



Annual Report

2022

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Fagron at a glance

Financial indicators

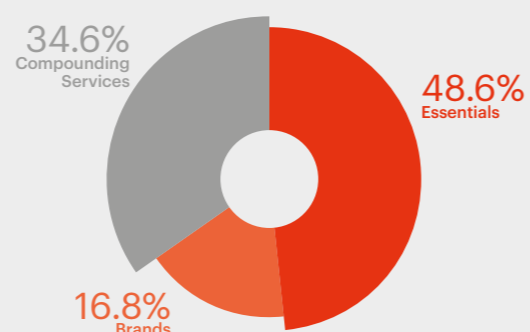
(in million euros unless indicated otherwise)

Revenue ↑
683.9
 2021: 573.8
 +19.2%

REBITDA (EBITDA before non-recurrent result) ↑
130.7
 2021: 118.3
 +10.5%

EBIT ↑
97.9
 2021: 87.4
 +12.0%

Revenue per segment



Net result ↑
70.1
 2021: 61.4
 +14.2%

Earnings per share ↑
0.96
 2021: 0.84
 +14.3%

Non-financial indicators



Employees¹

3,240



Number of facilities

81



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

11,357



Units of compounded medicine supplied (in millions)

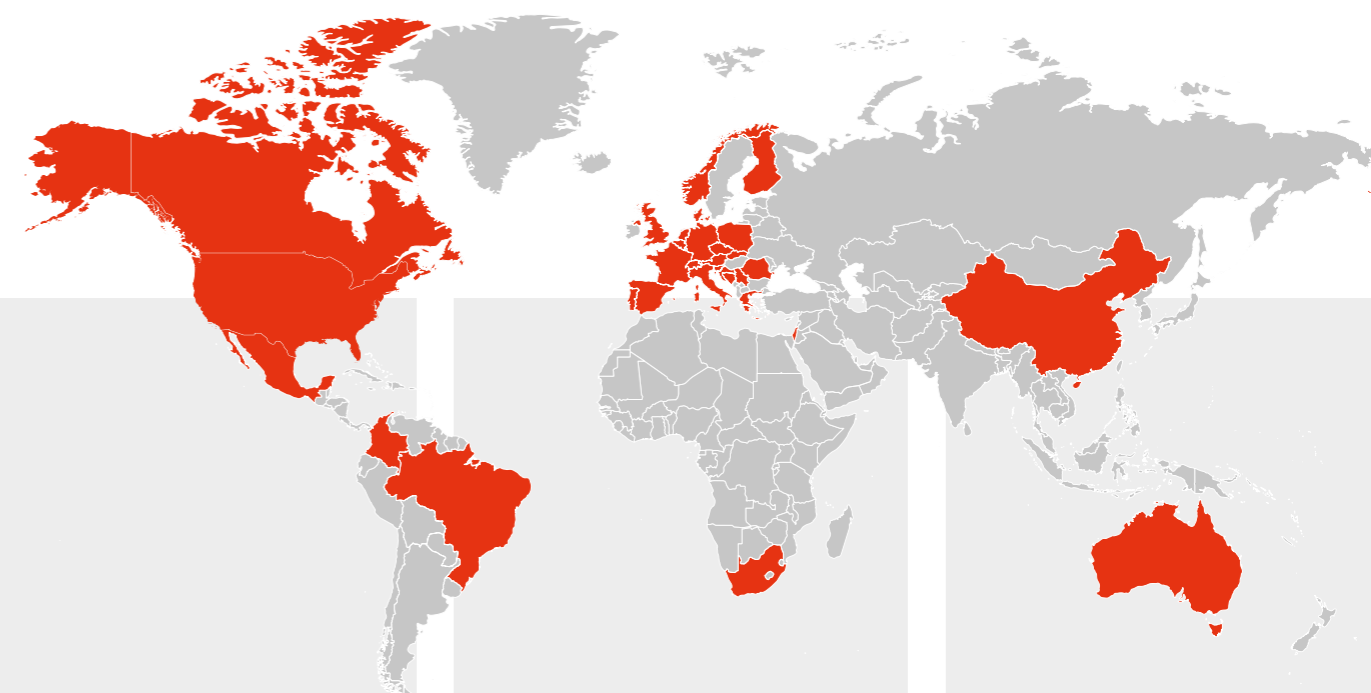
11.2



Sustainable Engagement Score

84%

¹ Number of employees on December 31st (including independent managers and temporary workers).



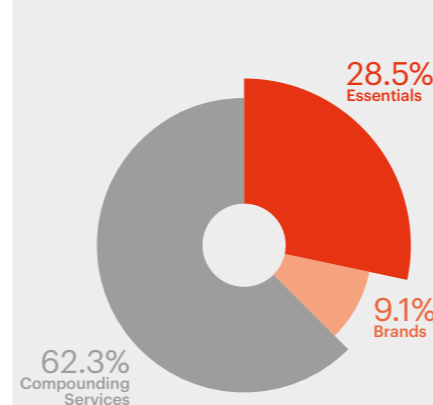
North America

(in million euros)

Revenue ↑
245.1
 2021: 177.6
 +38.0%

REBITDA (EBITDA before non-recurrent result) ↑
41.3
 2021: 32.2
 +28.3%

Revenue per segment



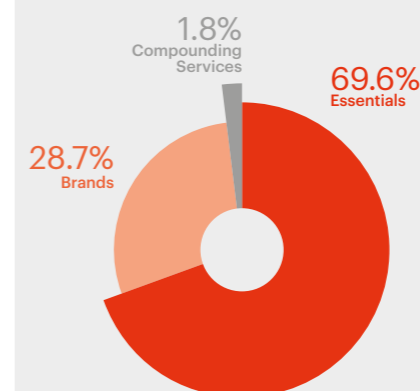
Latin America

(in million euros)

Revenue ↑
162.3
 2021: 141.1
 +15.1%

REBITDA (EBITDA before non-recurrent result) ↓
28.9
 2021: 30.5
 -5.4%

Revenue per segment



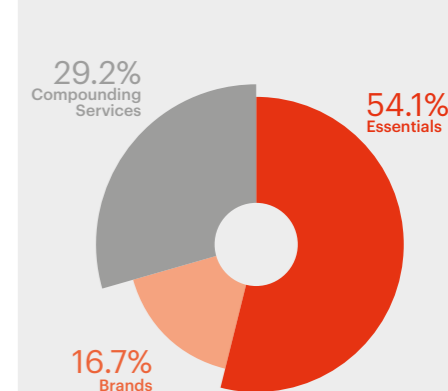
EMEA

(in million euros)

Revenue ↑
276.4
 2021: 255.1
 +8.4%

REBITDA (EBITDA before non-recurrent result) ↑
60.6
 2021: 55.6
 +8.9%

Revenue per segment



CEO's message

2022 was a dynamic year in many ways. Under volatile conditions, we achieved sales growth of 19.2% (10.3% at constant exchange rates) and 10.5% REBITDA improvement with the entire Fagron team. This highlights Fagron's resilience and the relevance of what we do.

During our Capital Markets Day in March 2022, we presented our strategic ambitions and medium-term financial goals. I am convinced that with our strategic priorities, supported by sustainable market developments, we are very well positioned to realize these ambitions.

EMEA showed the turnaround in 2022 that we have been aiming for with our strategy. We showed growth again. The EMEA team has been successful in increasing operational efficiency. This included completing the transition to the new repackaging facility in Poland, which significantly improved product availability. The broadening of the Brands portfolio, with the introduction of innovative products, also contributed to growth. With the acquisitions of Pharma-pack (Belgium), Curaphar (Netherlands), and Hiperscan (Germany), we further strengthened our position in these strategic countries. In addition, healthy growth outside the Benelux contributed to a more balanced profile within EMEA. Fagron EMEA is therefore in an excellent position to continue the positive trend.

In Latin America, conditions were challenging. The underlying trend is still positive due to our focus on prevention and healthy lifestyle, but consumer spending came under pressure due to macroeconomic developments. At the same time, competitive pressures in Brazil in particular were increasing. Our innovative

strength, scale, and competitive pricing strategy have allowed us to perpetuate our market leadership. In this market, operational efficiency is crucial to ensure our profitability. With the commissioning of our upgraded repackaging facility in Brazil, the centralization of distribution and consolidation of our brands in Brazil, and the further streamlining of operations in Mexico and Colombia, we have made significant efficiency gains in Latin America.

In North America, 2022 was marked by several transactions, which further strengthened our position in the region. With the acquisition of Letco Medical, we became number 3 in Brands & Essentials. By simultaneously divesting our non-core contract manufacturing business, we can fully focus on our strategic ambitions in this segment. The acquisition of a 503B facility in Boston significantly strengthened our position in sterile hospital outsourcing. With this, we have not only expanded our capacity but also achieved geographic diversification, which is very important in order to fully exploit the growth potential of this attractive market. The focus on quality has also been and will continue to be a high priority. We are well on track with our recovery plan for the Minnesota facility to comply with the FDA warning letter, and we are aiming for a successful completion of the FDA audit. This has accelerated Letco's integration. Great strides were again made in Wichita to increase operational efficiency, including further automating product labeling and merging our locations. At the same time, we satisfactorily concluded the FDA inspection of the facility in a relatively short period of time. Unfortunately, global vaccination programs caused a shortage of syringes, which prevented us from fully meeting market demand. During the fourth quarter, we saw some improvement in supply. Despite these dynamics, Fagron North America managed to continue its strong growth and further strengthened its market position in the region in all segments.



Through our activities, we contribute to people's health and well-being. We take our responsibility in this regard seriously. Building a future-proof organization with a clear focus on sustainability is therefore one of our strategic pillars. We have set targets in various areas, such as reducing our climate change impact, creating a safe work environment, producing safe products, and ensuring labor and human rights. To emphasize its importance, we are committed to setting science-based emission reduction targets and having them validated by the Science Based Targets initiative (SBTi). On these and our other ESG objectives that we have formulated, we again made good progress during 2022.

The turbulence we experienced in 2022 is not expected to disappear in 2023. However, we have demonstrated our ability to successfully roll out our strategy even under challenging conditions. We remain fully committed to this, and I look forward to continuing to build on our market leadership in Brands & Essentials and a global sterile compounding platform with all Fagron employees in 2023.

Rafael Padilla
Chief Executive Officer

The aftermath of the COVID-19 pandemic and global geopolitical unrest impacted the supply chain resulting in limited availability or extended delivery times of various products. These developments also brought price increases, and we saw the labor market tighten. With our strong supplier network combined with the strides we have made in centralizing our procurement team, we have been able to maintain product availability at the highest possible level. We also manage to pass on higher costs to our customers, in some markets within EMEA with some delay due to the market structure.

Global operational excellence is one of the key pillars of our strategy. We are therefore very pleased that Vera Bakker has come on board as COO. Two new regional managers also started this year: Maarten Pouw for EMEA and Geraldino Neder for Latin America. I am proud of the resilience of our management team and the speed with which the new members have become part of that team. This demonstrates the power of the strong, entrepreneurial culture within Fagron that enables us to connect our people and leverage our collective capabilities globally.

Key figures

Financial results

| Results | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------------------|---------|---------|---------|---------|---------|
| (x 1,000 euros) | | | | | |
| Net revenue | 471,679 | 534,695 | 555,971 | 573,808 | 683,881 |
| REBITDA ¹ | 99,059 | 117,001 | 123,927 | 118,339 | 130,724 |
| EBITDA | 93,047 | 113,706 | 120,031 | 116,770 | 133,389 |
| Impairment | 0 | 0 | 0 | 0 | 0 |
| EBIT | 73,472 | 84,388 | 88,738 | 87,438 | 97,909 |
| Net result | 43,282 | 41,540 | 60,037 | 61,378 | 70,066 |
| Recurring net result ² | 49,491 | 58,082 | 62,910 | 61,171 | 63,677 |
| Gross margin | 61.6% | 60.2% | 59.2% | 58.6% | 58.9% |
| REBITDA margin | 21.0% | 21.9% | 22.3% | 20.6% | 19.1% |
| EBITDA margin | 19.7% | 21.3% | 21.6% | 20.3% | 19.5% |

| Balance sheet | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------------|------------|------------|------------|------------|
| (x 1,000 euros) | | | | | |
| Total assets | 682,772 | 801,240 | 752,826 | 800,421 | 971,010 |
| Equity | 209,716 | 246,440 | 257,819 | 325,466 | 410,518 |
| Operating working capital ³ | 49,029 | 44,764 | 49,682 | 59,070 | 71,203 |
| Net operational capex ⁴ | 15,694 | 22,174 | 18,421 | 20,731 | 18,497 |
| Net financial debt ⁵ | 252,294 | 284,847 | 271,290 | 264,941 | 274,042 |
| Net financial debt/annualized REBITDA | 2.63 | 2.33 | 2.06 | 2.11 | 1.93 |
| Average number of outstanding shares | 71,740,277 | 71,797,971 | 72,089,385 | 72,643,423 | 72,874,673 |

| Cash flow | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------------|---------|---------|---------|---------|---------|
| (x 1,000 euros) | | | | | |
| Cash flow from operating activities | 73,278 | 77,175 | 92,953 | 78,419 | 109,458 |
| Cash flow from investing activities | -54,611 | -43,588 | -51,299 | -31,923 | -69,269 |
| Cash flow from financing activities | 1,789 | -4,486 | -53,111 | -61,648 | 13,852 |
| Net cash flow for the period | 20,456 | 29,102 | -11,457 | -15,152 | 54,042 |

| Data per share | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------------------|---------------|---------------|---------------|---------------|-------------|
| (euros) | | | | | |
| Net result ⁶ | 0.60 | 0.58 | 0.83 | 0.84 | 0.96 |
| Recurrent net result | 0.69 | 0.81 | 0.87 | 0.84 | 0.87 |
| Dividend | 0.12 | 0.08 | 0.18 | 0.20 | 0.25 |
| Closing price (year-end) | 14.28 | 19.33 | 19.00 | 14.80 | 13.27 |
| Market capitalization ⁷ | 1,025,930,949 | 1,395,218,214 | 1,377,075,426 | 1,079,810,279 | 968,612,519 |

| Personnel | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------------|-------|-------|-------|-------|-------|
| FTEs as of 31 December ⁸ | 2,360 | 2,615 | 2,712 | 2,846 | 3,035 |

¹ REBITDA refers to EBITDA after corporate costs and before non-recurrent result.

² Recurrent net result is defined as net result from continued operations before non-recurring items and the revaluation of financial derivatives, corrected for taxes.

³ Operational working capital is the sum of stock and trade receivables, less trade payables.

⁴ Net operational capex is defined as intangible assets and property, plant and equipment that have been acquired or produced (excluding acquisitions), less assets sold.

⁵ Net financial debt is the sum of long-term and short-term financial liabilities, less cash (excluding financial instruments) and cash equivalents.

⁶ Net result is on the basis of continued operations.

⁷ Market capitalization is calculated by multiplying the number of shares outstanding at year-end by the closing price of the share on December 31st.

⁸ FTEs of own employees are on the basis of continued operations.

Non-financial results

| Environment - Climate change and energy consumption | 2019 | 2020 ¹ | 2021 | 2022 |
|---|--------|-------------------|--------|--------|
| Scope 1: Direct emissions (in metric tons of CO ₂ -eq) | 2,818 | 2,968 | 3,358 | 2,913 |
| Scope 2: Indirect emissions due to energy generation (in metric tons of CO ₂ -eq) | 7,714 | 7,655 | 9,072 | 8,444 |
| Climate change impact, scope 1 + 2 - location-based (in metric tons of CO ₂ -eq) | 10,532 | 10,623 | 12,430 | 11,357 |
| Scope 3: Other indirect emissions ² (in metric tons of CO ₂ -eq) | 2,477 | 833 | 665 | 1,847 |
| Climate change impact, scope 1 + 2 + 3 - location-based (in metric tons of CO ₂ -eq) | 13,009 | 11,455 | 13,095 | 13,204 |
| Total energy consumption (in MWh) | 33,655 | 36,542 | 41,124 | 38,716 |

| Our people - Employee engagement | 2016 | 2018 | 2020 | 2022 |
|--|------|------|------|------|
| Participation rate in Global Employee Survey | 89% | 79% | 87% | 89% |
| Sustainable Engagement Score | 80% | 80% | 83% | 84% |

| Our people - Training & development | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-------|-------|-------|-------|-------|
| % of employees with annual development and performance review | 89.6% | 83.7% | 69.9% | 88.8% | 93.3% |

| Our people - Diversity | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-------|-------|-------|-------|-------|
| Number of employees as of 31 December ³ | 2,556 | 2,790 | 2,921 | 3,061 | 3,240 |
| % of female employees ⁴ | 58.5% | 55.8% | 56.6% | 53.1% | 56.3% |
| % of female management ⁴ | 40.7% | 39.1% | 37.4% | 40.7% | 40.6% |
| % of female senior management ⁴ | 31.6% | 29.8% | 28.6% | 34.1% | 27.6% |
| Nationalities in head office | 11 | 13 | 17 | 18 | 21 |
| Average age of employees (years) ⁴ | 38.3 | 38.8 | 38.9 | 37.7 | 38.9 |

| Giving back | 2021 | 2022 |
|--|------|------|
| Units of compounded medicine supplied (in million) | 5.4 | 11.2 |

| Good governance - Compliance with laws and regulations (Fagron NV/Fagron BV) | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------|------|------|------|------|
| 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 settlement mechanism | 1 | 2 | 0 | 0 | 0 |

| Good governance - Preventing corruption and bribery | 2020 | 2021 | 2022 |
|--|-------|-------|-------|
| % of employees who completed the Code of Conduct training ⁵ | 67.7% | 99.1% | 99.0% |

| Good governance - Product quality and product safety | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------|------|------|------|------|
| Class I Recalls: Recall due to a serious side effect | 2 | 0 | 1 | 1 | 1 |
| Class II Recalls: Recall due to a side effect | 10 | 17 | 5 | 2 | 7 |
| Class III Recalls: Recall to meet GMP ⁶ standards | 14 | 9 | 7 | 2 | 3 |

¹ Values differ from the values in the 2021 annual report. These values have been adjusted on the basis of 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 Number of employees on December 31st (including independent managers and temporary workers).

⁴ All indicators up to and including 2021 are based on the number of employees (in FTE) on December 31st (including independent managers and temporary workers). From 2022, the numbers are based on the number of employees on December 31st (excluding independent managers and temporary workers), with the exception of female senior management. For female senior management, we also include independent managers since they are also part of senior management.

⁵ Of the employees who received an invitation.

⁶ Good Manufacturing Practice.

About Fagron

Fagron is a leading global company active in pharmaceutical compounding. Fagron develops unique concepts and innovative solutions for the growing need for personalized medicine.

What we do

Fagron strives to improve personalized medicine and to make them (more) accessible for patients. We do this together with pharmacists, prescribers, hospitals, and the industry. By better adjusting (personalizing) medicine to the patient's specific situation, the treatment becomes less onerous, and treatments become accessible to more people. This contributes to the efficacy of the treatment, patients' wellbeing, and quality of life. Ultimately, personalized medicine also leads to lower healthcare costs. In this way, Fagron contributes to people's health and wellbeing.

Our activities

Fagron is unique in offering a full range of pharmaceutical compounding products and services to its customers worldwide. Our most important customers are hospitals, pharmacies, and clinics. As a vertically integrated player, Fagron is globally active throughout the pharmaceutical compounding value chain that starts with raw materials and ends with the patient. Mainly local players operate in this market.

Fagron supplies raw materials, supplies, packaging materials, equipment, excipients, semi-finished products, and sterile and non-sterile compounds. Fagron also offers education and training to prescribers and pharmacists through the Fagron Academy. These activities are divided into three segments: Essentials, Brands, and Compounding Services.

Fagron operates globally in 32 countries¹ and has operations in 19 countries across three regions: EMEA (Europe, Middle East, and Africa), Latin America, and North America.

We tailor our products and activities to customer needs in the regions where we operate. In addition, of course, health care infrastructure and applicable laws play a role.

What is pharmaceutical compounding?

Pharmaceutical or magistral compounding involves the creation of a non-patent protected or unregistered pharmaceutical preparations on the prescription of a physician by or at the request of a community or hospital pharmacy.

Pharmaceutical compounding enables a patient to receive personalized treatment that is not standardly available, suited to that patient's specific need. This may include a modified administration form or dosage when a patient is unable to use the standard available form or dosage of an existing medication due to, for example, age, weight, difficulty swallowing, or allergies. In addition, an alternative dosage form, such as a topical dosage in the form of a cream, can reduce side effects and addiction risk and release the drug directly to the location of the condition, for example when treating pain.

Bulk pharmaceutical compounding

Some personalized medicine are regularly prescribed. Certain countries allow pharmaceutical compounders to compound personalized medicine on a relatively large scale without a specific prescription. It allows a pharmaceutical compounder, such as Fagron, to supply community and hospital pharmacies with a regularly prescribed personalized medicine, provided the shelf life of that medication allows it. For traditional pharmaceutical companies, including generic drug manufacturers, the quantities in which such compounds are produced are generally too small to offer them profitably.

Sterile and non-sterile

Magistral compounding involves mixing or adding active pharmaceutical ingredients (APIs) or existing commercial drugs into an administration form. Such compound can be either non-sterile or sterile. Non-sterile pharmaceutical compounds include tablets, capsules, liquids, suppositories, creams, ointments, and suspensions. Sterile preparations are treatments administered directly into the bloodstream. Examples of sterile pharmaceutical compounds are pre-filled syringes and IV bags.

¹. Countries in which Fagron generated more than €250,000 in revenues in 2022.

Our segments

Fagron's operations are divided into three segments: Essentials, Brands, and Compounding Services.



Essentials

Fagron's origins in the Netherlands lie in supplying pharmaceutical raw materials to community and hospital pharmacies for pharmaceutical compounding. Soon the range was expanded to include equipment and other supplies. Today, we supply pharmacists in EMEA, Latin America, and North America, enabling

them to provide high-quality and safe treatments to patients. Our Essentials portfolio includes pharmaceutical raw materials, equipment, packaging, and supplies for pharmaceutical compounding. These products are sold worldwide to pharmacies (community and hospital) and the pharmaceutical, nutraceutical, and cosmetic industries.



Brands

Fagron offers pharmacists solutions that meet the increasing regulation and quality requirements of pharmaceutical compounding, simplifying their work. To this end, in close cooperation with pharmacists, doctors, and universities, Fagron develops and produces innovative semi-finished products and vehicles, such as emulsions, powder mixtures, creams, and other excipients, as well as total concepts and equipment for pharmaceutical compounding. In addition to developing and

manufacturing these products, Fagron supports pharmacists and physicians with formulations and preparation protocols for compounding personalized medications. All this forms the Brands segment.

Fagron Genomics also falls under the Brands segment. Fagron Genomics specializes in the development, production, and marketing of innovative genetic tests. These tests assist a physician in prescribing the most appropriate personalized therapy for a specific patient.



Compounding Services

To further unburden pharmacies, Fagron began supplying community and hospital pharmacies with ready-to-use non-sterile compounded medicine in those countries where it is permitted. As a result of increasingly stringent regulation and a focus on quality and efficiency, community and hospital pharmacies are increasingly looking to outsource sterile compounding as well. In those countries where this is permitted, Fagron provides this by also supplying sterile compounds. The compounding of sterile and non-sterile compounds tailored to the specific needs of patients falls under our Compounding Services segment. For these compounding activities, we use Essentials' raw materials and Brands' vehicles.

Fagron has sterile and non-sterile compounding facilities in the Netherlands, Belgium, Colombia, Israel, the Czech Republic, the United States,

and South Africa that supply medication to pharmacies, hospitals, and clinics, as well as, in Colombia and South Africa, directly to patients.

Where interesting, we are also looking at the possibility of registering specific compounds. Registration is often a lengthy and complex process that can take one to two years. Once a compound has been registered, it can no longer be marketed as a supplied compound (doorgeleverde bereiding). The results of this business used to be reported separately in a fourth segment, Premium Pharmaceuticals, until 2022. Since this is a very specific and relatively limited activity that is an extension of compounding itself, it was decided to no longer report its results separately, and as of January 1, 2022, this segment was merged into Compounding Services.

Our core values

Everything we do is based on our five core values: quality, the customer is number one, creativity, speed of execution, and entrepreneurship.



Quality

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



The customer is number 1

We put our customers first by responding to their needs and focusing on achieving customer satisfaction. In doing so, we strive to improve our services and products on a continuous basis.



Creativity

Through creativity in the way we think and act, we come up with new solutions. In doing so, we contribute to improving health care while achieving sustainable growth and profitability. We are constantly looking at how we can operate better and smarter to meet the growing need for personalized medication.



Speed of execution

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



Entrepreneurship

An entrepreneurial spirit suits our organization. We take responsibility and initiative to develop innovative solutions and explore new markets. We challenge our competitors and inspire others.

Our value chain

Fagron's value chain begins with the procurement of raw materials and other products and ends with the patient.

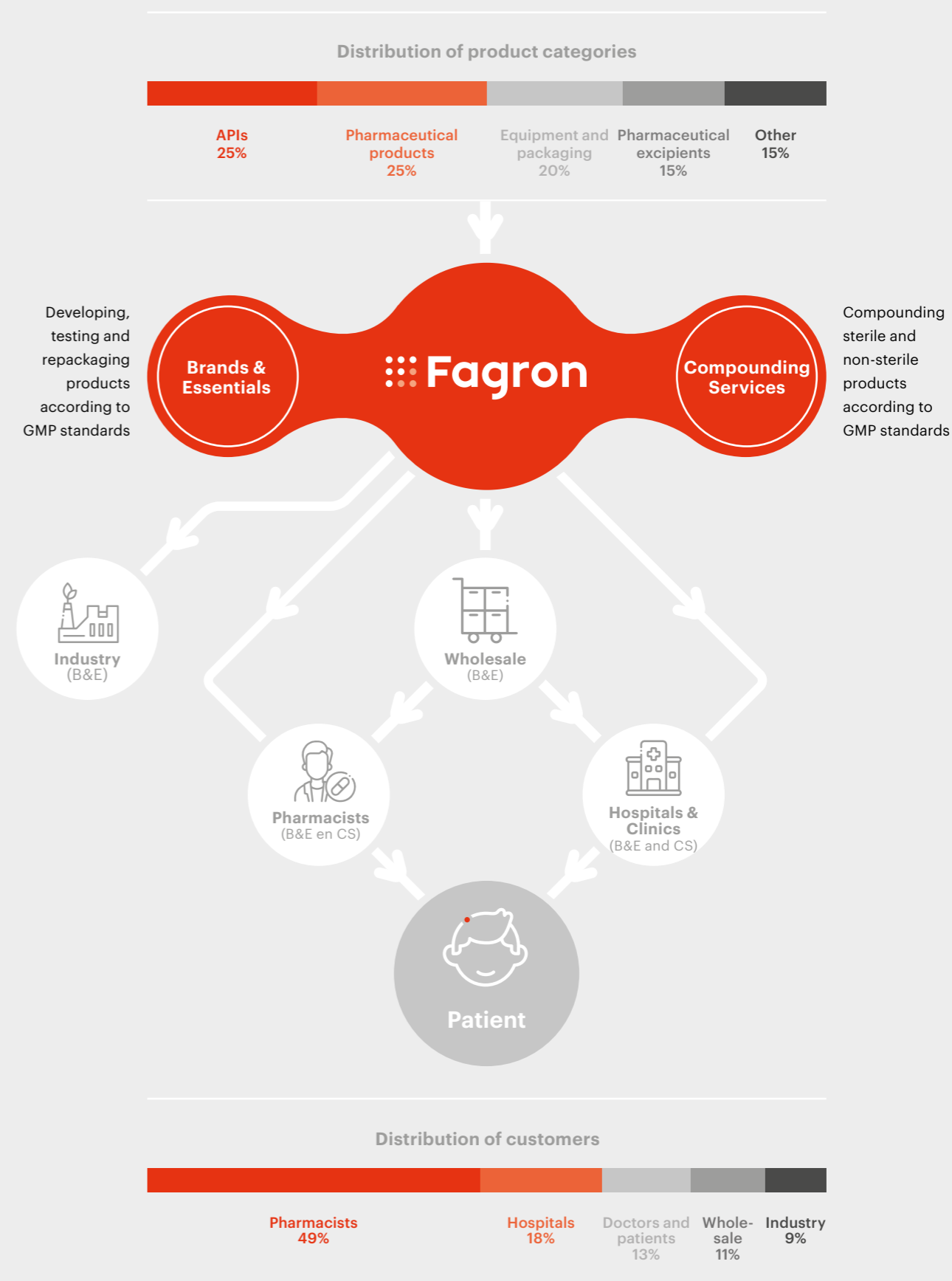
Fagron purchases products and raw materials worldwide that can be grouped into five categories: APIs (active ingredients), pharmaceutical excipients, and pharmaceutical products represent about two-thirds of the total. Equipment and packaging and other products represent the rest.

These raw materials and products are used within Fagron's various activities aimed at compounding personalized medicine. In our Essentials segment, we add value by testing raw materials and by repackaging raw materials and products in appropriate quantities for our customers. All these activities are in accordance with GMP standards. In our Brands segment, we add value by developing and manufacturing proprietary products according to GMP standards. We also share knowledge and offer training through the Fagron Academy. Our customers use our products and knowledge to compound personalized medicine and enable treatment tailored to a patient's specific situation.

In our Compounding Services segment, we compound sterile and non-sterile products with the raw materials and products from our Essentials and Brands segments for community and hospital pharmacies and clinics. Our compounds allow our customers to provide patients with personalized medicine on a physician's prescription.

Pharmacists, hospitals, prescribers (physicians), and patients account for 80% of our total customer base, and wholesale and industry for 20%.

Value chain



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

Trends and market developments

The growing demand for personalized medication is driven by several trends and market developments that underscore the resilience of the niche market in which Fagron operates.

Demographic developments

Demographic factors, such as a growing world population, rising life expectancy, and increasing aging, are contributing to increasing demand for personalized medication. This is further supported by a growing middle class with increasing disposable income in the various regions where we operate. Thereby, in addition to treatment and cure, more attention will be paid to prognosis and prevention. The focus on a healthy and responsible lifestyle is also increasing. Enabling and developing personalized medication meet this demand and contributes to people's wellbeing.

Additionally, in those countries where pharmaceutical compounding in bulk is allowed, supplying pharmacies with regularly prescribed personalized medicine can also alleviate the increasing workload for healthcare personnel.

Accessibility

Personalizing medication makes it accessible to more people. With sometimes relatively minor adjustments to the strength, administration form, or composition, medication is made suitable for patients who cannot tolerate commercial medication or can only do so with - sometimes serious - side effects. Furthermore, pharmaceutical compounding plays an essential role in solving drug shortages, temporary or otherwise, and in keeping accessible medications that are no longer produced at all or no longer in the right form. This may be, for example, because there is too little demand, and it is not interesting enough for large pharmaceutical companies to produce.

Personalization

The standardized nature of many commercial medications means that the needs of some patients cannot be met. Pharmaceutical compounding allows the specific situation of a patient to be met by taking into account allergies, other intolerances, and the exact dosage and administration form required. In addition, through technological advances and data analysis, the genetic profile of a patient can be mapped more and more accurately. This can better predict the likelihood of getting a disease or its progression and can better determine a personalized treatment, which can significantly improve a patient's 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 care is lowered and the quality of life for patients is increased, while the costs are lower. This development places demands on the form in which medication is made available. Generic, large pharmaceutical companies are not well suited to compound these small(er) batches and to ad hoc compounding.

Regulation

Finally, increasing (quality) requirements and regulations are causing pharmacies and hospitals to stop pharmaceutical compounding and to increasingly outsource it. In order to keep these compounds available, parties like Fagron are essential.

Strategy

Strategic pillars

Together we create the future of personalized medicine. As partner of pharmacists, physicians, hospitals, and industry, Fagron makes personalized medicine accessible to patients. In doing so, we increase the effectiveness, quality, and safety of treatments, enable the treatment of more patients, and contribute to the reduction of healthcare costs.

Fagron, as an internationally operating and vertically integrated player, is unique in the fragmented niche market of pharmaceutical compounding. Fagron's scale, international reach, market knowledge, and innovative strength ensure our strong competitive position. To maintain our leading market position, a continuous focus on quality, efficiency, and innovation is essential.

Strategic objectives

Fagron has four strategic objectives.

1: Be market leader in Brands & Essentials in the countries where Fagron operates

We achieve our first strategic objective by improving and expanding our range of high-quality products with innovative products and further reinforcing our operational efficiency. In addition, we develop the products in our Brands segment globally while continuing to sell them locally, applied to the specific needs of our customers in the various markets where we operate. We are also strengthening and professionalizing the Fagron Academy and rolling it out globally. Finally, we are always looking for opportunities to strengthen our market position through strategic acquisitions.

2: Be the leading, global platform for sterile outsourcing services

We achieve our second strategic objective by growing organically through the provision of high-quality sterile compounds, innovative product introductions, and targeted acquisitions to strengthen our positioning.

3: Further optimize non-sterile compounding and registration activities

In the area of non-sterile compounding, we are focusing on optimizing our market position and our capabilities and expertise in registering compounded medicine.

4: Build a future-proof organization with a clear focus on sustainability

Corporate social responsibility is at the heart of our operations and strategy. Fagron's activities contribute to the better health of patients. Needless to say, our products meet all relevant quality and safety standards. We provide our people a work environment that meets current health and safety standards. We are reducing our climate change impact by using less energy, installing solar panels, and switching to electric mobility. We also do not accept human and labor rights violations in our locations, and we strive to eliminate violations in our supply chain.

Enablers

The realization of our strategic objectives is supported by enablers: our global focus on operational excellence, the Fagron Academy, continuous attention to ESG, and our disciplined M&A strategy.

Operational excellence

Our commitment to operational excellence is expressed in several ways. As a global player, we can make the most of local knowledge and expertise by deploying it regionally or globally and jointly determining best practices. With our central purchasing team - which of course works closely with operations - we strive to achieve the optimal balance of product availability, inventory management, and competitiveness. Furthermore, our focus on efficiency results in standardizing our production processes as much as possible and further optimizing our repackaging operations, distribution, sales organization, and support functions. Finally, we are committed to digitalization to increase customer engagement and customer experience.

Fagron Academy

Fagron operates in a knowledge-intensive niche market. It is of great importance that the links to the patient, physicians, and pharmacists have a solid understanding of pharmaceutical compounding as well as the products and services that Fagron offers. Therefore, informing and training physicians and pharmacists through the Fagron Academy is an integral part of our business model. To this end, Fagron regularly collaborates with various universities. We offer extensive training and educational opportunities on compounding techniques, the use of products, materials, administration forms, and quality and safety procedures, among other things. This is done through practical training sessions, conferences, and webinars, which take place both in person and digitally and are general in nature or tailored to a specific client (group).

Focus on ESG (Environmental, Social, and Governance).

With our ESG strategy, Fagron aims to actively contribute to reach the Sustainable Development Goals (SDGs) of the United Nations. This is reflected in, among other things, our commitment to reducing greenhouse gas emissions in our operations and making a positive contribution to the wellbeing of our employees.

Disciplined M&A strategy

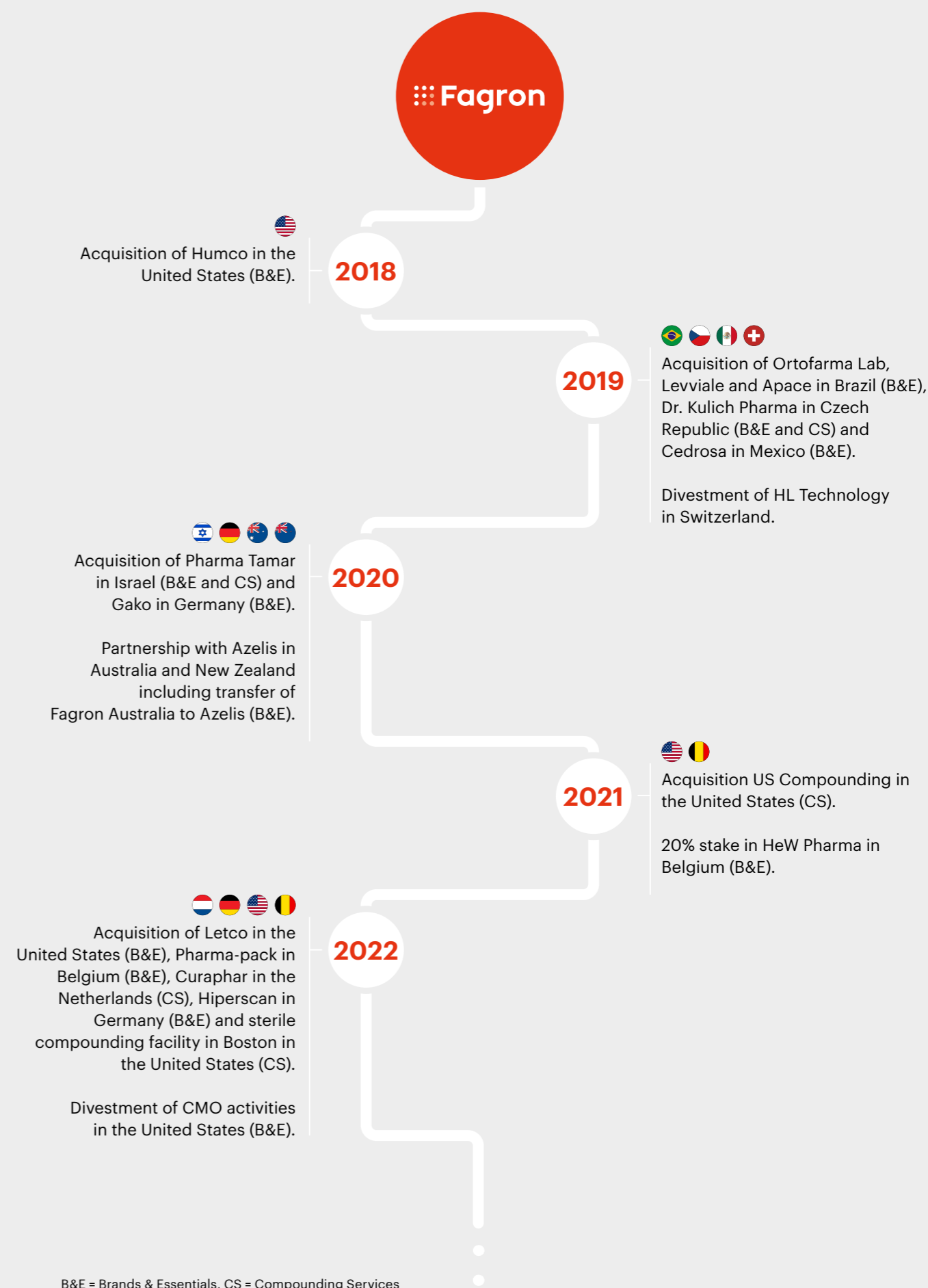
In addition to innovation-driven organic growth, Fagron strives to grow through targeted acquisitions. The rationale for an acquisition may be geographic expansion, portfolio expansion, expansion into a therapeutic area, and market consolidation. Fagron's business model is scalable, allowing us to realize commercial and operational economies of scale mostly immediately when integrating an acquisition.

Medium-term financial objectives

During its Capital Markets Day in March 2022, Fagron outlined the following medium-term financial objectives for the period to 2026:

- 8% organic revenue growth (CAGR) at constant exchange rates for Fagron as a whole. By region, this means:
- EMEA: low single-digit organic sales growth rate (CAGR) at constant exchange rates;
- Latin America: high single-digit organic sales growth rate (CAGR) at constant exchange rates; and
- North America: mid-teens organic sales growth (CAGR) at constant exchange rates;
- REBITDA margin in line with the 2017-2021 average (21.6%);
- Sustainably high cash generation and earnings conversion; and
- Capital allocation strategy aimed at driving growth.

Progress in achieving the strategic and financial objectives is reported in the description of the regions beginning on [page 24](#).

Acquisitions in the past five years

Value creation model

Fagron aims to create long-term value for all its stakeholders: customers, employees, investors, and society as a whole, with the goal of contributing to improving the health of patients. To this end, Fagron strives to minimize its footprint and increase its social impact.

Fagron's value creation model provides insight into what inputs we leverage, how we add value, and how we contribute to society. It provides a framework for understanding Fagron's impact on society.

Input

In addition to natural resources and our facilities worldwide, our inputs include financial, intellectual, and human capital and our network of suppliers.

Fagron procures more than 2,500 raw materials. In addition, Fagron uses natural resources such as natural gas and water in its operations. Fagron has several facilities worldwide and several laboratories where quality controls are carried out. Virtually all of Fagron's repackaging and compounding facilities have Good Manufacturing Practice (GMP) status, which guarantees product quality. In addition, Fagron has warehouses and offices.

Our human capital consists of more than 3,000 dedicated employees. Their expertise, experience, and motivation are essential to Fagron's success. Our intellectual capital is represented by all the knowledge embedded in organizational processes and systems and the knowledge present among our employees, including pharmacists and pharmacy assistants. The innovations developed are – where possible – protected as well as possible by patents and registrations.

Fagron has a robust network of carefully selected suppliers that ensures the availability and quality of Fagron's products. In addition, Fagron maintains a broad network of pharmacists, physicians, hospitals, universities, and industry contacts. The active dialogue and cooperation with this network are important for development and innovation.

The financial capital consists of the capital that is made available by debt providers and equity holders. The premise of the capital policy is to ensure continuity, promote growth, and strive to optimize the cost of capital.

What we do

The value creation model is driven by our business activities. As a vertically integrated global player, Fagron operates across the pharmaceutical compounding value chain in the EMEA, Latin America, and North America regions. The "Our Segments" section (starting on [page 10](#)) further explains the segments in which Fagron operates. The "Regions" section (starting on [page 24](#)) describes activities by region. Fagron's core values, explained in more detail on [page 11](#), are an important guide to the way Fagron operates.

Strategic pillars

Fagron's four strategic pillars provide the foundation for advancing the future of personalized medicine and our leading market position. The achievement of these strategic pillars is supported by our enablers, which, along with our strategic objectives, are explained starting on [page 16](#).

Good governance, transparency to our stakeholders, and effective risk management are essential to good management. The Corporate Governance Statement (from [page 105](#)) and the ESG Statement (from [page 59](#)) describe in detail how this is organized and embedded at Fagron. The "Risk Management" section (starting on [page 45](#)) describes Fagron's main risks and how they are mitigated.

Output

The value Fagron creates for its stakeholders is measured by financial returns, social returns, and environmental and social indicators.

Fagron's financial returns are expressed, among other things, in the (positive) cash flow from operations, which enables Fagron to pay salaries to employees, taxes to governments, and dividends to shareholders, among other things, in addition to making investments. Total cash flow from operating activities is further explained on [page 154](#).

