

Regulated information

Nazareth (Belgium)/Rotterdam (The Netherlands), 13 October 2020

Fagron realizes turnover growth of 10.7% CER

Fagron enters Israeli market with acquisition of Pharma Tamar

Highlights Q3-2020

- Turnover growth¹ of 10.7% CER² to € 135.1 million
- Organic turnover growth of 8.2% CER
- Significant weakening of BRL and MXN against EUR results in reported turnover decline of 0.4%
- Strong performance, particularly in Latin America; North America also reports good growth in turnover
- Impact of COVID-19 pandemic remained limited and non-material
- Acquisition of Pharma Tamar in Israel completed in August
- CEO Rafael Padilla will directly lead EMEA region; focus on innovation and time-to-market
- European organization being structured more efficiently

Rafael Padilla, CEO of Fagron: *“As expected the third quarter was also to a large extent defined by the impact of the COVID-19 pandemic, which we were able to navigate well thanks to our product and regional diversification and our reliable supply chain. Both in terms of turnover development and profitability, Fagron once again showed a good performance in the third quarter.*

The course and effects of the pandemic vary from region to region. Demand for COVID-19-related products, mainly at the Brands and Essentials segments, is keeping pace with the development in the infection rate, which is rising again in a number of regions. Demand for elective care recovered in a number of regions, although it is being scaled back again in areas where the number of cases is on the rise.

We are able to respond to both of these developments well with our diversified product portfolio, as is evidenced by the performance in Latin America and North America. In the Netherlands, where we traditionally have a strong position in Compounding Services, the impact of scaling back elective care is more difficult to offset by the increase in demand for COVID-19-related products.

The European activities are being structured more efficiently to enable us to respond even quicker in the market. As part of this restructuring I am going to lead the EMEA region (Europe, South Africa and Israel) myself. The flatter organizational structure will lead to better collaboration in order to increase our strength

¹ Excluding HL Technology which was divested in the fourth quarter of 2019.

² CER = Constant Exchange Rates.



and impact as a market leader and to realize synergies and economies of scale. Furthermore, we will focus more on innovation, the development of Brands and a shorter time-to-market.

Another important development remains consolidation and we are proud to have further strengthened our group in the third quarter of 2020 with the acquisition of Pharma Tamar in Israel. Fagron remains alert to possible acquisition opportunities that may arise in the current market dynamics.

The coming quarter will also be dominated by COVID-19 and visibility is limited. We will continue to pursue our policy aimed at making the most of opportunities while remaining critical of our costs.”

Update on COVID-19

Supply chain

There have been virtually no disruptions to Fagron’s supply chain as a result of COVID-19. Product availability is a critical success factor in the current situation. Inventory levels are constantly being closely monitored and mitigated by keeping higher inventories of specific products. Due in part to our global network of suppliers, we have multiple suppliers for each raw material and are therefore well-prepared to deal with alternative sourcing scenarios.

Temporary shift in demand for products

The course of the COVID-19 pandemic, the number of cases and the policy measures being taken continue to vary greatly. The situation varies from country to country and can even differ greatly from region to region within a country. As a result, the shift in demand in each region due to COVID-19 is extremely mixed. In a number of regions where elective care was partly being ramped up, an increase in the number of cases has led to the scaling back and postponement of this care. And after a drop in many regions, demand for specific COVID-19-related products is now rising again in some regions. The impact of these shifts on the gross margin is still limited.

Measures

Despite the fact that Fagron currently expects the pandemic to have a limited and non-material impact on its performance, the economic uncertainty persists. Fagron continues to manage its investments and cash flow in a disciplined way. Fagron is also taking measures to reduce its cost base by keeping a critical eye on its costs, organization wide, and focusing even more on efficiency.

