	Number of warrants
Outstanding as of 1 January 2020	**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 of 31 December 2020	**16.57**	**1,888,750**
Granted	19.44	900,000
Forfeited	13.94	–15,000
Forfeited	18.52	–67,500
Forfeited	19.44	–37,500
Forfeited	7.38	–6,250
Exercised	13.94	–441,250
Exercised	17.17	–35,000
Outstanding as of 31 December 2021	**18.21**	**2,186,250**

The weighted average exercise price per share at year-end amounted to 18.21 euros in 2021 (2020: 16.57 euros). All warrant plans are equity-settled plans. The share price on the exercise date was 18.97 euros.

As of 31 December 2021, the total number of warrants not yet exercised that could give cause to the issuance of the same number of Company shares amounted to 2,186,250. Their average exercise price amounts to 18.21 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 – May (Warrant Plan 2018)	13.94	164,375	2023
2022 – May (Warrant Plan 2018)	13.94	164,375	2023
2023 – May (Warrant Plan 2019)	17.17	5,000	2024
2024 – August (Warrant Plan 2019)	19.03	85,000	2025
2023 – August (Subscription Rights Plan 2020)	18.52	905,000	2030
2024 - January (Subscription Rights Plan 2020)	19.44	862,500	2030
	18.21	**2,186,250**	

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 2021, a dividend of 13.0 million euros was made payable (2020: 5.8 million euros). A gross dividend of 0.20 euros per share will be proposed for 2021 at the Annual General Meeting of 9 May 2022, which represents a total dividend of 14.6 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 2020	**–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**
Other comprehensive income	0	8,712	0	236	0	8,948
Share-based payments	0	0	0	0	3,295	3,295
Change in non-controlling interest	0	0	0	0	0	0
Balance as of 31 December 2021	**–195,967**	**–100,059**	**–377**	**–530**	**19,779**	**–277,154**

22 Long-term provisions

(x 1,000 euros)	Taxes	Disputes	Other	Total
Balance as of 1 January 2020	**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**
Additions:				
• Through business combination	0	0	0	0
• Other	0	51	0	51
Amounts used	0	–47	0	–47
Release	–1,633*	0	0	–1,633
Currency translation differences	14*	4	0	18
Balance as of 31 December 2021	**1,104**	**488**	**191**	**1,783**

* Value differs from the Dutch version of the Annual report, this is the correct value.

23 Pension obligations

Pension obligations and costs

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

(x 1,000 euros)	2021	2020
Defined benefit pension plans	3,249	3,798
Other defined benefit pension plans	1,080	983
Pension obligations	**4,329**	**4,781**

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

In accordance with IAS19, defined benefit liabilities are estimated using the Projected Unit Credit method. Under this method, each participant's benefits under the plan are attributed to years of service, taking into consideration future salary increases and the plan's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited services. If an employee's service in later years will lead to a materially higher level of benefit than in earlier years, these benefits are attributed on a straight-line basis.

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

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

(x 1,000 euros)	2021	2020
Present value of defined benefit obligations	22,273	23,542
Fair value of plan assets	–19,024	–19,744
Present value of net defined benefit obligations	3,249	3,798
Net liability arising from defined benefit obligations	**3,249**	**3,798**

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 2020	**22,922**	**–18,195**	**4,727**
Pension costs attributed to the year of service	–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 assumptions	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**
Pension costs attributed to the year of service (income)	–230	0	–230
Interest expense (income)	279	–236	43
Actuarial (gains)/losses:			
• Return on plan assets (excluding interest income)	0	541	541
• Actuarial (gains)/losses arising from changes in demographic assumptions	–12	0	–12
• Actuarial (gains)/losses arising from changes in financial assumptions	–773	0	–773
• Actuarial differences as a result of adjustments in experience	8	0	8
Employer contributions		–126	–126
Plan contribution	–541	541	0
Balance as of 31 December 2021	**22,273**	**–19,024**	**3,249**

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 2021	31 December 2020
Weighted average discount rate	1.40%	1.20%
Expected rate of salary increase	N/A	N/A
Expected rate of price inflation	N/A	N/A
Future rate of pension increases actives	1.90%	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 2021	31 December 2020
Interest expense	43	72
Pension costs (income) attributed to the year of service	–230	–225
Pension costs defined benefit plans recognised in the income statement	**–187**	**–153**
Actuarial differences on the present value of unfunded liabilities:		
Costs/(Return) on plan assets (excluding interest income)	541	–1,794
Actuarial (gains)/losses arising from changes in demographic assumptions	–12	–406
Actuarial (gains)/losses arising from changes in financial assumptions	–773	1,334
Actuarial differences as a result of adjustments in experience	8	90
Pension costs defined benefit plans recognised in other comprehensive income	–236	–776
Total comprehensive income for the year	**–423**	**–929**

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 returns from defined benefit pension plans for 2021 are 0.2 million euros and only concern interest costs and pension returns.

Sensitivity analysis

The sensitivity analysis shows the sensitivity of the defined benefit obligation on 31 December 2021 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 2021 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	1.40%	1.65%	1.15%
Defined benefit obligation	22,273	21,279	23,337
Inflation increase	1.90%	2.40%	1.40%
Defined benefit obligation	22,273	22,508	22,053
Life expectancy	+/– 0 year	+1 year	–1 year
Defined benefit obligation	22,273	22,952	21,589

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 31 December 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 2021. Based on this estimation, it has been established that there are no substantive liabilities. The 2021 employer contribution for these Belgian pension plans amounts to 0.1 million euros (2020: 0.1 million euros). The employee contribution for 2021 is nil (2020: nil); the employee contribution was stopped in 2014. The total amount of the fund investments as of 31 December 2021 amounts to 1.3 million euros (2020: 1.2 million euros).