Fagron defines social returns as the provision and accessibility of safe personalized medication in order to make a positive contribution to the health of patients through its products and services. Quantifying our social return is difficult because Fagron does only deliver directly to patients marginally. As described in the section Our Value Chain (starting on [page 12](#)), pharmacies and hospitals are Fagron's main customers. They use our products and services to help patients with pharmaceutical compounding (see further [page 9](#) for an explanation of pharmaceutical compounding). Customers use the products and services from our Essentials and Brands segments to compound medication. In addition, they can outsource the compounding to Fagron, where we compound the products for them in one of our compounding facilities in our Compounding Services segment. However, Fagron has no insight into how many patients are treated with the final compounded medication. We therefore report the number 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 on our corporate social responsibility in the ESG Statement (starting on [page 59](#)).

When it comes to the environment, Fagron strives to minimize its climate change impact and other negative impacts on the environment and resource availability. In addition, Fagron ensures supply chain responsibility by adhering to strict procedures and protocols and by only working with certified suppliers. Fagron reports in more detail on its corporate social responsibility objectives and results achieved in the ESG Statement (starting on [page 59](#)).

In terms of social indicators, Fagron measures the engagement of its employees, among other things. Fagron reports on this in more detail in the ESG Statement (starting on [page 59](#)).

Impact

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

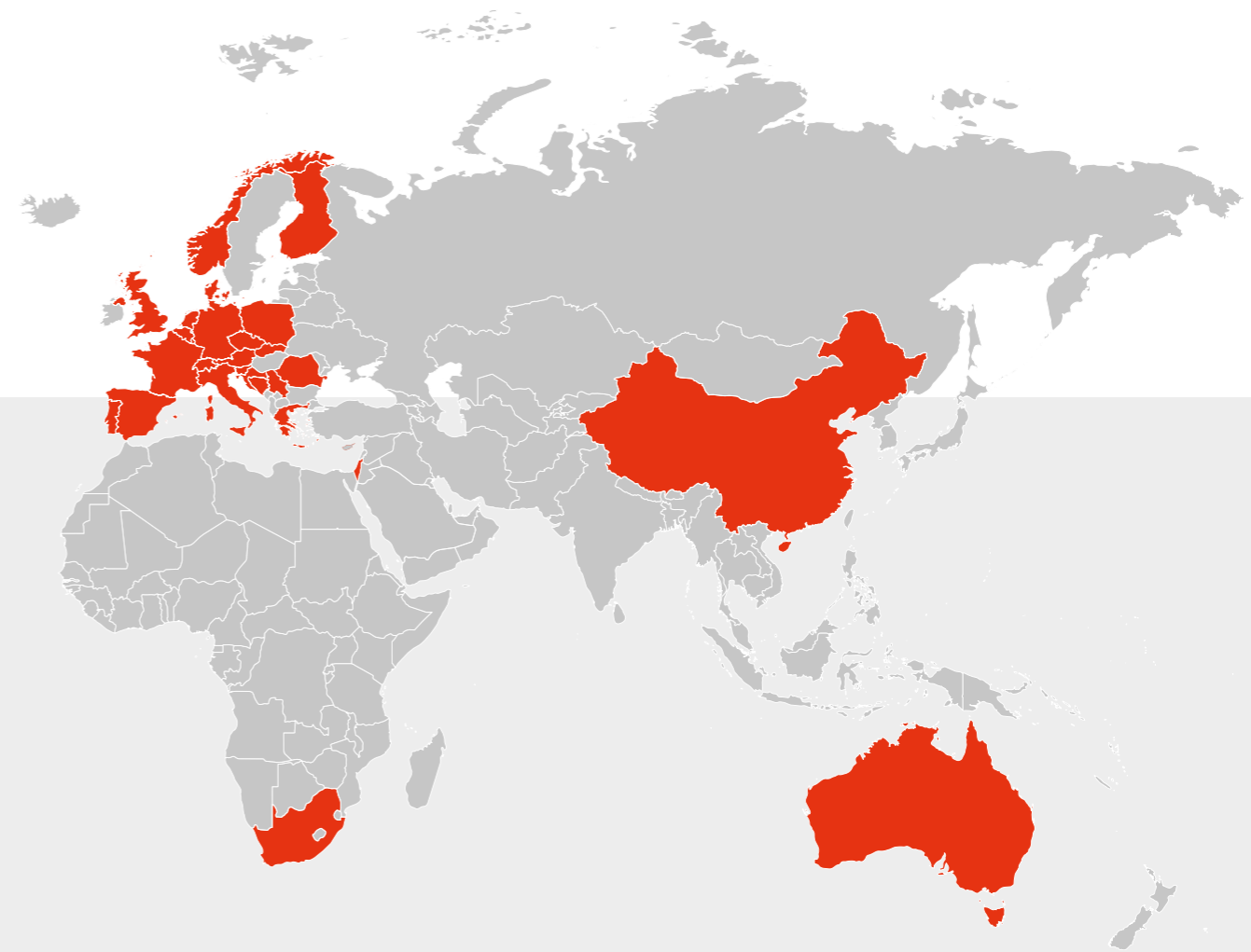


1. Equity + financial debt + lease obligations.
 2. Number of employees on December 31st (including independent managers and temporary workers).

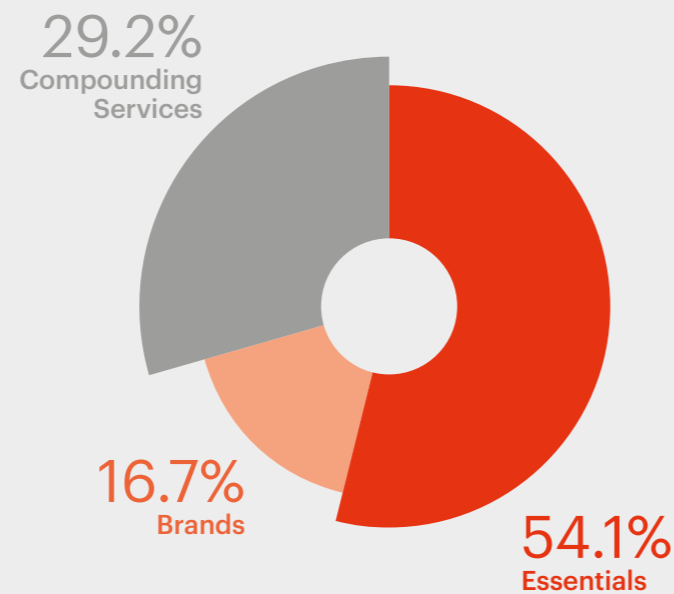
Regions

Fagron EMEA

Fagron has been operating in Europe since its founding in 1990. Since then, Fagron has expanded its presence towards South Africa and Israel, and we are active in Australia. Furthermore, Fagron has a presence in China because we source many of our raw materials there. Fagron now operates in 27 countries in the EMEA region. Fagron operates in all countries with Brands & Essentials and in Belgium, Israel, the Netherlands, the Czech Republic, and South Africa with Compounding Services as well. Around 40% of Fagron's total revenue is realized in the EMEA region.



Revenue 2022



Revenue

(in million euros)

276.4

2021: 255.1

+8.4%

REBITDA

(EBITDA before non-recurring result, in million euros)

60.6

2021: 55.6

+8.9%


Number of facilities
47



Compounding facilities
10



Repackaging facilities
10



Laboratories¹
1



Warehouses
16



Offices/Other
10



Employees²
1,276



Pharmacists employed
185



Climate change impact, scope 1 + 2
(in metric tons of CO₂-eq)
6,783



Energy (in MWh)
20,563



Sustainable Engagement Score
82%



Units of compounded medicine supplied (in millions)
3.0



¹ A total of 3 laboratories, 2 of which are part of a repackaging facility.

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

Fagron EMEA

Developments in 2022

After initial tentative signs in the last quarter of 2021, the upward trend in the EMEA region has continued throughout 2022. The measures taken to strengthen competitiveness and increase operational strength contributed to revenue growth of 8.4% (7.8% at constant exchange rates). Not only did the home markets of the Netherlands and Belgium develop positively, supported by the renewal of a number of multi-year contracts in the Netherlands, the rest of the region also showed growth. The focus on solid revenue growth in the growth markets in this region where Fagron still has a less established position, such as in Southern Europe, Israel, and South Africa, provides a more balanced profile within EMEA. With the acquisition of Pharma-pack (Belgium), Curaphar (Netherlands), and Hiperscan (Germany), Fagron further strengthened its position in key European markets.

The recovery in elective care that was clearly visible throughout 2022 in most countries in the region further strengthened revenue growth in all segments. This translated into increasing demand for products, and revenue growth was further supported by the introduction of innovative products and improved product availability now that the GMP repackaging facility in Poland is fully operational. However, supply chain pressure continued, which meant longer delivery times, especially of raw materials from Asia.

Inflationary pressures were high in 2022. The longer-term contracts that are more common in this region than in the other regions where we operate caused delays in passing on price increases in the EMEA region. This has a temporary impact on REBITDA margin developments.

Progress of operational efficiency

The EMEA organization has taken further steps in 2022. The optimization of the brand strategy and the centralization of the back office continued. Last year, particular progress was made with centralizing the management of procurement.

The GMP repackaging facility in Poland, fully commissioned during 2022, has improved operational efficiency. The next step is to optimize operational processes even further.

After commissioning the new GMP sterile compounding facility in Tel Aviv in June 2021, the new compounding facility in Cape Town, South Africa also successfully became operational in late 2022. The investments in these new state-of-the-art facilities are in line with Fagron's strategic ambitions for operational excellence. These facilities ensure Fagron's high quality standards while increasing efficiency.

Innovation

With its continued focus on innovation, Fagron has a broad and diversified product portfolio that continues to enhance our relevance to customers. In this regard, the Fagron Academy plays an important role, as direct and regular contact with our customers allows us to respond well to market demands.

As an example, we launched DiluCap to help our customers prepare capsules in the third quarter. DiluCap is a line of excipients developed specifically to support compounding pharmacies in the easy preparation of any capsule formulation. The DiluCap line was developed according to scientific criteria and has been extensively tested. For the different categories of active ingredients, DiluCap offers a patented excipient for the most optimal preparation of medication in capsule form. This is an innovation that offers customers ease of use and great reliability.

Compounding Services

Within the EMEA region, Fagron is active in Compounding Services in Belgium, Israel, the Netherlands, the Czech Republic and South Africa with pharmacies and hospitals as main customers. In 2022, the market normalized to a great extent now that elective care is back to pre-pandemic levels in most countries. This, combined with the broad and innovative product portfolio and high quality, led to an increase in revenue. The portfolio of registered products, which has been consolidated into the Compounding Services segment since this year, continued to grow in 2022. This is due in part to the acquisition of Curaphar.

Many countries face drug shortages, a problem that continues to increase. As it did in 2021, Fagron also helped face these drug shortages in the Dutch market last year. Not only can Fagron compound certain medication when the pharmaceutical industry cannot meet demand, but Fagron has also been able to leverage its strong network over the past year by sourcing medication in other markets.

Brands & Essentials

The recovery of elective care, improved product availability as a result of the repackaging facility in Poland becoming fully operational, the introduction of new innovative products, and the acquisitions in Belgium and Germany contributed to sales growth at Brands & Essentials. In addition, we saw a significant increase in the demand for COVID testing, especially in the first half of the year.

With the acquisition of the Belgian Pharma-pack, we can serve pharmacies and hospitals even better with packaging and laboratory equipment. The acquisition of Germany's Hiperscan, which sells analytical equipment of pharmaceutical raw materials (mandatory in Germany), strengthens our position in Germany in the Brands and Essentials segment.

Focus in 2023

Fagron EMEA expects to continue the positive trend in 2023 and continues to strive unabated for market leadership in all the countries where we operate. The diversification strategy initiated in the region will be further rolled out in 2023. Fagron sees several growth markets within Europe that it will target, both organically and through acquisitions. Innovation and operational excellence will be the main drivers of growth, with focus on further optimization of procurement and better utilization of the various facilities. Also, Fagron EMEA will continue to focus primarily on registrations in the Netherlands, which will be one of the pillars of growth within Compounding Services.

European market for personalized medicine

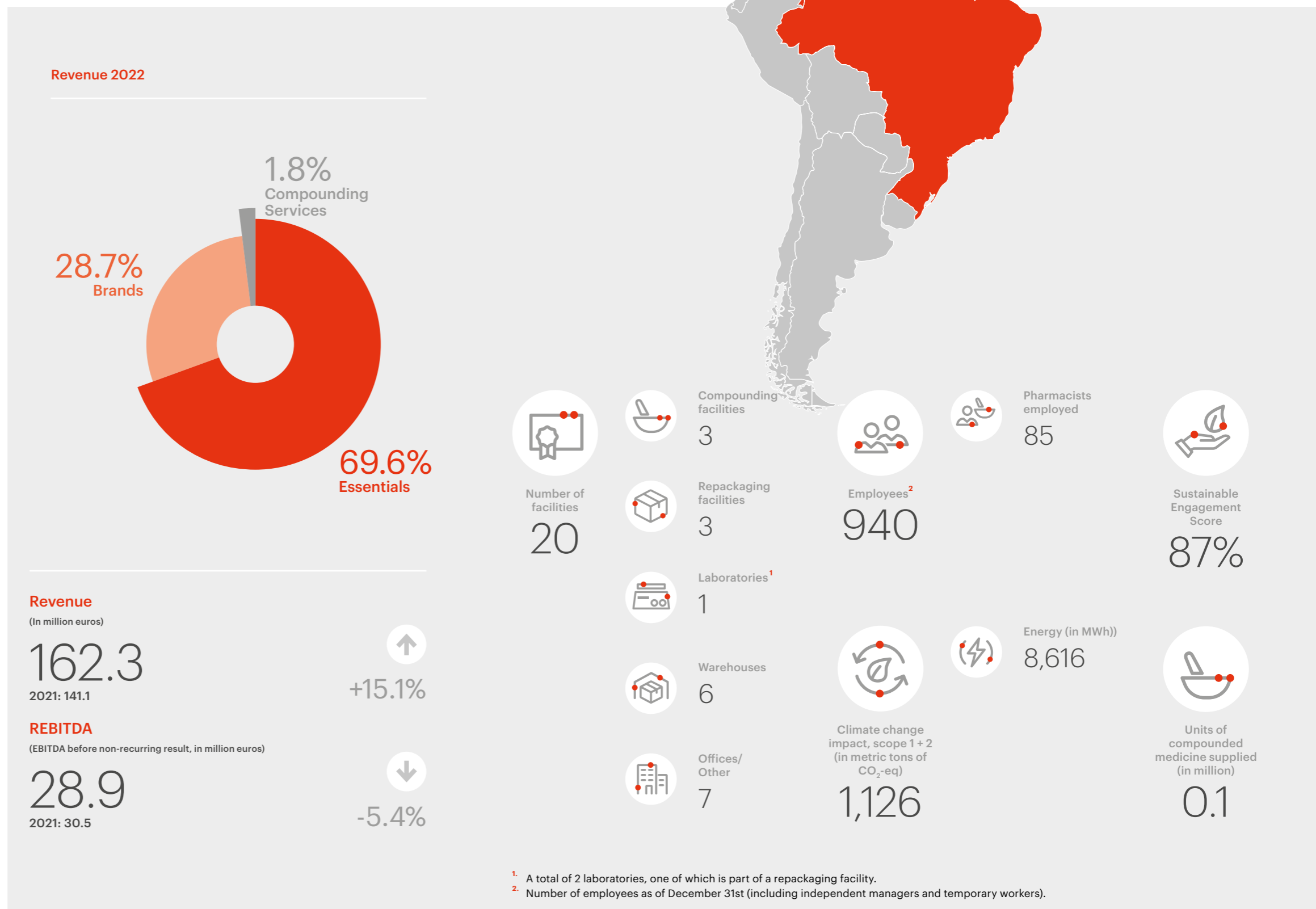
Fagron estimates that approximately 1 to 1.5% of all prescriptions in EMEA involve pharmaceutical compounding and that the European pharmaceutical compounding market was approximately €3.5 billion (including pharmaceutical compounding in hospital pharmacies and community pharmacies) in 2021. This is the available market for Compounding Services in Europe. Based on the goods sold in Fagron's compounding facilities, Fagron estimates that approximately 10 to 15% of this market corresponds to the cost of pharmaceutical raw materials and administration forms, the available market for Brands & Essentials.

**Maarten Pouw, Area Leader for EMEA:**

“The fact that the trend has reversed in EMEA and we are showing solid growth again gives confidence that we are on the right track. We made great strides in improving our operations, which led to cost reductions and increased efficiency. Diversification of the product portfolio and strategic acquisitions in Europe also contributed to our improved performance. We are continuing this strategy unabated in order to further strengthen our competitive position in 2023. We are also focusing on further geographic diversification in order to make the most of the growth opportunities the EMEA region has to offer.”

Fagron Latin America

In Latin America, Fagron is present in Brazil (Brands & Essentials), Colombia (Compounding Services), and Mexico (Brands & Essentials). Brazil is the largest market for Fagron in Latin America, representing over 80% of sales in this region. Around 24% of Fagron's total revenue is realized in the Latin America region.



¹ A total of 2 laboratories, one of which is part of a repackaging facility.

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

Fagron Latin America

Developments in 2022

Fagron Latin America realized revenue growth of 15.1% (-1.1% at constant exchange rates) in 2022. In 2021 and part of 2022, we saw an increased focus on prevention and healthy lifestyles as a result of the COVID-19 pandemic translate into increased demand for our products. However, the challenging economic situation, with inflation causing pressure on consumer spending, among other things, affected sales in 2022. In addition, the increasing dynamics in the competitive environment in Brazil in particular had an impact on pricing. We were able to maintain our market position in Brazil.

Progress operational efficiency

In 2022, major strides were again made in optimizing operations in Latin America.

The consolidation of the various distribution centers in Brazil into a central modern distribution center in the São Paulo region began in 2021 with the transfer of the operations of the first three brands. Two brands were added in 2022. As part of this consolidation, all companies also switched to the same software. In early 2023, the last company will be transferred and then the consolidation will be complete. With this, distribution for the entire Brazilian market will take place from one location, which will significantly increase

efficiency. The investment in the GMP repackaging facility in Anápolis was successfully completed in early 2022, and GMP certification for this facility was obtained. A great deal of attention has been paid to sustainability in both locations, including the installation of solar panels, the reuse of rainwater, and the choice of energy-efficient equipment. In the second half of the year, three of Brazil's smaller brands merged into the new Sovitá brand launched in late 2022. Integrating provides immediate efficiency benefits, an important advantage given the price pressure in this market.

Additional steps were also taken in 2022 to further professionalize and streamline Cedrosa in Mexico, which was acquired in 2019. All operations were transferred to a new facility, and all processes were upgraded to Fagron standards. The branding has also been aligned with the Fagron brand. These actions translated into results and strengthened Fagron's position in Mexico.

Furthermore, the various activities in Colombia will have been successfully integrated in 2022. A new modern facility has been realized in Chia, near the capital Bogotá, which has also received all the required certifications. This facility provides opportunities to take full advantage of opportunities in the fast-growing Colombian market of personalized medicine.

Brands & Essentials

Brazil is the largest Brands & Essentials market for Fagron in Latin America. In the market of pharmaceutical raw materials for the more than 8,000 compounding pharmacies in Brazil, Fagron carries the brands Fagron, Fagron Tech, Infinity Pharma, Florian, and Sovitá. The latter brand was launched in the Brazilian market in late 2022. This brand consolidates Organic Compounding, Via Farma and Excipienta. Sovitá offers the largest range in products focused on vitality, sports, and the health of body and mind. Bringing these three brands together brings benefits because it leaves the customer with only one point of contact and ordering procedure. The focus is now on positioning the brand and optimizing the product portfolio.

In addition to pharmaceutical raw materials, Fagron also provides packaging (MyPack), technology and software (Fagron Tech), and equipment and laboratory services (Fagron Lab) to compounding pharmacies in Brazil.

As part of our strategy, Fagron invests heavily in innovation and product development, launching several new products every year. Among the products introduced in 2022 are CardioLife, focused on cardiovascular health, Sirtcontrol, focused on weight loss, and BrainFactor-7°, for the treatment of patients with ADHD. Fagron Tech launched the Phusion ERP software system in 2022. This software gives compounding pharmacies control over every link in the chain. Phusion is a cloud application and is purchased on a subscription basis. The system is already running at about 100 customers, and new features are being added continuously.

In addition to supplying pharmaceutical raw materials, we are actively working in Mexico to better familiarize prescribers with personalized medicine. Education and providing online information play an important role here.

Compounding Services

The compounding operations in Colombia, now centered in Chia, represent a relatively small portion of Latin America's total sales, but also in 2022, these showed revenue growth of 10.8% (11.9% at constant exchange rates). Fagron Colombia is broadening its market by targeting new segments, including pediatrics, gynecology, and dentistry. It is also strengthening its position through the Fagron Academy.

Focus in 2023

As a market leader, Fagron's focus on quality and innovation continues unabated. In addition to further optimizing operations, the focus in Latin America will be on growing Brands by introducing and marketing new products and innovations. The Phusion software platform will be expanded with new features and capabilities. In addition, Fagron Latin America is exploring the market for medicinal cannabis-based products in view of changes in the regulatory framework.

Latin American market for personalized medicine

Fagron estimates that the Latin American pharmaceutical compounding market was worth around 8.9 billion Brazilian Real in 2022. Taking into account the situation and pricing in the local market, it is estimated that in 2022 about 10 to 15% of this market corresponds to the cost of pharmaceutical raw materials and administration forms, the available market for Brands & Essentials.



Geraldino Neder, Area Leader Fagron Latin America:

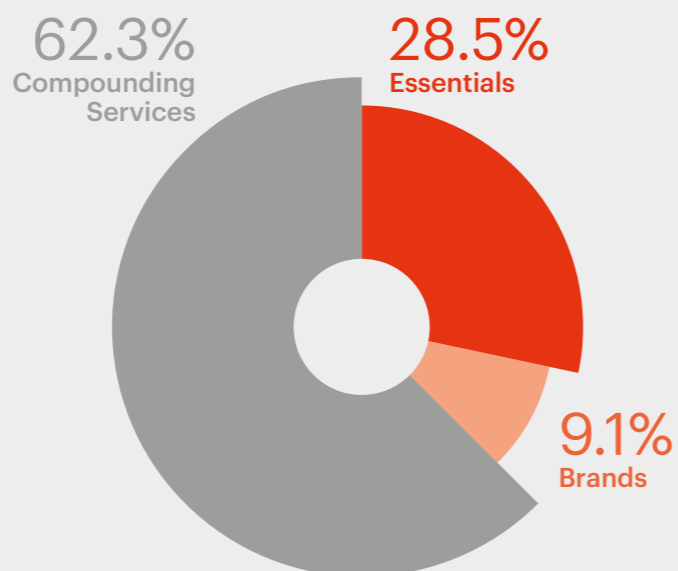
"After an exceptionally strong 2021, we saw a drop in demand in Latin America in 2022 due to the challenging economic situation and increasing competitive pressure. By focusing on quality and innovation and driving operational efficiency, we have been able to protect our market position. As an example, we optimized our brands by merging three of them into one new brand, Sovitá, combining the strengths of the disappearing brands. The challenges we faced in 2022 are likely to have an impact in 2023 as well. Nevertheless, I am convinced that we are excellently positioned to maintain our leading market position."

Fagron North America

In North America, Fagron is present in the United States (Brands & Essentials and Compounding Services) and active in Canada (Brands & Essentials). Around 36% of Fagron's total revenue is realized in the North America region.



Revenue 2022



Revenue

(in million euros)

245.1

2021: 177.6

+38.0%

REBITDA

(EBITDA before non-recurring result, in million euros)

41.3

2021: 32.2

+28.3%



Number of facilities
12



Compounding facilities
4



Repackaging facilities
2



Laboratories
1



Warehouses
3



Offices/Other
2



Employees¹
952



Pharmacists employed
211



Climate change impact, scope 1 + 2
(in metric tons of CO₂-eq)
3,318



Energy (in MWh)
8,990



Sustainable Engagement Score
83%



Units of compounded medicine supplied (in millions)
8.1

¹ Number of employees as of December 31st (including independent managers and temporary workers).

Fagron North America

Developments in 2022

The year 2022 was marked by several acquisitions that further strengthened Fagron’s positioning in North America. The market position of the Brands & Essentials business was significantly strengthened with the acquisition of Letco Medical. At the same time, the contract manufacturing division was largely divested. The divestment of these non-core activities will enable Fagron North America to fully focus on its strategic ambitions in the Brands & Essentials segment. In addition, the capacity of the sterile Compounding Services business was significantly expanded with the acquisition of a 503B facility in Boston. These transactions and the subsequent successful separation and integration of these various businesses were a key priority in 2022. The integration is expected to be completed in 2023.

Fagron North America saw strong underlying demand, particularly in its compounding activities, but at the same time faced challenging conditions. Geopolitical unrest and global vaccination programs kept pressure on the supply chain, inflation was high, and labor market tightness was increasing. Nevertheless, Fagron North America was able to continue its

growth and further strengthen its market position in the region. Furthermore, the US Food & Drug Administration (FDA) resumed its regular industry inspections after a pause during the COVID period, including visiting most Fagron sites.

Compounding Services

Fagron Compounding Services’ operations in North America can be divided into Fagron Sterile Services (FSS), which compounds sterile medicine in batches for hospitals, and AnazaoHealth, which compounds both non-sterile and sterile medicine for clinics and physicians focused on prevention and lifestyle, both on prescription and in larger batches.

FSS has a compounding facility in Wichita, Kansas, that complies with Section 503B of the Federal Food, Drug, and Cosmetic Act (FD&C Act) and is thus permitted to compound in larger batches. With the purchase of the Boston (Massachusetts) facility in July 2022, Fagron now also has a 503B compounding facility in the Northeast of the United States. Both facilities are under FDA oversight. Both facilities were recently inspected by the FDA, and these inspections were completed satisfactorily.

AnazaoHealth has compounding facilities in Las Vegas (Nevada) and Tampa (Florida). The facility in Tampa complies with Section 503A of the FD&C Act, which means it makes individual compounds on prescription basis. The facility in Las Vegas is a 503B compounding facility, for batch compounding. Although both facilities are overseen by the FDA, oversight of 503A compounding facilities is primarily exercised by the Boards of Pharmacies of the states where products are supplied (in the case of AnazaoHealth in all states). The Las Vegas compounding facility was inspected by the FDA in July 2022 from which five observations emerged. We are in regular contact with the FDA on this and expect to complete this inspection satisfactorily.

Fagron North America continued to see sales of its Compounding Services segment increase 41.1% in 2022 (25.7% at constant exchange rates), with growth dampened particularly in the second half of the year by the shortage of syringes due to global vaccination programs. Underlying demand remained high, as increasing regulatory scrutiny and focus on efficiency drives outsourcing by hospitals. With its focus on quality and innovation and the acquisition of the 503B compounding facility in Boston, Fagron North America further strengthened its market share in Compounding Services.

Fagron Sterile Services (FSS)

The 503B compounding facilities in Wichita and Boston are set up to the highest possible quality standards and comply with stringent laws and regulations. Deliveries may be made from Wichita to all states in the United States. The Boston facility had licenses to deliver in a limited number of states at the time of acquisition and since the acquisition we have been working hard to materially expand that number.

Demand for FSS’s products and services continued to be high in 2022. In order to best serve its customers with the broadest possible portfolio, the product range was further expanded to include compounds for epidural administration in 2022. In addition to the pre-filled syringes compounded particularly in Wichita, the IV bags marketed in 2020 remain an important driver of growth.

In the summer of 2022, the acquisition of the 503B facility in Boston marked a major capacity expansion for FSS. Integration and adaptation of the operation to Fagron standards and transfer of processes to Fagron systems began immediately. Furthermore, the customer base served from Boston has expanded, and this expansion will –helped in part by obtaining licenses to deliver in more states– continue in 2023. This compounding facility is expected to start contributing to results starting in the second half of 2023.

In 2022, FSS launched the first products (syringes) with an RFID tag. This tag can be read electronically by healthcare professionals, significantly improving patient safety. It also offers hospitals support in their inventory management. With this innovation, FSS is not only responding to customer needs, but Fagron is also taking its responsibility in increasing patient safety.

With the capacity expansion resulting from the acquisition of the Boston facility and the investment in the capacity expansion of the Wichita facility announced in March of 2022, Fagron North America expects to well-prepared for the ongoing outsourcing trend in the market. The introduction of automated labeling, the deployment of the third shift, and the planned automation of visual inspection also contribute to this.



Andrew Pulido, Area Leader Fagron North America:

“I am extremely proud of the team for the way they have managed everything over the past year despite a very volatile environment, a more stringent regulator, and significant changes within the organization as a result of the various transactions we have done. This has taken a lot out of everyone and will continue to do so in 2023. In the coming year, our focus will be on further integrating the acquired businesses into our Fagron organization and leveraging the strength of our enhanced profile. Together with the new colleagues we have welcomed this year, we are continuously building our solid and sustainable organization, further strengthening our positioning within the North American market. We are well on our way to achieving our ambition of market leadership, and I look forward to another exciting year.”

AnazaoHealth

In 2022, several new products were introduced that further strengthened Fagron's position. Fagron also expects to play a role in the current wave of consolidation in this highly fragmented segment. The announced investment in the Tampa facility is an important step in this regard.

Brands & Essentials

The Brands & Essentials' business in North America realized revenue growth of 33.2% (18.6% at constant exchange rates) in 2022.

In February 2022, we acquired Letco Medical. Letco's broad product portfolio and customer base are complementary to Fagron's, and with this acquisition, we have become number 3 in North America in Brands & Essentials. During the same period, we also sold our contract manufacturing division to focus fully on our core business in these segments.

In November 2021, the FDA visited our repackaging facility in Saint Paul, Minnesota, which revealed a number of observations. The local team then drew up plans to address these observations. In June 2022, the FDA rated some of these measures inadequate and issued a warning letter. In response, an updated remediation plan was prepared with the help of an outside consultant to further improve the facility. Fagron is in close contact with the FDA to satisfactorily complete the inspection. This trajectory also accelerated the integration of Letco, with several operations transferred to the Letco facility in Decatur, Alabama, earlier than originally planned.

Focus in 2023

Fagron expects demand for its products in both Brands & Essentials and Compounding Services to remain high. In North America, Fagron will continue to drive the strengthening of its market positions in both markets with our focus on quality and innovative product introductions. Further operational steps will also be taken, with a focus in 2023 on the further integration and consolidation of acquisitions and the further strengthening of the organization and its processes. Further automation will play an important role. This will put Fagron North America in an excellent position to again achieve sales growth in 2023 and further strengthen its top-5 position in Compounding Services and its number 3 position in Brands & Essentials.

North American market for personalized medicine

Fagron estimates that about 1 to 1.5% of all prescriptions in North America involve pharmaceutical compounding and that the North American market for sterile and non-sterile pharmaceutical compounding was worth about US\$8.0 billion in 2022. This is the available market for Compounding Services in North America. Based on the cost of goods sold in Fagron's compounding facilities, it is estimated that in 2022, approximately 10 to 15% of this market was the cost of pharmaceutical raw materials and administration forms.





Information about the Fagron share

Stock exchange listing

Fagron shares are listed on Euronext Brussels and Euronext Amsterdam. The stock is included in the BEL Mid index, the AMX index, the BEL ESG Index and the AEX ESG 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. On December 31, 2022, Fagron's market capitalization was 968.6 million euros, down 10.3% from December 31, 2021. On December 31, 2022, there were 72,992,654 shares issued.

Average number of shares outstanding

As of December 31, 2022, the number of voting securities is 72,992,654. The total number of voting rights (denominator) is 72,992,654. The authorized capital amounts to 502,094,125.17 euros.

Shareholders

| Share ownership | Number of shares | % of effective voting rights |
|--|------------------|------------------------------|
| The Goldman Sachs Group, Inc. ¹ | 13,209,148 | 18.09% |
| NN Group NV ¹ | 11,605,000 | 15.90% |
| AOC Pharma S.à.r.l. | 6,377,392 | 8.74% |
| FMR LLC | 3,692,481 | 5.06% |
| Alychlo N.V. | 3,641,933 | 4.99% |
| Mawer Investment Management Ltd. | 2,202,410 | 3.02% |

¹ In connection with the notification received from Goldman Sachs Group, Inc. and NN Group N.V., we refer to the document available on our website investors.fagron.com/share-holders/

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 February 28, 2023. 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 passed.

Dividends

Fagron's Board of Directors will propose to the Annual General Meeting of Shareholders on May 8, 2023, to pay a gross dividend of 0.25 euros per share for the 2022 financial year.

| Shares owned by the Board of Directors | Number of shares |
|--|------------------|
| Koen Hoffman | 0 |
| Rafael Padilla | 95,572 |
| Karin de Jong | 15,000 |
| Veerle Deprez | 0 |
| Ann Desender | 0 |
| Rob den Hoedt | 0 |
| Neeraj Sharma | 0 |
| Els Vandecandelaere | 0 |

Investor Relations policy

Fagron values good, open, and timely communications with its investors, analysts, and others with (financial) interests in the company with the aim of informing them as effectively and as promptly as possible about policies and developments in the company. Fagron actively seeks to engage with existing and potential investors, as well as with analysts that follow the company's share. All other relevant information, such as (semi) annual results, trading updates, press releases, and background information, can be accessed on Fagron's website under Investors (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
investors@fagron.com

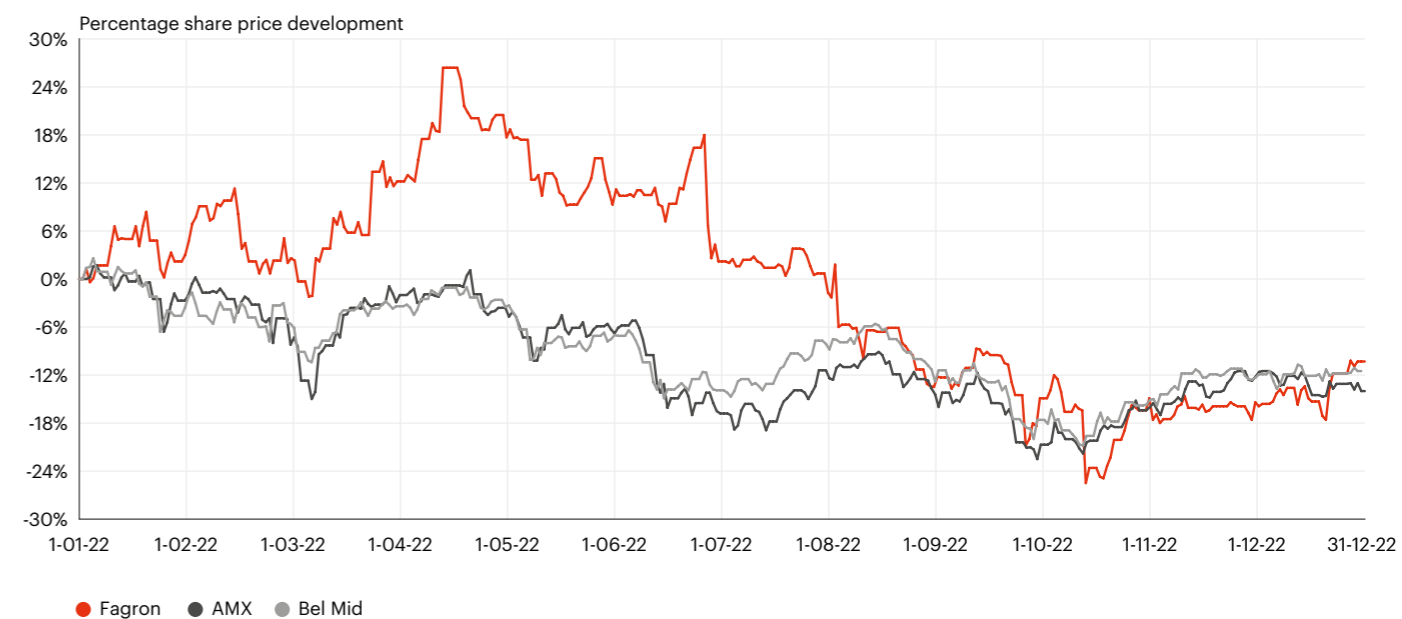
Financial calendar

| | |
|-------------------------------|--|
| April 13, 2023 ¹ | Trading update first quarter 2023 |
| May 8, 2023 | Annual General Meeting of Shareholders |
| August 3, 2023 ¹ | Half-year results 2023 |
| October 12, 2023 ¹ | Trading update third quarter 2023 |

¹ Results and trading updates will be published at 7:00 a.m. CET.

| Trading | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-----------------|-----------------|-----------------|-----------------|---------------|
| Highest price | € 17.10 | € 19.33 | € 23.10 | € 21.56 | € 18.73 |
| Lowest price | € 10.02 | € 14.17 | € 14.80 | € 13.11 | € 10.80 |
| Closing price end of the financial year | € 14.28 | € 19.33 | € 19.00 | € 14.80 | € 13.27 |
| Highest day volume | 1,370,323 | 1,789,353 | 584,169 | 525,563 | 614,569 |
| Lowest day volume | 23,859 | 37,587 | 9,133 | 15,223 | 28,179 |
| Dividends | € 0.12 | € 0.08 | € 0.18 | € 0.20 | € 0.25 |
| Dividend yield at closing price | 0.8% | 0.4% | 0.9% | 1.4% | 1.9% |
| Market capitalization at the end of the financial year | € 1,025,930,949 | € 1,395,218,214 | € 1,377,075,426 | € 1,079,810,279 | € 968,612,519 |

Share price development of Fagron and indices in 2022





Risk management

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

Introduction

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 subject to continuous refinement and improvement, taking into account developments in the environment, including laws and regulations, as well as the company itself.

Risk management framework

The Board of Directors is responsible for the strategy as well as the associated risk profile and for the design and operation of the internal risk management and control systems. The control and risk management systems are continuously assessed and further professionalized, paying attention to the governance structure, processes, systems, and controls, as well as to awareness among management and other employees of the importance of their correct application.

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

Lines of Defense

Fagron's risk management system is based on the three lines of defense model that distinguishes between three lines of defense. The first line owns and manages risks, the second line has primarily a supervisory and advisory role in risk management, and the third line is responsible for auditing risk management and internal control systems.

| FIRST LINE | SECOND LINE | THIRD LINE | |
|---|---|---|---|
| Local management | Group functions | Board of Directors (Audit and Risk Committee) | Internal audit function |
| <ul style="list-style-type: none"> Responsible for entity-level risk management Ensuring a good control environment Translate Fagron group risk policies to entity level Identifying risks Determine likelihood and impact of identified risks Evaluate existing management measures Development and implementation of risk management measures Validating risk management measures Monitoring and reporting risks | <ul style="list-style-type: none"> Monitor risk management Identify group-level risks and report them to the Board of Directors Detailed review how key risks are managed Promote best practices in risk management and facilitate best practices knowledge sharing | <ul style="list-style-type: none"> Adopt risk management strategy Determine risk appetite Determine probability and impact of strategic risks Monitor progress of strategic risk management Review and approve costs for risk management measures Determine reporting procedure | <ul style="list-style-type: none"> Drawing attention to and maintaining attention on risk management Monitor that local management maintain risk registers Ensure sound implementation of risk management policies Making recommendations and providing risk management support |

A summary of the tasks for each line of defense is shown in the table above. Below, the lines of defense are described in more detail.

First line

Local management has full ownership of all entity-level risks and is responsible for complying with Fagron policies and standards and for managing risks that arise in conducting business. Local management identifies and assesses potential risks to the relevant entity and responds appropriately to those risks.

The management and business controllers of the business units are responsible for the proper application of the guidelines and procedures set forth in the Global Policies and the Code of Conduct. Acquisitions are integrated taking into account existing procedures, processes, and systems.

Second line

Strategic objectives, including key opportunities and risks, are discussed in 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. All responsibilities, guidelines, and procedures at Fagron are defined in the Global Policies and Code of Conduct. Every important process is addressed.

The financial results and forecasts are analyzed on a regular basis at the local as well as the central level. The Fagron Management Information System is available to management and business controllers, as well as the executive leadership team and the Corporate Controlling department.

The management and business controllers report monthly to the executive leadership team and to the Corporate Controlling department on progress in achieving their business plan, the resulting KPIs, and 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’s business strategy and related objectives are critically assessed annually and adjusted where necessary based on market developments, identified opportunities and threats, a strength/weakness analysis, and a risk assessment of strategic risks. Responsibility for this task lies with the Board of Directors.

Fagron has an independent internal audit function to further improve the effectiveness of existing reviews, risk management, and internal control systems. The internal auditor helps Fagron 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 (1) conducting audits throughout the entire organization, (2) reporting on audit results, (3) managing the risk plans for the risks described in this chapter, and (4) making recommendations to optimize the internal control framework. The internal auditor is also in constant contact with local management to increase understanding of existing risks and ensure that risks are mitigated and controlled at the appropriate level.

Risk assessment methodology

Essential to effective risk management is periodic risk assessment at group level. This risk assessment takes place every two years. By fully understanding the organization’s strategy and objectives, the internal auditor can form an independent view of the inherent risks of the existing business and emerging risks of new business initiatives and projects.

The risk assessment process consists of the following five stages:

- Identify key people for risk assessment discussions
- Identify objectives by (type of) business process
- Identify potential risks and link potential risks by objective
- Score potential risks for “likelihood” and “impact”
- Record and report outcomes

During the risk assessment discussions, the internal auditor supports and challenges key people to think critically about the objectives per (type of) business process, potential risks, linking these risks per objective and scoring the potential risks.

Action plans and measures

Following the risk assessment, action plans are prepared for each identified risk. An action plan describes (1) the actions to be taken to avoid the risk, (2) the research directions to mitigate the risk, and (3) the control and monitoring measures to be taken to avoid the risk or detect it at an early stage. The action plans for managing risks and the measures taken differ in form and degree of limitation.

Identification and analysis of risks 2022

Risk management at Fagron involves identifying all major risks, establishing plans to limit these risks, and taking measures for their effective management.

Due to the regional distribution of its business activities, its diverse product portfolio, and its broad supplier base, the risk of economic changes is diversified for Fagron.

Identification of risks

A risk assessment took place in 2022, in line with the risk assessment methodology described above. To this end, risk assessment interviews were conducted with all members of the executive leadership team, as well as a number of other key people at the regional and group level. The outcomes of these risk assessment discussions are documented, and the results are shown in the risk matrix. The risk matrix is more detailed than in previous years to enhance understanding of risks. The risks remained the same, while the likelihood and impact scores changed for some risks. These include the risks “Changing Customer Demand,” “Supply Chain,” “Human Capital,” “Interest Risk” and “Product Quality & Product Safety.” For an explanation of material changes, see [page 54](#).

Action plans

There is an action plan for each of the identified risks. These action plans were last updated in 2021. The action plans will be updated in 2023, as appropriate, following the risk assessment conducted in 2022. The implementation of these action plans is monitored by the internal auditor.