Organization

As of 1 September 2020 all countries in the EMEA region (Europe, South Africa and Israel) are reporting directly to Fagron CEO Rafael Padilla. Within the European market more focus is being placed on innovation, the development of Brands and on launching new products quicker. This is strengthening the European platform and will enable Fagron to make even better use of its market-leading position. In addition, consolidation remains an important spearhead on the European market. Fagron’s organization will be better streamlined in Europe, particularly in the Netherlands, in order to improve efficiency and benefit more from economies of scale. Furthermore, we will sharpen focus in the various brands.

Update on buy-and-build

Acquisition of Pharma Tamar

Fagron completed the acquisition of Pharma Tamar in August 2020. Established in 1980, Tel-Aviv-based Pharma Tamar provides a full-service offering to pharmacies and hospitals, both to those that make in-



house compounds and those that outsource their compounding activities. Tamar has evolved from a supplier of raw materials into a vertically integrated full-service player on the Israeli compounding market. With a staff of 71, Pharma Tamar generated turnover of around € 8.1 million in 2019 and an EBITDA-margin of approximately 10%.

Fagron is alert to possible acquisition opportunities that may develop in the current market.

Operational update

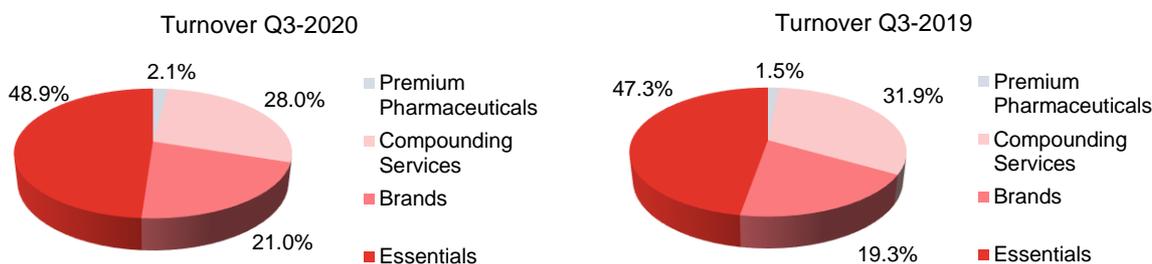
New GMP-repackaging plant in Poland

As indicated in the semi-annual results publication, the construction of the new GMP facility in Krakow, Poland, for the repackaging of raw materials has been slightly delayed due to the COVID-19 pandemic and the facility is expected to be operational in early 2021. This new facility is expected to result in a structural annual margin improvement of € 2 million.

Key figures by segment

Fagron (excluding HL Technology)

(x € 1,000)	2020	2019	Total growth	Total growth CER	Organic growth	Organic growth CER
Turnover Q3	135,077	135,644	-0.4%	+10.7%	-2.8%	+8.2%
Turnover 9M	413,827	386,663	+7.0%	+14.2%	+1.0%	+7.6%



The turnover of Fagron (excluding HL Technology) came in at € 135.1 million in the third quarter of 2020, virtually the same as in the third quarter of 2019. Turnover increased by 10.7% at constant exchange rates. Organic turnover growth at constant exchange rates equaled 8.2%. The severe weakening of the Brazilian real and the Mexican peso had a negative impact on turnover in Latin America. However, the region once again reported strong turnover growth at constant exchange rates. North America also reported good turnover growth of 6.6% with the Brands and Essentials segments in particular increasing their share in total turnover. The picture at EMEA was mixed with Essentials and particularly Brands performing strongly, while Compounding Services posted a drop in turnover.