24 Financial debt and financial instruments

(x 1,000 euros)	2021	2020
Non-current		
Financial lease liabilities	30,684	27,548
Bank borrowings	290,305	256,856
Other borrowings	281	44
Total non-current	**321,269**	**284,448**
Current		
Financial lease liabilities	7,522	6,650
Bank borrowings	6,796	64,440
Total current	**14,318**	**71,090**
Total financial debts	**335,587**	**355,538**

(x 1,000 euros)	2021 Financial leases	2021 Bank borrowings and other borrowings	2020 Financial leases	2020 Bank borrowings and other borrowings
Non-current borrowings by term				
More than 1 year but less than 5 years	24,164	290,586	21,333	256,900
More than 5 years	6,520	0	6,214	0
Total non-current borrowings	**30,684**	**290,586**	**27,548**	**256,900**

(x 1,000 euros)	2020	Cash flow from financing activities	Non-cash change: Additions IFRS 16	Non-cash change: Acquisitions/ divestments	Non-cash change: Exchange rates	2021
Non-current borrowings	284,448	18,725	9,290	296	8,511	321,269
Current borrowings	71,090	–60,374	1,692	67	1,843	14,318
Total borrowings	**355,538**	**–41,649**	**10,982**	**363**	**10,354**	**335,587**

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 2021 was 1.5% (2020: 2.1%). The decrease in the borrowings (in total) is due mainly to the repayment of privately placed loans.

Privately placed loans

On 15 April 2014, Fagron NV issued a series private loans comprising of 45.0 million US dollars 4.15% Series A Senior Notes due 15 April 2017, 22.5 million euros 3.55% Series B Senior Notes due 15 April 2017, 15.0 million euros 4.04% Series C Senior Notes due 15 April 2019, 5.0 million euros Floating Rate Series D Senior Notes due 15 April 2019, 20.0 million US dollars 5.07% Series E Senior Notes due 15 April 2019 and 60.0 million US dollars 5.78% Series F Senior Notes due 15 April 2021. All Notes have been repaid in full at the end of their term, the last repayment of which took place on 15 April 2021.

Sustainable syndicated credit facility

On 1 August 2019, Fagron refinanced the existing bank loans. The old multi-currency and term loan facilities were repaid through a new (sustainable) syndicated credit facility consisting of a revolving credit line of 245 million euros and a term loan facility of 130 million euros. The term of the new financing is 5 years with the option to extend twice for a year. The new credit lines have been agreed on improved terms and conditions and offer Fagron more flexibility and lower financing expenses. The first option for extension was exercised in 2021 and the term loan facility of 130 million euros and 210 million euros of the revolving credit line were extended by 1 year.

Effect of the initial application of the interest rate reform

This year, Fagron applied the Phase 2 Changes Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The application of these changes enables Fagron to reflect the effects of the transition from interbank offered rates (IBOR) to alternative reference interest rates (also called “risk-free interest rates” or RFRs) without causing accounting consequences that would not provide any useful information to the users of financial statements. Fagron did not adjust the previous period. Instead, the changes were applied retrospectively, with any adjustments being incorporated in the proper components of the equity. There was no impact on the financial year closed on 31 December 2021 as stated in the table below.

Details of the derivative and non-derivative financial instruments that are affected by the interest rate reform, together with a summary of the actions that Fagron took in order to manage the risks associated with the reform and the accounting impact.

Non-derivative financial instruments	Ending in	Nominal Currency	Total nominal value	Transition progress on non-derivative financial instruments
Bank financing associated with USD LIBOR	2025	USD	142,500,000	Transition required before June 2023
Bank financing associated with EURIBOR	2025	EUR	180,000,000	No interest transition applicable

Derivative financial instruments prior to the transition	Ending in	Nominal currency	Total nominal value	Transition progress on derivative financial instruments
Interest swap associated with USD LIBOR	2024	USD	100,000,000	Transition required before June 2023

Progress in the introduction of alternative benchmark interest rates

Fagron communicates with the relevant financial institutions about the reforms regarding the aforementioned instruments. The changes are expected to be completed in 2022.

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 2021, an amount of 161 million euros had been withdrawn under the syndicated credit facility (2020: 127 million euros). In addition to these financial covenants, 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.
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.

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.

As of 2018, Fagron used financial derivatives in order to hedge the interest risk for 42.5 million US dollars of financing. This interest hedge expired during the course of 2021 and was replaced by an interest hedge of 100 million US dollars. 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 hedge instruments were 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 June 2024.

The fair value of financial derivatives at year-end 2021 was 1.2 million euros (2020: -0.4 million euros). A new US dollar interest swap was entered into in 2021. The fair value of this derivative rose as a result of the higher interest rate in the United States (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	
Infinity Pharma NV (formerly 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
Anazaohealth Corp Inc.	Spruyt hillen BV
Fagron Compounding Services LLC	Fagron BV

25 Trade payables

(x 1,000 euros)	2021	2020
Crediteuren	83,507	71,620
Investeringsschulden	154	632
Handelsschulden	**83,660**	**72,252**

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

26 Other current payables

(x 1,000 euros)	2021	2020
Prepayments	11	14
Other payables	11,654	17,653
Accrued expenses	4,381	7,263
Other current payables	**16,046**	**24,930**

The other debts relate to amounts still to be paid for existing participations (subsequent payments) for 10.4 million euros (2020: 13.5 million euros). This explains the decrease compared to 2020.

The accrued expenses include an amount of 1.0 million euros (2020: 1.4 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.

27 Leases

(x 1,000 euros)	Closing balance sheet of leases on 31 December 2021	Closing balance sheet of leases on 31 December 2020
Assets		
Buildings & land	33,866	30,454
Machinery & installations	749	577
Furniture and vehicles	1,672	1,405
Total lease assets	**36,287**	**32,437**
Liabilities		
Lease liabilities - non-current	30,684	27,548
Lease liabilities - current	7,522	6,650
Total lease liabilities	**38,205**	**34,198**

(x 1.000 euro)	2021	2020
Depreciation and amortisation		
Buildings & land	7,284	6,581
Machinery & installations	388	322
Furniture and vehicles	810	906
Total depreciation	**8,445**	**7,809**
Costs related to low-value leases	149	104
Costs related to short-term leases	677	689
Costs related to variable costs	137	110
Financial expenses	1,350	1,340

28 Total adjustments for non-cash flow items

(x 1,000 euros)	2021	2020
Depreciation of intangible fixed assets	8,458	10,325
Depreciation of property, plant and equipment	18,025	17,157
Amortisation of inventories and receivables	2,849	3,811
(Profit)/loss on sale of non-current assets	–321	362
Movements in provisions	–9	–483
Share-based payments	3,295	1,520
Total adjustments for non-cash items	**32,297**	**32,692**

29 Total changes in working capital

(x 1,000 euros)	2021	2020
Changes in operational working capital	–8,983	–9,720
Changes in other working capital	–13,718	–489
Total changes in working capital	**–22,701**	**–10,209**

30 Contingencies

Fagron runs 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 not likely that these risks will have a negative impact for Fagron. 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 rate applied to almost all the products sold by the Polish subsidiaries is being questioned by the Polish tax authority. We are contesting this assertion. The years before 1 January 2017 are closed for review. Due to an adjustment in the VAT legislation, Fagron went to an increased VAT rate in November 2019. At one of the subsidiaries an assessment of PLN 4 million (1 million euros) 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 (0.8 million euros) 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. On 24 November 2021, the Supreme Court (NSA) issued a ruling in favour of Fagron. The possibility of appeal by the Polish tax authority remains.

