Fagron NV

(*a public limited liability company incorporated under Belgian law and having its registered office at Textielstraat 24, 8790 Waregem, Belgium*)

PUBLIC OFFERING TO SUBSCRIBE TO 17,105,690 NEW SHARES IN A CAPITAL INCREASE IN CASH WITH STATUTORY PREFERENTIAL SUBSCRIPTION RIGHTS FOR €5.16 PER NEW SHARE IN THE RATIO OF 5 NEW SHARES FOR 16 PREFERENTIAL SUBSCRIPTION RIGHTS

REQUEST FOR ADMISSION TO TRADING ON EURONEXT BRUSSELS AND EURONEXT AMSTERDAM OF THE PRIVATE PLACEMENT SHARES, THE NEW SHARES AND THE PREFERENTIAL SUBSCRIPTION RIGHTS

This prospectus is prepared in connection with the (i) the offering by Fagron NV (the "**Company**", or the "**Issuer**" and, together with its subsidiaries, the "**Group**"), of 17,105,690 new ordinary shares, without nominal value (the "**New Shares**") pursuant to a capital increase with one statutory preferential subscription right granted per ordinary share (together the "**Preferential Subscription Rights**"), with an issue price of €5.16 per New Share (the "**Issue Price**") and (ii) the request for admission to trading of the Private Placement Shares, the New Shares and the Preferential Subscription Rights on Euronext Brussels, a regulated market of Euronext Brussels SA / NV ("**Euronext Brussels**") and Euronext Amsterdam, a regulated market of Euronext Amsterdam N.V. ("**Euronext Amsterdam**").

Subject to the restrictions in this Prospectus set out in "*Information on the Prospectus and Cautionary Statements—Restrictions on the Offering*" (*Paragraph 4.16* of *Part 4*) and limitations that may apply under applicable securities laws, each Shareholder will be granted one Preferential Subscription Right per ordinary share it holds at closing of Euronext Brussels and Euronext Amsterdam on 16 June 2016 (the "**Record Date**"). The Preferential Subscription Rights will be represented by coupon no. 9, which will be detached from the underlying share on 16 June 2016 after closing of the market. The Preferential Subscription Rights are expected to trade on the regulated market of Euronext Brussels and Euronext Amsterdam from 17 June 2016 up to and including 1 July 2016 and will be listed on the regulated market of Euronext Brussels and Euronext Amsterdam under trading symbol "FAGR9" and have been accepted for clearance through Euroclear Bank NV/SA, as operator of the Euroclear system, under ISIN BE0970150539. The holders of Preferential Subscription Rights are entitled, subject to the restrictions in this Prospectus set out in "*Information on the Prospectus and Cautionary Statements—Restrictions on the Offering*" (*Paragraph 4.16* of *Part 4*) and limitations that may apply under applicable securities laws, to subscribe to the New Shares in the ratio of 5 New Shares for 16 Preferential Subscription Rights (the "**Ratio**"). The subscription period for the New Shares is expected to start on 17 June 2016 and shall end on 1 July 2016 (the "**Rights Subscription Period**"). Once holders of Preferential Subscription Rights exercise their Preferential Subscription Rights, they cannot revoke the exercise of their Preferential Subscription Rights, except as set out in "*Information on the Offering—Terms and conditions of the Offering—Supplement to the Prospectus*" (*Paragraph 14.2.7* of *Part 14*). Holders of Preferential Subscription Rights who have not exercised their Preferential Subscription Rights during the Rights Subscription Period will no longer be able to exercise their Preferential Subscription Rights.