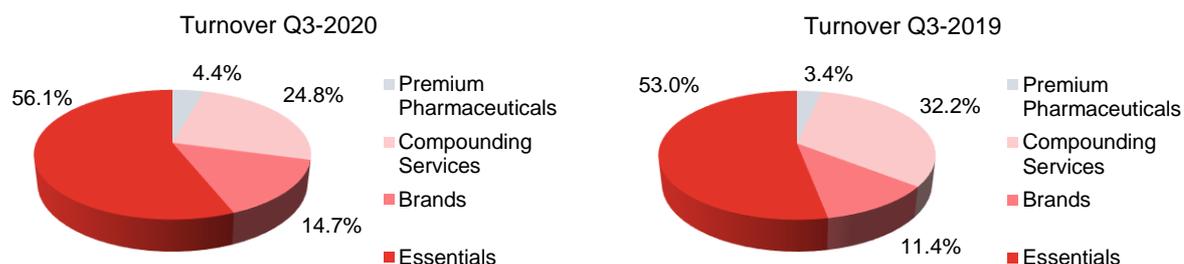
The table below shows the turnover development and exchange rate effects at Fagron (excluding HL Technology) in the third quarter of 2020.



(x € 1,000)	Impact
Turnover in Q3-2019	135,644
Development EMEA ³	+128
Development Latin America	+8,497
Development North America	+2,526
Currency effect BRL/EUR	-11,431
Currency effect USD/EUR	-2,058
Currency effect other	-1,509
Contribution of acquisitions	+3,279
Turnover in Q3-2020	135,077

Fagron EMEA⁴

(x € 1,000)	2020	2019	Total growth	Total growth CER	Organic growth	Organic growth CER
Turnover Q3	64,051	61,274	+4.5%	+5.4%	-0.6%	+0.2%
Turnover 9M	201,601	189,951	+6.1%	+6.9%	+1.9%	+2.6%



The turnover of Fagron EMEA increased by 4.5% (+5.4% at constant exchange rates) from € 61.3 million in the third quarter of 2019 to € 64.1 million in the third quarter of 2020. Organic turnover growth at constant exchange rates equaled 0.2%.

The picture at EMEA is mixed. A number of markets reported strong turnover growth whereas several other markets reported a drop in turnover. Compounding Services reported a sharp decline in turnover in the third quarter. Despite the fact that elective care is again growing, the volumes have not yet reached pre-COVID-19 levels. And a number of markets are scaling back elective care again. Also, the registration of a number of non-sterile compounds by other players had a negative impact on turnover. Fagron is in advanced stages of the registration process for a number of these compounds. The share of Premium Pharmaceuticals increased further.

Essentials and Brands in particular posted good turnover growth. Increased demand for COVID-19-related products contributed to this, as did Gako in Germany that was acquired in early 2020 and recently acquired Israeli-based Pharma Tamar.

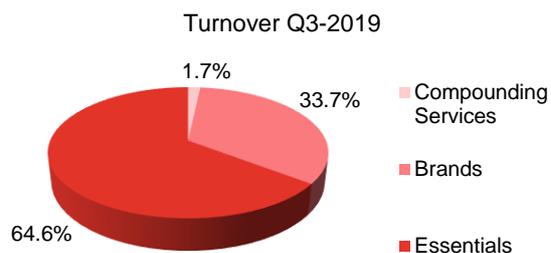
³ The EMEA segment comprises the Fagron activities in Europe, South Africa and Israel.

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Fagron Latin America

(x € 1,000)	2020	2019	Total growth	Total growth CER	Organic growth	Organic growth CER
Turnover Q3	32,498	36,310	-10.5%	+23.9%	-10.9%	+23.4%
Turnover 9M	93,543	88,728	+5.4%	+34.8%	-11.7%	+15.3%



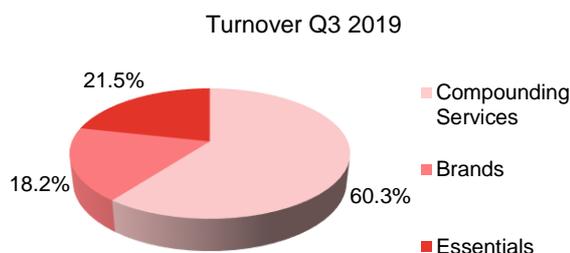
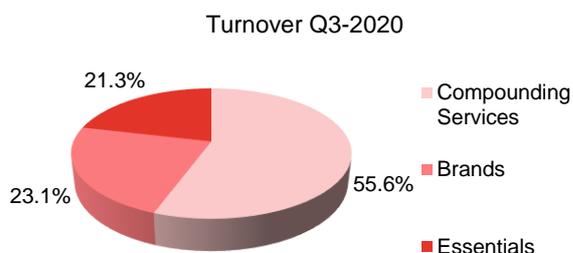
The turnover of the Latin America segment decreased by 10.5% in the third quarter of 2020 (+23.9% at constant exchange rates) to € 32.5 million. The weakening of the Brazilian real and the Mexican peso is having a major impact. Organic turnover growth at constant exchange rates was 23.4%, a clear acceleration compared to the first two quarters of 2020.

