



FAGRON
a company limited by shares (“naamloze vennootschap”)
making or having made a public appeal on savings
Venecoweg 20a
B-9810 Nazareth (Belgium)

Enterprise number 0890.535.026
RLE Ghent

(the **Company**)

SPECIAL REPORT OF THE BOARD OF DIRECTORS IN ACCORDANCE WITH ARTICLE 604 OF THE BELGIAN COMPANIES CODE

1. PREAMBLE

This report was prepared in accordance with Article 604 of the Belgian Companies Code (BCC) and establishes the special circumstances in which the authorised capital can be used and the anticipated goals, within the framework of the proposed decision:

- (a) to withdraw the existing authorization of the board of directors concerning authorized capital granted in the deed of amendment of the articles of association dated 5 June 2012, starting with the taking effect of the new authorization mentioned below;
- (b) granting the board of directors, a new authorisation for a period of five years as of the publication in the Annexes to the Belgian State Gazette of the deed of amendment of the articles of association that changes this authorisation to increase the registered capital in one or more transactions by up to 100 % of the amount of the registered capital of the Company, i.e. EUR 494,192,221.68; and
- (c) granting the board of directors, the power to limit or exclude, in the interests of the Company, the preferential subscription right, even in favor of one or more specific persons other than employees of the Company or its subsidiaries.

2. CONTEXT OF THE PROPOSED RESOLUTION

In a deed executed before notary public Dirk Vanhaesebrouck in Kortrijk on 5 June 2012, the board of directors of the Company, in Article 5bis of the articles of association, was authorized to increase the capital within the framework of the authorized capital by a cumulated amount of up to EUR 320,023,050.35 for a period not exceeding five years.

The board of directors is of the opinion that in order to meet the needs of a company making a public appeal on savings, the current authorized capital should be renewed so that the authorized capital is again equal to the amount of registered capital of the Company.

The board of directors therefore asks to renew the authority to use the authorized capital in particular in, but not limited to, the circumstances described below and in view of the purposes described below.



The board of directors may use the authorized capital if the amount of the registered capital of the Company is considered by it to be inadequate with a view to compliance with legal and regulatory requirements, or conditions imposed by law or regulations with which the Company must comply.

The board of directors will also be able to use the authorized capital when an imbalance occurs between the shareholders' equity and the borrowed capital of the Company, all with the aim of improving the position of the Company as a solvent company. More specifically, the board of directors may use the authorised capital in the circumstances described in Articles 633 and 634 BCC.

In addition, the board of directors may use the authorized capital to provide the Company with the necessary resources to (i) flexibly and quickly respond to opportunities that may arise, including, but not limited to, acquisitions, mergers, and in-licensing, and (ii) to be able to cope with new developments and challenges.

The board of directors may also use the authorized capital if it appears that the costs associated with convening an extraordinary shareholders' meeting are not in proportion to the amount of the capital increase to be implemented.

The authorized capital should also allow the board of directors to organize, in a simple manner, personnel, consultant and management equity participations. The board of directors shall thus be allowed to use the authorised capital for the issuance of warrants in the context of warrant plans.

In all the above cases, the norm is that the board of directors must always act in the best interests of the Company.

3. PROPOSED AUTHORISATION TO THE BOARD OF DIRECTORS

A. AUTHORISATION REGARDING AUTHORISED CAPITAL

The renewal and extension of the authorisation regarding authorised capital will give the board of directors the authority to, for a further period of five years as of the publication of the notarial deed of amendment of the articles of association granting this authorisation in the Annexes to the Belgian State Gazette, within the legal limits, increase the authorised capital of the Company in one or more transactions to a maximum amount equal to 100% of the registered capital of the Company, i.e. EUR 494,192,221.68.

This authority may be exercised only if at least three fourths (3/4ths) of the present or represented directors so agree.

The authority of the board of directors will apply to capital increases by contribution in kind and cash, by conversion of reserves or issue premiums, with or without issuing new securities. The authority of the board of directors will also include the power to issue, one or more times, convertible bonds, warrants, with or without a link to another security or bonds with warrants, provided that the maximum amount for which this power can be exercised with regard to the issuance of convertible bonds, warrants with or without a connection to another security or bonds with warrants, applies to the amount of the capital increases that could result from the conversion of the bonds or the exercise of such warrants. In addition, the board of directors wishes to obtain the possibility to also allow the capital increase decided by the board of directors to take place through the issuance of shares without voting rights, shares with a preferential right to a dividend, preference in the case of liquidation, and convertible shares, which pursuant to specific conditions are converted into a smaller or greater number of ordinary shares.



Within the framework of the authorized capital, the board of directors shall also have the power, in the interests of the Company and subject to compliance with the conditions specified in Article 596 et seq. BCC, to cancel or limit the preferential subscription right granted to the shareholders by law. The board of directors shall be authorised to limit or cancel the preferential subscription right in favour of one or more specific persons, even if they are not employees of the Company or its subsidiaries.

On the occasion of the increase of the issued capital, realized within the limits of the authorized capital, the board of directors shall have the authority to request an issue premium. If the board of directors so decides, this issue premium must be booked to a blocked account that will constitute the guarantee of third parties to the same level as the registered capital, and which, except for the possibility of conversion into capital, can only be made available by a resolution of the shareholders' meeting adopted in the manner required for amendment of the articles of association.

The board of directors requests that it be granted the authority to amend the articles of association in accordance with the capital increase decided in the framework of its authority.

B. AMENDMENT OF ARTICLE 5BIS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The board of directors shall have the authority to amend the articles of association of the Company in accordance with the capital increase that was decided within the framework of its authority.

4. CONCLUSION

In light of the above, the board of directors proposes to the extraordinary shareholders' meeting of the Company (i) to withdraw the existing authorization of the board of directors concerning the authorized capital granted in the deed of amendment dated 5 June 2012, starting with the taking effect of the new authorization mentioned above, and (ii) to grant the board of directors new authorization regarding authorized capital as described above.

In accordance with Article 604, §2 BCC, this report is mentioned in the agenda of the extraordinary shareholders' meeting of the Company.

Drawn up at Nazareth, on 6 April 2017.

On behalf of the board of directors:

Hans Stols
CEO

Karin de Jong
CFO

The original Dutch version of this document is available. In matters of any misinterpretation, the Dutch version will prevail.