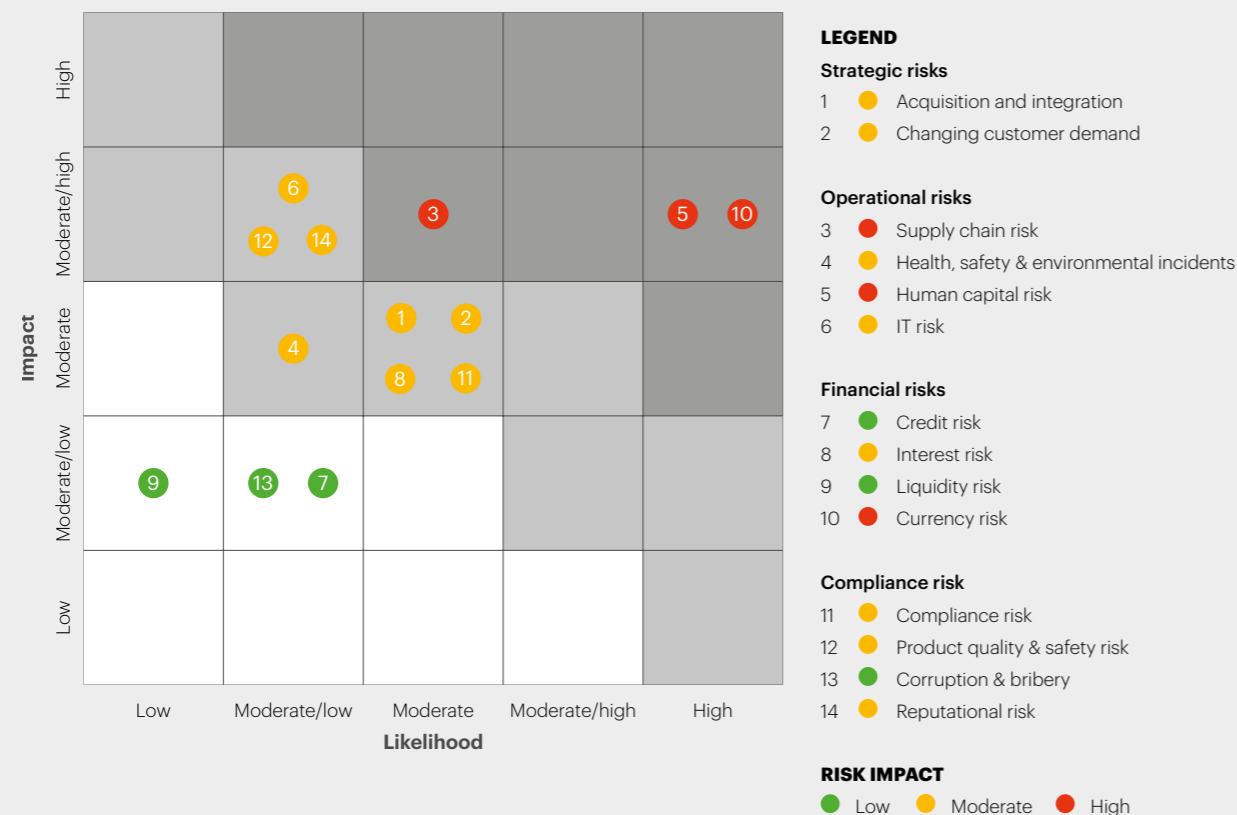
Main risks

This section describes the main risks with the likelihood and impact of each risk and the management measures taken by Fagron. The trend column indicates whether the risk assessment has changed since the last risk assessment.

Fagron distinguishes the following four risk categories:

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

Risk matrix



| STRATEGIC RISKS | | | | | |
|------------------------------------|---|-------|------------|----------|---|
| Risk | Description | Trend | Likelihood | Impact | Management 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 may be limited by the failure to complete or integrate recent or potential future acquisitions. | → | Moderate | Moderate | Fagron manages this risk by carefully identifying acquisition targets, taking into account cultural and organizational affiliation with 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 conducted by an M&A team led by the Head of Legal and M&A, who is a member of the executive leadership team. Acquisition activities are carried out, where appropriate, with the support of reputable third-party consultants. |
| Changing customer demand | Fagron operates in several regions in EMEA, North America and Latin America. Customer demand for Fagron's products can be affected by changing consumption habits, macroeconomic changes, or geopolitical circumstances in these regions. | ↘ | Moderate | 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 | Trend | Likelihood | Impact | Management 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 High | Fagron ensures that a significant part of the pharmaceutical raw materials, equipment, and inventories can be obtained from multiple suppliers and in sufficient quantities in order to meet Fagron's demands. Good working relationships are formed and maintained with suppliers. |
| Health, safety, & environmental incidents | Problems may occur during production for a variety of reasons, such as equipment failure, natural disasters, pandemics, power failures, and other environmental factors. | → | Moderate Low | Moderate | Fagron endeavors 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 health, occupational safety, and environmental incidents. |

| OPERATIONAL RISKS | | | | | |
|----------------------|--|-------|-----------------|------------------|--|
| Risk | Description | Trend | Likelihood | Impact | Management 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. | ↗ | Hoog | Moderate High | Fagron offers competitive salaries and fringe benefits, a performance-oriented bonus scheme, and opportunities for international outplacement within Fagron. It further encourages continuous professional development through performance reviews and training. |
| IT | Failures in IT systems and services can have a negative impact on Fagron's business activities. | → | Moderate Low | Moderate High | 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 receive ongoing training in cybersecurity topics, such as data integrity and phishing. |

| FINANCIAL RISKS | | | | | |
|-----------------------|---|-------|-----------------|------------------|--|
| Risk | Description | Trend | Likelihood | Impact | Management measure |
| Credit risk | Fagron operates in different jurisdictions with a wide range of counterparties and is therefore exposed to credit risk. | → | Moderate Low | Moderate Low | Fagron maintains strict procedures for controlling and limiting credit risk. Measures are taken to ensure that customers individually do not represent a significant portion of either revenue or outstanding receivables. In addition, Fagron is pursuing an active policy to reduce operating working capital. |
| Interest risk | The risk that a change in the interest rate has a negative effect on Fagron's operating profit. | ↗ | Moderate | Moderate | 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 appropriate, derivatives such as interest rate swaps are used to hedge debt with a variable interest rate. |
| Liquidity risk | The risk that Fagron is unable to meet its financial obligations. | → | Laag | Moderate High | Fagron manages the liquidity by ensuring that there are always sufficient financial resources to meet the liquidity requirements. That means that it must be ensured that cash is available for the business units and that, at the same time, there is sufficient financial flexibility under the credit facilities available. The financial flexibility is monitored on an ongoing basis. |

FINANCIAL RISKS

| Risk | Description | Trend | Likelihood | Impact | Management 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 | Moderate High | A detailed explanation of foreign exchange risk and the related management measures is presented in note 3 of the annual financial statements. |

COMPLIANCE RISKS

| Risk | Description | Trend | Likelihood | Impact | Management measure |
|------------------------|---|-------|-----------------|-----------------|---|
| Compliance risk | Fagron may be at risk of high costs associated with complying with changing regulations as well as fines or other adverse consequences of violating laws and regulations. | → | Moderate | Moderate | <p>Fagron endeavors to comply with the legislation in all jurisdictions where it operates. The Head of Legal and M&A, who is a member of the executive leadership team, oversees compliance with legislation in all jurisdictions, while staff are assigned at the local level to ensure compliance.</p> <p>Fagron's facilities and products are subject to pharmaceutical standards that are regularly audited by regulatory and/or supervisory agencies. In some of the regions where Fagron operates, there are increasing requirements regarding the implementation of guidelines and safety of facilities and products. Fagron invests in facility upgrades to continuously ensure the highest quality standards. The local and global quality team monitor the implementation of standards and compliance with guidelines on a daily basis.</p> <p>This risk includes risks for ESG reporting requirements, as referred to in the (draft) ESRS 2.</p> |

COMPLIANCE RISKS

| Risk | Description | Trend | Likelihood | Impact | Management measure |
|---|--|-------|-------------------------------|--------------------------------|---|
| Product quality & product safety | Fagron faces risks related to the safety and quality of its products or pharmaceutical compounding in general. | ↗ | Moderate Low | Moderate High | <p>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).</p> <p>Fagron utilizes 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.</p> |
| Corruption & bribery | Failure to comply with anti-corruption and bribery laws may result in fines and/or negatively impact Fagron's brand and reputation and its business prospects. | → | Moderate Low | Moderate Low | <p>Fagron's Code of Conduct and Global Anti-Bribery & Anti-Corruption Policy describe the type of behavior that the company expects from all of its employees.</p> <p>All employees must formally sign the Code of Conduct when they start at Fagron, by 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 pays attention to corruption and bribery.</p> <p>A Whistleblower Regulation was introduced in 2019 so that employees can report possible abuses anonymously. In addition, the appointment and training of confidential counselor for a number of locations began in late 2021; in 2023 this group of confidential counselors will be further expanded.</p> |
| Reputational risk | Any alleged violation of societal standards may adversely affect Fagron's brand and reputation and its business prospects. | → | Moderate Low | Moderate Low | Fagron conducts annual surveys among its stakeholders as part of its materiality assessment on ESG factors to understand stakeholder expectations regarding Fagron's ESG (Environmental, Social, and Governance) strategy and policies. Fagron's ESG strategy is reviewed annually following an internal review and the results of these surveys. |

Detailed explanation of selected risks

Changing customer demand

For the risk changing customer demand, we see a decrease in the likelihood indicator. In 2021, the COVID-19 pandemic still dictated much of the markets in which Fagron operates. During 2022, elective care has shown recovery, and the demand for COVID-19-related products continued to decline. Rising inflation in the regions has a relatively limited impact on client demand compared to the impact of the COVID-19 pandemic on demand for elective care. In 2022, Fagron has been able to pass on increasing purchasing costs to customers, sometimes with some delay.

Supply chain

Fagron depends on third parties for the supply of pharmaceutical raw materials. This dependency creates a risk with respect to quality, availability, and cost of the products. By centralizing its procurement team and appointing a COO in 2022, Fagron has further optimized the management of its supply chain. Changing demand due to the COVID-19 pandemic and ongoing shortages in the pharmaceutical supply chain have impacted the supply reliability of Fagron's products. This impact is larger or smaller depending on the type of product. In 2022, the limited availability of syringes impacted the availability of Fagron's products in the US market. By using multiple suppliers, Fagron tries to minimize risk as much as possible. Also, the breadth of our product portfolio helps mitigating this risk.

Human capital

For the human capital risk, there is an increase in the likelihood indicator. Difficulties in recruiting, retaining, and training people can affect the motivation of existing staff, increase natural turnover, and ultimately impact the success of the business. The difficult recruitment climate in some countries where Fagron operates resulted in vacancies remaining open longer and pressure on the existing workforce in 2022. The focus for Fagron will be on retaining people by optimizing primary and/or secondary benefits.

Interest risk

For interest risk, we see an increase in impact from Low to Moderate. Fagron maintains a mix of fixed and floating rates. The increase in interest rates in 2022 has a negative impact on the company's financing expenses. This risk was largely hedged in 2022 by using financial instruments. This risk is also partially hedged for 2023 but, depending on the different maturities of the financial instruments, it may have a larger impact on financing costs should interest rates remain at current levels. For more on the management measures and impact, see the 2022 Annual Financial Statements.

Product quality & product safety

Fagron's products meet the highest quality standards; this is ensured by working with suppliers and manufacturers that meet national and international standards. Products manufactured in-house are also subject to pharmaceutical quality standards and are produced and controlled in accordance with guidelines. Checks are performed by internal quality teams, quality teams of (potential) customers, as well as external supervisors.

Some countries only allow small-scale compounding while others allow bulk compounding. These may include both sterile and non-sterile bulk compounding. The increase in the ratio of sterile products produced and sold, where there are higher quality requirements and the potential consequences of incidents can be more far-reaching, relative to non-sterile products, especially in the US market, has changed the impact of this risk from Moderate to Moderate-High.

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 on the management of risks related to climate change and therefore reports 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 oversees both Risk Management (see [page 45](#)) and ESG policies (see [page 62](#)).
- Strategy and risk management of climate risks aligns with our Risk Management (see [page 45](#)).
- Our climate change impact and energy use targets as well as an overview of our greenhouse gas emissions can be found in the ESG Statement (see [page 59](#)).

Risk management for climate risks is the same as for other risks. Climate change itself is not identified by Fagron as one of its main risks. The various risks associated with climate change for Fagron do fall under one of the identified key risks.

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

1. Physical climate risks to our facilities such as natural disasters and (more) extreme weather events. The management measures fall under the management measures for the risk “Health, safety & environmental incidents.”
2. Physical climate risks to our supply chain, such as natural disasters and (more) extreme weather conditions that affect the security of supply for certain pharmaceutical raw materials. The management measures fall under the management measures for the risk “Supply chain.”
3. Transition risks due to changing greenhouse gas emissions reporting requirements. Management measures fall under the management measures for risk “Compliance risk.”
4. Transition risks due to changing consumer preferences, towards (more) sustainable and (more) climate-friendly products. Management measures fall under the management measures for the risks “Reputation damage” and “Changing customer demand.”

In the short and medium term¹, these risks are expected to have relatively little impact on Fagron’s operations. We also estimate that the risks that climate change entails for Fagron have similar consequences for our competitors.

In the long run, these risks will increase for Fagron. Fagron has not performed a scenario analysis for the impact on Fagron’s results of an increase of the global average temperature by, for example, 1.5, 2, or 4 degrees Celsius. In 2023, Fagron will conduct a risk analysis to identify the risks of different temperature scenarios for Fagron.



¹. We align with the definition of the medium term as defined in the (draft) ESRS 1. ESRS 1 defines that the medium term refers to 1 to at most 5 years in the future.



ESG Statement

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

Reporting on ESG topics

Fagron's ESG strategy, ESG policies, and ESG reporting comply with both 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 entry into force of the Corporate Sustainability Reporting Directive (CSRD), which we must comply with for the first time when reporting over financial year 2024, we report extensively on ESG topics. This year we do not report according to the GRI standard like previous years. Instead, we show which CSRD disclosure requirements, as described in the (draft) European Sustainability Reporting Standards (ESRS), we already meet. The ESRS may still change during 2023. An index listing the reported aspects can be found starting on [page 217](#).

All statements in this section and the ESRS Index apply to the same companies as those included in the consolidated financial statements. Exceptions apply only to some indicators on climate change impact and emissions to air and soil, the delineation of which we describe in detail starting on [page 72](#). For each material topic, we additionally indicate whether the information presented is applicable to Fagron's value chain in addition to being applicable to the companies covered by the consolidated financial statements.

Positive impact

We endeavor to have a positive impact by consciously dealing with our surroundings and aim to produce all of our products ethically and responsibly. One way we do this is by reducing the greenhouse gas emissions resulting from our operations and contributing positively to the well-being of our employees. The value creation model ([page 20](#)) provides insight into our business model and the inputs and resources we use to create value.

Stakeholder analysis and materiality analysis

Fagron is in regular dialogue with its stakeholders, including the financial market (e.g., shareholders and banks), customers, and staff. In addition, we conduct surveys once every two years to understand our stakeholders' wishes 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 initial plan for 2022 was to further professionalize the approach used for stakeholder analysis in 2020. We have postponed this professionalization exercise for a year in order to be well aligned in 2023 with the still-developing ESRS (specifically ESRS 1 and ESRS 2) that define materiality analysis requirements for the CSRD adopted in November 2022. These ESRS are expected to be finalized by June 2023.

Material topics

In 2020, we conducted a materiality analysis for the first time. Based on the results of the stakeholder analysis conducted that year and the extent to which topics are important to the success of Fagron over the next five years¹, the material topics were determined.

These topics were divided into the following categories:

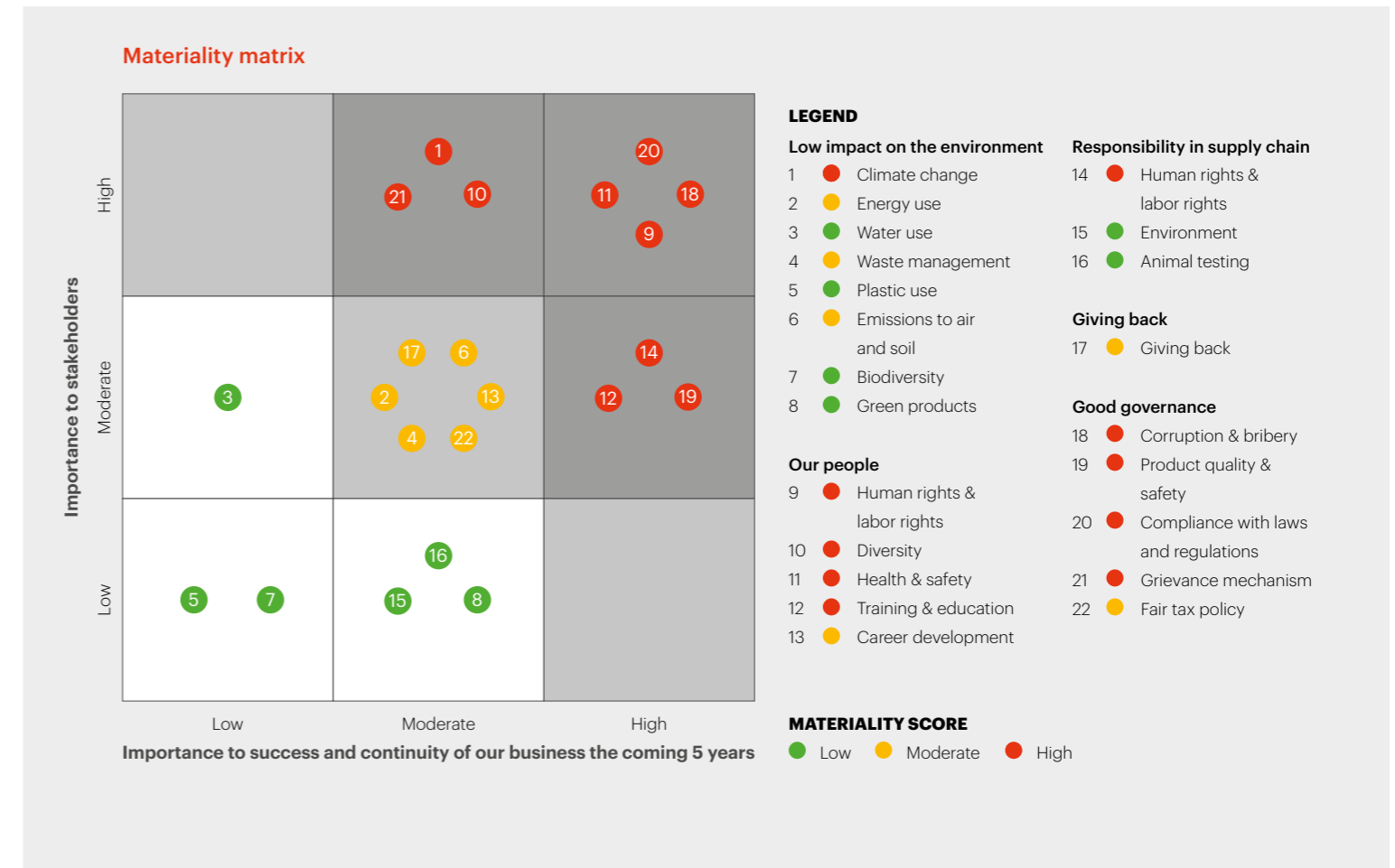
1. Low impact on the environment
2. Our people
3. Responsibility in the supply chain
4. Giving back
5. Good governance

The topics scoring "High" or "Moderate" in the materiality matrix continue to form the basis of Fagron's ESG strategy in 2022. We report on these topics in this annual report.

Another materiality analysis will be conducted in 2023 to directly align with the ESRS 1 and ESRS 2, which are still under development, and which establish the requirements for this in accordance with the CSRD adopted in November 2022.

ESG strategy

In 2020, Fagron established an ambitious but realistic ESG (Environmental, Social, Governance) strategy, which came into effect in 2021. Based on cumulative insight and interactions with stakeholders, the Board of Directors approved a strategy with more ambitious objectives in 2021. It was published in early 2022 and is available on the investors' page of the Fagron website (investors.fagron.com).



¹ The degree to which topics are important to Fagron's success in the coming years was determined by conducting two internal surveys, one with the (then) Global Leadership Team and one with the managers of all companies in the Fagron Group.

ESG management

Management of existing ESG policy

Fagron’s CFO is ultimately responsible for implementing the established ESG policies. The progress of the implementation of the ESG policies is discussed in the ESG team once every two weeks. This team consists of the CFO, Global Investor Relations Manager, Global ESG Officer, and ESG Data Analyst. The ESG Data Analyst was appointed in the second quarter of 2022 to further improve the monitoring and reporting process of ESG data.

Responsibility for day-to-day operations differs per 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 topics), and the Global ESG Officer

The local companies play an important role in the implementation of the ESG policies. After all, installing solar panels or following quality standards is done at the 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 on the ESG policies is regularly discussed in the executive leadership team and the Board of Directors. The Board of Directors determines the ESG strategy, monitors the implementation of the ESG policies and makes adjustments where necessary. Among other things, both bodies reflect on ESG results achieved, adjustment of ESG policies based on the annual evaluation and ESG as part of strategy and the annual budget.

Strengthening and adjusting Fagron’s ESG policies













The strengthening and adjustment of Fagron’s ESG policies occur through an annual evaluation of the policies per material topic and through evaluation of these topics in the materiality analysis that takes place every two years.

The ESG team conducted an evaluation for the first time in 2021. This evaluation consisted of an analysis of all conversations about ESG that the team had with shareholders and analysts during the year and evaluation meetings with those responsible for day-to-day operations by category (e.g., the Global HR Director for the Our people category). In 2022, the evaluation has been professionalized, and in early 2023 an evaluation interview will be held with all those responsible for each category, based on a developed evaluation questionnaire.

Sustainable Development Goals

Fagron endorses all 17 Sustainable Development Goals (SDGs) that were defined by the United Nations in 2015. Based on the defined sustainability strategy, Fagron selected five

SDGs on which it actively focuses and where we believe we can make the highest 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. |  Affordable and clean energy |
| | |  Climate action |
|  Our people | Fagron contributes to SDG 5 policies on gender equality policy. Fagron contributes to SDG 8 by providing a decent and safe work conditions for more than 3,000 employees worldwide. |  Gender equality |
| | |  Decent work and economic growth |
|  Responsibility in the supply chain | Fagron contributes to SDG 8 through the Business Partner Code of Conduct. |  Decent work and economic growth |
|  Giving back | Fagron contributes to SDG 3 by delivering personalized medicine and medicine for vulnerable patient groups. |  Good health and well-being |
|  Good governance | Fagron contributes to SDG 8 through its efforts to achieve annual revenue growth. |  Decent work and economic growth |



Low impact on the environment

The health and safety of people worldwide is affected by the consequences of climate change.

Our ambition is to reduce our greenhouse gas emissions, in line with the Paris Agreement.

In conducting our activities, we use natural resources such as fuel, water, and other raw materials both for our products, offices, and logistics and transportation. Fagron strives to use these resources as efficiently as possible.

Key topics that make up the Low impact on the environment category are:

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

We report on the environmental topics for all companies that are part of the Fagron Group and that have been part of the Group for the entire financial year. This means that, for example, Pharma-pack, which became part of Fagron in 2022, will only be included for the first time in the environmental disclosures for financial year 2023.

Climate change 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 1.5 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

For the first time in 2019, Fagron set an ambition to reduce the greenhouse gas intensity of all its operations 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. For energy use, we also have the objective to reduce the energy intensity in our own facilities by 3% per year. Here, the reduction target in energy intensity for the end of 2025 is 18% compared to 2019. Beginning in 2022, we added the objective to generate or purchase 100% of the electricity we use in our facilities from renewable sources.

In 2022, we committed to setting science-based emission reduction targets. The proposal with our targets was submitted to the Science Based Targets Initiative (SBTi) in late 2022.

The proposed objectives are:

- 50% absolute reduction in scope 1 and 2 greenhouse gas emissions by 2030 compared to 2019¹
- 75% of our product and service suppliers set science-based targets for their scope 1 and 2 emissions (excluding transportation services and utilities, by spend value) by the end of 2027
- 22.5% absolute reduction in the other selected scope 3 categories in 2030 compared to 2021

These targets are in addition to already existing targets for our greenhouse gas intensity.

SBTi assesses whether the proposed targets are indeed in line with the Paris Agreement to keep global temperature rise below 1.5 degrees Celsius. Only when SBTi agrees on the objectives may we communicate that they have been verified. We expect to be able to say more about this in 2023.

¹ For this target we calculate Scope 2 based on the market-based method of the Greenhouse Gas Protocol (GHG Protocol).

Scope reduction target of 30% in greenhouse gas intensity

| | 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 with car owned by employee ^{2,3} |
| Energy consumption | Fuel consumption in own/rented facilities | Purchased electricity and heat used in owned/rented facilities ¹ | - |
| Refrigerants | Leakage of refrigerants in own/rented facilities | - | - |

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

Policy and initiatives

The policies we implement and the initiatives we take are consistent with our greenhouse gas intensity target. This objective focuses specifically on energy use, solar panels, and business travel by airplane and (leased) car. Therefore, the greatest potential for reducing our emissions can be found in:

- Energy efficiency (see energy-saving initiatives)
- Renewable energy
- Electrification of our vehicle fleet (see Lease Policy)
- Reduce air travel and modality switch (see Travel Policy)

Energy-saving initiatives

An energy scan was conducted in 2022 at the site that used the most energy in 2021, our FSS site in Wichita, Kansas, US. Based on this energy scan, plans were made to replace four air conditioning systems and to optimize the remaining air handling systems in 2023. In addition to the energy scans already conducted in 2021, energy scans have now been conducted for 5 of the 10 sites with the highest energy use in 2021. In 2023 there will be another review by which locations it makes sense to conduct an energy scan.

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. Projects were implemented in 2021 and 2022 to replace old lighting with LED lighting. By the end of 2022, a total of 55 of the 81 facilities worldwide are now equipped with LED lighting. Due to acquisitions and relocations, 10 facilities have become operational in 2022, of which 6 are not yet equipped with LED lighting. In addition, 5 facilities will close, or have already closed, by early 2023. Almost all other facilities have a plan in place to also replace their lighting with LED lighting in 2023. This applies to a total of 21 facilities.

Finally, a Fagron Switch Off Week was held for the first time in 2022. During this week, energy conservation was addressed throughout the organization and heating and/or cooling was adjusted a few degrees. During this week, a global tool was also launched where each site has clear insight into its energy use. Insight is an important step in a good energy management system.

Renewable energy

We are constantly working on possibilities to make our energy use more sustainable. We do this particularly by installing solar panels on the roofs of our facilities worldwide. By 2022, solar panels have been installed at 6 facilities providing approximately 40% of the facility's electricity use per site. In addition, solar panels were already in place on the premises of one of the companies purchased in 2022. With the seven facilities that already had solar panels on the roof in 2021, this makes 14 facilities with solar panels by the end of 2022.

We expected to end up with 15 sites with solar panels by the end of 2022. One installation has been delayed and will still be installed in 2023. This means we will have solar panels on at least 16 facilities by the end of 2023. In addition, in 2023, the solar panel installation of two of the current plants will be further expanded. Solar panels will also be installed at sites in the United States and the Netherlands where renovation or new construction plans are underway. Depending on the implementation of these plans, the panels will be placed in 2023 or 2024.

In addition to generating renewable energy, we also purchase renewable electricity from sustainable sources in a number of locations. In 2022, 19.5% of total electricity used was from own generation and purchased electricity from renewable sources. This is a substantial increase from the 8.9% we reported in 2021.

Lease policy

A new lease policy was rolled out in EMEA at the end of 2020 with the goal of having all lease cars being completely electric by the end of 2025. In order to achieve an emission reduction in the short term, new plug-in hybrid vehicles are also permitted up to and including 2024. This provision is only permitted if there is too little charging capacity in the relevant region. By 2022, another large number of fossil-fuel leased cars was replaced by electric or plug-in hybrid leased cars. This brings the total to 33% of all leased vehicles (2021: 18%)¹.

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. In 2021, the COVID-19 pandemic still affected travel behavior; this was less so in 2022. A start was made in 2021 with the introduction of a new booking system for travel that allows centralized reservations and that will facilitate control and monitoring of the travel policy. In 2022, this booking application has been further rolled out in all regions.



¹ This, like last year, is the number of cars from companies that were part of the group for the whole year, as included in the carbon footprint.

Results

The calculation of greenhouse gas emissions is based on the Greenhouse Gas Protocol (GHG Protocol). Fagron reports its scope 2 climate change impact in accordance with the location-based and the market-based methodology. To align with our objectives, in this annual report we present the results according to the location-based methodology on [page 70](#). New this year, we also show the scope 2 climate change impact according to the market-based methodology on [page 70](#). The full carbon footprint report, including a more comprehensive description of the methodology, can be accessed under Governance on the investor page of our website investors.fagron.com.

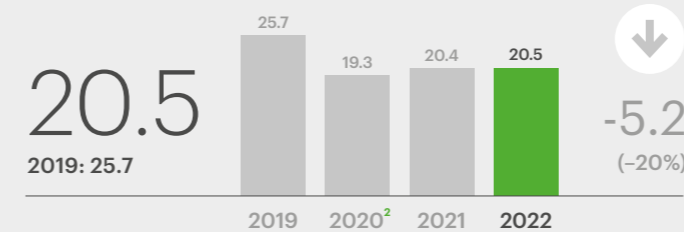
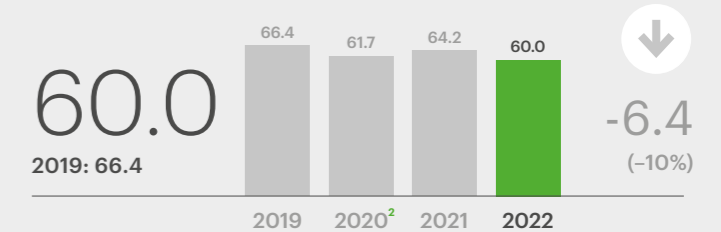
Greenhouse gas intensity and absolute greenhouse gas emissions (location-based)

We calculate greenhouse gas intensity by dividing total location-based greenhouse gas emissions in metric tons of CO₂-eq by Fagron Group revenue in million euros. For the greenhouse gas intensity, we normalize the revenue each year with the 2019 constant exchange rate in order to counter any positive or negative consequences of fluctuating exchange rates. This is especially important because the exchange rates of the Brazilian real and the US dollar against the euro, among others, show large fluctuations.

The absolute greenhouse gas emissions according to the location-based method have increased (+1%) compared to the emissions in 2019, this is mainly due to acquisitions that took place in the last four years. Greenhouse gas intensity decreased by 20% compared to 2019.

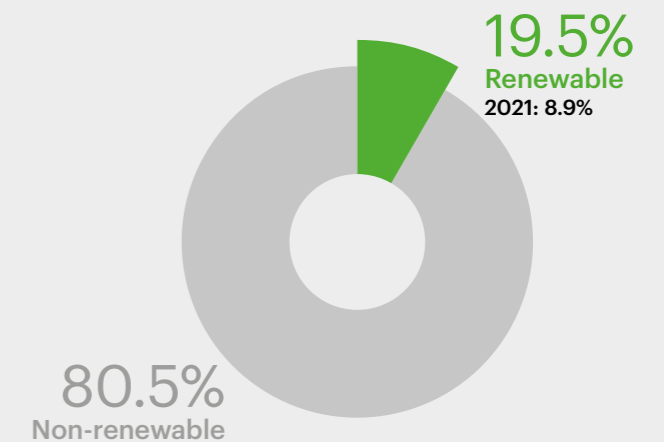
Absolute greenhouse gas emissions (market-based)

The absolute greenhouse gas emissions according to the market-based method have decreased (-14%) compared to 2019 emissions. Using this calculation method, there is a decrease because we are doing our best to purchase renewable energy. The purchase of renewable energy may be included in the market-based method and not in the location-based method. In the latter method, you calculate the average climate change impact of electricity in a state or country, which can be either more polluting or greener than the electricity you purchase under your electricity contract.

Change in greenhouse gas intensity between 2019 and 2022(in metric tons of CO₂-eq per million € revenue)¹**Total****Change in energy intensity between 2019 and 2022**(in MWh per € revenue)¹**Total**¹ At constant exchange rates of 2019.² Value differs from 2021 annual report values. This value was adjusted based on a few minor changes in activity data and changes in some emission factors.**Electricity consumption from renewable sources 2022**

(in MWh)

4,901
2021: 2,534



Energy consumption

| | 2022 | 2021 | 2020 | 2019 |
|--|---------------|---------------|---------------|---------------|
| Fuel consumption, coal, and coal products (MWh) | 0 | 0 | 0 | 0 |
| Fuel consumption, crude oil, and petroleum products (MWh) | 3,551 | 3,873 | 4,537 | 4,324 |
| Fuel consumption, natural gas (MWh) | 9,562 | 10,168 | 8,758 | 8,148 |
| Fuel consumption, other non-renewable sources (MWh) | 0 | 0 | 0 | 0 |
| Total fuel consumption, non-renewable sources (MWh) | 13,113 | 14,040 | 13,295 | 12,473 |
| Energy from nuclear products (MWh) | 0 | 0 | 0 | 0 |
| Steam and cooling, non-renewable sources (MWh) | 0 | 0 | 0 | 0 |
| Heat, non-renewable sources (MWh) ¹ | 308 | 261 | 327 | 224 |
| Purchased electricity, non-renewable sources (MWh) | 20,394 | 24,289 | 22,176 | 19,343 |
| Total electricity, heat, steam, and cooling, non-renewable sources (MWh) | 20,703 | 24,550 | 22,503 | 19,567 |
| Total non-renewable energy consumption | 33,815 | 38,590 | 35,798 | 32,039 |
| Fuel consumption, renewable sources (MWh) | 0 | 0 | 0 | 0 |
| Steam and cooling, renewable sources (MWh) | 0 | 0 | 0 | 0 |
| Heat, renewable sources (MWh) ¹ | 0 | 0 | 0 | 0 |
| Purchased electricity, renewable sources (MWh) | 4,178 | 2,373 | 670 | 1,552 |
| Total electricity, heat, steam, and cooling, renewable sources (MWh) | 4,178 | 2,373 | 670 | 1,552 |
| Consumption of self-generated non-fuel renewable energy (MWh) | 722 | 161 | 75 | 64 |
| Total renewable energy consumption (MWh) | 4,901 | 2,534 | 744 | 1,616 |
| Total energy consumption (MWh) | 38,716 | 41,124 | 36,542 | 33,655 |
| % non-renewable energy, as a share of total energy consumption | 87.3% | 93.8% | 98.0% | 95.2% |
| % renewable energy, as a share of total energy consumption | 12.7% | 6.2% | 2.0% | 4.8% |

¹ The origin of the purchased (district) heat is unknown, and thus completely classified as non-renewable.

Greenhouse gas emissions

| | 2022 | 2021 | 2020 ² | 2019 |
|---|---------------|---------------|-------------------|---------------|
| Scope 1: Direct emissions (in metric tons of CO ₂ -eq) | 2,913 | 3,358 | 2,968 | 2,818 |
| Scope 2: Indirect emissions from energy generation (in metric tons CO ₂ -eq) | | | | |
| – Location-based | 8,444 | 9,072 | 7,655 | 7,714 |
| Scope 2: Indirect emissions from energy generation (in metric tons CO ₂ -eq) | | | | |
| – Market-based | 6,827 | 9,199 | 8,394 | 8,200 |
| Scope 1 + 2 – Location-based | 11,357 | 12,430 | 10,623 | 10,532 |
| Scope 1 + 2 – Market-based | 9,740 | 12,556 | 11,362 | 11,018 |
| Scope 3: Other indirect emissions ¹ | 1,847 | 665 | 833 | 2,477 |
| Climate change impact Scope 1 + 2 + 3 – Location-based¹ | 13,204 | 13,095 | 11,455 | 13,009 |
| Climate change impact Scope 1 + 2 + 3 – Market-based¹ | 11,587 | 13,222 | 12,195 | 13,495 |

¹ Scope 3 emissions relate only to emissions resulting from employee business travel.

² Values differ from those in the 2021 annual report. This value was adjusted based on a few minor changes in activity data and changes in some 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 primarily involve combustion emissions such as nitrogen oxides (NO_x), sulfur dioxide (SO₂) and particulate matter (PM10) emissions released during the combustion of natural gas, petrol, and diesel in our facilities and (leased) cars. Emissions to soil primarily involve emissions released through our wastewater. These emissions can have a negative impact on human health. With our policies we try to contribute to the realization of a clean(er) living environment.

Policy, initiatives, ambitions, and objectives

Ambitions and targets, emissions to air
In 2021, we identified the types and quantities of combustion emissions that we generate. By weight, nitrogen emissions (NO_x-eq) are the largest emissions type. Because the other air emissions (SO₂ and PM10) are much less in weight and are associated with our nitrogen emissions, we report only our nitrogen emissions annually. In addition, we set ourselves the goal of reducing the nitrogen emission intensity of our facilities and vehicles by 40% compared to 2019.

Inventory of emissions to soil

We work with pharmaceutical raw material in our repackaging and compounding facilities. These can have a negative impact on humans and the environment if they enter the environment through waste disposal or wastewater. You can read more about our waste policy in the section

on Waste management. Emissions to air from our own facilities (particularly combustion emissions) and emissions released during waste processing can precipitate and thus end up in the soil.

A final source of emissions to soil could be pharmaceutical raw material in our wastewater. We comply with local wastewater legislation at all locations. An initial inventory in 2021 showed that about half of our laboratories, repackaging, and compounding facilities are in locations where public wastewater treatment meets European wastewater guidelines and, as a result, the likelihood of pharmaceutical raw materials entering the soil is very low. In 2022 this applies to 17 of the 35 laboratories, repackaging and compounding facilities.

Thus, for the remaining 18 facilities, there is a chance, due to lower quality local wastewater treatment, that pharmaceutical raw materials will find their way into the environment. For most of these sites, we reviewed in 2022 whether the safety measures we have in place combined with local wastewater treatment at these sites are adequate to prevent unwanted emissions. Based on this review we concluded that local legislation is on par with the European Wastewater Directive (6 sites), we prevent drug residues from entering wastewater or perform our own wastewater treatment before wastewater enters the sewage system or surface water (8 sites). For the remaining 5 sites, the study has yet to be completed in 2023.

Reduction of nitrogen emissions

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

Results

Absolute nitrogen emissions decreased slightly between 2019 and 2022. Nitrogen emission intensity decreased sharply to 6.19 kg NO_x-eq per million euros revenue, a 35% reduction. As with energy consumption and energy intensity, nitrogen emission intensity is decreasing (faster) because we realized more revenue that resulted in fewer emissions.

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 streams such as pharmaceutical and packaging waste, if not managed properly, can have negative impacts on the environment. In addition, raw materials are lost if waste streams 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 locally applicable legislation regarding waste management, and we feel responsible for minimizing environmental impact by improving the processing of packaging waste we generate at all our facilities.

At the beginning of 2022, we set a goal 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 (both packaging and other paper and cardboard)
- Metal packaging
- Plastic packaging

Policy, initiatives, and results

In 2021, we identified the types of waste that are released at the various locations. However, the identification of the amount of waste per location turned out to be 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 waste stream in all facilities. Because the greatest reduction in environmental impact can be achieved through better separation of these waste streams, we set the goal of realizing separated waste processing of packaging waste in all facilities by the end of 2025.

By the end of 2022, paper/cardboard was already separated in more than 70% of sites, metal packaging in more than 33% of sites, and plastic packaging in about 50% of sites. This is an increase from 2021.

Other environmental topics

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

Indicators for emissions to air and soil

| | 2022 | 2019 | KPI |
|--|----------------|-------|----------------------------------|
| Nitrogen oxide emissions (in kg NO _x -eq) | 3,992 | 4,793 | - |
| Nitrogen oxide emission intensity (in kg NO _x -eq per million € revenue) ¹ | 6.19 (-35%) | 9.46 | -40% in 2025 compared to 2019 |

¹ At 2019 constant exchange rates.



Our people

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

Key topics that are part of the Our people category are:

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

We report on the social topics of all companies belonging to the Fagron Group. Unlike the environmental topics, companies are included in the disclosures as of the time they are part of the Fagron Group and not only as of the first full financial year that a company was part of the Fagron Group. The disclosed information concerns our employees, and in some cases we additionally report on independent managers and temporary workers working for Fagron. Employees, independent managers and temporary workers¹ together make up "Our people."

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 engagement and requesting transparent feedback from our employees, we can set the right priorities, understand our employees' needs and respond to those needs.

Policy and initiatives

Employee Survey

Since 2016, we have been conducting a Global Employee Survey every two years. Part of this employee survey is a score on sustainable engagement: the intensity of employees' connection to the organization.

We measure sustainable engagement based on three factors. First, we measure the extent to which employees feel they participate in decision-making processes. Second, we measure the degree to 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. Fagron uses a set of standard questions from Willis Towers Watson for this purpose.

Based on the results of the 2020 employee survey, an action plan was developed for the years 2021 and 2022. This action plan focused 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 aimed at communicating consistently and through the appropriate communication channels towards the different target groups within the organization. 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 program "Fagron Feel Good." In terms of training and development, among other things, an onboarding program was launched in Latin America. Based on that onboarding program, an onboarding program was developed for all of Fagron in 2022. This program will be rolled out incrementally in 2023.

Another Global Employee Survey was conducted in the last quarter of 2022. Based on this Global Employee Survey, priorities have been set for the next two years. These include leadership (inclusive management culture and feedback culture), compensation & benefits, and the onboarding process. At the beginning of 2023, these priorities will be translated into action plans for each region.

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 every two years. Our goal here is to have at least 85% of the employees participate in the survey and achieve a Sustainable Engagement Score of at least 80%.

In 2022, 89% of all employees have completed the Global Employee Survey. The Sustainable Engagement Score of these employees was 84%, a slight improvement in comparison to the 2021 score of 83% and in line with the global pharmaceutical sector norm.

Diversity

We work together as one large team and value the unique contribution each employee brings to the table. We believe that everyone deserves the same opportunities, regardless of gender, age, sexual 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 work 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 topics:

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

¹ Temporary employees are counted if they work at Fagron for more 0.3 FTE and for more than 3 months.

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 organization. Fagron set a target to have a 50/50 gender distribution in all its personnel. In December 2021, the Board of Directors also specified that this 50/50 male-female ratio is also applicable as an objective for all Fagron management from the beginning of 2022. Our goal is for 50% of management to be female by the end of 2025. In 2022, 40.6% was female (2021: 40.7%). Additionally, the goal is for at least 1/3 of senior management to be female by 2025, where the figure was 27.6% in 2022. In both cases, there is a small decrease in the proportion of women in management, and the target has not (yet) been met.

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 program that ensures equal employment opportunities.

We believe it is important that the Fagron headquarters, the Global Service Center (GCS), represents the diversity of the Fagron Group, and we therefore strive to have at least 10 different nationalities represented. In 2022, there were 21 nationalities working at the headquarters (2021: 18).

Age

Fagron strives to show a diverse age profile through all levels of the organization. Fagron has a diverse workforce in terms of age. In 2022, the average age of a Fagron employee was 39 (2021: 38). The average age among management and senior management is slightly higher.