In July 2018, Fagron received a tax assessment regarding the amortisation of goodwill due to mergers in Brazil. The tax authorities opened a new assessment in August 2021. We dispute both assessments for the total amount of 20.5 million euros and have not made any provision for this purpose.

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 22).

31 Related parties

The overall remuneration package for members of the Executive Leadership Team and the CEO individually, as well as the non-executive directors, is shown below for the financial years 2021 and 2020:

(x 1,000 euros)	Fixed remuneration component	Variable remuneration component
2020 financial year		
Rafael Padilla, Chief Executive Officer	500	369
Executive Leadership Team, including the Chief Executive Officer	1,043	582
Non-executive members of the Board of Directors	209	0
2021 financial year		
Rafael Padilla, Chief Executive Officer	506	101
Executive Leadership Team, including the Chief Executive Officer	1,859	404
Non-executive members of the Board of Directors	279	0

The variable remuneration component regards the bonus realised over the course of 2021 that is paid out in 2022. The Nomination and Remuneration Committee annually prepares proposals for the remuneration policy and/or other benefits for members of the Executive Leadership Team and the CEO. The increase in the variable remuneration component is due to the expansion of the number of members of the Executive Leadership Team.

In 2021, 387,500 subscription rights were granted to the members of the Executive Leadership Team, in the composition in effect on 31 December 2021. In 2021, Mr Padilla and the other members of the Executive Leadership Team exercised 125,000 subscription rights. None of the subscription rights owned by Mr Padilla and the other members of the Executive Committee expired in 2021. The members of the Executive Leadership Team, in the composition in effect on 31 December 2021, together hold 1,100,000 subscription rights.

32 Business combinations

Fagron completed one acquisition in the 2021 financial year. Full control was obtained.

Fair value of the acquired US Compounding assets and liabilities

Approximately 7.7 million euros were paid for the acquired activity in 2021 in North America. The provisional fair value of the acquired assets and liabilities is detailed below.

(x 1,000 euros)	2021
Intangible fixed assets	7,656
Total assets	**7,656**
Other current payables	7,656
Total liabilities	**7,656**
Net acquired assets	**0**
Goodwill	0
Total acquisition amount	**7,656**

Fair value of the acquired assets and liabilities of other companies

The final determination of the fair value of the assets and liabilities acquired in the minor acquisitions performed earlier in 2020 resulted in an adjustment of 4.3 million euros (increase in goodwill). The adjustments are mainly to the purchase price.

(x 1,000 euros)	2021	2020
Intangible fixed assets	2,947	4,435
Property, plant and equipment	7,484	7,121
Other non-current assets	457	457
Deferred tax liabilities	125	125
Inventories	1,622	1,622
Trade receivables	1,882	1,932
Other receivables	254	254
Cash and cash equivalents	559	559
Total assets	**15,332**	**16,507**
Borrowings	4,984	4,621
Lease liabilities	1,967	1,967
Trade payables	1,433	1,449
Other current payables	8,462	9,944
Total liabilities	**16,846**	**17,983**
Net acquired assets	**–1,514**	**–1,476**
Goodwill	14,847	10,593
Total acquisition amount	**13,333**	**9,117**

At the end of the year, Fagron had an amount of approximately 10.4 million euros in liabilities outstanding to selling shareholders, which were determined on the basis of business plans at the time of acquisition, see also Note 26.

The expectation is that the retrospective payments for business combinations will be paid in 2022 and 2023.

The retrospective payments for business combinations range from 0 euros to a maximum of 16.3 million euros. The retrospective payments are valued at fair value at the moment of acquisition. The current expectation is that the remunerations will be paid on the expiration dates.

33 Information regarding the Statutory Auditor, its remuneration and related services

The Company's statutory Auditor is Deloitte Bedrijfsrevisoren, represented by Mrs Ine Nuyts.

(x 1,000 euros)	2021	2020
Audit fee for the Group audit		
Fagron Group	461	463
Remuneration for Deloitte Bedrijfsrevisoren	358	351
Remuneration for parties linked to Deloitte Bedrijfsrevisoren	103	112
Remuneration for additional services rendered by the Statutory Auditor to Fagron	0	14
Other audit assignments	0	4
Other non-auditing assignments		
Remuneration for additional services rendered by parties linked to the Statutory Auditor		
Tax advisory assignments	0	0
Other non-auditing assignments		

34 Significant events after the balance sheet date

Fagron purchased Letco Medical on 2 February 2022. Letco is a supplier of pharmaceutical raw materials, supplies and equipment for pharmaceutical compounding in the United States and has an expected turnover in 2021 of approximately 40 million US dollars with an expected EBITDA margin of around 11%. The purchase price for Letco is 34 million US dollars.

On 2 February 2022, Fagron also sold 80% of its contract manufacturing division to a syndicate led by Signet Healthcare Partners. The sales price is 6 million US dollars, of which 4 million US dollars in cash and 2 million US dollars in the form of a seller's note and another 4 million US dollars when specific milestones are achieved. This division provides contract manufacturing and private label services to companies in consumer healthcare and retail in the United States and generates annual turnover of around 20 million US dollars. As part of this sale, Fagron retains a 20% interest in the new enterprise. In addition, the new enterprise will continue to manufacture a number of products for Fagron.

Fagron purchased Pharma-Pack on 10 February 2022. Pharma-Pack is a supplier of packaging and laboratory equipment for pharmacies and hospitals in Belgium and has an expected annual turnover of approximately 6 million euros with an expected EBITDA margin of more than 13%.

Fagron reached agreement with its banks about supplementing the current sustainable syndicated credit facility of 375 million euros with a new syndicated credit facility of 105 million euros under terms and conditions similar to the existing facility.

The invasion of Russia in Ukraine in February 2022 has a disruptive effect on the supply chain of a number of products/raw materials because Ukraine and Russia have a large share in the world market for these products. Among other things, this regards products containing oil (fossil as well as vegetable oils) and products derived from grain and corn. In addition, the bans proclaimed on air travel in the region have an impact on transport costs. The invasion also affects worldwide energy and fuel prices. For the time being, Fagron expects to be able to charge price increases (for the most part) through to customers.