Due in part to demand for COVID-19-related products Essentials once again posted strong organic turnover growth. Turnover growth at Brands accelerated compared to the second quarter as a limited number of clinics and practices have now reopened. Demand for COVID-19-related products remains at a high level. Boosted by its position as a market leader Fagron is well equipped to perform strongly, even in challenging market conditions.

The Compounding Services activities in Colombia, which account for a relatively small part of total turnover in Latin America, reported an increase in turnover in the third quarter after a drop in the second quarter.

Fagron North America

(x € 1,000)	2020	2019	Total growth	Total growth CER	Organic growth	Organic growth CER
Turnover Q3	38,528	38,060	+1.2%	+6.6%	+1.2%	+6.6%
Turnover 9M	118,683	107,984	+9.9%	+10.0%	+9.9%	+10.0%





The turnover of the North America segment increased by 1.2% in the third quarter of 2020 (+6.6% at constant exchange rates) to € 38.5 million.

Fagron's sterile activities (Compounding Services) in the United States reported a slight decline of 2.0% at constant exchange rates, an improvement compared to the first half of 2020. Compounding Services' share of total turnover of the North America segment declined due to the strong increase of Brands in particular.

Turnover at Fagron Sterile Services increased by 4.5% at constant exchange rates. The postponement of elective care, the (temporary) closure of clinics and the reduced number of doctor's visits due to COVID-19 also had a negative impact on turnover development in the third quarter. Nevertheless, the sterile compounding facilities in Wichita remain on track to achieve the stated long-term turnover target. This may, however, be delayed depending on the further development of COVID-19.

AnazaoHealth reported a 7.3% decline in turnover at constant exchange rates, mainly as a result of the (temporary) closure of clinics. Furthermore, a number of nuclear products with low margins are no longer being offered as a result of the product refocus we introduced at the end of 2019.

Brands and Essentials continued to perform strongly in the third quarter. Despite the negative impact of a temporary IT issue at Humco on turnover in the final week of September, the activities reported a combined turnover growth at constant exchange rates of 19.8%. Humco was an important contributor to this growth, as was the high demand for a number of specific COVID-19-related products.

Conference call

Rafael Padilla (CEO) and Karin de Jong (CFO) will expand on the trading update for the 2020 third quarter during a conference call today. The conference call will begin at 9.30 am CET. You will be able to call in using the following numbers and the confirmation code 10 minutes prior to the start of the conference call:

Belgium: 0800 71 003 (only from Belgium)
The Netherlands: +31 (0)20 369 7886
Spain: +34 91 060 2869
United Kingdom: +44 (0)330 027 1846
United States: +1 334 777 6978
Confirmation code: 3168378

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Fagron profile

Fagron is a leading global company active in pharmaceutical compounding focused on delivering personalized medicine to hospitals, pharmacies, clinics and patients in 36 countries around the world.



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

Important information regarding forward-looking statements

Certain statements in this press release could be considered to be forward looking. Such forward-looking statements are based on current expectations and are influenced by various risks and uncertainties. Consequently, Fagron cannot provide any guarantees that such forward-looking statements will, in fact, materialize and cannot accept any obligation to update or revise any forward-looking statement as a result of new information, future events or for any other reason.

In the event of differences between the English translation and the Dutch original of this press release, the latter prevails.