Employment opportunities for people with a disability

Fagron wants to make a positive contribution in the labor process regarding the participation of people with a disability. We offer employment to this target group and try to meet individual needs as much as possible through a flexible attitude, tailored job descriptions or offering other types of job opportunities.

Gender equality indicators ¹

| | 2022 | 2021 | 2020 | 2019 | 2018 | KPI |
|--|-------|-------|-------|-------|-------|-------|
| % of female employees | 56.3% | 53.1% | 56.6% | 55.8% | 58.5% | 50% |
| % of female management | 40.6% | 40.7% | 37.4% | 39.1% | 40.7% | 50% |
| % of female senior management ² | 27.6% | 34.1% | 28.6% | 29.8% | 31.6% | 33.3% |
| % of female Board of Directors | 44.4% | 37.5% | 37.5% | 37.5% | 36.4% | 33.3% |

¹ All gender equality indicators through 2021 are based on the number of employees (in FTE) on December 31st (including independent managers and temporary workers). From 2022, the numbers are based on the number of employees on December 31st (excluding independent managers and temporary workers), excluding female senior management. For female senior management, we also include independent managers since they are also part of senior management.

² Senior management includes managers who fall in our Hay grade levels 18 to 28; this includes all managers directly under the CEO, or a management layer below. In addition, there are a few individuals who fall in the third tier below the CEO.

Nationality indicators ¹

Number of people by country

| | 2022 |
|---|--------------|
| United States of America | 929 |
| Total employees North America | 929 |
| Brazil | 766 |
| Colombia | 67 |
| Mexico | 74 |
| Total employees Latin America | 907 |
| Belgium | 102 |
| Germany | 135 |
| Israel | 89 |
| Czech Republic | 208 |
| Netherlands | 323 |
| Poland | 222 |
| Spain | 55 |
| Other countries EMEA and China | 192 |
| Total employees EMEA and China² | 1,326 |
| Total Fagron employees | 3,162 |
| Independent managers | 12 |
| Temporary workers | 66 |
| Total our people | 3,240 |

¹ All nationality indicators are based on the number of people on December 31st.

² Of these, a number of employees fall under Global Service Center and not EMEA, so this number does not precisely match the information from the region documents.

Age indicators ¹

| | 2022 | 2021 |
|---|-------------|-------------|
| Average age of senior management | 47.4 | 46.7 |
| % senior management <30 years old | 0% | |
| % senior management 30-50 years old | 67% | |
| % senior management >50 years old | 33% | |
| Average age of management | 44.8 | 44.4 |
| % management <30 years old | 1% | |
| % management 30-50 years old | 72% | |
| % management >50 years old | 27% | |
| Average age of employees | 38.9 | 37.7 |
| % employees <30 years old | 24% | |
| % employees 30-50 years old | 56% | |
| % employees >50 years old | 20% | |

¹ All age indicators are based on the number of employees on December 31st (excluding independent managers and temporary workers), with the exception of the indicators about senior management. For senior management, we also include independent managers since they are also part of senior management and may otherwise distort the diversity indicator.

Policy and initiatives

Diversity training

The first Fagron Diversity & Inclusion survey was conducted in 2021. As a point for improvement from the survey, a large proportion of employees felt that management could do a better job of emphasizing the importance of diversity and inclusion. This point has been included in the internal communication plan in 2021 and will be included in the onboarding program of members of management.

Additionally, a training on unconscious bias was developed in 2022. This training focuses explicitly on creating awareness about prejudice, thus contributing to an inclusive culture, and preventing discrimination. The training has been available to all employees since early 2023.

Diversity & Inclusion focus group

To ensure that we take appropriate actions on diversity and inclusion, we have created a Diversity & Inclusion focus group. 2022 is the second year this group has met. The group at the end of 2022 consisted of eight members, from different backgrounds and from different countries who are passionate about this topic. They provide input on priorities and suggest actions to the Global HR team; all initiatives to promote diversity are also discussed with them. The focus group discussions revealed, among other things, that management can play a major role in fostering an inclusive and diverse work environment; more attention will be paid to this in 2023, among other things.

Encouraging women in management

To promote gender equality at the management level, a coaching program called the Female Mentorship Program was established in 2022. This involved pairing 18 ambitious women who aspire to a management position in the future with a woman in a (senior) management position within Fagron. We want to encourage the career development of women in this manner. The coaching program will be evaluated in early 2023, and lessons learned will feed into the second round of this program scheduled in 2023.

Health & safety

Fagron continuously ensures that 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 minimize injury and damage to health of employees.

Ambitions, objectives, and results

Our goal is to reduce the number of work-related injuries as far as possible. Here, the top priority is to ensure that there are no fatalities, and that no incident occurs that results in serious, long-term, or permanent injuries. Incidents that cause minor injuries we see as a warning signal to adjust our procedures and emergency plans, as necessary. The number of recordable work-related injuries decreased significantly between 2021 and 2022.

In 2022, there were no fatalities or employees who suffered work-related long-term or permanent injuries.

Policy 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. In addition, there is a group-level monitoring system in which each facility reports monthly. When an accident has occurred, it also is necessary to report on a quarterly basis what measures were taken in order to prevent accidents. This can include, for example, additional education or adjustment of procedures or emergency response plans.

Improving mental and physical well-being of employees

Through various initiatives, Fagron works proactively on the mental and physical well-being of our employees. Important focal points are reducing the workload and 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

| | 2022 | 2021 |
|--|-----------|-----------|
| Fatalities due to work-related accidents | 0 | 0 |
| Work-related long-term or permanent injuries | 0 | 0 |
| Other registered work-related injuries | 16 | 32 |
| Total registered work-related injuries ² | 16 | 32 |

¹ We hereby use the following definitions. Work-related long-term or permanent injuries are those sustained at work from which employees cannot make a complete recovery within 6 months. Other registered work-related injuries are not long-term or permanent injuries sustained at work that require more care than first aid (a bandage, disinfecting a wound). Work-related long-term or permanent injuries and other registered work-related injuries add up to the total registered work-related injuries.

² This is the sum of 'work-related long-term or permanent injuries' and 'Other registered work-related injuries'.

Human and labor rights

Ambitions, objectives, and results

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

Non-discrimination and intimidation

In line with the ILO convention on labor rights¹, Fagron is committed to 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 arises, appropriate actions are taken swiftly. Last year, there were 14 reports of possible incidents of discrimination and harassment (2021: 9). Of these, 5 were related to discrimination (2021: 6) and 9 to harassment (2021: 3). The investigation of 13 of these reports

has been completed; the remaining reports are still under investigation. Of eight reports where the investigation was completed it was concluded that there was actual discrimination or harassment. Appropriate measures have been taken in these cases.

Slavery and forced labor

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 labor at any of Fagron's facilities.

Child labor

We prohibit any use of child labor worldwide. Everyone who is employed at Fagron is at least the legal minimum age for work in the relevant country. In cases where the legal minimum age in a country is under 18 years, extra attention is paid to these young employees and the work they perform. In 2022, there were no employees under the age of 18 at Fagron (2021: 0).

Freedom of association and collective bargaining

Everyone who works at Fagron is free to become a member of a trade union or organization that promotes the interests of the individual. This policy is in line with the ILO conventions on these topics.¹

At the end of 2022, 1,199 Fagron employees were covered by a collective bargaining agreement (this is 38% of all employees). Different types of collective bargaining agreements are applicable. 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 labor union. The number of employees covered by a collective bargaining agreement at the end of 2022 is higher than it was in 2021 (1,172 employees, 38%). This is because a number of Czech employees, among others, formed a labor union.

Other reports from grievance mechanism

In addition to the reports mentioned in the area of discrimination and harassment, one other complaint was received through the Fagron grievance mechanism (see [page 92](#)) regarding

other human and labor rights. For this complaint it was concluded that there was no actual violation of human and/or labor rights.

Policy and initiatives

Analysis of risk regarding violations of human rights and labor rights

In 2021, Fagron assessed the risk of human and labor rights violations on non-discrimination, harassment, and freedom of association and collective bargaining. It is apparent from the analysis that the freedom of association and collective negotiations is not violated anywhere. This is also evident in the proportion of Fagron employees covered by a collective labor agreement.

A number of incidents of discrimination and harassment have occurred in the past and were also reported in 2022 through the Fagron Integrity Line. We believe that a combination of education about our Code of Conduct (see [page 94](#)) and an expansion of our grievance mechanism to include a confidential counselor (see [page 92](#)) will reduce this risk in the future.

¹ International Labor Organization (ILO), Declaration on Fundamental Principles and Rights at Work.

¹ International Labor Organization (ILO), Collective Bargaining Convention. International Labor Organization (ILO), Freedom of Association and Protection of the Right to Organize Convention. International Labor Organization (ILO), Right to Organize and Collective Bargaining Convention.

Collective bargaining agreement indicators ²

| | 2022 |
|---------------------------------------|------------|
| Total employees North America | 0% |
| Total employees Latin America | 84% |
| Belgium | 100% |
| Germany | 0% |
| Israel | 0% |
| Czech Republic | 68% |
| Netherlands | 45% |
| Poland | 0% |
| Spain | 0% |
| Other countries EMEA and China | 23% |
| Total employees EMEA and China | 33% |
| Total Fagron employees | 38% |

² All collective bargaining agreement indicators are based on the number of employees on December 31st (excluding independent managers and temporary workers).

Human and labor rights indicators 2022

| Reports of discrimination through the Fagron Integrity Line or other competent authority | Reports of intimidation via the Fagron Integrity Line or other competent authority | Employees <18 years of age (FTE) | % of employees covered by a collective labor agreement |
|--|--|----------------------------------|--|
| 5 | 9 | 0 | 38% |

Training & development

We believe that encouraging employee development contributes positively to both (the performance of) our company and employees' employability and job satisfaction. 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 capabilities, because of which they are sustainably employable or remain in the labor market. Personal development also often leads to more job satisfaction.

Goals and objectives

We want to optimize the training and development opportunities at Fagron by increasing the training offering and creating a culture where personal development is encouraged. To this end, we apply the objective that at least 80% of employees have an annual career development and performance review with their direct manager.

Policy, initiatives, and results

Annual performance and development cycles

Evaluation meetings and feedback discussions have long been embedded in Fagron HR policies. Fagron has implemented annual performance and development cycles at the group level, which today uses 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. A new system for holding career development and performance review discussions was introduced in 2020, causing a temporary decrease in the number of discussions. In 2021, the number of discussions had returned to 2019 levels. In 2022, the proportion of employees who have had an annual career development and performance review continued to rise to 93.3%.

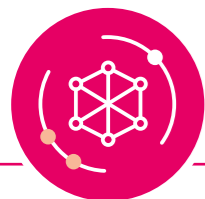
Introduction of learning management system

Our objective was to implement a learning management system. In 2022, our online training platform was launched. A number of internally developed courses are available to all employees on this platform. This platform will be further expanded during 2023 with a number of trainings that we will develop specifically to match employees' needs. In addition, more pre-existing course offerings, as inventoried in 2022, will be added to the platform.



Training & development indicators

| | 2022 | 2021 | 2020 | 2019 | 2018 | KPI |
|--|-------|-------|-------|-------|-------|-----|
| % of employees with annual development and performance review | 93.3% | 88.8% | 69.9% | 83.7% | 89.6% | 80% |
| % of female employees with annual development and performance review | 94.1% | 87.2% | | | | - |
| % of male employees with annual development and performance review | 93.6% | 91.9% | | | | - |



Responsibility in the supply chain

Fagron is committed to the Universal Declaration of Human Rights (UDHR) and makes an effort to combat the violation of human rights and labor rights.

Human rights and labor rights

We trust that our suppliers will do business responsibly and will support human and labor rights. All suppliers of pharmaceutical raw materials 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 bargaining, (3) child labor and (4) forced labor. From this analysis, it was concluded in 2021 that about 25% of Tier 1 suppliers have a potential risk regarding one of these topics. This particularly applies to suppliers in China and India.

In 2023, we will look further up the supply chain (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.' This framework will address possible environmental misconduct, in addition to due diligence regarding human rights and labor rights. We are still awaiting the further concretization of the relevant regulations (CSDD).

Business Partner Code of Conduct

To provide insight into human and labor rights risks and reveal and/or prevent violations, Fagron has established a Business Partner Code of Conduct. The Code describes requirements and expectations around:

- Human and labor rights: fair treatment of workers (non-discrimination), fair and living wages, reasonable working hours, freedom of association and collective bargaining, elimination of child and forced labor (including human trafficking);
- Health and safety at work;
- Environment: regulatory compliance, waste and emissions, discharges, and environmental sustainability;
- Ethics: combating bribery and corruption, fair competition, and animal welfare;
- Management systems: regulatory compliance, risk management, documentation, supplier selection and supplier monitoring.

In 2021, the Business Partner Code of Conduct was incorporated in all new purchasing contracts. We set ourselves the target that by 2025 those suppliers who collectively 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 of these suppliers.

In 2022, the Business Partner Code of Conduct has been signed by Tier 1 suppliers who collectively represent 10% of the value of purchased trade goods in 2022. This is a good start and brings us closer to the goal of 75% by 2025.

Indicators of responsibility in the supply chain 2022

% suppliers who have signed the Business Partner Code of Conduct

10%

KPI: 75% by 2025





Giving back

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

Fagron products

Fagron contributes to society by making and keeping safe medication accessible. By increasing access to safe medication, Fagron makes a positive contribution to patients' health. Fagron primarily supplies 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 products from our Brands & Essentials segments to compound their own medication, and Fagron compounds products for customers at one of our compounding facilities.

Pharmaceutical compounding allows a prescriber to provide personalized treatment that meets the specific needs of the patient. Read more about pharmaceutical compounding on [page 9](#).

Quantifying the positive contribution that Fagron makes through its activities in the niche pharmaceutical compounding market is difficult because Fagron does not supply to patients directly. Fagron has no insight into the number of patients that use the sterile and non-sterile compounded medication. The number of units of compounded medicine that we deliver from one of our compounding facilities gives an indication of our positive contribution to patients' health. In 2022, Fagron delivered approximately 11.2 million units of compounded medicine (2021: 5.4 million)¹. In addition, Fagron offers a large portfolio of pharmaceutical raw materials, excipients, semi-finished products, equipment, and other products that enable (hospital) pharmacists to compound their own products.

Fagron products indicators 2022

Units of compounded medicine supplied

11.2 million

¹ For locations where the exact amount of compounding is not tracked, the number of units of compounded medicine were determined by dividing total revenue per compounding facility (Compounding Services) by the facility's average price of a compounded unit.

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;
- Practice events where compounding professionals can practice compounding techniques;
- Giving lectures at conferences for physicians and pharmacists;
- The online formula databases: Compounding Matters and FACTS.

The Fagron Academy offers extensive training and education opportunities free of charge on compounding methods, use of materials, administration forms, and quality and safety procedures, among other things. In addition, the Fagron Academy offers a free Compounding Matters database with 889 formulas and compounding instructions for personalized medication.

In addition to Compounding Matters and the training and education opportunities offered free of charge, Fagron North America also offers education and an online formula database (FACTS) tailored to the requirements of the North American market for a small fee. Until the end of 2021, this was offered to customers who spent a minimum purchase amount per year on Fagron products in North America. This policy was changed starting in 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 customized education.

Fagron Foundation

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

Initiatives

Fagron Foundation Month 2022

In 2022, we hosted the first Fagron Foundation Month. In November 2022, the various Fagron companies committed to one common charity: Mercy Ships. Mercy Ships delivers free health care and community development projects in Africa, from one of their two hospital boats. Like Fagron, Mercy Ships contributes to making and keeping health care accessible. Therefore, the slogan for the action month was "Together Mercy Ships and Fagron increase access to health care."

The various Fagron companies got involved by promoting Mercy Ships, fundraising, and donating products.

Other actions 2022

In the past year, in addition to Fagron Foundation Month, Fagron Foundation initiatives were particularly related to the conflict in Ukraine. Among other things, Fagron Poland and Fagron Czech Republic raised money for healthcare in Ukraine (including through the Polish Medical Mission), donated medication and compounding equipment and provided shelter for Ukrainian refugees. In addition, companies in the Fagron Group engage with communities near their operations. For example, AnazaoHealth in Tampa helped communities in Florida, USA, which were severely affected by Hurricane Ian.



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.

Key topics included in 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 Fagron, rather than only the first full financial year a company is part of the Fagron Group.

Product quality and product safety

As a leading global player in pharmaceutical compounding, Fagron maintains strict policies 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 the health of patients if they do not have unexpected side effects.

Goals and objectives

Our objective is to deliver products that meet all product quality and safety requirements. A good indicator of this is the number of products that must be recalled. In a number of exceptional cases, products must be recalled because they do not meet all quality specifications. The recall of products is classified in three categories. Class I concerns a recall for products that can cause 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.

Policy and initiatives

Supplier selection process

An extensive supplier selection procedure ensures 100% traceability of the more than 2,500 pharmaceutical raw materials with which Fagron works. 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 32 compounding and repackaging facilities worldwide that are fully compliant with GMP or similar local legislation. These facilities are a combination of certified facilities and facilities where compliance with GMP guidelines and legislation is audited on a regular basis by the authorities. The warehouse-only facilities, 25 in total, all comply with GDP (Good Distribution Practice) or comparable local laws.

Annual training

International certifications such as GMP and GDP require all personnel who come into contact with pharmaceutical products to undergo a number of annual training courses in 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 who ensure that the products we receive from our suppliers and that we produce ourselves have the required properties before they are marketed. 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 deliver directly to clients.

Raw materials and final products are tested in our sterile or non-sterile compounding facilities in order 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 the products that we repackage in one of our repackaging facilities are also tested. This includes, in addition to pharmaceutical raw materials, excipients such as cream base and fillers such as lactose and methylcellulose. Most (about 2/3rd) of the pharmaceutical products we supply from our repackaging and compounding facilities are tested in-house in one of our own quality laboratories before release, the rest (about 1/3rd) are tested by a third (external) party.

Products arriving at our warehouses are checked for all required documentation and are not released for sale unless they are also stored under the right 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

Despite the fact that Fagron has grown significantly in terms of geographic distribution and quantity of products, the number of product recalls has decreased in recent years. While the number of recalls in 2022 was slightly higher than in 2021, the number of recalls was lower than in 2020. In 2022, a total of 11 recalls occurred across the organization.

Product quality & product safety indicators

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|------|------|------|------|------|
| Class I Recalls: Recall due to a severe side effect | 1 | 1 | 1 | 0 | 2 |
| Class II Recalls: Recall due to a side effect | 7 | 2 | 5 | 17 | 10 |
| Recalls class III: Recall due to GMP standards | 3 | 2 | 7 | 9 | 14 |

Compliance with laws and regulations

It is Fagron's policy to comply with laws and regulations in all jurisdictions in which we operate. 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.

At the local level, the Fagron companies are responsible for compliance with the relevant regulations. Guaranteeing compliance with the laws and regulations of the Group (Fagron NV) and the Fagron holding company (Fagron BV) is invested at the 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 companies in the Fagron Group. To date, there has been no ruling in this case and no fines or sanctions have been imposed on Fagron NV. We are awaiting a ruling. In 2020, 2021, and 2022, Fagron NV and Fagron BV were not subject to any fines or penalties in the socio-economic sphere or in the area of environmental laws and regulations, nor was there any involvement in dispute settlement. In previous years, Fagron was involved in a number of

disputes. These concern one 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 healthcare systems in the markets in which Fagron operates. Fagron contributes to fair trade by taking action against corruption and bribery.

Policy 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 labor rights. The Code of Conduct is publicly available under governance documents at investors.fagron.com. For more information on the topics that make up the Code of Conduct, see [page 94](#).

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

All employees and management have access to this Code of Conduct via the Fagron intranet. Each new employee signs the Code of Conduct at the time of hire. Management and employees attend an annual Code of Conduct training course. This training was first offered in 2020 and emphasizes one of the topics of the Code of Conduct each year. In 2022 the emphasis was on human and labor rights. Of course, the other sections of the Code of Conduct are also covered. We are convinced that paying attention to corruption and bribery has a preventive effect.

Annual risk analysis

As part of our annual risk analysis, we assess the risk of corruption and bribery in the countries in which we operate. The risk differs per country. For the entire organization, we estimate the likelihood of non-compliance with anti-corruption legislation to be 'moderate/low' (see Risk Management [page 45](#)), our control measures are geared towards this likelihood.

Internal audit procedure

The mission of the internal audit department is to provide independent and objective assurance and advice to optimize Fagron's operations. The internal auditor helps the organization achieve our goals with a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Concrete examples of work include managing risk plans for the risks described under Risk Management ([page 45](#)), conducting internal audits, and reporting and following up on areas for improvement. One of the risks here is corruption & bribery.

Every year, a number of companies within Fagron are scrutinized during an internal audit. This means that all Fagron companies are visited by the internal auditor approximately every five years. The topics to be covered during an audit depend on the risk assessment conducted for the company to be visited. In any event, financial control processes are always examined and points for improvement are suggested. This audit process ensures that there is a high probability that corruption and bribery will be detected during an internal audit, should it have occurred. We also believe that the existence of an internal audit procedure has a preventive effect.

Goals and objectives

To ensure that both employees and management adhere to the Code of Conduct, 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

In 2022, one case of corruption or bribery was reported through the Fagron Integrity Line or other channels. The investigation of this report is expected to be completed in 2023. A total of 99% of employees and 100% of management, to whom the Code of Conduct training has been offered, have completed Code of Conduct training.

Prevention of corruption and bribery indicators 2022

% of employees who completed the Code of Conduct training

99%

KPI: 90%

% of management who completed the Code of Conduct training

100%

KPI: 100%

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

1

KPI: -

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 well-functioning grievance mechanism thus reduces both the likelihood of corruption and bribery and the likelihood of undesirable behavior.

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. Our grievance mechanism is designed to make raising all topics that are part of the Code of Conduct and possible violations of laws and regulations as easy as possible. To ensure this, the annual Code of Conduct training explicitly addresses the grievance mechanism, and, in time, all employees will have access to a confidential counselor.

Fagron has set the following objective:

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

Policy and initiatives

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

Confidential counselor

In 2021, the grievance mechanism was modified to add a third reporting option in addition to reporting to the manager or through the Fagron Integrity Line. For each entity, a confidential counselor will be appointed and trained who can support employees in making a report and can identify misconduct at an early stage. At the end of 2021, 5% of all employees had access to a confidential counselor. By the end of 2022, Fagron had 18 employees who serve as confidential counselors, so that by the end of 2022, 39% of employees had access to a confidential counselor. 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. The Fagron Integrity Line is not (yet) intended for external stakeholders. Making a report via the Fagron Integrity Line is completely anonymous and falls under the whistle-blower scheme. All reports are treated confidentially.

In the event of suspected misconduct, where conduct may have occurred that is not in line with laws and regulations or our Code of Conduct, an investigation will be conducted. An internal investigation team is assembled for each report. We always ensure that an independent investigation can take place, and that the management involved in the report can never be part of the investigation team. Should this not be possible due to the nature of the report, an outside party will be engaged to conduct the investigation. The internal procedure defines a time limit for each step in the investigation procedure. This way we ensure that reports are handled swiftly and carefully. Upon completion of the investigation, appropriate action will be taken. If these (internal) measures do not lead to improvement, external reports are made.

All reports made through the Fagron Integrity Line reach the Compliance team. Of course, with the exception of the case where a report concerns one of the members of the Compliance team. In turn, the Compliance team informs the Audit and Risk Committee of the Board of Directors about reports made and the progress of dealing with these reports. The Audit and Risk Committee uses the list of reports received to make recommendations to the Board of Directors.

The European Whistleblower Directive took effect on December 17, 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) at the end of 2022, not all countries have transposed this directive into local legislation. In six countries in the European Union where Fagron operates, the European directive has not yet been transposed into local law or there was no protection for whistleblowers. These countries are Germany, Greece, Italy, Poland, Spain, and the Czech Republic. In the United Kingdom, the United States, and South Africa, whistleblowers at companies were already legally protected. This means that by the end of 2022, 8 of the 19 countries where Fagron has a presence have legal protection for whistleblowers. Of course, Fagron complies with the Whistleblower Directive. This means that Fagron will not take

any action against any employee who raises concerns or reports a violation or suspicion in good faith.

The 2022 Code of Conduct training emphasized human and labor rights. Extra attention was paid to increase awareness of the Fagron Integrity Line. This approach has paid off because more employees are finding their way to the Fagron Integrity Line. In 2022, 17 complaints were filed (2021: 15). Of these, 14 complaints were related to discrimination and harassment (2021: 9). See the human and labor rights section ([page 80](#)) for a description of how these complaints are handled.

Evaluation of grievance mechanism

As part of the Global Employee Survey (see Employee engagement, [page 74](#) for more information), awareness of the Fagron Integrity Line was evaluated in 2022. This showed that 80% of employees who completed the survey know what they can use the Fagron Integrity Line for and know where to find it.

Grievance mechanism indicators 2022

Number of complaints submitted via Fagron Integrity Line

17

KPI: –

% of employees with access to a confidential counselor

39%

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 avoidance results in communities losing tax income that they need to operate.

Goals

Fagron is committed to complying with the letter and spirit of the tax laws in the countries where we operate. We therefore use internal and external tax experts to stay informed of changes in tax laws. Our tax policy is based on the principle that we pay taxes worldwide based on the economic value of our activities. Fagron believes it is important that tax payments end up in the regions and communities in which it operates.

Policy and initiatives

Annual risk analysis

As part of our risk assessment cycle, we annually assess the risk of non-compliance with regulations, including tax laws. A description of the risk assessment cycle and risk management is given in the Risk Management chapter (page 45). Any concerns regarding unethical or unlawful conduct in terms of our tax strategy can be reported by Fagron employees through the Fagron Integrity Line (see page 92).

Results

The effective tax rate for the entire group in 2022 as a percentage of profit before taxes was 20.2%. The statutory income tax rate for the entire group in 2022 was 24.8%. The difference between the statutory income tax rate and the effective tax rate was 4.6% (less). In the North America region, the difference is the largest, caused by the entry of a deferred tax asset based on expected future profitability in the region. In Latin America and EMEA, the effective tax burden is similar to the statutory profit tax. For a more detailed explanation of income tax, see Note 18 in the annual financial statements.

Other ethical topics

Code of Conduct

The Code of Conduct is the document we use to outline how we expect Fagron employees to behave. In addition, we have a Business Partner Code of Conduct which outlines our expectations of our cooperation partners. In particular, the document contains information on how to act legally and ethically correct in day-to-day business. The Code of Conduct applies to all employees in the various companies of the Fagron Group. These are all persons who work for Fagron and are engaged via a third party. The topics that make up the Code of Conduct are also described by topic in this annual report. These include corruption and

bribery (see page 90), human and labor rights (see page 80 and page 84), occupational health and safety (see page 79), protection of information (see below), and the grievance mechanism (see page 92). Employees are offered an annual Code of Conduct training course that emphasizes one specific topic 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 products for a patient and rarely 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 on prescription basis 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.



Fair tax policy indicators

| | Effective income tax 2022 | Statutory income tax 2022 | Difference |
|---------------|---------------------------|---------------------------|------------|
| EMEA | 28.7% | 23.4% | 5.3% |
| North America | -7.7% | 21.0% | -28.7% |
| Latin America | 28.2% | 33.0% | -4.8% |
| Fagron Group | 20.2% | 24.8% | -4.6% |

Message from the Chairman

In 2022, Fagron made significant progress and did attractive acquisitions in North America and EMEA that advance Fagron’s strategic priorities.



Despite the global geopolitical and macroeconomic uncertainties, which resulted in, among other things, continued supply chain pressures and higher energy and commodity prices, we clearly saw an upward trend again in EMEA over the past year. The measures taken to strengthen Fagron’s market position in this region and increase the operational efficiencies are clearly bearing fruit. In Latin America, we saw some decline in demand for pharmaceutical compounding due to macroeconomic uncertainties and increased competitive pressure, which resulted in price pressure. With our focus on innovation and quality, Fagron has maintained its market position in this region. In the Essentials & Brands segment in North America, Fagron took an important step with the acquisition of Letco and the divestiture of the contract manufacturing division. In addition, the team strengthened its position in the Compounding Services segment with the acquisition of the sterile compounding facility in Boston. This further positions Fagron in this region to capture the growing demand for sterile compounding.

The general meeting of shareholders on May 9, 2022, was open to shareholders both physically in Nazareth in Belgium and by video conference. At this meeting, almost 75% of Fagron’s share capital was represented. During the meeting, both executive directors, Rafael Padilla, and Karin de Jong, were reappointed for a 4-year term. In addition, Management Deprez BV, permanently represented by Mrs. Veerle Deprez, was reappointed as independent non-executive director for a period of 4 years as well. Also on the agenda was the appointment of three new independent non-executive directors, Vera Bakker, Ann Desender, and Neeraj Sharma. They too were appointed for a four-year term. Ms. Desender was appointed as chair of the audit committee. All candidates attended Board meetings prior to their appointment as advisors to allow for a proper handover and introduction period.

After the shareholders’ meeting, Giulia Van Waeyenberge and Marc Coucke stepped down from the Board of Directors as non-executive directors. We are very grateful for their dedication and valuable input during their years as members of the Board of Directors.

In the summer of 2022, Vera Bakker was appointed Chief Operating Officer and member of the executive leadership team and stepped down as a member of the Board of Directors. With her 25-year career at Unilever, she brings important experience and expertise that support Fagron in its continuous pursuit of operational excellence. In August, Maarten Pouw started as Area Leader EMEA and a member of the executive leadership team. Maarten worked for over 16 years in international positions at DSM and Centriant and has extensive experience in the pharmaceutical raw materials industry. Finally, Geraldino Neder, who has a track record of more than 10 years in successful leadership positions at Fagron Brazil, was appointed in the third quarter as Area Leader Latin America and member of the executive leadership team to replace Ivan Marostica, who has left Fagron.

In order to fill the vacancy in the Board of Directors because of Vera Bakker stepping down, it was decided to co-opt Els Vandecandelaere as independent and non-executive director of the Board of Directors, on the advice of the Nomination and Remuneration Committee. Her appointment is subject to approval by Fagron’s general meeting of shareholders.

Finally, Michael Schenck stepped down as a member of Board of Directors at year-end. We are also very grateful to him for his dedication and valuable input during his years as a member of the Board of Directors. The Board of Directors, subject to approval of the appointment of Els Vandecandelaere, now has a balanced distribution of 4 women and 4 men.

I have full confidence in the long-term trends in the niche market in which Fagron operates and the underlying fundamentals of the company. Fagron has clear strategic ambitions, and together with all members of the Board of Directors, I am confident that with all the employees worldwide, we will succeed in achieving them. Also on behalf of the Board of Directors, I am grateful to all our employees worldwide for their commitment, effort, and loyalty during the past year. Furthermore, I would like to thank our shareholders, customers, suppliers, and other stakeholders for their confidence in Fagron.

Koen Hoffman
Chairman of the Board of Directors

Report of the Board of Directors on the consolidated financial statements



Consolidated income statement

Fagron's sales increased 19.2% (10.3% at constant exchange rates) to 683.9 million euros in 2022. Organic sales growth was 12.0% (3.8% at constant exchange rates). REBITDA increased 10.5% (2.6% at constant exchange rates) to EUR 130.7 million. REBITDA as a percentage of sales fell 150 basis points to 19.1%.

Fagron EMEA

Organic revenue growth in the EMEA region was 2.2% at constant exchange rates with total growth at constant exchange rates of 7.8% (reported 8.4%) to 276.4 million euros for the year. This positive performance in the region shows the strengthening of our commercial approach, recovery of elective care and continued progress of pricing pass through, across all our segments.

Brands and Essentials revenue was supported by successful innovative product launches and the improved product availability driven by the completed transition to our Polish GMP repackaging facility. In Essentials, we saw impressive revenue growth in some of our smaller markets, such as Denmark, advancing in revenue diversification across the region.

In Compounding Services, the revenue acceleration is reflective of the continuing normalization of the market, our solid market position in this segment and the success of our Curaphar acquisition. Performance in the Netherlands continued its evolution in line with expectations, supported by contract renewals, the reinforcement of our registration capabilities and progression in passing on price increases. Our emerging countries South-Africa and Israel have shown tremendous growth and offer upside potential over the mid-term.

While the inflationary pressures sustained in the second half of 2022, pricing pass-through progressed along with operational benefits, which resulted in the anticipated improvement of our REBITDA margin in the period. There remains some delay in passing on price increases linked to the longer-term contracts that are more common in Europe than in other regions we operate in.

Fagron Latin America

Reported revenue growth in the Latin American region was 15.1% to 162.3 million euros for the year, supported by the continued positive exchange rate impact. At constant exchange rates, revenue declined by 1.1% reflecting the end market softness and increased competitive pressure enduring through the year.

Organic revenue development at constant exchange rates of the Essentials segment reflects the softness in demand and the impact of our focus at maintaining market share in a heightened competitive environment. The Brands segment showed nice organic revenue growth at constant exchange rates supported by innovative product launches and improved product availability, further strengthening its contribution to overall revenue. Compounding Services continued its strong organic revenue growth, supported by customer wins and increasing orders from existing customers.

Compared to – the exceptionally strong - 2021 the region's REBITDA margin showed the impact of the challenging macro-economic environment. While the pricing pressure barely changed, the new GMP repackaging facility in Brazil and the progress made in the centralization of the distribution network supported product availability and efficiency in the second half of the year, resulting in improved profitability for the second semester.

Fagron North America

Organic revenue growth in the North American region was 10.5% at constant exchange rates with total growth at constant exchange rates of 22.9% (reported 38.0%) to 245.1 million euros for the year, perpetuating a distinctive performance and further strengthening our position in this growing market.

Brands and Essentials reported revenue growth was supported by the acquisition of Letco, partly offset by the divestment of our CMO business. Organic revenue growth of the Essentials segment at constant exchange rates was impacted by the accelerated integration of Letco and a deliberate slowdown of sales as part of our remediation plan following the FDA audit at our St. Paul facility.

Organic revenue growth of Compounding Services at constant exchange rates showed a recovery in the fourth quarter, driven by strong revenue growth at Anazao and our Wichita and Boston sterile outsourcing facilities combined exceeding US\$110 million year-end run rate in line with expectations. In the fourth quarter we saw early signs of the syringe shortage caused by the global vaccination programs easing, but we continue to closely monitor the situation into 2023.

The initial dilutive impact of the Letco and Boston acquisition curtailed the REBITDA margin for the region while we have been able to pass on most of the inflationary increases to our customers.

Finally, implementation of our remedial action plan at the St. Paul facility progresses well and we submit monthly update reports with the FDA, ensuring our commitment to bring the audit to a satisfactory closure.

Gross margin

Gross margin increased by 19.7% to 402.6 million euros in 2022. Gross margin as a percentage of revenue increased 30 basis points compared to 2021 to 58.9%. Operating costs excluding the costs of subscription rights as percentage of revenue amounted to 39.5% in 2022, an increase of 210 basis points compared to 2021. The costs of subscription rights decreased by 45.4% compared to 2021 to 1.8 million euros.

EBITDA and EBITDA margin

REBITDA (i.e., EBITDA before non-recurring result) increased by 10.5% (2.6% at constant exchange rates) compared to 2021 to 130.7 million euros. REBITDA as a percentage of revenue decreased 150 basis points compared to 2021 to 19.1%. The non-recurring result amounted to 2.7 million euros in 2022 and related mainly to acquisition and restructuring costs offset by the badwill of the acquisition of the 503B facility in Boston (5.5 million euros) and the release of contingent liabilities related to acquisitions in North America. EBITDA increased by 14.2% compared to 2021 to 133.4 million euros. EBITDA as a percentage of revenue decreased 80 basis points compared to 2021 to 19.5%.

Depreciation and amortization

Depreciation and amortization increased 21.0% over 2021 to 35.5 million euros.

EBIT and EBIT margin

EBIT increased 12.0% over 2021 to €97.9 million. EBIT as a percentage of revenue decreased 90 basis points compared to 2021 to 14.3%.

Results and taxes

Profit before tax increased by 14.3% compared to 2021 to 87.8 million euros. The effective tax rate as a percentage of profit before taxes was 20.2% in 2022 compared to 20.1% in 2021. The effective cash tax rate was 19.9% in 2022 compared to 24.2% in 2021.

Net profit and earnings per share

Net profit increased by 14.2% compared to 2021 to 70.1 million euros. Earnings per share increased by 14.3% from 2021 to 0.96 euros.

Consolidated statement of financial position

Consolidated total assets increased by 21.3% from 800.4 million euros in 2021 to 971.0 million euros in 2022.

Assets

Total fixed assets amounted to 653.0 million euros, up 86.3 million euros from 2021.

Goodwill increased by 49.4 million euros to 429.8 million euros.

Intangible fixed assets increased by 3.0 million euros to 33.6 million euros. Tangible fixed assets increased by 11.8 million euros to 104.1 million euros.

Net operating capex was 18.5 million euros (2.7% of revenues) in 2022. A decrease from 20.7 million euros in 2021 (3.6% of revenues). The capex is mainly composed of investments in existing and new facilities.

Lease and similar rights amounted to 39.5 million euros compared to 36.3 million euros in 2021.

Financial fixed assets amounted to 4.2 million euros in 2022, an increase of 2.6 million euros compared to 2021.

Financial instruments increased by 12.1 million euros to 13.3 million euros. Other fixed assets increased by 2.0 million euros to 3.7 million euros.

Deferred tax assets represented a value of 24.8 million euros.

Total current assets amounted to 318.0 million euros in 2022 compared to 233.7 million euros in 2021, an increase of 84.3 million euros. Inventories increased by 17.5 million euros, trade receivables increased by 8.8 million euros, other receivables increased by 3.3 million euros, and cash and equivalents increased by 54.7 million euros.

Equity and liabilities

Total equity amounted to 410.5 million euros. This is an increase of 85.1 million euros compared to 2021. This increase was caused by the result in 2022 (97.4 million euros), the capital increase (0.5 million euros), the dividend made payable (-14.6 million euros), and share-based payments (1.8 million euros).

Total liabilities increased from €475.0 million in 2021 to €560.5 million in 2022. This is an increase of 85.5 million euros.

Provisions increased by 0.2 million euros to 2.0 million euros.

Pension liabilities were 2.7 million euros in 2022, a decrease of 1.6 million euros compared to 2021.

Deferred tax liabilities relate to, among other things, temporary differences between reporting and tax accounting for the local entities. These amounted to 4.4 million euros in 2022 compared to 2.5 million euros in 2021.

Long-term interest-bearing financial liabilities (long-term loans and lease obligations) amounted to 380.4 million euros in 2022, an increase of 59.1 million euros compared to 2021.

Short-term interest-bearing financial liabilities (short-term loans and lease obligations) amounted to 19.0 million euros in 2022, in increase of 4.7 million euros compared to 2021.

At December 31, 2022, net financial debt (the total of current and long-term interest-bearing financial liabilities plus other long-term liabilities and less cash and cash equivalents) amounted to 274.0 million euros, compared with 265.0 million euros at the end of 2021.

Current trade payables were 14.2 million euros higher than in 2021, reaching 97.9 million euros.

Tax liabilities related to the current year were 8.0 million euros, an increase of 0.8 million euros compared to 2021.

Other current income tax personnel liabilities amounted to 30.8 million euros, an increase of 7.1 million euros compared to 2021.

Other (current) liabilities amounted to 15.4 million euros in 2022 compared to 16.2 million euros in 2021.

Consolidated cash flow statement

The consolidated cash flow statement begins with the result before taxes of 87.8 million euros.

This amount is reduced by pre-tax cash outflows of 17.5 million euros. Subsequently, the elements from operating activities not having a cash flow effect or not directly related to operating activities are reintroduced. This totaled 41.3 million euros. This amount is composed of depreciation and amortization of tangible and intangible assets, interest paid, changes in provisions, and deferred taxes. Thereafter, changes in working capital are accounted for in the cash flow statement (a negative effect of 2.1 million euros). Total cash flow from operating activities was 109.5 million euros, up 39.6% from 78.4 million euros in 2021.

Total cash flows from investing activities produced an outflow of 69.3 million euros and related to net investments of 18.5 million euros, the payments for existing (subsequent payments) and new participations of 54.0 million euros, and receipts from sold participations of 3.2 million euros.

Total cash flows from financing activities represented inflows of 13.9 million euros. Borrowed financing (135.0 million euros) and capital increases (0.5 million euros) provided inflows of 135.5 million euros. Outgoing cash flows consisted of the payment of interest on loans and other financial elements such as financial discounts of 11.9 million euros, the payment of the dividend (14.6 million euros), and the repayment of loans and payments for lease obligations of 95.1 million euros.

Overall, cash and cash equivalents increased by 54.0 million euros in 2022: from 70.6 million euros at the beginning of the period to 125.3 million euros at the end of the period. The difference of 0.6 million euros between the changes in cash and equivalents of 54.0 million euros and the decrease in cash and equivalents of 54.7 million euros, was caused by exchange rate differences.

Significant events after balance sheet date

For significant events after the balance sheet date, please refer to [Note 34](#), as included in the notes to the consolidated financial statements.

Description of risk management

Please refer to the Risk Management section ([page 45](#) 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 "ESG Statement."





Corporate Governance Statement

Since January 1, 2020, the new Belgian Corporate Governance Code (the Code) is applicable. 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, which can be found on Fagron’s website, and the Corporate Governance Statement in the Annual Report.

Governance principles

The main aspects of Fagron’s governance policies – in particular the role, responsibilities, composition, and operation of the Board of Directors, its Advisory Committees, and the executive leadership team – are set out in the Corporate Governance Charter. The Board of Directors regularly revises the Corporate Governance Charter and makes changes where necessary. The Corporate Governance Charter, originally drafted by the Board of Directors on October 4, 2007, was last amended and modified on October 27, 2022, to bring it in line with the provisions of the Code and Fagron’s governance structure. The most recent version of the Corporate Governance Charter with appendices can be accessed on the investor page of the Fagron website under the Corporate Governance/Governance documents section (investors.fagron.com).

The Corporate Governance Charter with appendices contains the internal regulations of the Board of Directors, the Audit and Risk Committee, the Nomination and Remuneration Committee, and the executive leadership team. Also, the Charter contains the policy developed by the Board of Directors regarding transactions and other contractual relationships between Fagron and its directors and executive leadership team. In addition, the Board of Directors has developed rules to prevent the abuse of insider information and market manipulation. These internal policy documents are also available on the investor page of the Fagron website under the Corporate Governance/Governance documents section (investors.fagron.com). Any changes to the Corporate Governance Charter will also be announced on the corporate website.

The Code¹ 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.

¹ The Code is available online at corporategovernancecommittee.be/nl.

On the date of this report, Fagron fully complies with the provisions of the Code, with the exception of a limited number of deviations with regard to principle 7.6 that provides for the payment of part of the remuneration for the non-executive directors in shares and with regard to principle 7.9, which stipulates that members of the executive management must maintain a minimum threshold of shares in the Company. As mentioned, the deviations are indicated, justified, and further explained in the relevant sections of this Corporate Governance Statement.