35 Additional notes

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

Fagron Services BV has a liability in the amount of 0.3 million euros, the initial mortgage loan amounts to 2.0 million euros. Fagron 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 for a German subsidiary:

Fagron GmbH & Co KG in Barsbuttel (Germany) is exempt from the obligation to prepare 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	Ownership
A Apace Embalagens Em Vidro E Plastico Ltda	100.0%
ABC Dental & Pharmaceutical Consultancy NV	100.0%
All Chemistry Do Brasil Ltda	100.0%
AnazaoHealth Inc.	100.0%
ApodanNordic PharmaPackaging A/S	100.0%
Arseus Capital NV	100.0%
Arseus Dental Solutions SAS	100.0%
B&B Pharmaceuticals Inc.	100.0%
Central de Drogas S.A. de C.V.	100.0%
Coast Quality Pharmacy LLC	100.0%
DPI Inc.	100.0%
Dr. Kulich Pharma S.R.O	100.0%
Ducere LLC	100.0%
Dynaceuticals Ltd	100.0%
Fagron a.s.	73.1%
Fagron Academy LLC	100.0%
Fagron Belgium NV	100.0%
Fagron Brazil Holding BV	100.0%
Fagron BV	100.0%
Fagron Canada Inc.	100.0%
Fagron Colombia SAS	100.0%
Fagron Compounding Services LLC	100.0%
Fagron Compounding Services NV	100.0%
Fagron Essentials Holding LLC	100.0%
Fagron Genomics S.L.U.	100.0%
Fagron GmbH & Co KG	100.0%
Fagron Hellas A.B.E.E.	100.0%
Fagron Holding NL BV	100.0%
Fagron Holding USA LLC	100.0%
Fagron Hrvatska d.o.o.	100.0%
Fagron Iberica SAU	100.0%
Fagron Inc.	100.0%
Fagron Italia SrL	100.0%
Fagron Lékárna Holding s.r.o.	100.0%
Fagron Nederland BV	100.0%
Fagron Nordic A/S	100.0%
Fagron NV	100.0%
Fagron Sarl	100.0%
Fagron SAS	100.0%
Fagron Services Brazil Ltda	100.0%
Fagron Services BV	100.0%
Fagron SH Ltd	100.0%
Fagron South Africa Ltd	100.0%
Fagron Sp. z o.o	100.0%
Fagron Steriele Bereidingsapotheek BV	100.0%
Fagron Technologies Ltda	100.0%
Fagron UK Ltd	100.0%
Fagron Verwaltungsgesellschaft GmbH	100.0%
Florien Fitoativos Ltda	100.0%
Freedom Pharmaceuticals Inc.	100.0%
Galfarm Sp. z.o.o.	100.0%
GX Sciences, LLC	100.0%
Humco Holding Group Inc.	100.0%
Humco Qsub 1 Inc.	100.0%
Infinity Pharma BV	100.0%
Infinity Pharma NV	100.0%
JCB Laboratories LLC	100.0%
Jupiter Health Holding LLC	100.0%
Levviale Industria de Insumos Farmacêuticos Ltda	100.0%
Liberty Rx LLC	100.0%
Link Medical LLC	100.0%
Ma'ayan Haim	100.0%
Mar-Kem Ltd	100.0%
Mercury Innovations LLC	100.0%
Midwest Rx LLC	100.0%
Northern Rx LLC	100.0%
Ortofarma Laboratorio de Controle de Qualidade Ltda	100.0%
Pharma Assist BV	100.0%
Pharma Tamar	100.0%
Pharmacy Services Inc.	100.0%
Pharmaline BV	100.0%
Pierson Laboratories Inc.	100.0%
Pro Health lab coleta de análises clínicas Ltda	100.0%
PSI Services Inc.	100.0%
Ran Pharma	100.0%
Rausa Kem Pharmacy Ltd	100.0%
SM Empreendimentos Farmaceuticos Ltda	100.0%
Southern Rx LLC	100.0%
Spruyt hillen BV	100.0%
Texas Southern Rx LLC	100.0%
Twipe BV	100.0%

Statutory Auditor's Report

Statutory auditor's report to the shareholders' meeting of Fagron NV for the year ended 31 December 2021 - 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 3 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 2021, 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 800 421 (000) EUR and the consolidated statement of comprehensive income shows a profit/loss for the year then ended of 61 378 (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 2021 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

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

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

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Goodwill – impairment testing Goodwill amounts to 380 411 (000) EUR and represents 48% of the total consolidated statement of financial position at 31 December 2021. 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 & Brands and Fagron Europe Compounding Services cash generating units. We refer to note 4 and 15 to the consolidated financial statements.	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. 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 based on 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 also 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 misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such 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 GRI Standards. 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 GRI Standards.

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.

Single European Electronic Format (ESEF)

In accordance with the draft standard on the audit of the compliance of the financial statements with the Single European Electronic Format ("ESEF"), we have also performed the audit of the compliance of the ESEF format and of the tagging with the technical regulatory standards as defined by the European Delegated Regulation No. 2019/815 of 17 December 2018 ("Delegated Regulation"). The board of directors is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format ("digital consolidated financial statements") included in the annual financial report.

Our responsibility is to obtain sufficient and appropriate evidence to conclude that the format and the tagging of the digital consolidated financial statements comply, in all material respects, with the ESEF requirements as stipulated by the Delegated Regulation.

Based on our work, in our opinion, the format and the tagging of information in the official Dutch version of the digital consolidated financial statements included in the annual financial report of Fagron NV as of 31 December 2021 are, in all material respects, prepared in accordance with the ESEF requirements as stipulated by the Delegated Regulation.