Governance structure

In the financial year 2021, Fagron transformed its management structure into a one-tier board as described in Articles 7:85 et seq. of the Belgian Companies Code (CC). After the May 10, 2021, Extraordinary General Meeting, Fagron's articles of association were amended accordingly. Since financial year 2021, the Board of Directors evaluates at least once every five years whether the chosen governance structure is still appropriate.

Under the current governance structure, the Board of Directors, as a collegial governing body, is empowered to perform all acts necessary or useful to achieve the object of Fagron, with the exception of those reserved by law or by the Articles of Association to the General Meeting. The Board of Directors delegates specific governance powers to the executive leadership team. This team will execute this authority under the CEO's chair.

General Meeting

Composition of the General Meeting

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

The yearly annual General Meeting will be held on the second Monday of May at 3 p.m. or, if this date is a public holiday, at the same time on the following business day, at Fagron NV's registered office or at the location stated in the convocation notice for the meeting.

The convocation to the General Meeting shall be made in the form and within the time limits prescribed by law and shall contain at least the information provided by Article 7:129 CC.

The right to attend the General Meeting and to exercise voting rights is granted only on the basis of the administrative registration of shares in the name of the shareholder, on the fourteenth day before the General Meeting, at midnight (Belgian time), the record date, either by their registration in the Company's shareholders register or by their registration in the accounts of an authorized account holder or intermediary, regardless of the number of shares held by the shareholder on the day of the General Meeting.

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 dematerialized shares, registered in its accounts in the shareholder's name on the registration date, the shareholder has indicated the wish to attend 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 proves 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 stipulates 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.

Functioning 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 CC.

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 shareholders 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 dematerialized 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 CC.

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 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 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. When receiving requests, the Company shall act in accordance with the Belgian Companies Code, in particular Article 7:129 CC. The provision in Article 7:129 CC 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 their questions specified above 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 apply to be 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 during the meeting 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 at the Extraordinary General Meetings listed below:

- On May 14, 2012, to comply with the mandatory provisions of the Law of December 20, 2010 (Law on the exercise of certain rights of shareholders of listed companies).
- On December 12, 2014, regarding the:
- Change of the company name from Arseus to Fagron;
- Renewal of the authorization regarding the acquisition and disposition of treasury shares;
- Amendment of the statutory provisions relating to the abolition of bearer shares (Act of December 14, 2005); and
- Amendment of the statutory provisions relating to the liquidation proceedings in accordance with the provisions of the Companies Code (Laws of March 19, 2012, and April 25, 2014).
- On June 29, 2015, to increase the capital within the framework of the authorized capital by contributions in kind against the issue of new shares.
- On August 5, 2015, to increase the capital within the framework of the authorized capital by contributions in kind against the issue of new shares.

- On May 20, 2016, to increase the capital, as approved at the Extraordinary General Meeting of May 4, 2016, against the issue of new shares.
- On July 1, 2016, to reduce the capital by clearing losses carried forward without destruction of shares.
- On July 7, 2016, as approved at the Extraordinary General Meeting of May 4, 2016, to increase the capital against the issue of new shares.
- On May 8, 2017, to renew the authorization under the authorized capital for a period of 5 years.
- On May 13, 2019, to renew the authorization regarding the acquisition and disposition of treasury shares for a period of 5 years.
- On May 10, 2021, to bring the articles of association in line with the CC;
- On June 9, 2021, to increase the capital pursuant to subscription rights;
- On May 9, 2022, to renew and extend the authorization under the authorized capital for a period of 5 years;
- On June 10, 2022, to increase the capital within the framework of the authorized capital following the exercise of subscription rights.

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

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 CC and therefore meet the criteria as determined in principle 3.5 of the Code. Both the composition and operation of Fagron's Board of Directors complied with all provisions of the Code for financial year 2022.

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

- There is sufficient expertise on the various activities of Fagron, as well as sufficient diversity in abilities, background, age, and gender, so that the Board of Directors is able to fulfill its role in the best possible way;
- Each director meets the specific qualitative requirements set forth in the Corporate Governance Charter;
- No director can serve more than five mandates as a director of a listed company;
- The directors' term of office will end at the General Meeting in the calendar year in which the director reaches seventy years of age 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, six of whom are independent directors who meet the criteria of Article 7:87, §1 CC and principle 3.5 of the Code;
- Four of the directors are women, and four of the directors are men. This composition satisfies the criteria stated in Article 7:86 CC.

On May 9, 2022, the General Meeting reappointed Rafael Padilla, Karin de Jong, and Management Deprez BV, permanently represented by Veerle Deprez, each for a 4-year term to expire after the 2026 General Meeting.

On May 9, 2022, the General Meeting also appointed Vera Bakker, Ann Desender, and Neeraj Sharma as independent non-executive directors for a period of 4 years (to end after the 2026 General Meeting).

Vanzel Comm.V., permanently represented by Giulia Van Waeyenberghe and Alychlo NV, permanently represented by Marc Coucke, stepped down from the Board of Directors at the end of the general meeting of May 9, 2022.

On August 2, 2022, Vera Bakker stepped down from the Board of Directors and was appointed as a member of the executive leadership team.

In order to fill the vacancy on the Board of Directors created by Vera Bakker's resignation, on the advice of the Nomination and Remuneration Committee, the Board decided to co-opt Els Vandecandelaere as an independent and non-executive director of the Board of Directors. Her appointment is subject to approval by Fagron's general meeting of shareholders.

| Composition of Board of Directors during financial year 2022 | Term of office | Independent director | Nomination and Remuneration Committee | Audit and Risk Committee | Presence |
|---|-----------------------|----------------------|---------------------------------------|--------------------------|---------------------------------|
| AHOK BV, permanently represented by Koen Hoffman (Chairman) | AGM 2023 | • | • | • | BoD: 7/7 AC: 4/4 NRC: 5/5 |
| Rafael Padilla – Chief Executive Officer | AGM 2026 | | | | BoD: 7/7 |
| Karin de Jong – Chief Financial Officer | AGM 2026 | | | | BoD: 7/7 |
| Ann Desender | AGM 2026 | • | • | • (Chair) | BoD: 6/6 AC: 4/4 |
| Robert ten Hoedt | AGM 2024 | • | | | BoD 5/7 |
| Management Deprez BV, permanently represented by Veerle Deprez | AGM 2026 | • | • (Chair) | | BoD: 6/7 NRC: 5/5 |
| Michael Schenck BV, permanently represented by Michael Schenck ¹ | AGM 2024 | | • | • | BoD: 7/7 AC: 4/4 NRC: 5/5 |
| Neeraj Sharma | AGM 2026 | • | | | BoD: 7/7 |
| Els Vandecandelaere LLC, permanently represented by Els Vandecandelaere | AGM 2026 ² | • | | | BoD 3/3 |

¹ Stepped down December 31, 2022.

² Subject to approval by the annual meeting on May 8, 2023.

Below are the brief curricula vitae of the members of the Board of Directors as of the date of this report.



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 of the listed companies Greenyard (Chairman), 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 Program 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; after which she was appointed Group Controller in 2013. After finishing her degree in

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



Ann Desender

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

organization. She started her career at Anderson (now Deloitte). Ann Desender holds a master’s degree in applied economics and completed the Advanced Management Program at the IESE Business School.

**Robert ten Hoedt**

Robert (Rob) ten Hoedt is President for Europe, the 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).

**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.

**Neeraj Sharma**

Neeraj Sharma is Chief Executive Officer of SteriScience, a niche company specializing in sterile injectables with plants in India and Europe. Mr. Sharma started his career at Ranbaxy, now Sun Pharmaceuticals, where he worked for more than 25 years in different 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 has a bachelor's degree in engineering and an MBA in business management.

**Els Vandecandelaere LLC, permanently represented by Els Vandecandelaere**

Els Vandecandelaere is Global Head of HR Integrated Supply Chain, Quality & Regulatory, Services & Solutions Delivery at Philips. She joined Philips in 2021 and is based in the US. Els started her career in Belgium at Janssen Pharmaceutica and held various managerial

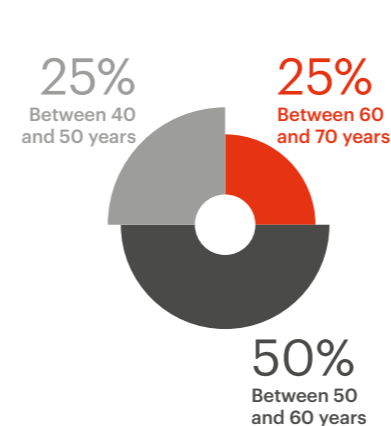
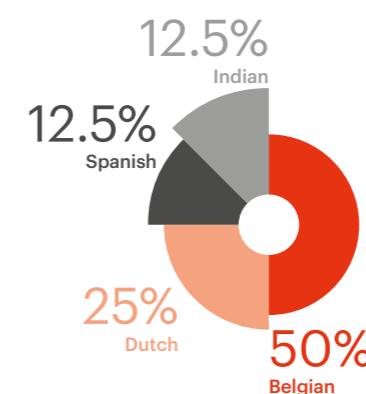
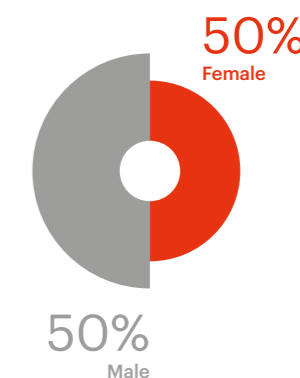
positions of increasing responsibility in HR in Belgium, the US, the UK, and Switzerland. Els Vandecandelaere holds a master's degree in organizational psychology from the Catholic University of Leuven (Belgium).

Diversity in the Board of Directors

The Board of Directors complies with its obligations regarding gender diversity as stipulated in Article 7:86 CC, 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, knowledge, and age diversity in the composition of the Board of Directors.

In the context of self-assessment, special attention is also paid to complementarity and diversity in the composition of the Board of Directors and its Committees. As of the date of this report, four female and four male directors serve on the Board of Directors. The Board of Directors has representatives of four nationalities of different age groups.

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.

Age**Nationality****Gender**

Function and role of the Board of Directors

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

- Determine strategy, risk profile, values, and key policies;
- Ensure that the necessary financial and human resources are in place to achieve the objectives;
- Supervise and review the financial and operational performance and forward-looking development of Fagron's operating results;
- Approve internal control and risk management framework;
- Structuring the executive leadership team, define its powers and duties, and evaluate its performance;
- Supervise the quality and completeness of published financial disclosures as well as the integrity and timely disclosure of financial statements and other material financial and non-financial information;
- Determine the corporate governance structure and monitor compliance with the provisions of the Corporate Governance Code, establish specialized Committees, define their internal regulations, and assess their effectiveness;
- Encourage effective dialogue with shareholders and potential shareholders;
- Approve contracts for the appointment of the CEO and other members of the executive leadership team;
- Determine the Company's ESG strategy and monitor the evolution of its implementation; and
- Selecting the Statutory Auditor upon nomination by the Audit and Risk Committee and supervising its performance and overseeing the internal audit function.

The Chairman presides the meetings of the Board of Directors and monitors that the decision-making process is as constructive and efficient as possible. He presides 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 jointly met seven times in 2022 (February 8, April 7, May 9, June 23, August 2, October 27, and December 2). At these meetings, the majority of the directors were present. All meetings were attended by the Head of Legal and M&A, Johan Verlinden, and some meetings were attended – in part – by members of the executive leadership team on subjects within their area of competence.

The non-executive directors of the Board met twice in 2022 without the executive directors (March 15 and October 11). The main topics discussed were the future organization (in particular the composition of the Board of Directors and the executive leadership team), the Company's remuneration policy, and the further development of the Company's growth and acquisition strategy. All of the non-executive members were present at these meetings.

In 2022, the Board's main focus was on the following issues:

- Strategic development of Fagron including the further expansion of the growth and acquisition strategy;
- Conducting a global business review;
- Analysis, research, and assessment of Fagron's financing structure;
- Review of Fagron's financial and operating results;
- Convene and set the agenda of the Ordinary and Extraordinary General Meeting, including the submission for approval of the application of the new CC to the Extraordinary General Meeting of Shareholders, as well as the resulting proposed amendments to the Articles of Association;
- Adjustment of Fagron's Remuneration Policy and Report, and in general, following-up on compliance with the provisions of the Shareholders' Rights Directive (EU) 2017/828;
- Monitoring, strengthening, and supporting the company's ESG policy;
- Further roll-out and refining the internal audit function and oversight of the company's compliance activities;
- Monitoring and analysis of digital developments and security within the company;
- Follow up on the progress of the budget reviews at the regional level for financial year 2022 and analysis and approval of the budget for financial year 2023;
- Approval and follow-up of investment opportunities and acquisition projects;
- Evaluation and analysis of the performance of members of the executive leadership team;
- Monitoring compliance with the requirements of the MAR Regulation;
- Discuss the remuneration policy for non-executive directors, taking into account the recommendations of the Code;

- Formal self-assessment of the composition, operation, and effectiveness of the Board of Directors; and
- Review of press releases prepared for the disclosure of periodic, semi-annual, and annual financial results.

Process for the evaluation of the Board of Directors

Led by its Chairman, the Board of Directors conducts a review of its size, composition, and operation and conducts a review of its Committees and of its interaction with the executive leadership team every two years. The Chairman and the performance of his role within the Board of Directors are also evaluated. The goal is to stimulate the continuous improvement of Fagron's corporate governance by acknowledging the strengths of the Board of Directors while also identifying areas for improvement. The self-evaluation of the Board of Directors is coordinated by the Global HR Director, under the leadership of the Chairman, and is followed up by the Nomination and Remuneration Committee.

This self-evaluation has four objectives:

1. Review of the operation of the Board of Directors and Committees;
2. Check whether the important topics are thoroughly prepared and discussed;
3. Consider each director's actual contribution to the work of the Board, assess his or her attendance at Board and Committee meetings and his or her constructive involvement in discussions and decision-making; and
4. Assess the governance structure and composition of the Board of Directors and Committees in light of the desired composition of the Board of Directors and Committees.

The most recent evaluation of the operation of the Board of Directors, in terms of its size, composition, operation, and the evaluation of its Committees and of the Board's interaction with the executive leadership team, took place on March 15, 2022, led by the Chairman. This evaluation resulted in a favorable 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.

Specialized Committees of the Board of Directors

The Board of Directors has two advisory Committees: the Audit and Risk Committee and the Nomination and Remuneration Committee. Their role, duties, operation, and composition are defined in accordance with the CC and the recommendations of the Code and are described in their internal regulations, which are annexed 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 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 CC, 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:

- Ann Desender (Chair) - Independent non-executive director;
- AHOK BV, permanently represented by Koen Hoffman - Independent Non-Executive Director.

The composition of the Audit and Risk Committee complied with all the requirements set forth in the Code and the CC until Michael Schenck's stepped down as member of the Audit and Risk Committee at the end of financial year 2022. 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 2022 (February 8, August 2 (twice), and December 2). All members of the Audit and Risk Committee attended these meetings. Also present at these meetings, at the Audit and Risk Committee's request, were Rafael Padilla, Karin de Jong, and the internal auditor.

The Statutory Auditor was present at three of the four meetings (Feb. 8, Aug. 2, and December 2). The Audit and Risk Committee can invite other people 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 of the Company's activities and in particular, is responsible for:

- Determining 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 internal audits and their effectiveness;
- Monitoring of the statutory audit of the financial statements and consolidated financial statements, including follow-up on the questions and recommendations formulated by the Statutory Auditor; and
- Assess and monitor the independence of the Statutory Auditor, paying particular attention to the provision of additional services to the Company.

The Audit and Risk Committee dealt primarily with the following topics in financial year 2022:

- Monitoring the consolidated half-year and annual results and the statutory and consolidated financial statements;
- Monitoring the accounting treatment of specific IFRS transactions and applications;
- Monitoring and evaluation of the Statutory Auditor's performance;
- Monitoring improvements to Fagron's internal control and risk management systems and their effectiveness, particularly with respect to cybersecurity attacks and IT governance;
- Review and approve the annual (internal) audit plan and follow up on the progress of activities;

- Follow up on pending litigation reported by subsidiaries;
- Monitoring material regulatory developments and changes and the potential impact thereof;
- Monitoring implementation of internal control recommendations made by the internal auditor;
- Preventing fraud, illegal acts, and internal control deficiencies.

In 2019, the Audit and Risk Committee initiated the establishment of an independent internal audit function. During the financial year 2019, the first steps were taken to create the framework for the operation of an independent internal audit function. During the second half of financial year 2020, an internal auditor was hired who further shaped the establishment and expansion of the internal audit function during financial year 2022.

More specifically for financial year 2022, 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 updates on it;
- Implementing the annual audit plan, as approved, including any special tasks or projects requested by management and the Audit and Risk Committee;
- Executing independent process reviews, including special investigations, to provide assurance to the Audit and Risk Committee and management on the effectiveness of existing control mechanisms;
- Periodic reporting to the Audit and Risk Committee and management of the results of all audit activities;

- Reporting on significant problems related to the processes for controlling Fagron's operations, including possible improvements to those processes, and providing information on such problems until a solution is found;
- Periodically informing on the status and results of the annual audit plan and the adequacy of resources by department;
- Coordination with and oversight of other control and monitoring functions (risk management, compliance, security, ethics, environment, external audit);
- High-level follow-up meetings (research, observation, and validation) conducted with those responsible within each company to evaluate progress on the agreed action plans derived from the internal audit reports issued during 2021 and 2022.
- Establishment of the confidential counselor committee of which the internal auditor is an active member. The committee selected 16 confidential counselors at 12 entities to support and advise employees on the steps to take in case of observed undesired behavior;
- Conducting a global risk assessment to help management identify, understand, rate, prioritize, periodically assess, and monitor the risks that may affect the realization of business objectives.
- Different standard operating procedures and guidelines drafted regarding inventory, accounts receivable, and proceeds.

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 CC, 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 (Chair) - Independent Non-Executive Director;
- AHOK BV, permanently represented by Koen Hoffman - Independent Non-Executive Director;
- Els Vandecandelaere LLC, permanently represented by Els Vandecandelaere - Independent Non-Executive Director

The composition of the Nomination and Remuneration Committee complies with all the requirements set forth in the Code and the CC for financial year 2022. The members of the Nomination and Remuneration Committee have collective competence and expertise in the area of remuneration and remuneration policy.

Function and role of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee met four times in 2022 (January 25, February 3, February 25, and June 23). 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 compensation of the other members of the executive leadership team. The Nomination and Remuneration Committee can invite other people to attend meetings.

The main tasks of the committee in the area of appointments consist of drafting appointment procedures for members of the Board of Directors and the executive leadership team, nominating appropriate candidates for vacancies, formulating proposals for reappointments, evaluating and making recommendations on the composition of the Board of Directors and its Committees, advising on proposals regarding the appointment and removal of directors, members of the executive leadership team and evaluating potential candidates for a position in the executive leadership team.

The Committee's main duties with regard to remuneration are:

- Prepare, review, and make proposals to the Board of Directors on the remuneration policy to be pursued for the directors, members of the executive leadership team, and, where applicable, on the resulting proposals to be submitted by the Board of Directors to shareholders;
- Prepare, review, and make proposals to the Board of Directors on the individual remuneration of directors, members of the executive leadership team, including variable remuneration and long-term incentives whether or not tied to shares, in the form of stock options or other financial instruments, and severance payments, and, where applicable, on the resulting proposals to be submitted by the Board of Directors to shareholders;
- Prepare performance target recommendations for the CEO and other members of the executive leadership team;
- Prepare recommendations on annual bonuses and long-term incentives for the CEO and other members of the executive leadership team;
- Discuss the functioning and performance of members of the executive leadership team;
- Discuss at least annually with the CEO both the functioning and performance of the executive leadership team;
- Prepare the remuneration policy, the remuneration report added to the Corporate Governance Statement by the Board of Directors, and share the remuneration report with the works council, or, if there is none, the employee delegates to the Committee for prevention and protection at work or, if there is none, to the trade union delegation; and
- Explain the remuneration report and policy at the annual General Meeting.

The Nomination and Remuneration Committee dealt mainly with the following issues in financial year 2022:

- Monitor changes in the regulatory framework and recommendations related to governance and remuneration
- Assistance in evaluating the performance of the Board of Directors;
- Review and discussion of possible changes to the remuneration policy for non-executive directors in accordance with the recommendations of the Code;
- Discuss and make proposals to the Board of Directors, in consultation with the CEO, regarding the composition of and positions in the executive leadership team;
- Review and set performance criteria and goals for members of the executive leadership team; and
- Assessment of matters relating to remuneration, award of annual bonuses, and long-term incentive remuneration to members of the executive leadership team.

Executive leadership team

The executive management of the Company lies with the executive leadership team, with the CEO being responsible for day-to-day management in close cooperation with the CFO. The daily and operational management of Fagron is conducted by the executive leadership team.

Composition of the executive leadership team

Members of the executive leadership team are appointed by the Board of Directors, based on recommendations of the Nomination and Remuneration Committee and after consultation and recommendation by the CEO. The members are appointed for an indefinite period of time and can be dismissed from their position at any time by the Board of Directors. The remuneration and terms of dismissal of a member of the executive leadership team are set out in the individual agreement between the team member and Fagron.

Below are the brief curricula vitae of 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 Program 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

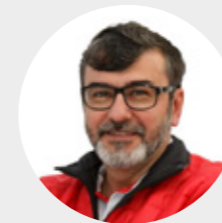
administration, accounting and control, Karin de Jong completed the post-doctoral registered controller program at Erasmus University Rotterdam.



Vera Bakker – Chief Operations Officer

Vera Bakker has been with Fagron as COO since 2022. Before joining Fagron, Vera Bakker worked at Unilever for 25 years, lastly as Vice President Global Supply Chain Foods. During her career at Unilever, she held various roles with a focus on

different parts of the supply chain. Vera Bakker holds a master’s degree in Chemical Engineering and an MBA from the Katz Business School, University of Pittsburgh.



Geraldino Neder – Area Leader Latin America

Geraldino Neder has been Area Leader for Latin America since 2022. As Business Leader Fagron Brazil, he was responsible for setting up Fagron’s operation in Brazil in late 2010. Geraldino Neder has more than 30 years of experience in the Brazilian pharmaceutical compounding market.

Geraldino Neder studied administration at the Catholic University of Campinas and has a postgraduate degree in Business Management from the State University of Campinas.

**Maarten Pouw – Area Leader EMEA**

Maarten Pouw has been with Fagron as Area Leader EMEA since 2022. Before joining Fagron, Maarten Pouw worked at Centrient Pharmaceuticals (a spin-off of DSM) as CCO. Maarten Pouw started his career as a management consultant at Ormit, after which he joined DSM. At DSM, he held various marketing

& sales and executive roles within DSM’s pharmaceutical business worldwide. Maarten holds a master’s degree in business administration from the Rotterdam School of Management and a master’s degree in international management from the Rotterdam School of Management/ESADE.

**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.

**Johan Verlinden – Head of Legal and M&A**

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

master’s degree in law from the University of Antwerp, a master’s degree in corporate law, and a master’s degree in financial law from the Catholic University of Brussels.

Diversity in the executive leadership team

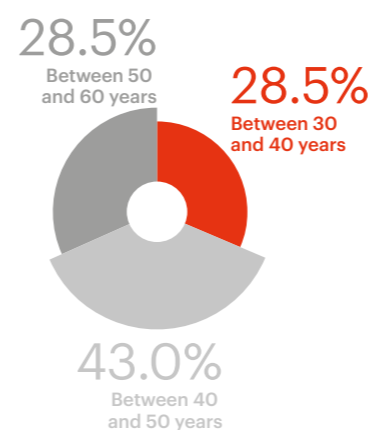
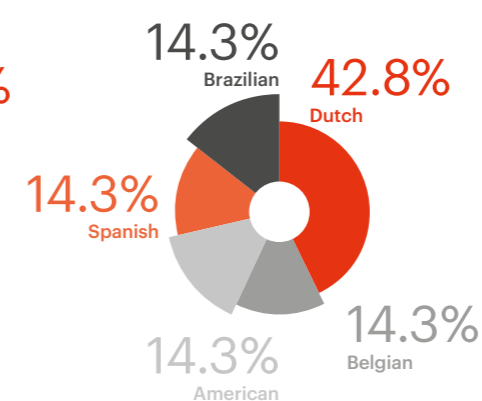
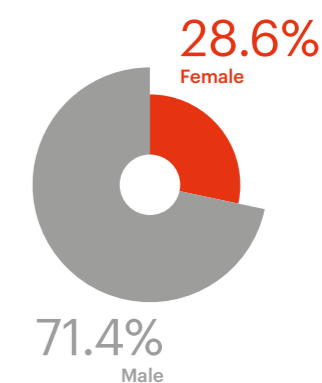
Fagron values complementary skills, experience, knowledge, and diversity in the composition of the executive leadership team. When appointing members of the executive leadership team, diversity in gender, age, education, and professional background, as well as complementary skills, experience, and knowledge, are taken into account.

As of the date of this report, the executive leadership team consists of two female members and five male members. The executive leadership team is composed of representatives of five nationalities of different age categories. As their position within Fagron requires, the education, work experience, and career paths of the team members differ, ensuring a complementary set of knowledge and skills within the executive leadership team.

Operation and role of the executive leadership team

Since 2021, Fagron has a one-tier governance structure, and the Board of Directors delegates day-to-day 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 company in day-to-day management. He may legally represent the company pursuant to a specific mandate from the Board of Directors and may sub-delegate any of the specific powers granted to him. The CEO submits the Executive leadership team’s proposals 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 oversee and manage the global operations of Fagron, under the direction of the CEO, and taking into account the overall strategy of Fagron as determined by the Board of Directors. The main responsibilities of the executive leadership team are to develop strategic guidelines, analyze budgets and operational objectives, and oversee local management teams. The individual members of the executive leadership team have powers and responsibilities assigned to them by the Board of Directors, based on the proposals of the Nomination and Remuneration Committee, and after consultation with and recommendation by the CEO.

Depending on the subject or decision proposed to the Board of Directors, a member of the executive leadership team may be invited, at the request of the CEO and with the approval of the Chairman, to provide explanations or advice at a meeting of the Board of Directors. The Board may also, through the CEO, request special written or verbal reports from members of the executive leadership team individually. In carrying out its responsibilities, the executive leadership team is assisted by a team of key personnel from the various divisions of Fagron.

The main responsibilities of the executive leadership team are:

- Execute and implement the vision, mission, strategic goals, and direction of Fagron, and advise the Board of Directors thereon, focusing on long-term value creation by the company;
- Assume the daily and operational management of Fagron;
- Assess possible interesting investment opportunities and make proposals to the Board of Directors about them;
- Implement strategic partnerships with key customers and build and maintain strong customer relationships;

- Organize and monitor internal controls, without prejudice to the supervisory role of the Board of Directors;
- Supervise the complete, timely, reliable, and accurate preparation of financial statements in accordance with Fagron's accounting principles and policies;
- Follow up on Fagron's mandatory publication of financial statements, annual reports, and other material financial and non-financial information;
- Assess Fagron's financial situation and budget and providing information to the Board of Directors on the company's financial results and financial position;
- Advising on and implementing of the decisions made by the Board of Directors and exercising the powers delegated to them by the Board of Directors; and
- Timely provision of all information to the Board of Directors to perform its duties.

The executive leadership team is a collegial body that is generally convened every week and can be convened at any time, if necessary, to ensure proper functioning in the execution of the daily and operational management of the company. It is chaired by the CEO.

Except in exceptional circumstances, the CEO, on behalf of the executive leadership team, provides relevant information at each meeting of the Board of Directors on the progress of matters under the Board's authority, as well as on key aspects of the day-to-day and operational management of the company.

Executive leadership team evaluation process

The CEO and the Nomination and Remuneration Committee annually evaluate both the operation and performance of the members of the executive leadership team. The evaluation of the executive leadership team is done as part of the annual salary review of executive leadership team members.

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 authorized to represent Deloitte Bedrijfsrevisoren BV and who is charged with performing the mandate on its behalf and at its expense.

Deloitte Bedrijfsrevisoren BV was elected as Statutory Auditor of Fagron with effect from 2019 for a term of three financial years, ending after the general meeting to be held in 2022. On May 9, 2022, the General Meeting of Shareholders reappointed Deloitte Bedrijfsrevisoren BV, represented by Ms. Ine Nuyts, as Statutory Auditor for a period of 3 years to expire after the General Meeting of 2025.

Deloitte received a total annual audit fee of 461,000 euros in 2022. Of this, 143,000 euros relates to Fagron NV. It will be proposed to the General Meeting of Shareholders on May 8, 2023, to approve this compensation.

Details of the Statutory Auditor's remuneration in 2022 are contained in [Note 33](#) to the financial statements.

Rules to prevent conflicts of interest

In order to prevent conflicts of interest, Fagron is subject to the applicable legal provisions for listed companies: Articles 7:96 and 7:97 CC, and the additional rules set forth in Fagron's Corporate Governance Charter under its policies 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 foregoing conflict of interest regulations.

Conflicts of interest within the meaning of Article 7:96 CC

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 CC, at the start of the meeting, and he/she will act in accordance with that Article. The director concerned may not participate in the deliberations of the Board of Directors about these operations or decisions, nor in the voting in that context.

In 2022, the procedure of Article 7:96 CC was used once, namely at the meeting of the Board of Directors of June 23, 2022. The excerpt from the minutes of the relevant meeting is stated below (translated from Dutch), stating the reasons for the conflict of interest as well as the explanation and property law consequences for the Company.

Excerpt from the minutes of the June 23, 2022, Board of Directors meeting:

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 adoption 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 of the fact that this was also signaled by the directors concerned to the 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 depository system, the relevant directors were asked to refrain from participating in the further deliberations and adoption 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 adoption by the Board of Directors of the list of subscription rights that were exercised is intended to implement the subscription rights plans and the exercise of the subscription rights that were granted to the beneficiaries in order to motivate the latter on the one hand to contribute to the growth of the company and on the other hand to promote and strengthen their loyalty to the company.

The property law consequences are as follows:

The property law consequences for the Company arising from adopting 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 pursuant to the issuance of the subscription plans involved, which indicates that the work, the initiative and the entrepreneurship of each of the beneficiaries make an important contribution to the development of the Company's activities and results and that they therefore want to give the beneficiaries the chance to acquire (additional) shares in the Company at a registration price specified in advance so that they can participate financially in the Company's added value and growth.

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

Conflicts of interest within the meaning of Article 7:97 CC

A company must also comply with the procedure from Article 7:97 CC when it, or a subsidiary, is considering a transaction with an affiliated company (subject to certain exceptions). Such a decision or act 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 CC, the Board of Directors, after having taken note of the committee's advice, will deliberate on the proposed decision or act. 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 financial year 2022, no transaction or decision gave rise to the application of the rules for the prevention of conflicts of interest covered by Article 7:97 CC.

Policy on transactions and other contractual ties between the Company and its directors or members of the executive leadership team not covered by the conflict of interest rule.

The Board of Directors has issued a set of guidelines regarding transactions and other contractual relationships between Fagron and its directors or members of the executive leadership team that do not fall under the conflict of interest regulation. All members of the Board of Directors and the executive leadership team are expected to avoid actions, positions, or interests that conflict with, or create the impression of conflicting with, the interests of Fagron or any of the Group companies.

Further, all transactions between Fagron and members of the Board of Directors or the executive leadership team (or their permanent representatives) require Board approval. In addition, when members of the Board of Directors or executive leadership team (or their permanent representatives) are faced with a potential conflict of interest in a decision or act of Fagron, they must inform the Chairman as soon as possible.

If Article 7:96 CC is applicable, the director in question must refrain further from participating in the relevant deliberations and the voting. In financial year 2022, no transaction or decision gave rise to the application of the rules for the prevention of conflicts of interest that are not covered by Article 7:96 WVV.

Rules for the prevention of abuse of inside information and market manipulation

The Board of Directors has established rules in order to prevent privileged information from being used illegally by directors, shareholders, members of the management, employees and certain third parties (jointly referred to as “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 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 preceding the time of the announcement of the Company’s annual results for the previous financial year;
2. the 30-calendar-day period preceding the time of the release of the Company’s half-year results for the previous six months; and
3. the fifteen-day period immediately preceding the release of the Company’s quarterly results or, if shorter, the period from the close of the relevant quarter up to and including the time of release of the quarterly results.

The closed period shall be deemed to be the period communicated as such by the Compliance Officer upon instructions from the Board of Directors or the executive leadership team, which shall commence from the date on which the Inside Information becomes known to the Board of Directors or the executive leadership team and shall last until immediately after the disclosure of the Inside Information or up to and including the date on which the Inside Information loses its price-sensitive character.

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.

Remuneration report and policy

Development of the Remuneration Policy

During the 2021 financial year, Fagron developed a Remuneration Policy based on the Code and the Shareholders’ Rights Directive (EU) 2017/828 to adopt the remuneration of the members of the Board of Directors and the executive leadership team, which was approved by the General Meeting on May 10, 2021.

Adopting of the Remuneration Policy

The components and the amount of the remuneration for non-executive directors are proposed by the Board of Directors, on the advice of the Nomination and Remuneration Committee, to the General Meeting, taking into account the status as a listed company and the size of Fagron, the sector in which Fagron operates and relevant benchmarks against designated comparable companies and general international market practices. When adopting 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 members of executive leadership team based on the recommendations of the Nomination and Remuneration Committee. The remuneration is aimed at attracting, motivating and retaining highly qualified and promising management talent and at aligning the interests of the management and all stakeholders of Fagron. The level and components of their remuneration are analyzed annually by the Nomination and Remuneration Committee, taking into account relevant benchmarks and performance.

In accordance with the Act of 28 April 2020 on the implementation of the Shareholders’ Rights Directive (EU) 2017/828, the remuneration policy will be listed as a separate agenda item of the General Meeting 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 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 performance-based compensation, nor benefits in kind or benefits associated with pension plans.

As approved by the General Meeting of May 11, 2020, the Chairman receives an annual fee of 100,000 euros, irrespective of the number of Committees on which the Chairman sits. 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 separate compensation for their membership on the Board of Directors.

Directors’ fees remained unchanged in 2022 from the previous year.

Principle 7.6 of the Code specifies that the non-executive directors must receive part of their remuneration in Company shares. 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 compensation in the form of Fagron shares. In the coming years, the Nomination and Remuneration Committee will further analyze whether and to what extent the allocation of Fagron shares to non-executive directors as part of their remuneration has 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 Board of Directors 2021 - 2022 | 2021 | 2022 |
|---|-----------|-----------------------|
| 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 | € 100,000 | € 100,000 |
| Alychlo NV, permanently represented by Marc Coucke | | |
| Non-executive Director | € 30,000 | € 10,700 ¹ |
| Vera Bakker | | |
| Non-executive Director | - | € 7,500 ¹ |
| Ann Desender | | |
| Non-executive Director | | |
| Member of the Audit and Risk Committee | - | € 24,800 ¹ |
| Rob ten Hoedt | | |
| Non-executive Director | € 30,000 | € 30,000 |
| Management Deprez B.V., permanently represented by Veerle Deprez | | |
| Non-executive Director | | |
| Member of the Nomination and Remuneration Committee | € 37,200 | € 37,200 |
| 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 | € 44,400 | € 44,400 |
| Neeraj Sharma | | |
| Non-executive Director | - | € 20,000 ¹ |
| Els Vandecandelaere LLC, permanently represented by Els Vandecandelaere | | |
| Non-executive Director | | |
| Member of the Nomination and Remuneration Committee | - | € 15,500 ¹ |
| Vanzel G. Comm.V., permanently represented by Giulia Van Waeyenberge | | |
| Non-executive Director | | |
| Member of the Audit and Risk Committee | € 37,200 | € 13,950 ¹ |

¹ Amounts pro rata the term in office in 2022.

Remuneration of executive directors who are members of executive leadership team

The day-to-day operational management of Fagron rests with the executive leadership team chaired by the CEO. The executive directors who are members of the executive leadership team do not receive separate compensation for their membership of the Board of Directors.

In addition to the CEO and CFO, the executive leadership team consists of Area Leaders – Constantijn van Rietschoten, succeeded by Maarten Pouw (EMEA), Andrew Pulido (North America) and Ivan Maróstica, succeeded by Geraldino Neder (Latin America) – and the Head of Legal and M&A (Johan Verlinden).

This report describes remuneration on an individual basis for the executive directors and aggregated for the other members of the executive leadership team as at the date of this report.

The remuneration package of members of the executive leadership team consists of fixed remuneration, annual bonus (short-term variable remuneration), 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 makes a proposal to the Board of Directors for approval.

| Fixed remuneration executive leadership team 2021 - 2022 | 2021 | 2022 | % |
|---|--------------------------|--------------------------|-------|
| Rafael Padilla | | | |
| Executive Director | | | |
| Chief Executive Officer | € 506,000 | € 539,902 | 6.7% |
| Karin de Jong | | | |
| Executive Director | | | |
| Chief Financial Officer | € 339,020 | € 375,000 | 10.6% |
| Other members of the executive leadership team¹ | € 1,088,593 ² | € 1,334,070 ² | 22.5% |

¹ Amounts pro rata to the term in office in accordance with the appointment as a member of the executive leadership team.

² Total in euros at constant exchange rates (December 31, 2022).

Fixed remuneration

As stipulated in the Remuneration Policy, the Nomination and Remuneration Committee engages an external service provider for the benchmarking 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 individual. In early 2022, the Remuneration and Nomination Committee requested Korn Ferry to conduct this benchmark of the remuneration of the executive leadership team members. This analysis will be repeated in 2024. In terms of market positioning, Fagron focuses on the median of the reference markets for the fixed remuneration.

Annual revisions of fixed remuneration are made based on expected inflation and general salary increases in the various geographic markets, taking into account the responsibilities, individual performance, experience, and competencies of each member of the executive leadership team as well as the aforementioned benchmark and overall business performance. Based on these criteria, the fixed (gross) remuneration of Rafael Padilla and of Karin de Jong were increased by 6.7% and 10.6% to €539,902 and €375,000, respectively, effective January 1, 2022.

Fixed remuneration for members of the executive leadership team increased overall by 22.5%. This is because of the individual salary increases awarded, combined with the recruitment of a new position in the Executive leadership team (COO) and the hiring of the new Area Leader EMEA during the notice period of the previous position holder. The table above shows the fixed remuneration paid to members of the executive leadership team in 2021 and 2022.

Annual bonus

The Nomination and Remuneration Committee assessed the bonus criteria of the members of the executive leadership team adopted in accordance with the Remuneration Policy for 2022, 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) revenue, (2) REBITDA and (3) OWC – and personal, discretionary - usually qualitative - objectives. The revenue target was almost met at group level, fully met in Latin America, and partially met in EMEA and North America. The REBITDA target was partially met at group level and in EMEA and not met in North and Latin America. The target for OWC was fully met both at group level and in all regions. The financial objectives for the members of the executive management have therefore been partially met.

Although the financial targets were partially met in EMEA, no bonus was awarded for this region as the former Area Leader left in the course of the year and the new Area Leader was too recently employed to qualify for variable compensation for 2022.

The effective pay-out of the annual variable remuneration is dependent on the achievement of predefined sustainability objectives (bonus-malus). The sustainability target for 2022 was to reduce greenhouse gas emission intensity by 15% compared to 2019; for 2023 the target is a 20% reduction. This is in line with the climate objectives for Fagron, as described in the ESG Statement (page 59). This objective applies to their relevant region for Area Leaders, and to Fagron's emissions for other members of the executive leadership team. 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 target for the bonus reference year 2022 was not met for the Latin America region, as a result of which the Area Leader's bonus was 90% paid out. For North America and at group level, sustainability targets were met, and bonuses were paid out at 110%.

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

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 increase incrementally from a reduction in greenhouse gas emission intensity compared to the 2019 base year of 15% in 2022, to a 30% reduction in greenhouse gas emission intensity in 2025.

For the bonus reference year 2022, a right to claw-back applied. No claw-back was invoked in 2022.

The table below provides an overview of the bonuses achieved and paid out for the bonus reference year 2022.

Long-term variable remuneration - Subscription rights

Until 2021, long-term variable remuneration consisted of the allocation of subscription rights to members of the executive leadership team. Awards were not made annually, but at the discretion of the Board of Directors, on average every 2 to 3 years. In 2022, no long-term remuneration was granted. However, a new plan for long-term variable remuneration was developed in 2022 that will provide for the award of performance shares. These performance shares will be granted annually and vest after a 3-year term. The performance criteria will be linked partly to financial targets and partly to sustainability targets. It is anticipated that this plan will be implemented in 2023.

Vesting of warrants and subscription rights

The vesting of warrants and subscription rights occurs after the expiration of a predetermined period provided that the beneficiaries are still associated with the Company or its subsidiaries through an employment contract or service agreement, unless explicitly recognized 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 they may deviate from the provisions in Article 7:91 CC for all persons who fall under the scope of those provisions.

No warrants or subscription rights were exercised by members of executive management in 2022. Ivan Maróstica's warrants and subscription rights expired as a result of his termination. Constantijn van Rietschoten retained part of his subscription rights after his termination. The subscription rights of Andrew Pulido, Area Leader North America, have lapsed in view of the long-term variable remuneration that will be awarded in 2023. For further details regarding the subscription rights, see [Note 21](#) to the consolidated financial statements.

| Bonuses executive leadership team 2022 | 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% | 75% | 110% | € 446,878 |
| Karin de Jong Executive Director Chief Financial Officer | 75% | 120% | 110% | € 246,978 |
| Other members of the executive leadership team¹ | 63% | 94% | 108% | € 629,612 ² |

¹ Average percentages and excluding the additional bonus for the Area Leader North America.

² Total in euros at constant exchange rates (December 31, 2022).

Overview of outstanding warrants and subscription rights

The table below provides an overview of all outstanding warrants and subscription rights of members of the executive leadership team.

| Outstanding warrants and subscription rights | Plan | Award | Vesting | Term | Exercise Price | Outstanding balance as of December 31, 2022 |
|--|-------------------------------|-------|--------------------------------|----------|----------------|---|
| 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 |
| Vera Bakker | - | - | - | - | - | - |
| Ivan Maróstica | Warrant Plan 2018 | 2018 | 3 years (50%) 4 years (50%) | 5 years | € 13.94 | 0 |
| | Subscription Rights Plan 2020 | 2020 | 3 years (100%) | 10 years | € 18.52 | 0 |
| | Subscription Rights Plan 2020 | 2021 | 3 years (100%) | 10 years | € 19.44 | 0 |
| Geraldino Neder | Subscription Rights Plan 2020 | 2021 | 3 years (100%) | 10 years | € 19.44 | 22,500 |
| | Subscription Rights Plan 2020 | 2020 | 3 years (100%) | 10 years | € 18.52 | 22,500 |
| Maarten Pouw | - | - | - | - | - | - |
| Andrew Pulido | Warrant Plan 2019 | 2020 | 3 years (50%) 4 years (50%) | 5 years | € 19.03 | 85,000 |
| | Subscription Rights Plan 2020 | 2020 | 3 years (100%) | 10 years | € 18.52 | 0 |
| | Subscription Rights Plan 2020 | 2021 | 3 years (100%) | 10 years | € 19.44 | 0 |
| Constantijn van Rietschoten | Subscription Rights Plan 2020 | 2020 | 3 years (100%) | 10 years | € 18.52 | 33,333 |
| | Subscription Rights Plan 2020 | 2021 | 3 years (100%) | 10 years | € 19.44 | 25,000 |
| 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 |

Shareholding

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 management. For the members of the executive leadership team, it has not yet been decided that they should hold a minimum number of shares in the Company as sufficient other mechanisms are provided to ensure the long-term professional commitment of the members of the executive leadership team. Fagron believes that its remuneration policy, which includes the allocation of subscription rights, is clearly linked to sustainable organic growth and a selective and focused acquisition policy, and thus ensures that the members of the executive leadership team act from the perspective of the long-term shareholder.

Fagron does encourage members of the executive leadership team to acquire and retain Fagron shares. Several members of the executive leadership team hold Fagron shares. The Board of Directors will continue to analyze in the coming years whether the minimum threshold for members of executive management adds 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 investors page of the Fagron website under Shareholders (investors.fagron.com).

Other benefits

Fagron strives to grant, where applicable, other benefits in line with the local market practices in the geographic reference markets. In general, members of the executive leadership team participate in the benefit plans available for other employees of the company with which they are affiliated.

The CEO's benefits package consists of health insurance and a company car (no pension scheme). The CFO and other members of the executive leadership team with a Dutch employment contract participate in the collective pension plan (defined contribution plan). They can also opt for a company car or mobility allowance. The COO has a Spanish employment contract that provides for a mobility allowance and an allowance for joining a private pension plan. The Belgian member of the team is an independent service provider and does therefore not participate in any benefit plan. The US executive leadership team member participates in collective health and life insurance plans and 401(k) retirement plan of the company he is employed by. The Brazilian team member has a company car and health insurance.

| Total remuneration of executive leadership team 2022 | Fixed remuneration | Annual bonus | Subscription rights granted | Pension costs | Other benefits | Ratio of fixed to variable |
|---|--------------------------|------------------------|-----------------------------|-----------------------|------------------------|----------------------------|
| Rafael Padilla | | | | | | |
| Executive Director | | | | | | |
| CEO | € 539,902 | € 446,878 | € 0 | € 0 | € 15,277 | 55%/45% |
| Karin de Jong | | | | | | |
| Executive Director | | | | | | |
| CFO | € 375,000 | € 246,978 | € 0 | € 8,114 | € 20,401 | 62%/38% |
| Other members of the executive leadership team¹ | € 1,334,070 ¹ | € 629,612 ¹ | € 0 | € 32,104 ¹ | € 113,878 ¹ | 80%/20% ² |

¹ Total in euros at constant exchange rates (December 31, 2022).

² Average percentages.

Remuneration overview

The table above provides an overview of executive leadership team members' remuneration.

Severance pay

The employment contract of Constantijn van Rietschoten (former Area Leader EMEA) was terminated effective December 1, 2022. Severance pay equal to 9.5 months' salary was paid. It was further agreed that Mr. Van Rietschoten retained a portion of the subscription rights granted. The number of retained subscription rights is shown in the table relating to outstanding warrants and subscription rights ([page 134](#)).

Ivan Maróstica's agreement was terminated on August 9, 2022, without compensation. The subscription rights granted to him lapsed.

Deviations from the remuneration policy

There were no deviations from the remuneration policy in 2022 with the exception of 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 implemented in Belgian law, an aggregate 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 leadership team and the Board of Directors, 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.

| Management Remuneration | | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------------------|-----------|-----------|-----------|-----------|-----------|
| Executive directors | | | | | | |
| Rafael Padilla - CEO | Remuneration ¹ | € 727,750 | € 755,000 | € 869,037 | € 606,749 | € 986,780 |
| | Δ % | - | +3.7% | +15.1% | -30.2% | +62.6 % |
| Karin de Jong - CFO | Remuneration ¹ | € 370,000 | € 398,588 | € 475,210 | € 382,094 | € 621,978 |
| | Δ % | +6.4% | +7.7% | +19.2% | -19.6% | +62.8 % |
| Non-executive directors | | | | | | |
| Chairman of the Board of Directors | Remuneration | € 60,000 | € 100,000 | € 75,000 | € 100,000 | € 100,000 |
| | Δ % | 0.0% | +66.7% | -25.0% | +33.3% | +0% |
| Fixed remuneration for other non-executive board members | Remuneration | € 30,000 | € 30,000 | € 27,900 | € 30,000 | € 30,000 |
| | Δ % | - | - | -25.0% | +33.3% | +0% |
| Additional remuneration for the members of the Board of Directors' Committees | Remuneration | € 7,200 | € 7,200 | € 5,400 | € 7,200 | € 7,200 |
| | Δ % | - | - | -25.0% | +33.3% | +0% |
| Company performance | | | | | | |
| (x million euros) | | | | | | |
| Revenue | | € 471.7 | € 534.7 | € 556.0 | € 573.8 | € 683.9 |
| Total growth at constant exchange rates | Δ % | +8.8% | +13.4% | +4.0% | +3.2% | +10.3% |
| REBITDA | | € 99.1 | € 117.0 | € 123.9 | € 118.3 | € 130.7 |
| Total growth | Δ % | +3.6% | +18.1% | +5.9% | -4.5% | +10.5% |
| Remuneration of other employees | | | | | | |
| Average remuneration (FTE) | | € 49,240 | € 52,694 | € 56,701 | € 56,607 | - |
| | Δ % | +5.7% | +7.0% | +7.6% | -0.2% | - |
| Lowest remuneration (FTE) | | € 26,524 | € 27,830 | € 27,740 | € 28,708 | - |
| | Δ % | +4.3% | +4.9% | -0.3% | +3.5% | - |
| Ratio between the highest remuneration (CEO) and the lowest remuneration | | 27.4 | 27.1 | 31.3 | 21.1 | - |

¹ Remuneration refers to fixed remuneration and annual bonus.

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 compensation of other Fagron employees and with the employees' lowest remuneration, the following principles are used:

- For calculating the total remuneration of the executive directors and other employees, the total fixed remuneration and the annual bonus paid are taken into account. Subscription rights granted to executive directors have been excluded as they are not granted on an annual basis and therefore do not allow a consistent comparison. Other benefits are also disregarded.
- For the non-executive directors, the fixed remuneration for the Chairman, the fixed remuneration for the other non-executive directors and the additional remuneration for the committees as uniformly determined, are being taken into account. 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 Committee in specific financial years and not in other years.
- Given Fagron's active buy-and-build strategy with multiple acquisitions in different countries – with often significant differences in remuneration levels between these countries – considering the average remuneration of all employees worldwide would be too volatile and therefore an inconsistent and irrelevant basis of comparison. For this reason, it was decided to include in the comparison the average remuneration of Fagron employees working in Belgium.

Other legal information that must be disclosed by listed companies

In accordance with Article 3:6, §1 CC 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. On December 31, 2022, the capital was fully paid.

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 issued by Fagron.

Procedure for amending the Articles of Association

In accordance with Article 7:153 CC, an amendment to Fagron's Articles of Association can only be implemented with the consent of at least 75% of the votes validly casted 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 of a 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, the Nomination and Remuneration Committee takes all necessary initiatives in order to ensure an optimal composition of the Board of Directors.

For each new appointment, an assessment is made of the skills, knowledge and experience already available and required at the Board of Directors level and a profile of the vacancy will be prepared. Fagron attaches great importance to diversity, as a result of which special attention is paid to diversity and complementarity regarding the various backgrounds and skills

when nominating candidates for the position of director.

After consultation with the Nomination and Remuneration Committee, the Board of Directors determines the profile for 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 independent director vacancy and can, if desired, engage an external consultant to support the selection procedure.

The Nomination and Remuneration Committee's proposal to the Board of Directors for a vacant independent director position 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 holds 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 shall be accompanied by a recommendation from the Board of Directors and relevant information on the professional qualifications of the prospective director, including a list of positions already

held. This procedure is also applicable to the reappointment of a director.

Fagron's articles of association provide that directors are appointed for a maximum term of four years. The mandate ends after the General Meeting of Shareholders which is set as the end date for the appointment. Directors can be reappointed. A director's mandate can be revoked at any time by 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 co-opt 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

The Board of Directors is not aware of any shareholder agreements during financial year 2022 that could give rise to restrictions on the transfer of securities and/or the exercise of voting rights.

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:

- 105,000,000 euros additional financing facility dated January 28, 2022, under the same terms, documentation and as an integral part of the pre-existing 375,000,000 euros multicurrency term and revolving facilities agreement dated August 1, 2019;

- ISDA 2002 Master Agreement dated March 10, 2020, entered into between the Company and Belfius NV/SA and accompanying schedule dated March 10, 2020, to the ISDA Master Agreement;
- 375,000,000 euro multicurrency term and revolving facilities agreement dated August 1, 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 March 7, 2018, entered into between the Company and ING Belgium NV/SA and accompanying schedule dated March 7, 2018, to the ISDA Master Agreement;
- 2002 ISDA Master Agreement dated May 23, 2017, entered into between the Company and KBC Bank NV and accompanying schedule dated May 23, 2017, to the ISDA Master Agreement;
- ISDA 2002 Master Agreement dated January 10, 2018, entered into between the Company and HSBC Bank PLC and accompanying schedule dated January 10, 2018;
- ISDA 2002 Master Agreement dated June 9, 2017, entered into between the Company and Commerzbank Aktiengesellschaft and accompanying schedule dated June 9, 2017;
- ISDA 2002 Master Agreement dated July 27, 2017, between the Company and BNP Paribas Fortis NV/SA and accompanying schedule dated July 27, 2017;
- The 2018, 2019 and 2020 Subscription Rights Plans.

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.

Description of key features of 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:

- with a reasonable degree of certainty to be continuously informed of the extent to which Fagron is achieving its strategic and operational objectives,
- to ensure the reliability of financial reporting, and
- to act in accordance with laws and regulations applicable to Fagron.

Fagron prioritizes internal control and risk management and 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 realization 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 holds the following elements:

Control environment

Fagron manages risks accurately using an internal control system that is implemented by encouraging a corporate culture where all employees are authorized to fulfil their tasks and responsibilities according to the highest standards of integrity and expertise. The internal control and management are continually assessed and further professionalized, 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 oversees the effectiveness of the internal control and risk management systems set up by Fagron's management in order to monitor that the main risks are identified (including those related to compliance with laws and regulations), managed and brought to the attention of the responsible persons, all within the framework set 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 has 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

professionalized in the coming years so that the internal audit department can help the company achieve its general objectives by systematically evaluating and improving its risk management and control procedures in a disciplined manner. Defects in the internal control that are identified 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

Strategic objectives, including key 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 contains for each business unit, in addition to a financial budget, a number of concrete business objectives that are translated into KPIs, which are measured for progress during the year.

Reporting, analysis, and review

The financial results and expectations are analyzed on a monthly basis at local as well as central level, using the Fagron Management Information System. This system is available to management and business controllers, as well as the executive leadership team and the Corporate Control department.

The management and business controllers report monthly on the progress of the achievement of their business plan, the resulting KPIs and financial performance to the executive leadership team and to the Corporate Control department. 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 summarized as follows:

- A closing program with checklist includes the tasks to be completed for the monthly, quarterly, semi-annual, and annual closing of the company and its subsidiaries.
- The finance department provides accounting figures under the supervision of the head of accounting or finance director of each group company.
- 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 overseeing the integrity of 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.
- Management informs the Audit and Risk Committee of the methods used regarding the accounting treatment of significant and unusual transactions whose accounting treatment may be susceptible to various approaches. The Audit and Risk Committee discusses financial reporting methods with both the executive leadership team and 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 annually assesses the internal control regarding the risks associated with Fagron's financial statements.

In this context, the Statutory Auditor makes recommendations on internal control and risk management systems, when necessary, which is formalized 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 reviews the extent to which the executive leadership team is meeting the recommendations of the Statutory Auditor.

Global Policies and Code of Conduct

Responsibilities, authority, guidelines, and procedures at Fagron are clearly and accessibly defined 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 organization 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 of the Statutory Auditor's audits are reported verbally and in writing to Corporate Control, the CFO, and the Audit and Risk Committee. Compliance reviews are conducted by Corporate Control and also focus on the proper application of and compliance with internal procedures and guidelines. They focus on both financial and operational audits. The aim

is to achieve continual further professionalizing of our internal controls on the basis of the results. In addition, these tools contribute to a continuous increase in risk awareness within Fagron.

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 shares of Fagron BV (formerly Arseus BV) by Omega Pharma; and
- Contribution of debt claims held by 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 authorized 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 authorized 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 authorized 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 authorized 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 authorized 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.

On June 10, 2022, 32,500 new shares were issued as a result of the exercise of warrants. The total number of voting securities post-issuance amounted to 72,992,654, which is equal to the total number of voting rights (denominator). The capital amounted to 502,094,125.17 euros after the issue.

Consequently, the capital at the time of preparation of this annual report amounts to 502,094,125.17 euros represented by 72,992,654 shares, without designation of nominal value with a fractional value of 1/72,992,654th 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.

In the chapter "Information about the Fagron Share" on [page 41](#) and onwards Fagron's shareholder structure as per February 28, 2023, is listed.

Warrants and Subscription Rights

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 authorized 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 modalities of the 2016, 2018 and 2019 Warrant Plans and the 2020 Subscription Rights Plan and the movements of the number of subscription rights during financial year 2022, please refer to [Note 21](#) in the consolidated financial statements.

Authorized capital

The Extraordinary General Meeting on 8 May 2017 resolved to renew the Board of Directors' authorization to increase the capital, with a majority of at least three-fourths of the votes and within the limits of the authorization 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 authorized 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 capitalization 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 authorized capital.

This authorization of the Board of Directors, for a period of five years from the date of publication of the resolution in the Annexes to the Belgian Official Gazette (May 19, 2017) by a majority of at least three-fourths of the votes and within the limits of the authorization contained in Article 5bis of Fagron's Articles of Association, to increase the capital on one or more occasions expires on May 19, 2022.

During the 2020 financial year, the Board of Directors made a one-time authorization of authorized 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 authorized 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 authorize any authorized capital during the 2021 financial year.

The Extraordinary General Meeting resolves to renew and extend the authority of the Board of Directors to increase the subscribed capital as mentioned in article 5bis of the coordinated Articles of Association dated May 8, 2017, for a period of five years from the publication of the amendment to the Articles of Association approved by the Extraordinary General Meeting dated May 9, 2022, in the Annexes to the Belgian Official Gazette.

By resolution of the Extraordinary General Meeting of May 9, 2022, the power was granted, by a majority of at least three-fourths of the votes and within the period of five years from the date of publication of the resolution in the Appendix to the Belgian Official Gazette, to increase the capital one or more times, in the manner and under the conditions to be determined by the Board of Directors, by an amount equal to ten percent of the capital.

Acquisition of treasury shares

In particular, the General Meeting or the Articles of Association shall determine the maximum number of shares, profit shares or certificates to be acquired, the duration for which the authorization for acquisition is granted and which may not exceed five years from the publication of the deed of incorporation, amendment of the Articles of Association or authorization by the General Meeting, as well as the minimum and maximum value of the compensation.

The Extraordinary General Meeting of May 9, 2022, authorized the Board of Directors to acquire treasury shares, by purchase or exchange, directly or by a person acting in his own name but on behalf of the Company, at a price not less than one euro and not higher than the average of the closing prices of the ten business days preceding the day of the purchase or exchange, increased by ten percent and in such a way that the Company will at no time hold own shares whose fractional value will exceed twenty percent of the issued capital of the Company.

The Company did not repurchase or deliver any of its own shares in 2022. As of the date of this report, Fagron held 103,627 of its own 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 accessed digitally on the investors 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 2022, 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
17 March 2023

Consolidated income statement

| (x 1,000 euros) | Note | 2022 | 2021 |
|--|------|----------------|----------------|
| Operating income | | 695,346 | 577,918 |
| Revenue | 6 | 683,881 | 573,808 |
| Other operating income | 7 | 11,466 | 4,110 |
| Operating expenses | | 597,437 | 490,481 |
| Trade goods | | 281,374 | 237,523 |
| Services and other goods | 8 | 116,342 | 88,789 |
| Employee benefit expenses | 9 | 158,130 | 132,503 |
| Depreciation and amortization | 10 | 35,480 | 29,332 |
| Other operating expenses | 11 | 6,111 | 2,334 |
| Operating profit | | 97,909 | 87,438 |
| Financial income | 12 | 8,833 | 2,780 |
| Financial expenses | 12 | 18,973 | 13,397 |
| Profit before income tax | | 87,769 | 76,820 |
| Taxes | 13 | 17,703 | 15,442 |
| Net result | | 70,066 | 61,378 |
| Attributable to: | | | |
| Equity holders of the company (net result) | | 69,612 | 61,004 |
| Non-controlling interest | | 454 | 375 |
| Earnings (loss) per share from continued and discontinued operations attributable to the shareholders during the year | | | |
| Profit (loss) per share (in euros) | 14 | 0.96 | 0.84 |
| Diluted profit (loss) per share (in euros) | 14 | 0.96 | 0.84 |

Consolidated statement of comprehensive income

| (x 1,000 euros) | Note | 2022 | 2021 |
|--|------|---------------|---------------|
| Net result for the financial year | | 70,066 | 61,378 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | 23 | | |
| • Remeasurements of post-employment benefit obligations | | 1,964 | 315 |
| • Tax relating to items that will not be reclassified | | -491 | -79 |
| Items that may be subsequently reclassified to profit or loss | 21 | | |
| • Interest hedge | | 7,384 | 0 |
| • Conversion differences | | 18,468 | 8,986 |
| Other comprehensive income for the year net of tax | | 27,325 | 9,222 |
| Total comprehensive income for the year | | 97,391 | 70,600 |
| Attributable to: | | | |
| Shareholders of the company | | 96,936 | 70,225 |
| Non-controlling interest | | 454 | 375 |

The unrealized conversion differences of 18 million euros in 2022 were mainly caused by a strengthening of the Brazilian Real and the US dollar against the euro.

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

Consolidated statement of financial position

| (x 1,000 euros) | Note | 2022 | 2021 |
|---|-------|----------------|----------------|
| Non-current assets | | 653,000 | 566,709 |
| Goodwill | 15 | 429,768 | 380,411 |
| Intangible fixed assets | 15 | 33,633 | 30,665 |
| Property, plant and equipment | 16 | 104,086 | 92,338 |
| Leasing and similar rights | 16/27 | 39,510 | 36,287 |
| Financial fixed assets | 17 | 4,210 | 1,556 |
| Financial instruments | 17/24 | 13,277 | 1,197 |
| Other fixed assets | 17 | 3,731 | 1,710 |
| Deferred tax liabilities | 18 | 24,785 | 22,545 |
| Current assets | | 318,010 | 233,711 |
| Inventories | 19 | 108,337 | 90,834 |
| Trade receivables | 20 | 60,722 | 51,897 |
| Other receivables | 20 | 23,614 | 20,335 |
| Cash and cash equivalents | 20 | 125,337 | 70,646 |
| Total assets | | 971,010 | 800,421 |
| Equity | 21 | 410,518 | 325,466 |
| Shareholders' equity (parent) | | 404,541 | 320,105 |
| Non-controlling interest | | 5,977 | 5,361 |
| Non-current liabilities | | 389,484 | 329,892 |
| Provisions | 22 | 2,024 | 1,783 |
| Pension obligations | 23 | 2,739 | 4,329 |
| Deferred tax liabilities | 18 | 4,352 | 2,510 |
| Borrowings | 24 | 346,673 | 290,586 |
| Lease liabilities | 27 | 33,697 | 30,684 |
| Current liabilities | | 171,009 | 145,062 |
| Borrowings | 24 | 9,461 | 6,796 |
| Lease liabilities | 27 | 9,548 | 7,522 |
| Trade payables | 25 | 97,856 | 83,660 |
| Tax liabilities for the current year | 18 | 7,993 | 7,211 |
| Other current taxes, remuneration and social security | 18 | 30,777 | 23,723 |
| Other current payables | 26 | 15,191 | 16,046 |
| Financial instruments | | 181 | 103 |
| Total liabilities | | 560,493 | 474,954 |
| Total equity and liabilities | | 971,010 | 800,421 |

Consolidated statement of changes in equity

| (x 1,000 euros) | Note | Share capital & share premium | Other reserves | Cash flow hedge reserve | Treasury shares | Retained earnings | Total | Non-controlling interests | Total equity |
|--|------|-------------------------------|-----------------|-------------------------|-----------------|-------------------|----------------|---------------------------|----------------|
| Balance as of January 1, 2021 | | 513,987 | -289,397 | 0 | -18,823 | 47,340 | 253,107 | 4,712 | 257,819 |
| Profit for the period | | 0 | 0 | 0 | 0 | 61,004 | 61,004 | 375 | 61,379 |
| Other comprehensive income | | 0 | 8,948 | 0 | 0 | 0 | 8,948 | 274 | 9,222 |
| Total comprehensive income for the period | | 0 | 8,948 | 0 | 0 | 61,004 | 69,951 | 649 | 70,600 |
| Capital increase | | 6,798 | 0 | 0 | 0 | 0 | 6,798 | 0 | 6,798 |
| Declared dividends | 21 | 0 | 0 | 0 | 0 | -13,046 | -13,046 | 0 | -13,046 |
| Share-based payments | 21 | 0 | 3,295 | 0 | 0 | 0 | 3,295 | 0 | 3,295 |
| Balance as of December 31, 2021 | | 520,785 | -277,154 | 0 | -18,823 | 95,297 | 320,105 | 5,361 | 325,466 |
| Profit for the period | | 0 | 0 | 0 | 0 | 69,612 | 69,612 | 454 | 70,066 |
| Other comprehensive income | | 0 | 19,779 | 7,384 | 0 | 0 | 27,163 | 161 | 27,325 |
| Total comprehensive income for the period | | 0 | 19,779 | 7,384 | 0 | 69,612 | 96,775 | 616 | 97,391 |
| Capital increase | | 453 | 0 | 0 | 0 | 0 | 453 | 0 | 453 |
| Declared dividends | 21 | 0 | 0 | 0 | 0 | -14,592 | -14,592 | 0 | -14,592 |
| Share-based payments | 21 | 0 | 1,799 | 0 | 0 | 0 | 1,799 | 0 | 1,799 |
| Balance as of December 31, 2022 | | 521,238 | -255,576 | 7,384 | -18,823 | 150,317 | 404,541 | 5,977 | 410,518 |

Consolidated cash flow statement

| (x 1,000 euros) | Note | 2022 | 2021 |
|---|------|----------------|----------------|
| Operating activities | | | |
| Profit before income taxes from continued operations | | 87,769 | 76,820 |
| Taxes paid | | -17,454 | -18,614 |
| Adjustments for financial items | | 10,140 | 10,618 |
| Total adjustments for non-cash items | 28 | 31,143 | 32,297 |
| Total changes in working capital | 29 | -2,140 | -22,701 |
| Total cash flow from operating activities | | 109,458 | 78,419 |
| Investment activities | | | |
| Capital expenditure | | -18,497 | -20,731 |
| Investments in existing shareholdings (subsequent payments) and in new holdings | | -53,997 | -11,192 |
| Proceeds from shareholdings sold | | 3,226 | 0 |
| Total cash flow from investment activities | | -69,269 | -31,923 |
| Financing activities | | | |
| Capital increase | | 453 | 6,798 |
| Dividends | | -14,571 | -13,028 |
| New borrowings | 24 | 135,000 | 66,173 |
| Reimbursement of borrowings | 24 | -85,727 | -99,488 |
| Payment of lease liabilities | | -9,396 | -8,334 |
| Interest received | | 3,569 | 1,584 |
| Interest paid | | -15,476 | -15,353 |
| Total cash flow from financing activities | | 13,852 | -61,648 |
| Total net cash flow for the period | | 54,042 | -15,152 |
| Cash and cash equivalents - start of the period | | 70,646 | 84,248 |
| Gains (losses) on currency translation differences | | 649 | 1,550 |
| Cash and cash equivalents - end of the period | | 125,337 | 70,646 |
| Changes in cash and cash equivalents | | 54,042 | -15,152 |

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 pharmaceutical compounding company focused on delivering personalized pharmaceutical care to hospitals, pharmacies, clinics and patients in 30+ 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 17 March 2023.

2 Principles for financial reporting

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 of Fagron NV and its subsidiaries for the full year 2022 have been prepared on a going concern basis, which means that it is assumed that the company will continue to be able to meet its obligations 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 fiscal year starting January 1, 2022, and have been adopted by the EU.

De volgende nieuwe standaarden, wijzigingen aan standaarden en interpretaties zijn uitgebracht en goedgekeurd door de EU, maar zijn nog niet voor het eerst verplicht van toepassing voor het boekjaar startend op 1 januari 2022.

Published, mandatory and approved by the EU

| | | Anticipated impact |
|---|---|--|
| Adjustments to IAS 37 Provisions, contingent liabilities and contingent assets: onerous contracts – Cost to satisfy an onerous contract January 1, 2022 | The adjustments clarify that the costs required to execute a contract are costs that are directly related to the contract and consist of: <ul style="list-style-type: none"> • The marginal cost for the execution of the contract, for example, direct labor and material costs; and • An allocation of the other costs directly related to the contract, for example, a portion of the depreciation cost of the tangible assets used to perform the contract. | Fagron has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements. |
| Amendments 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 has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements. |
| Adjustments to IAS 16 Property, plant and equipment: proceeds before intended use January 1, 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 has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements. |

Published, mandatory and approved by the EU

| | | Anticipated impact |
|---|---|--|
| Annual improvements 2018–2020 January 1, 2022 | <ul style="list-style-type: none"> • IFRS 1 - The amendment allows a subsidiary applying paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's transition date to IFRS. • IFRS 9 - The amendment clarifies what fees an entity charges when it applies the "10 percent" test in paragraph B3.3.6 of IFRS 9 when assessing whether a financial liability should no longer be recognized. 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 amendment to Illustrative Example 13 to IFRS 16 removes from the example the illustration of repayment of leasehold improvements by the lessor to eliminate potential confusion about the treatment of lease incentives that may arise from the way lease incentives are illustrated. • IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude tax cash flows when determining the fair value of a biological asset using a present value technique. | Fagron has determined that the application of these changes to these standards does not have any material effect on the consolidated financial statements. |

The following new standards, amendments to standards and interpretations have been issued and approved by the EU but are not yet mandatory for the first time for the fiscal year starting January 1, 2022.

Published, approved by the EU and not yet mandatory

| | | Anticipated impact |
|---|---|--|
| Adjustment to IFRS 4 Insurance contracts – postponement of IFRS 9 January 1, 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 will review the effects of these amendments and process them if applicable. |
| IFRS 17 Insurance contracts 1 January 2023 | IFRS 17 requires that insurance liabilities are valued at the current fulfilment value and offers a more uniform approach to valuation and presentation for all insurance contracts. These requirements are intended to achieve consistent, principle-based accounting for insurance contracts. IFRS 17 replaces IFRS 4 Insurance contracts as at 1 January 2023. | Fagron does not expect the adoption of these amendments to these standards to have a material effect on the consolidated financial statements. |

Published, approved by EU and not yet mandatory

| | | Anticipated impact |
|--|--|--|
| Adjustments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current January 1, 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 Financial Statements and IFRS Practice Statement 2: Disclosure of accounting policies January 1, 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. |
| Amendments to IAS 8 Accounting policies, changes in accounting estimates and errors: definition of estimates January 1, 2023 | The adjustments replace the definition of a change in estimates with a definition of estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement 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. |
| Adjustments to IAS 12 Income Taxes: Deferred taxes related to assets and liabilities arising from a single transaction. January 1, 2023 | The adjustments are applicable for fiscal years beginning January 1, 2023. | Fagron will review the effects of these amendments and process them if applicable. |

Consolidation criteria

The consolidated financial statements comprise Fagron and its subsidiaries. Subsidiaries are entities controlled by Fagron. 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 recognized at fair value on the acquisition date. Changes in the fair value of the contingent consideration that is an asset or liability are recognized 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 recognized 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 recognized 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 recognized 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 recognized as an asset.

Intra-group transactions, balances and unrealized gains on transactions between companies of the Group are eliminated. Unrealized 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 recognized in equity. Gains or losses on disposals to minority interests are also recognized 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 year-end rates;
- Income statement at the average rate for the year;
- Components of equity at the historical exchange rate.

Exchange rate differences arising from the conversion of the net investment in foreign subsidiaries at the year-end exchange rate are recognized 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 recognized in the income statement.

Exchange rates of key currencies

| | Balance sheet | | Income statement | |
|----------------|----------------------|-------------|-------------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| US dollar | 1.067 | 1.133 | 1.053 | 1.183 |
| Brazilian real | 5.639 | 6.310 | 5.438 | 6.381 |
| Polish zloty | 4.681 | 4.597 | 4.686 | 4.566 |
| Mexican peso | 20.856 | 23.144 | 21.189 | 23.985 |

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 has committed to the plan of sale;
- An active program has been initiated to seek buyers for the assets;
- The assets (or groups of assets being disposed of) are available for immediate sale, taking into account conditions customary for sale;
- Sale is highly probable, expected sale occurs within 12 months of initial classification as available-for-sale fixed assets;
- The asset is placed in the market at a reasonable price, the price is in line with the fair value;
- The actions required to complete the sale of the asset indicate that the plan is not likely to change significantly 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 recognized 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 recognized 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 (15)

Goodwill represents the positive difference between the cost of an acquisition and the fair value of Fagron's share of the net identifiable assets of the acquired subsidiary at the acquisition date. Goodwill is tested for impairment at least once a year, but also whenever a triggering event -occurs. Goodwill is recognized 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 (15)

Intangible fixed assets are valued at cost price less accumulated amortization and impairment. All intangible fixed assets are checked for impairment when there is an indication that the intangible asset may require impairment.

Brands, licenses, patents and other

Intangible fixed assets are recognized 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 capitalized and amortized on a straight-line basis over a period of 5 to 7 years. If part of the consideration paid for a business combination has to do with trade names, brand names, formulas and customer files, it is considered intangible fixed assets.

Research and development

Research costs related to the prospect of gaining new scientific or technological knowledge and understanding are recognized 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 capitalized when, among other things, the following criteria are met:

- Technical feasibility of the project;
- Intention to complete the project and 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 cost reliability.

Development costs are amortized using the straight-line method over the period of their expected benefit, which is currently a maximum of 5 years. Amortization 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 capitalized 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 capitalized at cost price and then valued at cost price less accumulated depreciation and impairment losses. The assets are depreciated over the useful life, which is currently estimated at 5 years.

Impairment

Assets that have an indefinite useful life are not subject to amortization and are checked for impairment on an annual basis. Amortized assets are reviewed for impairment when events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognized 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 amortization, 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 amortization 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.

Derivative Financial Instruments (17/24)

Fagron uses derivative financial instruments to mitigate risks related to fluctuations in interest rates and exchange rates. No derivatives are employed for trade purposes.

Derivative financial instruments are recognized at fair value on the balance sheet. The fair values are determined using a Level 2 method which means that the value is calculated using the discounted cash flows of the face value and interest flows. Some of Fagron's derivative contracts do not meet the criteria defined in IFRS 9 to be considered as cash flow hedges, and therefore changes in the fair value of these derivatives are recognized in the income statement. For the portion of derivative contracts that meet IFRS 9 requirements, the changes in fair value attributable to the effective portion of the hedge in line with IFRS 9 hedge accounting guidance are recognized in the cash flow hedge reserve, which is part of equity. Changes in fair value attributable to the ineffective portion of the hedge are recognized directly in the income statement.

Tax on profits (18)

Income taxes as recognized 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 recognized when a liability to pay the dividend is recognized.

Deferred taxes are recognized 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 realized 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 recognized to the extent that the tax losses carried forward are likely to be offset in the foreseeable future. Deferred tax assets are fully written off when it is no longer probable that the corresponding tax benefit will be realized.

Fagron will offset tax assets and tax liabilities if, and only if, Fagron has a legally enforceable right to offset the recognized amounts; and either (a) intends to settle on a net basis, or (b) to realize 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 realizable 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 amortized cost. Provisions are made based on lifetime expected loss allowance for all customers based on historical payment behavior and forward-looking information.

When trade receivables are transferred to a third party (through factoring), the trade receivables are no longer recognized on the balance sheet if (1) the right to receive cash flows no longer exists and (2) Fagron has transferred substantially all rights and risks.

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 recognized at cost. Adjustments are made to the book value when at balance sheet date the realization 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 recognized 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 required to settle the obligation; and
- The amount can be reliably estimated.

Provisions for restructuring costs comprise lease termination penalties and employee termination payments. No provisions are recognized for future operating losses.

Provisions are recognized 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 present value reflects current market estimates 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 revenue 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 recognizes 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 recognized on the balance sheet for defined benefit plans is the present value of future obligations from the benefit plan less the fair value of plan assets. 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 immediately recognized, in the period in which they arise, in equity through other comprehensive income.

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 recognized as costs in the income statement at the moment they are made.

Borrowings (24)

Loans are initially recognized at fair value, net of transactional costs incurred. Loans are then recorded at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the loans 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 amortized cost price:

- The financial asset is held within a business model whose purpose is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms and conditions of the financial asset give rise on specified dates to cash flows that are payments solely of principal and interest on the outstanding principal.

On August 1, 2019, Fagron entered into a (sustainable) syndicated credit facility consisting of a revolving credit line of 245 million euros and a term loan facility of 130 million euros. In 2022, this facility was expanded by an additional term loan facility of 105 million euros. 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 are not substantially different, the difference between (1) the current debt position on the balance sheet; and (2) the net present value of cash flows after change in terms is included in "Other Gains and Losses" 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 recognized on these lease liabilities.

At the start of the contract, Fagron assesses whether it is a lease contract, or it contains a lease. Fagron recognizes a "right to 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 recognizes lease payments on a straight-line basis as operating expenses over the lease term unless another systematic basis is more representative of the time pattern in which the economic benefits of the leased assets are consumed.

Revenue recognition

Fagron uses the five-step model in order to recognize revenue that results from sales to customers. The revenue is recognized 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 recognized 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 collectible. This is normally the case at the time the goods are delivered. Revenue from services is recognized in the accounting period in which the services have been provided.

Segment reporting

IFRS 8 defines an operating segment as:

- A part of a business where income is generated and expenses are incurred;
- Where operating results are regularly reviewed by the decision-making body (Chief Operating Decision Maker) to make decisions about resource allocation to the segment and performance assessment; and
- Where concrete financial information is available.

Fagron determines and presents operating segments based on information 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 form the basis of 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 recognized 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 Management of financial risks

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 to Fagron in order to secure the company’s long-term business goals 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 realization 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. The following credit facilities are available to Fagron for the purpose of its operating business.

Sustainable syndicated credit facility

On August 1, 2019, Fagron entered into a (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 this financing is 5 years with the option to extend twice for one year. In 2021, the first extension option was exercised and 130 million euros of the term loan facility and 210 million euros of the revolving line of credit were extended for 1 year. In 2022, the option for an incremental term loan facility for the amount of 105 million euros was used. In addition, the second extension option was used to extend both term loans for a total value of 235 million euros and the 210 million euros of the revolving line of credit by 1 additional year until mid-2026.

Financial covenants syndicated credit facility

| Test period | Net financial debt/REBITDA | REBITDA/net interest expense |
|--|----------------------------|------------------------------|
| Semi-annual test periods (June/December) | Max. 3.50x | Min. 4.00x |

As of the end of 2022, the full-term loans of 235 million euros (2021: 130 million euros) and an amount of 112.5 million euros were drawn under the syndicated credit facility (2021: 161 million euros) and Fagron was in compliance with the aforementioned financial covenants.

The credit facility is a so-called Sustainability Linked Loan, where the interest is linked to Fagron’s sustainability objective to reduce greenhouse gas intensity (Scope 1 and Scope 2 of the GHG protocol) by approximately 30% in six years. Based on the annual progress measured, a discount or an addition can be applied to the credit facility’s interest rate.

Starting in 2020, the sustainability objective to reduce Fagron’s greenhouse gas intensity by approximately 30% in six years is also linked to the variable remuneration system for management.

Capital management

Fagron’s objectives in relation to capital management are to:

- Safeguard the company’s ability to maintain its continuity; and
- Maintain an optimal capital structure to reduce the cost of capital.

Fagron does not have any explicit policy for return on capital. There were no changes in 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 optimize the financial position and keep the related interest charges to a minimum, the companies’ cash flows are centralized 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 to one central notional cash pool, where balances within the same entity are presented net.

Liquidity risk

Liquidity risk is the risk that Fagron is unable to meet its financial obligations. The expected cash flow is assessed and analyzed 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 revenue 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 measured at amortized cost and level 2 method means that the valuation was based on inputs other than quoted prices in active markets as included in level 1.

Net book value financial assets

| (x 1,000 euros) | Category | Level | Gross value | Special value-reductions | Net book value |
|---------------------------|----------|-------|-------------|--------------------------|----------------|
| Trade receivables | GK | 2 | 64,318 | -3,596 | 60,722 |
| Other receivables | GK | 2 | 24,584 | -970 | 23,614 |
| Cash and cash equivalents | GK | 2 | 125,337 | 0 | 125,337 |

Term of financial instruments

| (x 1,000 euros) | Category | Level | Average effective interest rate | Total book value | < 1 year | 1 -5 years | > 5 years |
|----------------------|----------|-------|---------------------------------|------------------|----------|------------|-----------|
| Leasing liabilities | GK | 2 | 3.9% | 43,245 | 9,548 | 27,316 | 6,381 |
| Credit institutions | GK | 2 | 1.5% | 355,826 | 9,461 | 346,365 | 0 |
| Other financial debt | GK | 2 | | 308 | 0 | 308 | 0 |

Interest risk

Fagron regularly reviews the maintained mix between a fixed and floating rate. At this moment, the financing consists of financing with a floating interest rate ranging from 1 to 6 months. A higher Euribor interest rate of 10 basis points would have had an increasing effect on floating interest expenses of about 135 thousand euros before tax (2021: 187 thousand euros). Currently, all debt is based on floating 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, due to the international spread of its operations, is subject to exchange rate influences that may affect its results. 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. Together, these entities represent 71.7% of consolidated sales in 2022.

Some of Fagron's revenue is realized 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 a 10% strengthening or weakening of the euro against the US dollar, the Brazilian real, the Polish zloty and the Mexican peso for the year 2022 and the effect on profit before tax and equity.

| (x 1,000 euros) | Profit before tax | | Equity | |
|-----------------|-------------------|-----------|---------------|-----------|
| | Strengthening | Weakening | Strengthening | Weakening |
| US dollar | -2,250 | 1,841 | -11,242 | 9,198 |
| Brazilian real | -1,555 | 1,272 | -14,428 | 11,804 |
| Polish zloty | -203 | 166 | -2,128 | 1,741 |
| Mexican peso | -192 | 157 | -2,351 | 1,923 |

There is also an indirect foreign exchange risk since a large portion of purchases in Brazil are 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.

Foreign exchange risk related to foreign currency debt, which is borrowed entirely in US dollars, is fully hedged with intercompany loans to the US subsidiary.

Fair value risk

Fagron uses financial derivatives to hedge interest rate and exchange rate risks. For all currency derivatives and the US dollar interest rate derivative, the revaluation is recognized directly in the income statement. For all EUR interest rate derivatives, the revaluation is recognized through equity.

For various currency positions, Fagron has hedged the foreign exchange risk with a currency swap. An interest rate derivative was also taken out for US\$100 million in financing. In accordance with IFRS, all financial derivatives are recognized either as assets or as liabilities. In accordance with IFRS 9, financial derivatives are recognized at fair value. Changes in the fair value of currency derivatives and interest rate derivatives for the US dollar financing is recognized immediately in the income statement because they are financial derivatives that do not qualify as cash flow hedging instruments.

In 2022, Fagron entered into various financial derivatives for a total value of 180 million euros with various maturities to partially hedge the variable euro interest rate risk of the two term loans. These newly concluded financial derivatives comply with IFRS 9 guidelines and qualify as cash flow hedging instruments. Changes in the fair value of these financial derivatives are recognized in the cash flow hedge reserve, which is part of equity.

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. A summary of the important assessments and judgments is presented below.

Estimated impairment loss for goodwill and other intangible fixed assets

Fagron performs an annual review to verify whether goodwill has been impaired in accordance with the accounting policies stated in [Note 15](#). The recoverable amount of cash-generating units is the higher of the fair value of the asset less costs to sell and the net present value. These calculations require the application of estimates. No impairment loss was recognized in 2021 and 2022.

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](#): Long-term provisions and [Note 30](#): Contingent liabilities.

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](#): Income tax and employee benefit liabilities and [Note 30](#): Contingent liabilities.

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 consistent with the application of IFRS 8 which states that the determination of operating segments should be based on the components used by the executive leadership team to determine the performance of operating activities and on which decisions are based.

Fagron is organized into three main operational segments:

1. Fagron EMEA refers to Fagron's European operations in the Netherlands, Belgium, Poland, Germany, Italy, the Czech Republic, Spain, France, Denmark, Greece, Croatia and the United Kingdom and operations in Israel and South Africa. Fagron EMEA is active in every Fagron activity category;
2. Fagron North America includes all Fagron operations in the United States. Fagron North America is active in every Fagron activity category;
3. Fagron Latin America refers to all of Fagron's operations in Brazil, Colombia and Mexico. In Latin America, Fagron is primarily active in Fagron Brands and Fagron Essentials.

Fagron's operations can be divided into three categories:

1. Fagron Compounding Services refers to all personalized medication prepared in Fagron's sterile and non-sterile facilities;
2. Fagron Brands includes the innovative concepts, products and vehicles developed by Fagron, often in close cooperation with prescribers, pharmacies and universities;
3. Fagron Essentials refers to all the pharmaceutical raw materials, equipment and supplies that a pharmacist needs to prepare medication himself in the pharmacy.