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 at Antwerp.
The statutory auditor

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Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises BV/SRL
Represented by Ine Nuyts

Statutory Financial Statement

Condensed stand-alone income statement Fagron NV

(x 1,000 euros)	2021	2020
Operating income	**2,353**	**4,794**
Turnover	0	0
Other operating income	2,353	2,916
Non-recurring operating income	0	1,878
Operating expenses	**3,429**	**3,899**
Trade goods, raw and auxiliary materials	0	0
Services and other goods	3,133	3,753
Employee benefit expenses	130	143
Depreciation and amortisation	0	1
Provisions for risks and costs	0	0
Other operating expenses	5	2
Non-recurring operating expenses	161	0
Operating result	**–1,076**	**895**
Financial result	**35,918**	**2,733**
Recurring financial result	35,918	2,733
Non-recurring financial result	0	0
Profit for the financial year before taxes	**34,842**	**3,628**
Tax on the result	0	214
Net result for the financial year	**34,842**	**3,414**

Condensed stand-alone balance sheet Fagron NV

(x 1,000 euros)	2021	2020
Non-current assets	**498,573**	**498,074**
Formation expenses	0	0
Intangible fixed assets	0	0
Property, plant and equipment	1	2
Financial non-current assets	498,572	498,072
Current assets	**192,546**	**223,918**
Receivables due after one year	0	0
Inventories and orders in progress	0	0
Receivables due within one year	145,166	165,852
Investments	1,534	1,969
Cash and cash equivalents	45,742	54,705
Accrued expenses	104	1,392
Total assets	**691,119**	**721,992**
Equity	**556,010**	**528,962**
Capital	501,871	498,552
Share premiums	5,437	1,958
Legal reserves	4,780	3,038
Unavailable reserves - treasury shares	1,534	1,969
Available reserves	42,388	23,445
Retained earnings	0	0
Debt	**135,109**	**193,030**
Debt due after one year	0	0
Debt due within one year	135,032	192,066
Accrued expenses	77	964
Total liabilities	**691,119**	**721,992**

Appropriation of profits Fagron NV

(x 1,000 euros)	2021	2020
Profit to be appropriated	**34,842**	**3,414**
Profit for the year to be appropriated	34,842	3,414
Profit carried forward from the previous year	0	0
Withdrawal from equity	**0**	**9,802**
From the capital and share premiums	0	0
From the reserves	0	9,802
Addition to equity	**20,250**	**170**
To the legal reserves	1,742	170
To the other reserves	18,508	0
Profit to be carried forward	0	**0**
Profit to be carried forward	0	0
Profit to be distributed as dividends	**14,592**	**13,046**
Dividend	14,592	13,046

Accounting policies

The valuation rules are determined in accordance with the provisions of the Royal Decree dated 29 April 2019 in implementation of the Belgian Companies Code.

Statutory financial statements of Fagron NV

As required under Article 3:17 of the Belgian Companies 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 also be available for inspection at the company's registered office.

The Statutory Auditor has expressed its unqualified opinion on the Fagron NV statutory financial statements for the 2021 financial year.

Alternative performance indicators

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

(x 1,000 euros)	2021	2020
Operating profit (EBIT)	87,438	88,738
Depreciation and amortisation	29,332	31,293
EBITDA	**116,770**	**120,031**
EBITDA	116,770	120,031
Non-recurrent result	1,569	3,895
EBITDA before non-recurrent result	**118,339**	**123,927**
Net financial debt		
Non-current financial debt	290,586	256,900
Non-current lease liabilities	30,684	27,548
Current financial debt	6,796	64,440
Current lease liabilities	7,522	6,650
Cash and cash equivalents	**70,646**	**84,248**
Net financial debt	**264,941**	**271,290**

Alphabetical terminology list

In addition to the terms as defined in IFRS, this annual report also includes other terms. These "alternative performance indicators" are defined below. The IFRS terminology is in italics.

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

List of definitions

API
Active Pharmaceutical Ingredient. An ingredient in a medical product that is responsible for the efficacy of the product.

Business Partner Code of Conduct
For more information about our Business Partner Code of Conduct, see page 82.

CO_2-eq
Carbon dioxide equivalent (CO_2-eq) is a measure of how much a greenhouse gas contributes to global warming. For example, one kg of nitrous oxide (N_2O, nitrous oxide) has the same contribution to climate change as 250 kg CO_2.

Code of Conduct
The Code of Conduct is the document that describes how we expect Fagron employees and partners to behave. The document contains information on how to act legally and ethically in the day-to-day business. For more information, see page 93.

CSRD
CSRD stands for Corporate Sustainability Reporting Directive (COM/2021/189). This proposal for EU legislation requires large companies such as Fagron to disclose information about how they deal with social and environmental challenges. This helps investors, civil society organisations, consumers, policy makers and other stakeholders to evaluate the non-financial performance of large companies.

Dispute resolution
The resolution of problems or disputes without appealing to the courts. For example, through arbitration.

EMEA
EMEA stands for Europe, the Middle East and Africa.

Emergency plan
An emergency plan is a guideline that states how a facility must handle in an emergency situation, such as a fire. The plan primarily describes who has which tasks, responsibilities and authority and how these relate to laws and regulations.

ESG
ESG stands for Environmental, Social and Governance.

FSS
FSS stands for Fagron Sterile Services (FSS).

GDP
Good Distribution Practice (GDP) are the standards with which Fagron must comply in order to ensure that the quality and integrity of medicines is maintained throughout the entire supply chain.

GJ
Gigajoule (GJ) is a unit of energy, equivalent to one million joules. 1000 kWh (kilowatt hour) is equivalent to 3.6 GJ.

GMP
Good Manufacturing Practice (GMP) are the standards with which Fagron must comply to ensure that when medicine is used correctly, the quality is safe for patients to use. GMP is intended to minimise the risks for the patient.

Greenhouse Gas Intensity
The greenhouse gas intensity is the total greenhouse gas emissions in CO_2-eq divided by a unit of production or turnover.
We calculate our greenhouse gas intensity based on million euros turnover, we normalise all turnover in currencies other than euros based on the exchange rate in our base year (2019).

Greenhouse gases
Greenhouse gases are gases in the Earth's atmosphere that can absorb heat. With that, they contribute to the retention of heat in the atmosphere and increase the Earth's temperature. Examples of greenhouse gases are carbon dioxide (CO_2) and methane (CH_4).

GRI
The Global Reporting Initiative (GRI) is an international and independent organisation that helps companies, governments and other organisations to better understand and communicate their impact on topics such as climate change, human rights and corruption.

KPI
KPI stands for Key Performance Indicator. It is an indicator that provides insight in the performance over time for a specific objective.

NO_x
NO_x stands for nitrogen oxides and is a generic term for different combinations of nitrogen oxygen compounds. NO_x is produced primarily in combustion engines and is a form of air pollution.

PM10
Particulate Matter (PM10) are microscopic particles suspended in the air with a diameter of 10 μm (1/1000th of a millimetre). Particulates are a form of air pollution.