Segment results for continuing operations for the period ended December 31, 2022 are as follows:

| 2022 (x 1,000 euros) | Fagron EMEA | Fagron North America | Fagron Latin America | Total |
|---|----------------|-------------------------|-------------------------|----------------|
| Revenue | 276,409 | 245,136 | 162,336 | 683,881 |
| Intersegment revenue | 1,454 | 155 | 299 | 1,909 |
| Total revenue | 277,863 | 245,291 | 162,635 | 685,790 |
| Operating result per segment | 45,216 | 31,020 | 21,674 | 97,909 |
| Financial result | | | | -10,140 |
| Profit before taxes | | | | 87,769 |
| Taxes on profits | | | | 17,703 |
| Net profit from continued operations | | | | 70,066 |

Segment results for continuing operations for the period ended December 31, 2021 are as follows.

| 2021 (x 1,000 euros) | Fagron EMEA | Fagron North America | Fagron Latin America | Total |
|---|----------------|-------------------------|-------------------------|----------------|
| Revenue | 255,103 | 177,626 | 141,079 | 573,808 |
| Intersegment revenue | 781 | 273 | 156 | 1,211 |
| Total revenue | 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 |

Other segmented items recognized in the income statement for continuing operations are as follows:

| 2022 (x 1,000 euros) | Fagron EMEA | Fagron North America | Fagron Latin America | Total |
|---------------------------------|--------------------|---------------------------------|---------------------------------|--------------|
| Depreciation and amortization | 11,286 | 13,426 | 6,586 | 31,297 |
| Write-down on inventories | 2,483 | 869 | 0 | 3,352 |
| Write-down on receivables | 1,090 | -140 | -118 | 831 |
| 2021 (x 1,000 euros) | Fagron EMEA | Fagron North America | Fagron Latin America | Total |
| Depreciation and amortization | 10,275 | 11,589 | 4,619 | 26,483 |
| Write-down on inventories | 1,761 | 372 | 0 | 2,132 |
| Write-down on receivables | 282 | -216 | 651 | 716 |

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

| 2022 (x 1,000 euros) | Fagron EMEA | Fagron North America | Fagron Latin America | Unassigned/ intersegment elimination | Total |
|-------------------------|-------------|----------------------|----------------------|--|---------|
| Total assets | 389,344 | 317,010 | 206,270 | 58,387 | 971,010 |
| Total liabilities | 142,593 | 215,830 | 52,487 | 149,583 | 560,493 |
| Capital expenditure | 8,266 | 6,920 | 5,291 | 0 | 20,477 |

| 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 |

The segment assets consist primarily of property, plant and equipment, intangible fixed assets, inventories, receivables and cash from operations. The difference between the above-mentioned capital expenditures and the capital expenditures in the cash flow statement mainly relates to the impact of capital expenditures still to be paid at the end of 2021 and 2022 and proceeds from divestitures.

Fagron has a large number of customers that are distributed internationally, with a substantial portion of revenue realized with a wide range of smaller customers and no customer accounts for more than 10% of Fagron's proceeds.

6 Revenue

| (x 1,000 euros) | 2022 | 2021 |
|-----------------|----------------|----------------|
| Sale of goods | 683,881 | 573,808 |
| Revenue | 683,881 | 573,808 |

| 2022 (x 1,000 euros) | Fagron EMEA | Fagron North America | Fagron Latin America | Total |
|-----------------------------|----------------|----------------------|----------------------|----------------|
| Fagron Compounding Services | 80,643 | 152,810 | 2,869 | 236,323 |
| Fagron Brands & Essentials | 195,765 | 92,325 | 159,467 | 447,558 |
| Total | 276,409 | 245,136 | 162,336 | 683,881 |

| 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 |

7 Other operating income

| (x 1,000 euros) | 2022 | 2021 |
|-------------------------------------|---------------|--------------|
| Gain on disposal of fixed assets | 926 | 364 |
| Other operating income | 10,539 | 3,746 |
| Total other operating income | 11,466 | 4,110 |

The increase in other operating income is mainly due to a release of contingent liabilities related to acquisitions in North America and badwill from the acquisition of the 503B compounding facility in Boston (5.5 million euro).

8 Services and other goods

| (x 1,000 euros) | 2022 | 2021 |
|---------------------------------------|----------------|---------------|
| Sale and distribution costs | 42,018 | 33,647 |
| Contracted services | 29,388 | 23,897 |
| Other services and goods | 44,936 | 31,245 |
| Total services and other goods | 116,342 | 88,789 |

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) | 2022 | 2021 |
|---|----------------|----------------|
| Wages and salaries | 108,198 | 89,316 |
| Social security costs | 19,112 | 15,866 |
| Pension costs – defined benefit plans | 535 | 373 |
| Pension costs – defined contribution plans | 3,470 | 3,055 |
| Other post-employment benefit contributions | 1,381 | 2,159 |
| Other employee expenses | 25,435 | 21,734 |
| Total employee benefit expenses | 158,130 | 132,503 |

On December 31, 2022, Fagron's workforce (fully consolidated companies), for continuing operations, was 3,162 (2021: 3,061) persons or 3,035 (2021: 2,846.4) full-time equivalents. The distribution of the number of full-time equivalents per operating segment is as follows:

| Full-time equivalents (rounded to whole units) ¹ | 2022 | 2021 |
|---|--------------|--------------|
| EMEA | 1,284 | 1,155 |
| North America | 914 | 753 |
| Latin America | 837 | 938 |
| Total | 3,035 | 2,846 |

¹ FTE of own employees based on continuing operations.

10 Depreciation, amortization and impairment

| (x 1,000 euros) | 2022 | 2021 |
|---|---------------|---------------|
| Depreciation and amortization intangible fixed assets | 9,213 | 8,458 |
| Depreciation property, plant and equipment | 11,191 | 9,567 |
| Depreciation lease and similar rights | 10,893 | 8,458 |
| Write-down on inventories | 3,352 | 2,132 |
| Write-down on receivables | 831 | 716 |
| Depreciation, amortization and impairment | 35,480 | 29,332 |

11 Other operating expenses

| (x 1,000 euros) | 2022 | 2021 |
|---|--------------|--------------|
| Increase (decrease) in provisions for current liabilities | 196 | 4 |
| Increase (decrease) in provisions for pension liabilities | 8 | -13 |
| Taxes and levies (excluding income tax) | 1,434 | 1,367 |
| Other operating expenses | 4,473 | 976 |
| Total other operating expenses | 6,111 | 2,334 |

The increase in other operating expenses mainly consists of acquisition costs.

12 Financial result

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

| (x 1,000 euros) | 2022 | 2021 |
|--------------------------------------|----------------|----------------|
| Financial income | 4,064 | 1,421 |
| Revaluation of financial derivatives | 4,769 | 1,359 |
| Total financial income | 8,833 | 2,780 |
| Financial expenses | 5,931 | 4,694 |
| Interest expenses | 8,581 | 6,656 |
| Interest on leasing liabilities | 2,039 | 1,350 |
| Currency translation differences | 2,422 | 698 |
| Total financial expenses | 18,973 | 13,397 |
| Total financial result | -10,140 | -10,618 |

The revaluation of financial derivatives of 4.8 million euros in 2022 (2021: 1.4 million euros) relates to the change in the market value of interest rate derivatives that, in accordance with IFRS 9, cannot be presented as cash flow hedging instruments and does not involve cash flow. Interest rate derivatives were valued on a discounted cash flow basis.

The financial result, excluding the revaluation of financial derivatives, amounts to -14.9 million euros in 2022 (2021: -12.0 million euros). This increase is mainly caused by an increase in exchange rate differences. Higher interest expenses are offset by higher interest income.

13 Tax on profits

Income taxes from continued operations are as follows:

| (x 1,000 euros) | 2022 | 2021 |
|--|---------------|---------------|
| Current tax expenses | 17,268 | 15,517 |
| Deferred taxes | 435 | -75 |
| Tax on profits | 17,703 | 15,442 |
| Effective tax rate | 20.17% | 20.10% |
| Profit before income tax from continued operations | 87,769 | 76,820 |
| Tax calculated at weighted Fagron NV's statutory tax rate | 21,942 | 19,205 |
| Effect of rate differences compared with foreign jurisdictions | -62 | 1,485 |
| Income not subject to taxes | -817 | -506 |
| Expenses not deductible for tax purposes | 2,816 | 838 |
| Tax on profit previous years | 42 | -24 |
| Valuation of non-deductible losses | -4,958 | -3,593 |
| Other | -1,260 | -1,963 |
| Tax on profits | 17,703 | 15,442 |

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 increase is caused by the further restriction on interest deductions combined with an increase in interest rates.

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 recognized earlier as a deferred tax claim and tax losses in the current year which have not been recognized because of insufficient expected future tax profits.

14 Earnings per share

| (in euros) | 2022 | 2021 |
|--|-------------|-------------|
| Basic earnings (loss) per share | 0.96 | 0.84 |
| • based on continuing operations | 0.96 | 0.84 |
| Diluted earnings (loss) per share | 0.96 | 0.84 |
| • based on continuing operations | 0.96 | 0.84 |

The earnings used in the calculations are as follows:

| (x 1,000 euros) | 2022 | 2021 |
|--|---------------|---------------|
| Profit (loss) attributable to equity holders of the company | 69,612 | 61,004 |
| • based on continuing operations | 69,612 | 61,004 |

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) | 2022 | 2021 |
|---|---------------|---------------|
| Weighted average number of ordinary shares | 72,875 | 72,643 |
| Effect of subscription rights | 11 | 72 |
| Weighted average number of ordinary shares (diluted) | 72,886 | 72,715 |

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 whose exercise price exceeds the average share price of Fagron in 2022.

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 January 1, 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 amortization | 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 | 709,270 |
| Accumulated depreciation including amortization | -250,085 | -9,654 | -1,597 | -22,763 | -14,073 | -22 | -48,110 | -298,194 |
| Net book value | 380,411 | 7,090 | 1,111 | 15,806 | 6,658 | 0 | 30,665 | 411,075 |
| Net book value as of January 1, 2022 | 380,411 | 7,090 | 1,111 | 15,806 | 6,658 | 0 | 30,665 | 411,075 |
| Investments | 0 | 2,890 | 0 | 0 | 2,461 | 0 | 5,351 | 5,351 |
| Acquisitions | 33,780 | 969 | 0 | 2,843 | 1,089 | 0 | 4,902 | 38,682 |
| Transfers and disposals | 0 | 154 | 0 | 0 | 307 | 0 | 461 | 461 |
| Depreciation and amortization | 0 | -2,302 | -110 | -5,011 | -1,790 | 0 | -9,213 | -9,213 |
| Exchange differences | 15,577 | 56 | 2 | 1,064 | 345 | 0 | 1,468 | 17,045 |
| Net book value as of December 31, 2022 | 429,768 | 8,857 | 1,003 | 14,703 | 9,070 | 0 | 33,633 | 463,401 |
| Gross book value | 689,564 | 20,660 | 2,605 | 43,830 | 25,658 | 22 | 92,775 | 782,340 |
| Accumulated depreciation including amortization | -259,796 | -11,803 | -1,602 | -29,127 | -16,588 | -22 | -59,142 | -318,939 |
| Net book value | 429,768 | 8,857 | 1,003 | 14,703 | 9,070 | 0 | 33,633 | 463,401 |

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. Development costs are fully capitalized in 2021 and 2022. 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. This did not result in goodwill impairment in 2021 and 2022.

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 recognized at cost less accumulated impairment losses. The net book value of goodwill was attributed as follows to the cash-generating units:

| (x million euros) | December 2022 | December 2021 |
|--|---------------|---------------|
| Fagron Europe Brands & Essentials | 123.8 | 111.8 |
| Fagron Europe Compounding Services | 62.0 | 58.7 |
| Fagron United States Brands & Essentials | 107.9 | 83.6 |
| Fagron Sterile Services | 18.1 | 17.0 |
| AnazaoHealth | 32.3 | 30.4 |
| Fagron Latin America Brands & Essentials | 72.8 | 65.1 |
| Fagron Rest of the World | 12.9 | 13.7 |
| Total | 429.8 | 380.4 |

The increase in goodwill is mainly due to acquisitions and a strengthening of the US dollar and Brazilian real 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 realizable 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 impairment test for goodwill are the sales growth rate, gross margin rate, discount rate and long-term growth rate.
- The first year of the model is based on detailed financial budgets approved by management and the Board of Directors.
- For the second to fifth year, budget figures from the first year are extrapolated taking into account an internal growth rate or a business plan is used. The figures take into account economic assumptions and historical experience of market share, turnover and expenses, capital expenditures and working capital.
- For subsequent years, an estimate of perpetual growth is used. For the main cash-generating units, a long-term growth rate of 2% for Fagron Europe Compounding Services, Fagron Europe Brands & Essentials, Fagron United States Brands & Essentials, Fagron Sterile Services and AnazaoHealth and 7% for Fagron Latin America Brands & Essentials was used. The same growth rates were used in 2021.
- Projections are made for Latin America and the United States in the functional currency and are discounted at the weighted average unit cost of capital. A weighted average capital charge of 9.2% (pre-tax: 11.6%) for Fagron Europe Compounding Services, 9.2% (pre-tax: 11.7%) for Fagron Europe Brands & Essentials, 10.8% (pre-tax: 13.1%) for Fagron United States Brands & Essentials, 10.8% (pre-tax: 13.1%) for Fagron Sterile Services, 10.8% (pre-tax: 12.9%) for AnazaoHealth and 19.4% (pre-tax: 27.1%) for Fagron Latin America Brands & Essentials.
- In 2021, a weighted average capital charge of 7.9% (pre-tax: 9.9%) for Fagron Europe Compounding Services, 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.
- For all cash flow generating units, the weighted average capital charge increased from last year, narrowing the difference between the net book value of assets and the value in use.

Of the major cash-generating units, Fagron Latin America Brands & Essentials has the smallest relative difference between the net book value of assets and its value in use. The difference was estimated at 19.9 million euros. To estimate the risk of goodwill impairment, a sensitivity analysis was performed on each key assumption.

The key assumptions are maintenance capex as a % of sales, discount rate, long-term growth and gross margin. The table below shows the change (in basis points) for each individual assumption that brings the difference between the value in use and the net book value to zero.

| (In basis points) | Increase in maintenance capex as % of sales | Increase in discount rate | Decline in long-term growth | Decline in gross margin |
|--|---|---------------------------|-----------------------------|-------------------------|
| Fagron Latin America Brands & Essentials | 525 | 213 | 340 | 197 |

The outcome of the impairment test for the other cash-generating units indicates that a reasonable change in the assumptions used will not result in impairment.

16 Tangible fixed assets

| (x 1,000 euros) | Land and buildings | Machinery and installations | Office equipment and transportation resources | Leasing and other similar rights | Other property, plant and equipment | Assets under construction | Total |
|---|--------------------|-----------------------------|---|----------------------------------|-------------------------------------|---------------------------|----------------|
| Net book value as of January 1, 2021 | 39,835 | 17,253 | 5,874 | 32,437 | 2,505 | 20,721 | 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 amortization | -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 December 31, 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 including amortization | -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 |
| Net book value as of January 1, 2022 | 47,365 | 17,450 | 6,180 | 36,287 | 3,899 | 17,445 | 128,626 |
| Investments, including additions for IFRS 16 | 2,674 | 2,942 | 2,186 | 8,934 | 512 | 6,815 | 24,064 |
| Acquisitions | 6,854 | 1,494 | 559 | 3,591 | 70 | 98 | 12,668 |
| Transfers and disposals | 5,405 | 1,127 | 2,199 | 8 | 184 | -12,872 | -3,948 |
| Depreciation and amortization | -3,750 | -4,455 | -2,117 | -10,893 | -868 | -2 | -22,085 |
| Exchange differences | -107 | 704 | 181 | 1,583 | 96 | 1,814 | 4,272 |
| Net book value as of December 31, 2022 | 58,441 | 19,263 | 9,189 | 39,510 | 3,894 | 13,299 | 143,596 |
| Gross book value | 86,943 | 53,836 | 25,957 | 69,810 | 8,871 | 13,299 | 258,716 |
| Accumulated depreciation including amortization | -28,502 | -34,573 | -16,768 | -30,300 | -4,977 | 0 | -115,120 |
| Net book value | 58,441 | 19,263 | 9,189 | 39,510 | 3,894 | 13,299 | 143,596 |

Fagron's liability regarding leasing is guaranteed on account of the lessor holding the legal property title to the leased assets. All other property, plant and equipment have no restrictions on the title of ownership. Nor are these assets pledged as security for liabilities.

17 Financial fixed assets

| (x 1,000 euros) | Investments | Financial instruments MtM hedge | Loans and receivables | Total |
|---|--------------|---------------------------------|-----------------------|---------------|
| Net book value as of January 1, 2021 | 1,014 | 0 | 1,326 | 2,340 |
| Investments | 600 | 0 | 275 | 876 |
| Transfers and disposals | -58 | 1,197 | 46 | 1,185 |
| Other movements | 0 | 0 | 63 | 63 |
| Net book value as of 31 December 2021 | 1,556 | 1,197 | 1,710 | 4,463 |
| Investments | 2,498 | 0 | 2,179 | 4,676 |
| Transfers and disposals | 176 | 0 | -240 | -64 |
| Other movements | -20 | 12,080 | 82 | 12,143 |
| Net book value as of December 31, 2022 | 4,210 | 13,277 | 3,731 | 21,218 |

The change in investments consist mainly of the unrealized appreciation of derivatives of 12.1 million euros. Investments are valued on a fair value basis and differences from the fair value are disclosed 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 for 2022, as for 2021, none of these assets need to be impaired.

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) | 2022 | 2021 |
|--|---------------|---------------|
| Tax liabilities for the current year | 7,993 | 7,211 |
| Other current tax and VAT payable | 12,029 | 8,052 |
| Remuneration and social security payable | 18,749 | 15,671 |
| Current taxes, remuneration and social security | 38,771 | 30,934 |

b) Deferred tax assets

| (x 1,000 euros) | Difference in depreciation rates | Employee benefits | Provisions | Tax losses | Other | Total |
|--|----------------------------------|-------------------|--------------|---------------|-------------|---------------|
| Balance as of January 1, 2021 | 767 | 1,352 | 933 | 17,923 | -166 | 20,809 |
| 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 as of December 31, 2021 | 670 | 1,331 | 1,384 | 19,070 | 91 | 22,545 |
| Result | -459 | -113 | -334 | 2,958 | -281 | 1,771 |
| Change in scope of consolidation | 200 | 0 | 0 | 0 | 268 | 468 |
| impairment | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as of December 31, 2022 | 411 | 1,218 | 1,050 | 22,028 | 78 | 24,785 |

The category "Other" mainly consists of 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. If earnings forecast is extended by one year in the region with the most significant deferred tax asset, it will increase by about 4.5 million euros.

Based on the impairment test in 2022 on tax losses, no impairment took place. As of the end of 2022, tax losses amount to 258.4 million euros (2021: 273.5 million euros), of which 104.2 million euros (2021: 93.4 million euros) have been valued, resulting in a deferred tax asset of 22.0 million euros (2021: 19.1 million euros). A significant portion of the tax losses regards the United States and will lapse in 2036.

(c) Deferred tax liabilities

| (x 1,000 euros) | Difference in depreciation rates | Other | Total |
|--|----------------------------------|---------------|--------------|
| Balance as of January 1, 2021 | 5,410 | -2,751 | 2,659 |
| Result | 172 | -321 | -149 |
| Change in scope of consolidation | 0 | 0 | 0 |
| Discontinued operations | 0 | 0 | 0 |
| Balance as of December 31, 2021 | 5,582 | -3,072 | 2,510 |
| Result | -473 | 2,032 | 1,560 |
| Change in scope of consolidation | 355 | -73 | 282 |
| Discontinued operations | 0 | 0 | 0 |
| Balance as of December 31, 2022 | 5,464 | -1,113 | 4,352 |

The category "Other" mainly consists of netting with deferred tax assets. For 2022, the movement was largely due to the difference in valuation of financial derivatives.

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 recognized a deferred tax liability as no defined intercompany dividend policy applies and thus Fagron can determine when and for what amount a dividend is paid. The unvalued deferred tax liability is nil.

19 Inventories

| (x 1,000 euros) | 2022 | 2021 |
|--------------------|----------------|---------------|
| Raw materials | 31,173 | 25,974 |
| Work in progress | 231 | 218 |
| Finished goods | 24,099 | 16,342 |
| Trade goods | 52,834 | 48,299 |
| Inventories | 108,337 | 90,834 |

The increase in inventories is mainly explained by acquisitions and strengthening of the US dollar and Brazilian real.

20 Trade receivables, other receivables and cash and cash equivalents

a) Trade receivables and other receivables

| (x 1,000 euros) | 2022 | 2021 |
|---|---------------|---------------|
| Trade receivables | 64,318 | 54,405 |
| Provision for impairment of receivables | -3,596 | -2,508 |
| Total trade receivables | 60,722 | 51,897 |
| Other receivables | 23,614 | 20,335 |

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 minimizes credit risk. No individual customers make up a substantial part of either turnover or outstanding receivables. Fagron uses factoring. The factoring balance as of December 31, 2022, was 36.8 million euros (2021: 31.7 million euros).

| (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 December 31, 2022 | 60,722 | 42,610 | 9,546 | 4,118 | 1,964 | 2,485 |
| Percentage of expected credit losses 2022 | | 0.1% | 3.5% | 7.5% | 15% | 50% |
| 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% |

| (x 1,000 euros) | Provision for impairment of receivables |
|--|---|
| Balance as of January 1, 2021 | -2,139 |
| Additions: | |
| • Through business combinations | 0 |
| • Other | -719 |
| Allocations | 0 |
| Other | 350 |
| Balance as of December 31, 2021 | -2,508 |
| Additions: | |
| • Through business combinations | -221 |
| • Other | -831 |
| Allocations | 0 |
| Other | -34 |
| Balance as of December 31, 2022 | -3,596 |

There is no major write-down 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 analyzed 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) | 2022 | 2021 |
|---|----------------|---------------|
| Investments with a maturity of less than three months | 670 | 395 |
| Cash and cash equivalents | 124,667 | 70,252 |
| Cash and cash equivalents | 125,337 | 70,646 |

The increase 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 centralized 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.

The impact of cash pool netting at year-end amounts to 13.2 million euros.

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

Authorized capital

By resolution of the Special General Meeting of May 9, 2022, the power was granted, by a majority of at least three-fourths of the votes and within the period of five years from the date of publication of the resolution in the Appendix to the Belgian Official Gazette, to increase the capital in one or more times, in the manner and under the conditions to be determined by the Board of Directors, by an amount equal to ten percent of the 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 own shares were purchased in 2022 (2021: nil). As of December 31, 2022, Fagron NV held 103,627 treasury shares (2021: 103,627). In accordance with IFRS, these shares are deducted from equity and do not affect the income statement. In 2022, 32,500 new shares were issued under warrant plans (2021: 482,500). The nominal number of shares as of December 31, 2022, was 72,992,654 (2021: 72,960,154). The total number of shares outstanding as of December 31, 2022, was 72,889,027 (2021: 72,856,527).

| | 2022 | | 2021 | |
|--|--------------------------|-------------------------------|--------------------------|-------------------------------|
| | 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 |
| Number of common shares and their value in equity | | | | |
| Issued shares as of 1 January | 72,960 | 520,785 | 72,478 | 513,987 |
| Newly issued shares | 33 | 453 | 482 | 6,798 |
| Issued shares as of 31 December | 72,993 | 521,238 | 72,960 | 520,785 |
| Treasury shares as of 31 December | 104 | 18,823 | 104 | 18,823 |
| Shares outstanding as of 31 December | 72,889 | 521,219 | 72,857 | 520,766 |

All ordinary shares are fully paid. The ordinary shares have no par value designation but have a fractional value of 1/72,993,654th of the capital as of December 31, 2022 (2021: 1/72,660,154th). Each ordinary share carries one vote and a right to dividends.

Share-based payments

On June 13, 2016, the Board of Directors approved Warrants Plan 2016 for the benefit of employees, directors and consultants of the Company and/or subsidiaries. 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 April 13, 2018, the Board of Directors approved for the benefit of the employees, directors and consultants of the Company and/or subsidiaries Warrant Plan 2018, which was ratified by resolution of the Extraordinary General Meeting of May 14, 2018 in the presence of notary Liesbet Degroote deciding to issue 1,300,000 warrants. In 2018, 1,294,500 warrants were granted at an exercise price of 13.94 euros and 5,500 warrants 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 included in other personnel costs and amount to 1.8 million euros for fiscal year 2022 and 3.3 million euros for fiscal year 2021. The subscription rights are settled via equity instruments.

In 2022, 32,500 shares (2021: 482,500) were issued as a result of the exercise of warrants under the 2018 Warrant Plan. The number of voting securities of Fagron is currently 72,992,654 (2021: 72,960,154). The total number of voting rights (denominator) is currently 72,992,654 (2021: 72,960,154). The capital amounts to 502,094,125.17 euros (2021: 501,870,567.62 euros).

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

| | Average exercise price in euros | Number of warrants |
|--|---------------------------------|--------------------|
| Outstanding as of January 1, 2021 | 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 |
| Forfeited | 13.94 | -55,000 |
| Forfeited | 18.52 | -139,167 |
| Forfeited | 19.44 | -147,500 |
| Forfeited | 13.94 | -5,000 |
| Exercised | 13.94 | -32,500 |
| Outstanding as of December 31, 2022 | 18.31 | 1,807,083 |

The weighted average exercise price per share at year-end was 18.31 euros in 2022 (2021: 18.21 euros). All warrant plans are equity-settled plans.

As of December 31, 2022, the total number of unexercised warrants that could give rise to the issuance of as many shares of the Company was 1,807,083. Their average exercise price is 18.31 euros. Outstanding year-end warrants have the following theoretical expiration date and exercise price:

| Exercise date | Average exercise price in euros | Number of warrants | Year of expiry |
|--|---------------------------------|--------------------|----------------|
| 2021 - May (Warrant Plan 2018) | 13.94 | 118,125 | 2023 |
| 2022 - May (Warrant Plan 2018) | 13.94 | 118,125 | 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 | 765,833 | 2030 |
| 2024 - January (Subscription Rights Plan 2020) | 19.44 | 715,000 | 2030 |
| | 18.31 | 1,807,083 | |

Fair value

The fair value of the subscription rights were determined at the time of grant using the "Black and Scholes" valuation model. 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. The expense is recorded on a straight-line basis from grant date to exercise date.

Dividends

A dividend of 14.6 million euros was made payable in 2022 (2021: 13.0 million euros). At the Annual General Meeting on May 8, 2023, a gross dividend for 2022 of 0.25 euros per share will be proposed, representing a total dividend of 18.2 million euros. This dividend is not included in this financial statement.

A further note on 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 January 1, 2021 | -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 December 31, 2021 | -195,967 | -100,059 | -377 | -530 | 19,779 | -277,154 |
| Other comprehensive income | 0 | 18,307 | 0 | 1,473 | 0 | 19,779 |
| Share-based payments | 0 | 0 | 0 | 0 | 1,799 | 1,799 |
| Change in non-controlling interest | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as of December 31, 2022 | -195,967 | -81,752 | -377 | 943 | 21,578 | -255,576 |

Cash flow hedge reserve

| (x 1,000 euros) | Fair value | Nominal value |
|--|--------------|----------------|
| Balance as of January 1, 2021 | 0 | 0 |
| Change in unrealized gains and losses | 0 | 0 |
| Balance as of December 31, 2021 | 0 | 0 |
| Change in unrealized gains and losses | 7,384 | 180,000 |
| Realized gains and losses | 0 | 0 |
| Balance as of December 31, 2022 | 7,384 | 180,000 |

22 Long-term provisions

| (x 1,000 euros) | Taxes | Disputes | Other | Total |
|--|--------------|------------|------------|--------------|
| Balance as of January 1, 2021 | 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 December 31, 2021 | 1,104 | 488 | 191 | 1,783 |
| Additions: | | | | |
| • Through business combination | 0 | 0 | 552 | 552 |
| • Other | 0 | 91 | 0 | 91 |
| Amounts used | 0 | 105 | 0 | 105 |
| Release | 0 | -48 | -52 | -101 |
| Currency translation differences | 0 | 53 | -459 | -407 |
| Balance as of December 31, 2022 | 1,104 | 689 | 231 | 2,024 |

23 Pension Obligations

Pension obligations and costs

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

| (x 1,000 euros) | 2022 | 2021 |
|-------------------------------------|--------------|--------------|
| Defined benefit pension plans | 1,519 | 3,249 |
| Other defined benefit pension plans | 1,220 | 1,080 |
| Pension obligations | 2,739 | 4,329 |

The "Defined benefit plans" includes the pension plans held by Fagron in the Netherlands for 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, benefits under the plan are attributed to years of service, taking into account future salary increases and an allocation of the plan's benefit. 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 recognized regarding the Dutch defined benefit plans held by Fagron Services BV and Spruyt hillen BV are determined as follows:

| (x 1,000 euros) | 2022 | 2021 |
|---|--------------|--------------|
| Present value of defined benefit obligations | 14,352 | 22,273 |
| Fair value of plan assets | -12,833 | -19,024 |
| Present value of net defined benefit obligations | 1,519 | 3,249 |
| Net liability arising from defined benefit obligations | 1,519 | 3,249 |

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 fund investments | Total |
|---|--|--------------------------------|--------------|
| Balance as of January 1, 2021 | 23,542 | -19,744 | 3,798 |
| Pension costs attributed to the year of service | -230 | 0 | -230 |
| Interest expense (income) | 279 | -236 | 43 |
| Actuarial (gains)/losses: | | | |
| • Return on plan assets (excluding interest income) | 0 | 541 | 541 |
| • Actuarial differences due to changes in demographic assumptions | -12 | 0 | -12 |
| • Actuarial differences due to changes in financial assumptions | -773 | 0 | -773 |
| • Actuarial differences due to adjustments in experience | 8 | 0 | 8 |
| Employer contributions | 0 | -126 | -126 |
| Plan contribution | -541 | 541 | 0 |
| Balance as of December 31, 2021 | 22,273 | -19,024 | 3,249 |
| Pension costs attributed to the year of service (income) | 0 | 0 | 0 |
| Interest expense (income) | 307 | -265 | 42 |
| Actuarial (gains)/losses: | | | |
| • Return on plan assets (excluding interest income) | 0 | 6,118 | 6,118 |
| • Actuarial differences due to changes in demographic assumptions | 172 | 0 | 172 |
| • Actuarial differences due to changes in financial assumptions | -7,987 | 0 | -7,987 |
| • Actuarial differences due to adjustments in experience | 224 | 0 | 224 |
| Employer contributions | 0 | -299 | -299 |
| Plan contribution | -637 | 637 | 0 |
| Balance as of December 31, 2022 | 14,352 | -12,833 | 1,519 |

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:

| | December 31, 2022 | December 31, 2021 |
|--|----------------------|----------------------|
| Weighted average discount rate | 4.20% | 1.40% |
| Expected rate of salary increase | N/A | N/A |
| Expected rate of price inflation | N/A | N/A |
| Future rate of pension increases actives | 2.25% | 1.90% |

The life expectancy is determined on the basis of the AG2020 Forecast Table.

Realized and unrealized result

The amounts recognized in the realized and unrealized result in respect of these defined benefit plans are as follows:

| (x 1,000 euros) | December 31, 2022 | December 31, 2021 |
|---|----------------------|----------------------|
| Interest expense | 42 | 43 |
| Pension costs (income) attributed to the year of service | 0 | -230 |
| Pension costs defined benefit plans recognized in the -income statement | 42 | -187 |
| Actuarial differences on the present value of unfunded liabilities: | | |
| Costs/(Return) on plan assets (excluding interest income) | 637 | 541 |
| Actuarial (gains)/losses arising from changes in demographic assumptions | 172 | -12 |
| Actuarial (gains)/losses arising from changes in financial assumptions | -1,869 | -773 |
| Actuarial differences as a result of adjustments in experience | 224 | 8 |
| Pension costs defined benefit plans recognized as other comprehensive income | -836 | -236 |
| Total comprehensive income for the year | -794 | -423 |

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.

Sensitivity analysis

The sensitivity analysis illustrates the sensitivity of the pension liability as of December 31, 2022, and the "Pension cost allocated to the year of service" relative to the key actuarial assumptions.

The table below shows, for each major actuarial assumption, the pension liability as at December 31, 2022, compared to the corresponding amounts if the actuarial assumption of the respective scenarios were applied. Salary increases are not included in the sensitivity analysis.

| | Base scenario | Increase in base scenario | Decrease in base scenario |
|--------------------------------|---------------|------------------------------|------------------------------|
| Weighted average discount rate | 4.20% | 4.45% | 3.95% |
| Defined benefit obligation | 14,352 | 13,860 | 14,874 |
| Inflation increase | 2.25% | 2.75% | 1.75% |
| Defined benefit obligation | 14,352 | 14,447 | 14,264 |
| Life expectancy | +/- 0 jaar | +1 jaar | -1 jaar |
| Defined benefit obligation | 14,352 | 14,667 | 14,028 |

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:

- For contributions through December 31, 2015, the employer must continue to guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions;
- For all contributions from 2016 onwards, the employer must continue to guarantee a minimum return that can vary between 1.75% and 3.75%, depending on the evolution of the average OLO 10-year interest rate over a 24-month period. 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 has estimated the potential resulting liabilities as of December 31, 2022. Based on this estimation, it has been established that there are no substantive liabilities. The 2022 employer contribution for these Belgian pension plans is 0.1 million euros (2021: 0.1 million euros). The employee share for 2022 is nil (2021: nil), the employee contribution was abolished in 2014. The total amount of fund investments as of December 31, 2022 is 1.4 million euros (2021: 1.3 million euros).

24 Financial debt and financial instruments

| (x 1,000 euros) | 2022 | 2021 |
|------------------------------|----------------|----------------|
| Non-current | | |
| Financial lease liabilities | 33,697 | 30,684 |
| Bank borrowings | 346,365 | 290,305 |
| Other borrowings | 308 | 281 |
| Total non-current | 380,369 | 321,269 |
| Current | | |
| Financial lease liabilities | 9,548 | 7,522 |
| Bank borrowings | 9,461 | 6,796 |
| Total current | 19,010 | 14,318 |
| Total financial debts | 399,379 | 335,587 |

| (x 1,000 euros) | 2022 | | 2021 | |
|--|------------------|--------------------------------------|------------------|--------------------------------------|
| Non-current borrowings by term | Financial leases | Bank borrowings and other borrowings | Financial leases | Bank borrowings and other borrowings |
| More than 1 year but less than 5 years | 27,316 | 346,673 | 24,164 | 290,586 |
| More than 5 years | 6,381 | 0 | 6,520 | 0 |
| Total non-current borrowings | 33,697 | 346,673 | 30,684 | 290,586 |

| (x 1,000 euros) | 2021 | Non-cash change | | | | 2022 |
|-------------------------|----------------|-------------------------------------|-------------------|--------------------------|----------------|----------------|
| | | Cash flow from financing activities | Additions IFRS 16 | Acquisitions/divestments | Exchange rates | |
| Non-current borrowings | 321,269 | 38,016 | 7,560 | 3,766 | 9,757 | 380,369 |
| Current borrowings | 14,318 | 1,861 | 1,374 | 1,193 | 263 | 19,010 |
| Total borrowings | 335,587 | 39,877 | 8,934 | 4,960 | 10,021 | 399,379 |

Bank borrowings and financial instruments

The book value of bank loans is denominated in euros. The effective interest rate as of the balance sheet date on December 31, 2022, was 1.7% (2021: 1.5%). The increase in loans (in total) is mainly due to the increase in the syndicated credit facility to finance the various acquisitions.

Sustainable syndicated credit facility

On August 1, 2019, Fagron entered into a new (sustainable) syndicated credit facility consisting of a 245 million euro revolving credit line and a 130 million euro term loan facility. The term of the financing is 5 years with the option to extend twice for one year. In 2021, the first extension option was exercised and 130 million euros of the term loan facility and 210 million euros of the revolving line of credit were extended for 1 year. In 2022, the option for an incremental term loan facility for the amount of 105 million euros was used. In addition, the second extension option was used to extend both term loans for a total value of 235 million euros and the 210 million euros of the revolving line of credit by 1 additional year until mid-2026.

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 allows Fagron to reflect the effects of the transition from interbank offered rates (IBOR) to alternative reference rates (also called "risk-free rates" or RFRs) without giving rise to accounting consequences that would not provide useful information to 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 fiscal year ended on December 31, 2022, as shown in the table below.

Details of the derivative and non-derivative financial instruments affected by interest rate reform, along with a summary of the actions taken by Fagron to manage the risks associated with the reform and the accounting impact.

| Non-derivative financial instruments | Ending in | Nominal Currency | Total face value | Transition progress on non-derivative financial instruments |
|--------------------------------------|-----------|------------------|------------------|---|
| Bank financing linked to USD LIBOR | 2026 | USD | 120,000,000 | Transition required before June 2023 |
| Factoring linked to USD LIBOR | | USD | 8,730,873 | Transition required before June 2023 |
| Bank financing linked to EURIBOR | 2026 | EUR | 235,000,000 | No interest transition applicable |

| Derivative financial instruments prior to transition | Ending in | Nominal currency | Total face value | Transition progress on derivative financial instruments |
|--|-----------|------------------|------------------|---|
| Interest rate 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 has reached an agreement with the banking syndicate for the transition from USD LIBOR to TERM SOFR. Documentation is currently in its final stages. A fallback clause is included for the EURIBOR.

The US dollar factoring facility and the USD Libor interest rate swap are being discussed with the relevant banks.

Financial covenants syndicated credit facility

| Test period | Net financial debt/REBITDA | REBITDA/net interest expense |
|--|----------------------------|------------------------------|
| Semi-annual test periods (June/December) | Max. 3.50x | Min. 4.00x |

As of the end of 2022, an amount of 112.5 million euros had been drawn under the syndicated credit facility (2021: 161 million euros). In addition to these financial covenants, the total EBITDA, calculated as being the result before interest, taxes, depreciation, amortization 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 rate is linked to Fagron's sustainability target 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. In 2022, several financial derivatives were concluded to hedge part of the interest rate risk on the euro term loans (6m EURIBOR) for a total nominal value of 180 million euros. At the end of 2022, the fair value of the US-dollar interest rate hedge is 5.9 million euros which revaluation has been recognized directly in the income statement. The fair value of the EUR interest rate hedges is EUR 7.4 million for which is recognized in the cash flow hedge reserve in line with the hedge accounting rules set out in IFRS 9.

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 maximize the use of detectable market data, where available, and minimize the impact of the company's estimates and projections. Hedge instruments were valued based on 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 maturity of the financial derivatives varies with the last one expiring in 2025.

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

| | |
|---------------------------------|---|
| Anahealth Corp Inc. | Fagron Nederland BV |
| Arseus Capital NV | Fagron NV |
| B&B Pharmaceuticals Inc. | Fagron Sp. z.o.o. |
| Fagron Belgium NV | Galfarm Sp. z.o.o. |
| Fagron BV | Infinity Pharma NV (formerly ACA Pharma NV) |
| Fagron Compounding Services LLC | Pharmaline BV |
| Fagron GmbH & Co KG | SM Empreendimentos Farmaceuticos Ltda |
| Fagron Inc. | Spruyt hillen BV |

25 Trade payables

| (x 1,000 euros) | 2022 | 2021 |
|-----------------------|---------------|---------------|
| Payables | 97,310 | 83,507 |
| Investment payables | 546 | 154 |
| Trade payables | 97,856 | 83,660 |

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) | 2022 | 2021 |
|-------------------------------|---------------|---------------|
| Prepayments | 41 | 11 |
| Other payables | 5,479 | 11,654 |
| Accrued expenses | 9,671 | 4,381 |
| Other current payables | 15,191 | 16,046 |

Other liabilities of 4.6 million euros (2021: 10.4 million euros) relate to amounts still to be paid for existing participations (subsequent payments).

The accrued expenses of 2.9 million euros (2021: 1.0 million euros) relate to interest yet 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 leases on December 31, 2022 | Closing balance sheet of leases on December 31, 2021 |
|---------------------------------|---|--|
| Assets | | |
| Buildings & land | 36,000 | 33,866 |
| Machinery & installations | 1,701 | 749 |
| Furniture and vehicles | 1,809 | 1,672 |
| Total lease assets | 39,510 | 36,287 |
| Liabilities | | |
| Lease liabilities - non-current | 33,697 | 30,684 |
| Lease liabilities - current | 9,548 | 7,522 |
| Total lease liabilities | 43,245 | 38,205 |

| (x 1,000 euro) | 2022 | 2021 |
|--------------------------------------|---------------|--------------|
| Depreciation and amortization | | |
| Buildings & land | 9,195 | 7,248 |
| Machinery & installations | 663 | 388 |
| Furniture and vehicles | 1,036 | 810 |
| Total depreciation | 10,893 | 8,445 |
| Costs related to low-value leases | 157 | 149 |
| Costs related to short-term leases | 692 | 677 |
| Costs related to variable costs | 163 | 137 |
| Financial expenses | 2,039 | 1,350 |

28 Total adjustments for non-cash items

| (x 1,000 euros) | 2022 | 2021 |
|---|---------------|---------------|
| Depreciation and amortization intangible fixed assets | 9,213 | 8,458 |
| Depreciation property, plant and equipment | 11,191 | 9,567 |
| Depreciation lease and similar rights | 10,893 | 8,458 |
| Write-down on inventories and receivables | 4,183 | 2,849 |
| (Profit)/loss on sale of non-current assets | -742 | -321 |
| Movements in provisions | 69 | -9 |
| Share-based payments | 1,799 | 3,295 |
| Badwill 503B compounding facility in Boston | -5,463 | 0 |
| Total adjustments for non-cash items | 31,143 | 32,297 |

29 Total changes in working capital

| (x 1,000 euros) | 2022 | 2021 |
|---|---------------|----------------|
| Changes in operational working capital | -5,042 | -8,983 |
| Changes in other working capital | 2,902 | -13,718 |
| Total changes in working capital | -2,140 | -22,701 |

30 Contingent liabilities

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 program 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. On 24 November 2021, the Supreme Court (NSA) issued a ruling in favor of Fagron. The possibility of appeal by the Polish tax authority remains. In 2022, the Polish tax authorities indicated they would not appeal to either company.

In July 2018, Fagron received a tax assessment regarding the amortization of goodwill due to mergers in Brazil. The tax authorities opened a new assessment in August 2021. We dispute both assessments in the total amount of 25.6 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. For claims where it is considered probable that the claim will result in payment, and for which a reliable estimate can be made, a provision has been made (see [Note 22](#)).

31 Related parties

The overall compensation package for members of the executive leadership team and the CEO individually as well as non-executive directors for fiscal years 2022 and 2021 is shown below:

| (x 1,000 euros) | Fixed remuneration component | Variable remuneration component |
|--|------------------------------|---------------------------------|
| 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 |
| 2022 financial year | | |
| Rafael Padilla, Chief Executive Officer | 539 | 447 |
| Executive leadership team, including the Chief Executive Officer | 2,249 | 1,323 |
| Non-executive members of the Board of Directors | 305 | 0 |

The variable remuneration component concerns the bonus realized for 2022, which will be paid in 2023. The Nomination and Remuneration Committee formulates proposals annually regarding 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 increase in the number of members of the executive leadership team.

No new subscription rights were granted in 2022 to the members of the executive leadership team, in its composition as in effect on December 31, 2022. In 2022, Mr. Padilla and the other members of the executive leadership team did not exercise subscription rights. No subscription rights of Mr. Padilla and the other members of the executive leadership team expired in 2022. The members of the executive leadership team, in its composition as in effect on December 31, 2022, together hold 795,000 subscription rights.

32 Business Combinations

In fiscal year 2022, Fagron accomplished several acquisitions. Full control was obtained.

Fair value of the acquired Letco Medical LLC assets and liabilities

About 30.5 million euros was paid for the Letco Medical LLC acquisition in North America. The provisional fair value of the acquired assets and liabilities is detailed below.

| (x 1,000 euros) | 2022 |
|---------------------------------|---------------|
| Intangible fixed assets | 6,015 |
| Property, plant and equipment | 611 |
| Other non-current assets | 18 |
| Inventories | 6,505 |
| Trade receivables | 1,720 |
| Other receivables | 463 |
| Cash and cash equivalents | 408 |
| Total assets | 15,740 |
| Borrowings | 87 |
| Lease liabilities | 405 |
| Trade payables | 1,544 |
| Other current payables | 1,467 |
| Total liabilities | 3,503 |
| Net acquired assets | 12,237 |
| Goodwill | 18,240 |
| Total acquisition amount | 30,477 |

Fair value of the acquired 503B Boston facility assets and liabilities

Approximately 4.7 million euros was paid for the acquisition below, also in North America, of the 503B facility in Boston. The final fair value of acquired assets and liabilities is further explained below.

| (x 1,000 euros) | 2022 |
|---------------------------------|---------------|
| Intangible fixed assets | 374 |
| Property, plant and equipment | 10,482 |
| Inventories | 3,212 |
| Trade receivables | 1,379 |
| Other receivables | 479 |
| Total assets | 15,925 |
| Lease liabilities | 2,577 |
| Trade payables | 424 |
| Other current payables | 2,714 |
| Total liabilities | 5,716 |
| Net acquired assets | 10,209 |
| Badwill | -5,463 |
| Total acquisition amount | 4,747 |

Fair value of the acquired assets and liabilities of other companies

For the remaining activities acquired in 2022, approximately 16.5 million euros was paid with cash and cash equivalents which represented an increase in goodwill of 15.5 million euros. Goodwill is not expected to be tax deductible. The provisional fair value of the acquired assets and liabilities is detailed below.

| (x 1,000 euros) | 2022 |
|---------------------------------|---------------|
| Intangible fixed assets | 1,039 |
| Property, plant and equipment | 1,230 |
| Other non-current assets | 2 |
| Deferred tax assets | 0 |
| Inventories | 1,743 |
| Trade receivables | 1,525 |
| Other receivables | 1,066 |
| Cash and cash equivalents | 0 |
| Total assets | 6,606 |
| Borrowings | 1,143 |
| Lease liabilities | 979 |
| Deferred tax liability | 229 |
| Trade payables | 707 |
| Other current payables | 2,811 |
| Total liabilities | 5,868 |
| Net acquired assets | 967 |
| Goodwill | 15,540 |
| Total acquisition amount | 16,506 |

The final determination of the fair value of assets acquired and liabilities assumed from prior acquisitions in 2021 did not result in a material adjustment to goodwill.

At year-end, Fagron has outstanding liabilities of approximately 4.6 million euros to selling shareholders which were determined based on business plans at the time of acquisition, see also [Note 26](#).

After-tax payments for business combinations are expected to be paid in 2023.

The subsequent payments for business combinations vary between 0 euros and a maximum of 4.6 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 Commissioner, his compensation and additional services

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

| (x 1,000 euros) | 2022 | 2021 |
|---|------|------|
| Audit fee for the Group audit | | |
| Fagron Group | 461 | 461 |
| Remuneration for Deloitte Bedrijfsrevisoren | 379 | 358 |
| Remuneration for parties linked to Deloitte Bedrijfsrevisoren | 82 | 103 |
| Remuneration for additional services rendered by the Statutory Auditor to Fagron | | |
| Other audit assignments | 0 | 0 |
| Other non-auditing assignments | 7 | 0 |
| Remuneration for additional services rendered by parties linked to the Statutory Auditor | | |
| Tax advisory assignments | 0 | 0 |
| Other non-auditing assignments | 0 | 0 |

34 Significant events after the balance sheet date

No significant events occurred after the balance sheet date.

35 Additional Notes

1. Fagron NV has signed a declaration of liability for the benefit of a number of Dutch subsidiaries, specifically:

- Curaphar BV
- Fagron Brazil Holding BV
- Fagron BV
- Fagron Holding NL BV
- Fagron Nederland BV
- Fagron Services BV
- Fagron Steriele Bereidingsapotheek BV
- Infinity Pharma BV
- Pharma Assist BV
- Pharmaline BV
- Spruyt hillen BV

2. Exemption of a German subsidiary:

Fagron GmbH & Co KG in Barsbützel (Germany) is exempt from the obligation to set up its financial statements and financial report according to §264b of the German commercial code, and to audit and publish these in line with the applicable regulations for businesses.

36 List of 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% |
| Curaphar BV | 100.0% |
| Dr. Kulich Pharma S.R.O | 100.0% |
| Ducere LLC | 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 Care Sp. z.o.o. | 100.0% |
| Fagron Colombia SAS | 100.0% |
| Fagron Compounding Services LLC | 100.0% |
| Fagron Compounding Services NV | 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 SAS | 100.0% |
| Fagron Services Brazil Ltda | 100.0% |
| Fagron Services BV | 100.0% |
| Fagron Services Northern Europe | 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% |
| Fresenius Kabi Compounding LLC | 100.0% |
| Gako Deutschland GmbH | 100.0% |
| Galfarm Sp. z.o.o. | 100.0% |
| GX Sciences, LLC | 100.0% |
| Hiperscan GmbH | 100.0% |
| Humco Holding Group Inc. | 100.0% |

| Name | Ownership |
|---|-----------|
| 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% |
| Letco Medical Holdings LLC | 100.0% |
| Liberty Rx LLC | 100.0% |
| Link Medical LLC | 100.0% |
| Ma'ayan Haim Beit Dagan 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% |
| Panoramix Holding BV | 100.0% |
| Pharma Assist BV | 100.0% |
| Pharma-pack BV | 100.0% |
| Pharmacy Services Inc | 100.0% |
| Pharma Tamar Ltd | 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% |
| SM Empreendimentos Farmaceuticos Ltda | 100.0% |
| Southern Rx LLC | 100.0% |
| Spruyt hillen BV | 100.0% |
| Texas Southern Rx LLC | 100.0% |

Statutory Auditor's Report

Statutory auditor's report to the shareholders' meeting of Fagron NV for the year ended 31 December 2022 - 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 9 May 2022, 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 2024. We have performed the statutory audit of the consolidated financial statements of Fagron NV for 4 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 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow 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 971 010 (000) EUR and the consolidated statement of comprehensive income shows a profit for the year then ended of 70 066 (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 2022 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

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

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

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

Key audit matters

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

Key audit matters

Goodwill – impairment testing

Goodwill amounts to 429 768 (000) EUR and represents 44% of the total consolidated statement of financial position at 31 December 2022. 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 Latin America Brands & Essentials cash generating unit.

We refer to [note 4](#) and [15](#) to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures include the evaluation of the design and implementation of the relevant controls over the preparation and approval of the budget and the impairment models.

Supported by our valuation specialists, we challenged the key assumptions, methodologies and data used by the group in its determination of the recoverable value, for example by analysing sensitivities in the group’s discounted cash flow model and benchmarking with external macro-economic data to determine if they were reasonable and consistent with the current economic climate. Furthermore, we assessed the historical accuracy of management’s estimates.

We assessed the adequacy of the group’s disclosures in the consolidated financial statements.

Responsibilities of the Board of Directors for the preparation of the consolidated financial statements

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

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group’s ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company’s business has been conducted or will be conducted.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor’s report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the Board of Directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory Auditor

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects related to the directors' report on the consolidated financial statements and to other information included in the annual report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements, are free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement.

The non-financial information as required by article 3:32, § 2 of the Code of companies and associations, has been disclosed in a separate report that is part of section "Fagron's corporate social responsibility (ESG Statement)" 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 draft of the European Sustainability Reporting Standards (ESRS). 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 the draft of these ESR Standards.

Statements related to independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

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 2022 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 in Antwerp on 17 March 2023
The Statutory Auditor

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

Statutory Financial Statement

Condensed stand-alone income statement Fagron NV

| <small>(x 1,000 euros)</small> | <small>2022</small> | <small>2021</small> |
|---|---------------------|---------------------|
| Operating income | 3,330 | 2,353 |
| Revenue | 0 | 0 |
| Other operating income | 3,330 | 2,353 |
| Non-recurring operating income | 0 | 0 |
| Operating expenses | 4,760 | 3,429 |
| Trade goods, raw and auxiliary materials | 0 | 0 |
| Services and other goods | 4,108 | 3,133 |
| Employee benefit expenses | 485 | 130 |
| Depreciation and amortization | 0 | 0 |
| Provisions for risks and costs | 0 | 0 |
| Other operating expenses | 7 | 5 |
| Non-recurring operating expenses | 159 | 161 |
| Operating result | -1,430 | -1,076 |
| Financial result | 4,014 | 35,918 |
| Recurring financial result | 4,014 | 35,918 |
| Non-recurring financial result | 0 | 0 |
| Profit for the financial year before taxes | 2,584 | 34,842 |
| Tax on the result | 1 | 0 |
| Net result for the financial year | 2,583 | 34,842 |

Condensed stand-alone balance sheet Fagron NV

| (x 1,000 euros) | 2022 | 2021 |
|--|----------------|----------------|
| Non-current assets | 498,575 | 498,573 |
| Formation expenses | 0 | 0 |
| Intangible fixed assets | 0 | 0 |
| Property, plant and equipment | 3 | 1 |
| Financial non-current assets | 498,572 | 498,572 |
| Current assets | 109,102 | 192,546 |
| Receivables due after one year | 0 | 0 |
| Inventories and orders in progress | 0 | 0 |
| Receivables due within one year | 87,063 | 145,166 |
| Investments | 1,375 | 1,534 |
| Cash and cash equivalents | 20,581 | 45,742 |
| Accrued expenses | 84 | 104 |
| Total assets | 607,677 | 691,119 |
| Equity | 540,872 | 556,010 |
| Capital | 502,094 | 501,871 |
| Share premiums | 5,666 | 5,437 |
| Legal reserves | 4,909 | 4,780 |
| Unavailable reserves - treasury shares | 1,375 | 1,534 |
| Available reserves | 26,827 | 42,388 |
| Retained earnings | 0 | 0 |
| Debt | 66,805 | 135,109 |
| Debt due after one year | 0 | 0 |
| Debt due within one year | 66,527 | 135,032 |
| Accrued expenses | 278 | 77 |
| Total liabilities | 607,677 | 691,119 |

Appropriation of profits Fagron NV

| (x 1,000 euros) | 2022 | 2021 |
|---|---------------|---------------|
| Profit to be appropriated | 2,583 | 34,842 |
| Profit for the year to be appropriated | 2,583 | 34,842 |
| Profit carried forward from the previous year | 0 | 0 |
| Withdrawal from equity | 15,720 | 0 |
| From the capital and share premiums | 0 | 0 |
| From the reserves | 15,720 | 0 |
| Addition to equity | 129 | 20,250 |
| To the legal reserves | 129 | 1,742 |
| To the other reserves | 0 | 18,508 |
| Profit to be carried forward | 0 | 0 |
| Profit to be carried forward | 0 | 0 |
| Profit to be distributed as dividends | 18,174 | 14,592 |
| Dividend | 18,174 | 14,592 |

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 certified the statutory financial statements of Fagron NV for the fiscal year 2022 without reservations.

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) | 2022 | 2021 |
|--|----------------|----------------|
| Operating profit (EBIT) | 97,909 | 87,438 |
| Depreciation and amortization | 35,480 | 29,332 |
| EBITDA | 133,389 | 116,770 |
| EBITDA | 133,389 | 116,770 |
| Non-recurrent result | -2,665 | 1,569 |
| EBITDA before non-recurrent result | 130,724 | 118,339 |
| Net financial debt | | |
| Non-current financial debt | 346,673 | 290,586 |
| Non-current lease liabilities | 33,697 | 30,684 |
| Current financial debt | 9,461 | 6,796 |
| Current lease liabilities | 9,548 | 7,522 |
| Cash and cash equivalents | 125,337 | 70,646 |
| Net financial debt | 274,042 | 264,941 |
| Inventories | | |
| Trade receivables | 108,337 | 90,834 |
| Trade payables | 60,722 | 51,897 |
| Operational working capital | -97,856 | -83,660 |
| | 71,203 | 59,070 |
| Total cash flow from operating activities | | |
| Capital expenditure | 109,458 | 78,419 |
| Free cash flow | -18,497 | -20,731 |
| Vrije kasstroom | 90,961 | 57,688 |

The non-recurring result amounted to 2.7 million euros in 2022 and consisted mainly of acquisition and restructuring costs offset by the badwill from the acquisition of the 503B compounding facility in Boston (5.5 million euros) and the release of contingent liabilities related to acquisitions in North America.

Alphabetical terminology list

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

| | |
|-----------------------------|--|
| EBIT | <i>“Earnings Before Interests and Taxes”</i> . Profit (loss) from operations. |
| EBITDA | <i>“Earnings Before Interests, Taxes, Depreciations and Amortizations”</i> . Profit (loss) from operations plus depreciation and amortization, including write-downs on inventory and receivables. |
| Financial result | <i>Net finance costs</i> . Balance of financing income and financing costs. |
| Gross margin | Sales less purchased trade goods, raw and auxiliary materials and also adjusted for change in inventories and work in progress, as a percentage of sales. |
| Net financial debt | Non-current and current financial liabilities, less cash and cash equivalents (excluding financial instruments). |
| Net operational capex | Net capital expenditures. <i>Intangible and tangible fixed assets acquired and produced (excluding acquisitions), less assets sold.</i> |
| Net result | <i>Profit (loss) of the period</i> . Consolidated result. |
| Non-recurring items | <i>Non-recurring costs or revenues outside the ordinary course of business.</i> |
| Operating profit | <i>Profit (loss) from operations</i> . EBIT (“Earnings Before Interests and Taxes”). |
| Operational working capital | <i>Inventories + Trade receivables – Trade payables</i> |
| Recurrent net profit | <i>Profit (loss) for the period adjusted for non-recurring items.</i> |
| REBITDA | <i>“Recurring Earnings Before Interests, Taxes, Depreciations and Amortizations”</i> . Profit (loss) from operations plus depreciation and amortization and adjusted for all 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 on our Business Partner Code of Conduct, see [page 84](#).

CO₂ eq

Carbon dioxide equivalent (CO₂-eq) is a measure of how much a greenhouse gas contributes to global warming. For example, one kg of nitrous oxide (N₂O, nitrous oxide) has the same contribution to climate change as 250 kg of CO₂.

Code of Conduct

The Code of Conduct is the document 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 in the day-to-day course of business. For more information, see [page 94](#).

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 the way they deal with social and environmental challenges. This helps investors, civil society organizations, consumers, policymakers and other stakeholders 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 response plan is a guideline that establishes how a facility should handle an emergency, such as an outbreak of fire. The plan primarily describes who has which tasks, responsibilities and authority and how these relate to laws and regulations.

ESG

ESG stands for Environment, Social and Governance.

ESRS

European Sustainability Reporting Standards are the reporting standards that specify what large companies must report according to the CSRD.

FSS

FSS stands for Fagron Sterile Services.

GDP

Good Distribution Practice are the standards with which Fagron must comply to ensure that the quality and integrity of medicine is maintained throughout the supply chain.

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 minimize the risks for the patient.

Greenhouse Gas Intensity

The greenhouse gas intensity is the total greenhouse gas emissions in CO₂-eq divided by a unit of production or revenue. We calculate our greenhouse gas intensity based on million euro revenue, all revenue in currencies other than euros we normalize 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 (CO₂) and methane (CH₄).

GRI

The Global Reporting Initiative is an international and independent organization that helps companies, governments and other organizations better understand and communicate their impact on issues 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.

MWh

Megawatt hour (MWh) is a unit of energy, and is the same as one million watt-hours (Wh) or 1,000 kilowatt-hours (kWh).

NO_x

NO_x stands for nitrogen oxides and is an umbrella term for various combinations of nitrogen-oxygen compounds. NO_x is formed mainly in internal 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 millimeter). Particulates are a form of air pollution.

SDG

The Sustainable Development Goals are 17 different sustainable development goals for the year 2030. The SDGs are established by the United Nations.

SO₂

SO₂ stands for sulfur dioxide. SO₂ is formed mainly in internal combustion engines and is a form of air pollution.

UDHR

The Universal Declaration of Human Rights is a declaration adopted by the United Nations, describing 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. Therefore, actual future results or circumstances may differ materially from those expressed or intended 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 in this annual report are based on information available to Fagron's management on 17 March 2023. 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.

ESRS Index

General Disclosures

Based on the Draft European Sustainability Reporting Standards “ESRS 2 General Disclosures” (version November 2022)

| Disclosure | Location in Annual Report |
|------------|--|
| BP-1 | a), b), c) ESG Statement – general information, (p. 59) d) and e) not applicable |
| BP-2 | We report this information by topic where applicable. |
| GOV-1 | Corporate Governance Statement – (p. 105) |
| GOV-2 | Corporate Governance Statement – (p. 105) |
| GOV-3 | Corporate Governance Statement – (p. 105) |
| GOV-4 | This information has not yet been included. |
| GOV-5 | Risk management – (p. 45) |
| SBM-1 | 38 a) i. Our segments – (p. 10) ii. About Fagron – (p. 8); Our value chain – (p. 12) iii. Displayed per region, for EMEA (p. 24), Latin America (p. 30) and North America (p. 34) iv. Not applicable b) 100% of the revenue falls under the ESRS “Health care” (HHC) sector c) Not applicable, see b) d) i. up to and including iv. Not applicable e) ESG Statement– (p. 59) f) Strategic pillars – (p. 16); ESG Statement– (p. 59) 39. a), and b) Our value chain – (p. 12) and Value creation model – (p. 20) c) Our value chain – (p. 12) |
| SBM-2 | a) ESG Statement– (p. 59), this explanation will be expanded upon in 2023. b) Strategic pillar four is related to ESG, see Strategic pillars – (p. 16). For materiality analysis and stakeholder engagement, see ESG Statement– stakeholder analysis and materiality analysis (p. 60). This explanation will be expanded upon in 2023. c) Not applicable |
| SBM-3 | a) ESG Statement– (p. 59), this explanation will be expanded upon in 2023. |
| IRO-1 | a) ESG Statement– (p. 59), this explanation will be expanded upon in 2023. |
| IRO-2 | 55. Overview displayed in this ESRS Index. 56. Non-material topics are Water use (ESRS E3) and Biodiversity and ecosystems (ESRS E4) see ESG Statement– (p. 59). The subject of Communities (ESRS S3) was not addressed in the last materiality analysis, we therefore do not report on it. |

Climate change

Based on “GRI Material Topics 2021” and “GRI 305: Emissions 2016”

| Disclosure | Location in Annual Report |
|------------|---|
| GOV-3 | Remuneration policy is addressed from (p. 129) |
| E1-1 | a) Fagron has submitted greenhouse gas emission targets for verification to SBTi. If accepted by SBTi, these targets are in line with the 1.5 C target. See ESG Statement- (p. 59) for further explanation. b), c) and d) Fagron will prepare an action plan in 2023, with the aim of achieving the - to be verified - science-based targets. This will also identify obstacles to achieving this implementation plan. e) Not applicable, see Taxonomy regulation – (p. 225) f) Fagron is not excluded based on the Climate Benchmark Regulation g) and h) Fagron will prepare a transition plan in 2023, with the aim of achieving the - yet to be verified - science-based targets. |
| SBM-3 | a) and c) Risk management (p. 45) b) In 2023, Fagron will conduct a risk analysis to identify the risks of different temperature scenarios for Fagron. |
| IRO-1 | a) ESG Statement- (p. 59) b) In 2023, Fagron will conduct a risk analysis to identify the risks of different temperature scenarios for Fagron. For more information, see Risk management (p. 45). c) See E1-1 b) and c). |
| E1-2 | Policy is related to climate impact mitigation, see ESG Statement- (p. 59). Fagron has not (yet) implemented a policy specifically related to climate impact adaptation, see Risk management (p. 45) for more information. |
| E1-3 | a) ESG Statement- (p. 59) b) Fagron will report emissions reductions by group of measures for the first time for 2023 c) This information has not yet been included. |
| E1-4 | a), c), d) ESG Statement- (p. 59) b) ESG Statement- (p. 59) and see E1-6 e) See E1-1 a). f) See E1-3 a) and b) |
| E1-5 | 35. a) and b) ESG Statement- (p. 59) 36. Not applicable, all electricity produced is generated from renewable sources. 37. Current energy intensity is based on total energy use, and not split between energy-intensive and non-energy-intensive businesses. This split is not significant for Fagron. 38. and 39. Fagron’s activities are classified mainly NACE sectors A to H or L. Specifically, Fagron’s activities are classified mainly under NACE codes 21.10 (Manufacture of pharmaceutical products), 26.51 (Manufacture of instruments and appliances for measuring, checking, controlling and navigating), 46.46 (Wholesale of pharmaceutical products), 47.73 (Speciality retail pharmacies) and 82.92 (Packaging companies). Only the latter falls under the NACE sector N. 40. Not applicable. |
| E1-6 | 43. a), b), c), d) All companies under “operational control” of Fagron are covered by reported greenhouse gas emissions. 44. No changes. 45. a) ESG Statement- (p. 59) b) 0% 46. a) and b) ESG Statement- (p. 59) 47 In 2022, there were no companies in the Fagron group over which Fagron had operational control but which were not fully integrated into the consolidated financial statements. 48. ESG Statement- (p. 59), Scope 3 has not yet been included. 49. ESG Statement- (p. 59). Fagron has not yet applied the prescribed table. 50. and 51. Current greenhouse gas intensity is based on scope 1, 2 and 3 (business travel only), divided by million € revenue based on 2019 exchange rates. This is not yet fully in line with the ESRS requirement, which states that intensity should be determined based on total greenhouse gas emissions (scope 1, 2 and 3) per € revenue. 52. Not applicable. |
| E1-7 | Fagron does not engage in carbon capture and/or storage and does not use carbon credits. |
| E1-8 | Fagron does not apply internal greenhouse gas or carbon pricing. |
| E1-9 | Fagron will report on this subject from FY2025, as required. |

Emissions to air and soil

Based on the Draft European Sustainability Reporting Standards “ESRS E2 Pollution” (version November 2022)

| Disclosure | Location in Annual Report |
|------------|---|
| IRO-1 | This information has not yet been included. |
| E2-1 | This information has not yet been included. |
| E2-2 | This information has not yet been included. |
| E2-3 | Apart from NO _x emissions, as shown in ESG Statement - (p. 72) this information has not yet been included. |
| E2-4 | Apart from NO _x emissions, as shown in ESG Statement - (p. 72) this information has not yet been included. |
| E2-5 | This information has not yet been included. |
| E2-6 | This information has not yet been included. |

Waste management

Based on the Draft European Sustainability Reporting Standards “ESRS E5 Resource use and circular economy” (version November 2022)

| Disclosure | Location in Annual Report |
|------------|---|
| IRO-1 | This information has not yet been included. |
| E5-1 | This information has not yet been included. |
| E5-2 | This information has not yet been included. |
| E5-3 | This information has not yet been included. |
| E5-4 | This information has not yet been included. |
| E5-5 | This information has not yet been included. |
| E5-6 | This information has not yet been included. |

Other environmental topics

Based on the Draft European Sustainability Reporting Standards “ESRS E3 Water and marine resources” and “ESRS E4 Biodiversity and ecosystems” (version November 2022)

| Disclosure | Location in Annual Report |
|------------|--|
| E3-1 | |
| E3-4 | 28. a) and 29) This information has not yet been included. |
| IRO-1 E4 | 22. d) i, e) and f) This information has not yet been included |
| E4-2 | This information has not yet been included. |

Our people – general

Based on the Draft European Sustainability Reporting Standards “ESRS S1 Own Workforce” (version November 2022)

| Disclosure | Location in Annual Report |
|--------------|--|
| SBM-3 | 16. ESG Statement – our people, (p. 74) a) Fagron does not explicitly distinguish between employees, temporary workers and independent managers. All these types fall under ‘Our people’. 98% of our people are employees, so this is by far the largest group. b), c), d) and e) Fagron did not perform this analysis in the latest materiality analysis. Fagron will conduct this analysis in 2023. 17. and 18. Fagron did not perform this analysis in the latest materiality analysis. Fagron will conduct this analysis in 2023. |
| S1-1 | 21. ESG Statement - employee engagement, (p. 74). |
| S1-3 | ESG Statement - employee engagement, (p. 74) and ESG statement - grievance mechanism, (p. 92). |
| S1-4 | This information is presented by material topic. |
| S1-5 | This information is presented by material topic. |

Employee engagement

Based on the Draft European Sustainability Reporting Standards “ESRS S1 Own Workforce” (version November 2022)

| Disclosure | Location in Annual Report |
|-------------|--|
| S1-2 | 28 a) ESG Statement – employee engagement, (p. 74) b) ESG Statement – employee engagement, (p. 74) c) ESG Statement - ESG Management, (p. 62) d) This information has not yet been included. e) For this purpose, Fagron uses the “sustainable engagement score”, see ESG Statement - employee engagement, (p. 74) |

Diversity

Based on the Draft European Sustainability Reporting Standards “ESRS S1 Own Workforce” (version November 2022)

| Disclosure | Location in Annual Report |
|--------------|--|
| S1-1 | 25. a) ESG Statement– diversity, (p. 75) and ESG Statement- human and labor rights, (p. 80) c. ESG Statement– diversity, (p. 75). d. ESG Statement– diversity, (p. 75) and ESG Statement- human and labor rights, (p. 80). |
| S1-6 | 51 a), d) ESG Statement– diversity, (p. 75). f) Explanation 9 of the consolidated financial statements (p. 173) |
| S1-7 | 55. a), b) ESG Statement– diversity, (p. 75). 57. ESG Statement– diversity, (p. 75). |
| S1-9 | ESG Statement– diversity, (p. 75). |
| S1-12 | This topic did not emerge as a key diversity issue in Fagron’s latest materiality analysis, Fagron therefore does not report on this topic. |
| S1-16 | 92. a) This information has not yet been included. b) This information has not yet been included. |

Health & safety

Based on the Draft European Sustainability Reporting Standards “ESRS S1 Own Workforce” (version November 2022)

| Disclosure | Location in Annual Report |
|--------------|---|
| S1-1 | 24. For accident prevention, see ESG Statement- health & safety, (p. 79). |
| S1-14 | a) Applies to 100% of employees. b) and c) ESG Statement- health & safety, (p. 79). d) and e) This information has not yet been included. |

Human and labor rights

Based on the Draft European Sustainability Reporting Standards “ESRS S1 Own Workforce” (version November 2022)

| Disclosure | Location in Annual Report |
|--------------|--|
| SBM-3 | 16. f) ESG Statement - human and labor rights, (p. 80) g) ESG Statement - human and labor rights, (p. 80) |
| S1-1 | 22. a) ESG Statement - human and labor rights, (p. 80) b) and c) ESG Statement - grievance mechanism, (p. 92) 23. In 2023 Fagron will identify whether all our policies for Our employees are in line with the “UN Guiding Principles on Business and Human Rights”. 24. Human rights, see ESG Statement - human and labor rights, (p. 80) 25. b) See the Fagron Code of Conduct, available at investors.fagron.com . |
| S1-8 | 60. a) ESG Statement - human and labor rights, (p. 80) b), c) This information has not yet been included. 61. ESG Statement - human and labor rights, (p. 80) 62. This information has not yet been included. |
| S1-17 | 98. a), b) ESG Statement- human and labor rights, (p. 80) c) This information has not yet been included. 99. a), b) Not applicable |

Social security

Based on the Draft European Sustainability Reporting Standards “ESRS S1 Own Workforce” (version November 2022)

| Disclosure | Location in Annual Report |
|--------------|---|
| S1-6 | b), c), d) This information has not yet been included |
| S1-7 | This information has not yet been included. |
| S1-10 | This information has not yet been included. |
| S1-11 | This information has not yet been included. |

Training & development

Based on the Draft European Sustainability Reporting Standards “ESRS S1 Own Workforce” (version November 2022)

| Disclosure | Location in Annual Report |
|--------------|--|
| S1-13 | a) ESG Statement - training & development, (p. 82) b) This information has not yet been included. |

Other social topics

| Disclosure | Location in Annual Report |
|------------|--|
| S1-15 | This topic was not addressed in Fagron's latest materiality analysis, Fagron therefore does not report on it. |
| S1-16 | This topic was not addressed in Fagron's latest materiality analysis, Fagron therefore only reports on the mandatory indicators. |

Chain Responsibility

Based on the Draft European Sustainability Reporting Standards "ESRS S1 Own Workforce" (version November 2022)

| Disclosure | Location in Annual Report |
|------------|---|
| G1-2 | a) ESG Statement- responsibility in the supply chain, (p. 84) and Risk management - (p. 45) b) ESG Statement- responsibility in the supply chain, (p. 84) c) Not applicable |
| ESRS SBM-3 | 11. a) When Fagron talks about responsibility in the supply chain, we are specifically referring to people in the supply chain (ii). b) ESG Statement- responsibility in the supply chain, (p. 84) c) This information has not yet been included. d) and e) not applicable 12. and 13. Fagron's due diligence process is not (yet) detailed enough to differentiate by different characteristics of people in the supply chain, conditions in which work is performed or type of activities executed in the supply chain. See ESG Statement- responsibility in the supply chain, (p. 84) for the development of Fagron's due diligence process. |
| S2-1 | 16. ESG Statement- responsibility in the supply chain, (p. 84) 17. a) Fagron's due diligence process is still under development, see ESG Statement- responsibility in the supply chain, (p. 84). b) ESG Statement - stakeholder analysis and materiality analysis, (p. 60). c) See S2-3 18. ESG Statement- responsibility in the supply chain, (p. 84) 19. Fagron's due diligence process is still under development, see ESG Statement- responsibility in the supply chain, (p. 84). |
| S2-2 | ESG Statement - stakeholder analysis and materiality analysis, (p. 60). |
| S2-3 | Fagron does not (yet) have a policy in place to remedy an identified negative impact on people in the supply chain, including the channels to report (potential) negative impact. See ESG Statement- responsibility in the supply chain, (p. 84) for the development of Fagron's supply chain due diligence process. |
| S2-4 | Fagron's due diligence process is still under development, see ESG Statement- responsibility in the supply chain, (p. 84). |
| S2-5 | ESG Statement- responsibility in the supply chain, (p. 84) |

Other social disclosures

Based on the Draft European Sustainability Reporting Standards "ESRS S3 Affected communities" (version November 2022) and "ESRS S4 Consumers and end-users" (version November 2022)

| Disclosure | Location in Annual Report |
|------------|---|
| S3-1 | 17. and 18. Fagron has not identified any material ESG issues related to the communities in which we operate. Fagron therefore has no policy on preventing and addressing its impact on indigenous communities, nor does it have a human rights policy with regard to the communities in which we operate. Fagron has no grievance mechanism for the communities in which it operates. Fagron is not aware of any violations related to the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. |
| S3-4 | Fagron has no grievance mechanism for the communities in which it operates. Fagron is not aware of any human rights violations in the communities in which it operates. |
| S4-1 | 14. The two material ESG topics specifically related to end-users are "Giving back" and "Product quality and product safety". For the positive contribution of our products to the health of end-users, see ESG Statement- Fagron products, (p. 86). For our actions to prevent the risk of health damage to end-users, see ESG Statement- Product Quality and Product Safety, (p. 88). 15.a) and c) Fagron has not identified human rights of end-users as a material ESG topic. Therefore, Fagron does not have a human rights policy regarding end-users. b) ESG Statement - stakeholder analysis and materiality analysis, (p. 60). 16. Fagron is not aware of any violations related to the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. Also see S4-3. |
| S4-2 | ESG Statement - stakeholder analysis and materiality analysis, (p. 60). |
| S4-3 | Policies to remediate an identified negative impact on end-users and the channels to report (potential) negative impact vary by company within the Fagron Group. This is because policies must always be in line with local laws. For more information our actions to reduce the risk of health harm to end-users see ESG Statement- Product Quality and Product Safety, (p. 88). |
| S4-4 | 33. No reports of human rights violations were made through the channels described in S4-3. For product recalls, see ESG Statement- Product Quality and Product Safety, (p. 88). Other. For the positive contribution of our products to the health of end-users, see ESG Statement- Fagron products, (p. 86). For our actions to prevent the risk of health damage to end-users, see ESG Statement- Product Quality and Product Safety, (p. 88). |
| S4-5 | The two material ESG topics specifically related to end-users are "Giving back" and "Product quality and product safety". In the case of "Giving back," we report on the units of compounded medicine delivered as an indicator. This is a measure to express our contribution to making and keeping safe medicine accessible. See ESG Statement- Fagron products, (p. 86). In the case of "Product Quality and Product Quality," we report on the number of recalls. The number of recalls is a measure of potential negative impact on the health of end-users. See ESG Statement- Product Quality and Product Safety, (p. 88). We try to maximize the units of compounded medicine delivered and minimize the number of recalls. However, this is not an objective but an aspiration, so it currently does not have a time horizon attached to it. |

Preventing corruption and bribery

Based on the Draft European Sustainability Reporting Standards “ESRS G1 Business conduct” (version November 2022)

| Disclosure | Location in Annual Report |
|------------|---|
| G1-3 | 17. a) For prevention and detection see ESG Statement-preventing corruption and bribery, (p. 90), for addressing reports see ESG Statement- grievance mechanism, (p. 92) b) ESG Statement- grievance mechanism, (p. 92) c) ESG Statement- grievance mechanism, (p. 92) ESG Statement-preventing corruption and bribery, (p. 90) 20. a) ESG Statement-preventing corruption and bribery, (p. 90) b) Fagron has not conducted an analysis of which positions are at higher risk of encountering corruption and bribery. Instead, Fagron chooses to offer a Code of Conduct training to all employees and members of management. c) ESG Statement-preventing corruption and bribery, (p. 90) |
| G1-4 | 23. a) ESG Statement-prevention of corruption and bribery, (p. 90) b), c) This information has not yet been included. d), This information has not yet been included. e) This information has not yet been included. 25. No deficiencies were identified in fiscal year 2022. |

Grievance mechanism and other ethical issues

Based on the Draft European Sustainability Reporting Standards “ESRS G1 Business conduct” (version November 2022)

| Disclosure | Location in Annual Report |
|------------|--|
| G1-1 | a) ESG Statement- grievance mechanism, (p. 92) b) In 2023, we will evaluate whether our current policy for preventing corruption and bribery is in line with the “United Nations Convention against corruption.” c), d), e) ESG Statement- grievance mechanism, (p. 92) f) This information has not yet been included. g) See G1-3 |
| G1-5 | 29. a) Not applicable b) Financial or in-kind contributions are not material to Fagron. c) Fagron conducts no to limited lobbying activities. d) This information has not yet been included. 30. This information has not yet been included. |
| G1-6 | This information has not yet been included. |

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 whether their economic activities can be classified as “environmentally sustainable”. Three indicators must be reported upon: revenue, 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 specialized 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. Only economic activities that qualify for the Taxonomy regulation can also be aligned with the Taxonomy Regulation. This also means that 0% of our activities are aligned with the Taxonomy Regulation.

We are of the opinion that Fagron, with its policy regarding climate change impact and energy use, contributes to the environmental target for mitigating climate change. Fagron also contributes to the environmental objectives of prevention and pollution control as defined in the Taxonomy Regulation. For Fagron’s commitment to both topics, see the Environment section from page 64. However, in neither case does Fagron engage in economic activities and, as such, our activities do not qualify for the Taxonomy Regulation.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

| Economic activities (1) | Code(s) (2) | Absolute turnover (3) | Proportion of turnover (4) | Substantial contribution criteria | | | | DNSH criteria (Does Not Significantly Harm) | | | | | | | Taxonomy aligned proportion of turnover, year 2022 (18) | Taxonomy aligned proportion of turnover, year N-1 (19) | Category (enabling activity or) (20) | Category (transitional activity) (21) |
|--|-------------|----------------------------|----------------------------|-----------------------------------|-------------------------------|--|----------------------|--|----------------------------------|--------------------------------|--------------------------------|---------------------------------|-----------------------|----------------|---|--|--------------------------------------|---------------------------------------|
| | | | | Climate change mitigation (5) | Climate change adaptation (6) | Water and marine resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | Climate change mitigation (11) | Climate change adaptation (12) | Water and marine resources (13) | Circular economy (14) | Pollution (15) | | | | |
| A. TAXONOMY-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | |
| A.1 Environmental sustainable activities (Taxonomy-aligned) | | | | | | | | | | | | | | | | | | |
| Turnover of environmental sustainable activities (Taxonomy-aligned (A.1)) | - | 0 | 0% | 0% | 0% | Environmental Delegated act has not been published yet | | | | Not applicable | | | 0% | | Not applicable | | | |
| A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities) | | | | | | | | | | | | | | | | | | |
| Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | - | 0 | 0% | | | | | | | | | | | | | | | |
| Total (A.1 + A.2) | - | 0 | 0% | | | | | | | | | | | | | | | |
| B. TAXONOMY-NON-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | |
| Turnover of Taxonomy-non-eligible activities (B) | - | 684 million € ¹ | 100% | | | | | | | | | | | | | | | |
| Total (A + B) | - | 684 million € | 100% | | | | | | | | | | | | | | | |

¹ Explanation 6 in the consolidated financial statements

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

| Economic activities (1) | Code(s) (2) | Absolute turnover (3) | Proportion of turnover (4) | Substantial contribution criteria | | | | DNSH criteria (Does Not Significantly Harm) | | | | | | | Taxonomy aligned proportion of turnover, year 2022 (18) | Taxonomy aligned proportion of turnover, year N-1 (19) | Category (enabling activity or) (20) | Category (transitional activity) (21) |
|---|-------------|---------------------------|----------------------------|-----------------------------------|-------------------------------|--|----------------------|--|----------------------------------|--------------------------------|--------------------------------|---------------------------------|-----------------------|----------------|---|--|--------------------------------------|---------------------------------------|
| | | | | Climate change mitigation (5) | Climate change adaptation (6) | Water and marine resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | Climate change mitigation (11) | Climate change adaptation (12) | Water and marine resources (13) | Circular economy (14) | Pollution (15) | | | | |
| A. TAXONOMY-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | |
| A.1 Environmental sustainable activities (Taxonomy-aligned) | | | | | | | | | | | | | | | | | | |
| CapEx of environmental sustainable activities (Taxonomy-aligned (A.1)) | - | 0 | 0% | 0% | 0% | Environmental Delegated act has not been published yet | | | | Not applicable | | | 0% | | Not applicable | | | |
| A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities) | | | | | | | | | | | | | | | | | | |
| CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | - | 0 | 0% | | | | | | | | | | | | | | | |
| Total (A.1 + A.2) | - | 0 | 0% | | | | | | | | | | | | | | | |
| B. TAXONOMY-NON-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | |
| CapEx of Taxonomy-non-eligible activities (B) | - | 20 million € ¹ | 100% | | | | | | | | | | | | | | | |
| Total (A + B) | - | 20 million € | 100% | | | | | | | | | | | | | | | |

¹ Explanation 5 in the consolidated financial statements

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

| Economic activities (1) | Code(s) (2) | Absolute turnover (3) | Proportion of turnover (4) | Substantial contribution criteria | | | | | DNSH criteria (Does Not Significantly Harm) | | | | | | | Taxonomy aligned proportion of turnover, year 2022 (18) | Taxonomy aligned proportion of turnover, year N-1 (19) | Category (enabling activity or) (20) | Category (transitional activity) (21) |
|--|-------------|----------------------------|----------------------------|-----------------------------------|-------------------------------|--|----------------------|---------------|--|--------------------------------|--------------------------------|---------------------------------|-----------------------|----------------|----------------------------------|---|--|--------------------------------------|---------------------------------------|
| | | | | Climate change mitigation (5) | Climate change adaptation (6) | Water and marine resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | Climate change mitigation (11) | Climate change adaptation (12) | Water and marine resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) | | | | |
| A. TAXONOMY-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | |
| A.1 Environmental sustainable activities (Taxonomy-aligned) | | | | | | | | | | | | | | | | | | | |
| OpEx of environmental sustainable activities (Taxonomy-aligned (A.1)) | - | 0 | 0% | 0% | 0% | Environmental Delegated act has not been published yet | | | | | Not applicable | | | 0% | Not applicable | | | | |
| A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities) | | | | | | | | | | | | | | | | | | | |
| Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | - | 0 | 0% | | | | | | | | | | | | | 0% | Not applicable | | |
| Total (A.1 + A.2) | - | 0 | 0% | | | | | | | | | | | | | 0% | Not applicable | | |
| B. TAXONOMY-NON-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | |
| OpEx of Taxonomy-non-eligible activities (B) | - | 597 million € ¹ | 100% | | | | | | | | | | | | | | | | |
| Total (A + B) | - | 597 million € | 100% | | | | | | | | | | | | | | | | |

¹ Explanation 8, 9, 10 and 11 in the consolidated financial statements

Template 1 – Nuclear and fossil gas related activities

| Row | Nuclear energy related activities | Fossil gas related activities |
|-----|--|-------------------------------|
| 1 | The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle. | NO |
| 2 | The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies. | NO |
| 3 | The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades. | NO |
| 4 | The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels. | NO |
| 5 | The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels. | NO |
| 6 | The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels. | NO |

Template 2 – Taxonomy-aligned economic activities (denominator)

| Row | Economic activities | Amount and proportion (the information is to be presented in monetary amounts and as percentages) | | | | | |
|-----|---|---|-----------|---------------------------------|-----------|---------------------------------|-----------|
| | | CCM + CCA | | Climate change mitigation (CCM) | | Climate change adaptation (CCA) | |
| | | Amount | % | Amount | % | Amount | % |
| 1 | Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 2 | Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 3 | Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 4 | Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 5 | Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 6 | Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 7 | Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 8 | Total applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |

Template 3 – Taxonomy-aligned economic activities (numerator)

| Row | Economic activities | Amount and proportion (the information is to be presented in monetary amounts and as percentages) | | | | | |
|-----|---|---|-----------|---------------------------------|-----------|---------------------------------|-----------|
| | | CCM + CCA | | Climate change mitigation (CCM) | | Climate change adaptation (CCA) | |
| | | Amount | % | Amount | % | Amount | % |
| 1 | Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 2 | Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 3 | Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 4 | Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 5 | Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 6 | Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 7 | Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 8 | Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |

Template 4 – Taxonomy-eligible but not taxonomy-aligned economic activities

| Row | Economic activities | Amount and proportion (the information is to be presented in monetary amounts and as percentages) | | | | | |
|-----|---|---|-----------|---------------------------------|-----------|---------------------------------|-----------|
| | | CCM + CCA | | Climate change mitigation (CCM) | | Climate change adaptation (CCA) | |
| | | Amount | % | Amount | % | Amount | % |
| 1 | Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 2 | Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 3 | Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 4 | Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 5 | Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 6 | Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 7 | Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |
| 8 | Total amount and proportion of taxonomy eligible but not taxonomy- aligned economic activities in the denominator of the applicable KPI | 0 | 0% | 0 | 0% | 0 | 0% |

Template 5 – Taxonomy non-eligible economic activities

| Row | Economic activities | Amount | Percentage |
|-----|--|----------------------------------|-------------|
| 1 | Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% |
| 2 | Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% |
| 3 | Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% |
| 4 | Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% |
| 5 | Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% |
| 6 | Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI | 0 | 0% |
| 7 | Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI | 684 million € | 100% |
| 8 | Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI | 684 million €¹ | 100% |

¹. Turnover, see [note 6](#) in the consolidated financial statements.



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