SDG
The Sustainable Development Goals (SDGs) are 17 different sustainable development objectives for the year 2030. The SDGs are established by the United Nations.

SO_2
SO_2 stands for sulphur dioxide. SO_2 is produced primarily in combustion engines and is a form of air pollution.

UDHR
The Universal Declaration of Human Rights (UDHR) is a declaration adopted by the United Nations that describes human rights for every human being.

Warning with regard to forward-looking statements

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, etc.).

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.

GRI Index

General Disclosures

Based on "GRI 2: General disclosures 2021"

Disclosure	Location in annual report	Omission	Reason for omission
2-1 Organisational details	a. Fagron NV b. Public limited liability company listed on stock exchange c. Nazareth, Belgium d. Fagron has facilities in Belgium, Brazil, China, Colombia, Denmark, Germany, France, Greece, Israel, Italy, Croatia, Mexico, the Netherlands, Poland, Spain, the Czech Republic, United Kingdom, United States of America, South Africa.	-	-
2-2 Entities included in organisation's sustainability reporting	a/b. The data described under Fagron's corporate social responsibility on page 58, as well as the rest of this report, is applicable to the consolidated companies (page 204). c. The report, with the exception of the 2021 Financial Annual Report (page 152), does not contain any information about entities in which Fagron NV has a non-controlling interest. Whether and how acquisitions and divestments are taken into account are described for each material topic in Fagron's corporate social responsibility (page 58).	-	-
2-3 Reporting period, frequency and contact point	a. 2021, annually b. 1 January 2021 through 31 December 2021 c. 8 April 2022 d. Karen Berg (page 96)	-	-
2-4 Restatements of information	Only the information about the climate impact and energy use for 2019 was adjusted in the chapter "Fagron's corporate social responsibility". This update was based on a few minor adjust-ments to activity data and updates to a number of emission factors.	-	-
2-5 External assurance	a/b. No external verification took place of the chapter "Fagron's corporate social responsibility".	-	-
2-6 Activities, value chain and other business relationships	a. Fagron operates in the GRI sectors, "Pharmaceuticals" and "Medical equipment and services". b/c. See the chapter "About Fagron" (page 10). d. The only significant changes are the acquisitions as described per region starting on page 30.	-	-
2-7 Employees	a. For the total number of employees, see page 8 (FTE) and page 9 (number), gender distribution (page 9) and per region in the chapter "Regions" (page 30). c/d. All information about employees is given in FTE or number of people, this is indicated in each case with a footnote. We always report the number on 31 December of the financial year. This number includes own employees, temporary workers and independent managers. With regard to temporary workers, temporary workers are included when they have worked at Fagron for more than one month and for more than 0.3 FTE. Own employees who are absent for a longer period of time and whose salary costs are paid by a government or insurance, are not included. For example, in the event of long-term maternity leave. This means that on-call workers and external consultants are not included in this number. e. The total number of employees has increased in recent years due to acquisitions.	b.	bi/bii. We distinguish between our own employees (including independent managers) and temporary workers. We do not distinguish between permanent and temporary workers. biii. This information is not collected at group level. biv/bv. As can be concluded from the ratio of FTE and number of employees, the majority of Fagron employees work full-time. The number of part-time employees is negligible.
2-8 Workers who are not employees	-	a/b/c	Information not available. The number of on-call workers, consultants and temporary workers who work less than 0.3 FTE for Fagron is not collected at group level.
2-9 Governance structure and composition	a. Corporate Governance Statement (page 106) b. See Fagron's corporate social responsibility (page 58). c. Corporate Governance Statement (page 106)	Civ Cvi Cvii Cviii	Civ. These will be described in more detail in the 2022 Annual Report. Cvi. Fagron has no definition for "under-represented social groups". See Our people (page 72) for an explanation. Cvii. Competencies will be described in more detail in the 2022 Annual Report. Cviii. No explicit attention is paid to stakeholder representation in the composition of the Board of Directors.
2-10 Nomination and selection of the highest governance body	a. Corporate Governance Statement (page 106)	b.	b. Not included in this annual report, this overview will be included in the 2022 Annual Report.
2-11 Chair of the governance body	a/b. Corporate Governance Statement (page 106)	-	-
2-12 Role of the highest governance body	a/b/c. Fagron's corporate social responsibility (page 58)	-	-
2-13 Delegation of responsibility for managing impacts	a/b. Fagron's corporate social responsibility (page 58).	-	-
2-14 Role of the highest governance body in sustainability reporting	a/b. Fagron's corporate social responsibility (page 58).	-	-
2-15 Conflict of interest	a/b. Corporate Governance Statement (page 106)	-	-

Disclosure	Location in annual report	Omission	Reason for omission
2-16 Communication of critical concerns	a/b. A list of complaints received via the Fagron Integrity Line is reported by the Compliance & Ethics team to the Audit Committee. The Audit Committee reports each quarter to the Board of Directors. In 2021, the list included 15 complaints. Of these, six complaints were related to discrimination and three complaints were related to intimidation.	-	-
2-17 Collective knowledge of the highest governance body	There were no initiatives in 2021 to increase the knowledge level of the Board of Directors about ESG.	-	-
2-18 Evaluation of the performance of the highest governance body	a/b/c. Corporate Governance Statement (page 106) For more information, see the Remuneration Policy available via investors.fagron.com.	-	-
2-19 Remuneration policy	a/b. Corporate Governance Statement (page 106). For more information, see the Remuneration Policy available via investors.fagron.com.	-	-
2-20 Process to determine remuneration	a/b. Corporate Governance Statement (page 106). For more information, see the Remuneration Policy available via investors.fagron.com.	-	-
2-21 Annual total compensation ratio	-	a/b/c	a/c. 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 the comparison of the average remuneration of Fagron employees working in Belgium. This information can be found on page 140. b. Increase in CEO remuneration was +15.1% in 2020 compared to 2019, increase in average remuneration of employees in Belgium was 7.6% over the same period. Ratio was 31.3.
2-22 Statement on sustainable development	Statement: CEO's message (page 4) Strategy: Fagron's corporate social responsibility	-	-

Disclosure	Location in annual report	Omission	Reason for omission
2-23 Policy commitments	ai/ii/iii. No aiii. Yes. bi. See Our people (page 72) for employees and Responsibility in the supply chain (page 82) for suppliers. bii. Employees and suppliers. c. This annual report and Fagron's "ESG at Fagron 2022" are available via investors.fagron.com. d. This annual report and Fagron's "ESG at Fagron 2022" have been approved by the Board of Directors. e. Applicable to all employees and suppliers. f. Internal communication via various channels to employees, including training about the Code of Conduct (see page 93 for more information). For suppliers, see Responsibility in the supply chain (page 82).	-	-
2-24 Embedding policy commitments	ai. Fagron's corporate social responsibility (page 58) aii. Risk management (page 48), Fagron's corporate social responsibility (page 58), Remuneration policy (page 132). aiii. Responsibility in the supply chain (page 82). aiv. Fagron's corporate social responsibility (page 58).	-	-
2-25 Processes to remediate negative impacts	a/c. See Fagron's corporate social responsibility (page 58) for a description of the commitment and activities that Fagron undertakes in order to reduce or mitigate negative impact. b. For a description of Fagron's grievance mechanism, see page 90. d. Employees were not involved in the further development of the grievance mechanism in 2021. e. The process for evaluating our grievance mechanism is under development.	-	-
2-26 Mechanisms for seeking advice and raising concerns	a. Fagron's grievance mechanism offers the option to seek guidance regarding the implementation of Fagron's Code of Conduct and to submit complaints in the event there is non-compliance with the Code. For more information about our grievance mechanism, see page 90.	-	-
2-27 Compliance with laws and regulations	a/b/c/d. Good governance (page 86)	-	-
2-28 Membership Associations	a. Fagron NV is not part of any industry organisation or national or international interest group.	-	-
2-29 Approach to stakeholder engagement	a. Fagron's corporate social responsibility (page 58).	-	-
2-30 Collective bargaining agreements	a. Our people (page 72). b. For other employees, the salary and benefits are determined on the basis of average terms of employment in the respective market.	-	-

Material topics

Based on "GRI 3: Material Topics 2021"

Disclosure	Location in annual report	Omission	
		Omission of requirements	Reason for omission
3-1 Process to determine material topics	a/b. See Fagron's corporate social responsibility (page 58)	-	-
3-2 List of material topics	a. See Fagron's corporate social responsibility (page 58). b. The list of material topics is unchanged compared to 2020.	-	-

Climate change

Based on "GRI Material Topics 2021" and "GRI 305: Emissions 2016"

Disclosure	Location in annual report	Omission	Reason for omission
3-3 Management of material topics	Low impact on the environment (page 64). Fagron does not use carbon credits.	-	-
305-1 Direct (Scope 1) GHG emissions	Low impact on the environment (page 64). More details, including an extensive methodology description and emission factors can be found in the report, "Fagron Carbon Footprint 2021", accessible via investors.fagron.com. Under Scope 3, Fagron only reports on Business Travel (Category 6 of the GHG Protocol).	-	-
305-2 Energy indirect (Scope 2) GHG emissions		-	-
305-3 Other indirect (Scope 3) GHG emissions		-	-
305-4 GHG emissions intensity		-	-
305-5 Reduction of GHG emissions		-	-

Energy use

Based on "GRI Material Topics 2021" and "GRI 302: Energy 2016"

Disclosure	Location in annual report	Omission	Reason for omission
3-3 Management of material topics	Low impact on the environment (page 64).	-	-
302-1 Energy consumption within the organization	Low impact on the environment (page 64). More details, including an extensive methodology description and conversion factors can be found in the report, "Fagron Carbon Footprint 2021", accessible via investors.fagron.com. Fagron does not purchase external cooling or steam. Fagron does not sell heat, cooling or steam.	-	-
302-2 Energy consumption outside the organization	-	Information is not available.	Fagron does not have full insight into energy consumption in Fagron's supply chain or the electricity consumption of products sold by Fagron.
302-3 Energy intensity	Low impact on the environment (page 64). More details, including an extensive methodology description and conversion factors can be found in the report, "Fagron Carbon Footprint 2021", accessible via investors.fagron.com.	-	-
302-4 Reduction of energy consumption		-	-
302-5 Reductions in energy requirements of products and services	-	Not applicable	We do not see this indicator as material because Fagron barely sells products that use fuel or electricity directly

Waste management

Based on "GRI Material Topics 2021" and "GRI 306: Waste 2020"

Disclosure	Location in annual report	Omission	Reason for omission
3-3 Management of material topics	Low impact on the environment (page 64).	-	-
306-1 Waste generation and significant waste-related impacts	Low impact on the environment (page 64).	-	-
306-2 Management of significant waste-related impacts	Low impact on the environment (page 64).	-	-
306-3 Waste generated	-	Information is not available	This information is not available at Fagron Group level
306-4 Waste diverted from disposal	-		
306-5 Waste directed to disposal	-		

Emissions to air and soil

Gebaseerd op “GRI Material Topics 2021’’ en ‘’GRI 305: Emissions 2016’’

Disclosure	Location in annual report	Omission	Reason for omission
3-3 Management of material topics	Low impact on the environment (page 64).	-	-
305-6 Emissions of ozone-depleting substances	-	Not applicable	We do not see emissions that affect the ozone layer as a material topic. With the exception of an incidental leakage of coolant from a cooling system, Fagron does not emit CFCs.
305-7 Nitrogen (NOx), sulfur oxides (SOx) and other significant air emissions	ai. Low impact on the environment (page 64). b/c. The compilation uses emission factors from the LCA database EcoInvent v3.8. The total amount of natural gas, LPG and diesel used in our locations is multiplied by an emission factor for combustion in an industrial machine and the petrol and diesel use in (lease) cars multiplied by the emission factors for the respective emission class for those cars (for example, EURO6). Should the emission class be unknown, then EURO4 was assumed.	aii - avii	Emissions into the air from Fagron facilities and vehicles are related to the combustion of fossil fuels. These are NOx, SOx and PM emissions. The SOx and PM emissions are related to our NOx emissions. We therefore only report on NOx emissions. We do not see other emissions as material.

Human and labour rights (also for responsibility in the supply chain)

Based on “GRI Material Topics 2021” and “406 Non-discrimination 2016”, “407 Freedom of association and collective negotiations”, “408 Child labour 2016, “409 Forced and compulsory labour 2016”

Disclosure	Location in annual report	Omission	Reason for omission
3-3 Management of material topics	Our people (page 72) and Responsibility in the supply chain (page 82).	-	-
406-1 Incidents of discrimination and corrective actions taken	Our people (page 72).	-	-
407-1 Operations and suppliers in which the right to freedom of collective bargaining may be at risk	For Fagron operations, see Our people (page 72); for supply chain, see Responsibility in the supply chain (page 82).	-	-
408-1 Operations and suppliers at significant risk for incidents of child labour	For Fagron operations, see Our people (page 72); for supply chain, see Responsibility in the supply chain (page 82).	-	-
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	For Fagron operations, see Our people (page 72); for supply chain, see Responsibility in the supply chain (page 82).	-	-

Diversity

Based on “GRI Material Topics 2021” and “GRI 405: Diversity and equal opportunity 2016’’

Disclosure	Location in annual report	Omission	Reason for omission
3-3 Management of material topics	Our people (page 72).	-	-
405-1 Diversity of governance bodies and employees	a. Our people (page 72). Instead of the age categories <30 years, 30-50 years and older than 50, we use the more specific age categories <25 years, 25-34 years, 35-44 years, 45-54 years, >54 years. b. Our people (page 72). We report on the diversity topics of gender and age per job level.	-	-
405-2 Ratio of basis salary and remuneration of women to men	-	Information is not available	This information is not available at Fagron Group level

Health & safety

Based on “GRI Material Topics 2021” and “GRI 403: Occupational health and safety 2018’’

Disclosure	Location in annual report	Omission	Reason for omission
3-3 Management of material topics	Our people (page 72).	-	-
403-1 Occupational health and safety management system	a. Fagron has no health and safety policy at group level. Each individual entity has its own procedures and emergency plans in line with local legislation. b. All employees fall under local procedures and emergency plans.	-	-
403-2 Hazard identification, risk assessment, and incident investigation	a. Fagron has no health and safety policy at group level. Each individual entity has its own procedures and emergency plans in line with local legislation. b/c. Dangerous situations can be reported via Fagron’s grievance mechanism (page 90). d. Each local entity complies with local legislation for the identification and mitigation of risks. For information about the monitoring system at group level, see Our people (page 72).	-	-
403-3 Occupational health services	a. Fagron has no health and safety policy at group level. Each individual entity has its own procedures and emergency plans in line with local legislation.	-	-
403-4 Worker participation, consultation, and communication on occupational health and safety		-	-
403-5 Worker training on occupational health and safety		-	-
403-6 Promotion of workers’ health		-	-

Disclosure	Location in annual report	Omission	Reason for omission
403-7 Prevention and mitigation of occupational health and safety management system	See Responsibility in the supply chain (page 82) for supply chain processes and Good governance (page 86) for quality of products supplied by Fagron.	-	-
403-8 Workers covered by occupational health and safety management system	a. Fagron has no health and safety policy at group level. Each individual entity has its own procedures and emergency plans in line with local legislation.	-	-
403-9 Work-related injuries	a. See Our people (page 72) for the number of accidents. i. 0 ii. 0 iii./v. 32 registered work-related injuries, making the ratio 5.5 with 6.2 million hours worked iv. The most common injuries in 2021 occurred during movement of goods in a warehouse. e. 1 million hours	b. c/d.	b. Fagron does not specifically monitor the number of accidents under temporary workers separately from those under its employees. All accidents are included under a. c/d. Fagron has no health and safety policy at group level. Each individual entity has its own procedures and emergency plans in line with local legislation.
403-10 Work-related ill health	-	403-10	This information is not available at Fagron Group level

Training & development

Based on "GRI Material Topics 2021" and "Training and education 2016"

Disclosure	Location in annual report	Omission	Reason for omission
3-3 Management of material topics	Our people (page 72).	-	-
404-1 Average hours of training per year per employee	-	Information is not available	This information is not available at Fagron Group level.
404-2 Programs for upgrading employee skills and training assistance programs	-	Information is not available	This information is not available at Fagron Group level.
404-3 Percentage of employees receiving regular performance and career development reviews	Our people (page 72). This information is only available for all employees and cannot be further divided into gender and employee categories.	-	-

Preventing corruption and bribery

Based on "GRI Material Topics 2021" and "Anti-corruption 2016"

Disclosure	Location in annual report	Omission	Reason for omission
3-3 Management of material topics	Good governance (page 86).	-	-
205-1 Operations assessed for risks related to corruption	Good governance (page 86).	-	-
205-2 Communication and training about anti-corruption policies and procedures	a/d. 100%. Good governance (page 86). b/e. Good governance (page 86).	c.	We do not monitor how many suppliers have read the Business Partner Code of Conduct. This is publicly available to everyone and it is referenced in all new purchasing contracts.
205-3 Confirmed incidents of corruption and actions taken	Good governance (page 86).	-	-

Product quality and product safety

Based on "GRI Material Topics 2021" and "Customer Health and Safety 2016"

Disclosure	Location in annual report	Omission	Reason for omission
3-3 Management of material topics	Good governance (page 86).	-	-
416-1 Assessment of the health and safety impacts of product and service categories	Good governance (page 86).	-	-
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Good governance (page 86).	-	-

Compliance with laws and regulations

Based on “GRI Material Topics 2021'' and ''Socioeconomic compliance 2016''

Disclosure	Location in annual report	Omission	Reason for omission
3-3 Management of material topics	Good governance (page 86).	-	-

Grievance mechanism

Disclosure	Location in annual report	Omission	Reason for omission
None	For a description of Fagron’s grievance mechanism, see Good governance (page 86).	-	-

Fair tax policy

Based on “GRI Material Topics 2021'' and ''Tax 2019''

Disclosure	Location in annual report	Omission	Reason for omission
3-3 Management of material topics	Good governance (page 86).	-	-
207-1 Approach to tax	Fagron does not have a focused tax policy. The approach used is described in Good governance (page 86).	-	-
207-2 Tax governance, control, and risk management	ai. The approach used for taxes as described in Good governance (page 86) is the CFO’s responsibility.	-	-
207-3 Stakeholder engagement and management of concerns related to tax	Beside the normal interaction with stakeholders (see page 58), Fagron does not have explicit contact about tax policy. Interaction with tax authorities only occurs when initiative is taken by the tax authority.	-	-
207-4 Country-by-country reporting	-	-	The required reporting requires too much business-sensitive information. We provide insight into the income tax paid per region (see page 92), which provides a good view of Fagron’s tax gap.

Giving back

Disclosure	Location in annual report	Omission	Reason for omission
None	See Giving back (page 84).	-	-

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Domani B.V., The Hague