Preferential Subscription Rights that are not exercised during the Rights Subscription Period will be converted into an equal number of scrips (the "**Scrips**"). The Scrips will be offered for sale by the Underwriters by way of an exempt private placement in the EEA and Switzerland, organised by way of an accelerated bookbuilding procedure in order to determine a single market price per Scrip that is expected to start on 5 July 2016 and to end on the same date (the "**Scrips Private Placement**"). The net proceeds of the sale of the Scrips (if any) will be divided proportionally between all holders of Preferential Subscription Rights who have not exercised them, unless the net proceeds of the sale of the Scrips divided by the total number of unexercised Preferential Subscription Rights is less than €0.01. Purchasers of Scrips in the Scrips Private Placement shall irrevocably undertake to subscribe to the corresponding number of New Shares at the Issue Price and in accordance with the Ratio. WPEF VI Holdco III BE B.V., Alychlo NV, Carmignac Portfolio SICAV and Carmignac Gestion S.A., Midlin N.V. and Bart Versluys have committed (as the case may be subject to certain conditions) to exercise their Preferential Subscription Rights and to accordingly subscribe to New Shares. The Issuer shall offer with priority all the Scrips to WPEF VI Holdco III BE B.V. and WPEF VI Holdco III BE B.V. shall have a right of first refusal, to the exclusion of any third party, to purchase all or part of the Scrips at the price determined in the Scrips Private Placement and WPEF VI Holdco III BE B.V. shall be obliged to purchase the Scrips at a price of maximum one eurocent (€0.01) per Scrip if the price determined in the Scrips Private Placement does not exceed one eurocent (€0.01) per Scrip. The results of the Rights Offering and the Scrips Private Placement as well as, as the case may be, the amount payable to the holders of unexercised Preferential Subscription Rights are expected to be announced on 6 July 2016.

An application has been submitted to admit the Private Placement Shares and the New Shares to listing and trading on Euronext Brussels and Euronext Amsterdam under the same symbol "FAGR" as for the existing Shares. The Private Placement Shares are expected to have been separately accepted for clearance through Euroclear Bank NV/SA, as operator of the Euroclear system, under ISIN BE0003874915. The New Shares are expected to have been separately accepted for clearance through Euroclear Bank NV/SA, as operator of the Euroclear system, under ISIN BE0003874915. The Private Placement Shares were issued in registered form on 20 May 2016 and are expected, subject to a request thereto by the holders of the Private Placement Shares (if any), to be dematerialised concurrently with the delivery of the New Shares, by Euroclear on or about 7 July 2016. Delivery of the New Shares is expected to take place through the book-entry facilities of Euroclear against payment therefor in immediately available funds on or about 7 July 2016. On 14 June 2016 the closing price of the Shares on Euronext Brussels and Euronext Amsterdam was €7.31.

Investing in the Shares, the Preferential Subscription Rights and the Scrips involves a high degree of risk. An investor is exposed to the risk of losing all or part of its investment. Before any investment in the Shares, the Preferential Subscription Rights or the Scrips, investors must read the Prospectus and in particular Section *D* of the Summary, starting on page 11, and *Part 3* (*Risk Factors*), starting on page 33, and more specifically, see "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates*" (*Paragraph 3.1* of *Part 3*), starting on page 33, and see "*Risk Factors—Risks relating to the Offering*" (*Paragraph 3.2* of *Part 3*), starting on page 55. Each of these risk factors must be carefully studied and assessed before investing in the Shares, the Preferential Subscription Rights or the Scrips. The Offering takes place in the context of the entry by the Issuer into Long Term Waivers (see "*Operating and Financial Review—Liquidity and capital resources—Borrowings*" (*Paragraph 8.8.4 of Part 8*)) following negotiations by the Issuer with its debt providers in order to avoid potential breaches of certain of its financial covenants. The proceeds of the Offering will be used to reduce and partly reimburse the Group's indebtedness (in accordance with the arrangements described in "*Reasons for the Offering and Use of Proceeds*" (*Part 13*)). The Group's level of indebtedness may impact its profitability and restrict the Group's operating and financial flexibility and may place it at a disadvantage compared to less leveraged competitors. Under the Group's current financing arrangements, certain restrictions on dividend distributions are included. Changes in the reimbursement regimes of public healthcare administrations and private insurers for the Group's products have in the past and may in the future impact the Group's profitability.

This document constitutes a prospectus concerning the offering and admission to trading on a regulated market within the meaning of article 3 of the Prospectus Directive and has been prepared in accordance with article 20 of the Prospectus Law. This Prospectus was approved by the Belgian Financial Services and Markets Authority ("**FSMA**") on 15 June 2016 and notified to the Dutch Authority for Financial Markets ("**AFM**") for passporting in accordance with article 18 of the Prospectus Directive.

The Issuer and the Underwriters are not taking any action to permit a public offering of the New Shares, the Preferential Subscription Rights and the Scrips in any jurisdiction outside Belgium and the Netherlands. The distribution of this document and the offering and delivery of shares in certain jurisdictions may be restricted by law. In particular, this document should not be distributed, forwarded to or transmitted in or into the US (as defined in Regulation S ("**Regulation S**") of the US Securities Act of 1933, as amended (the "**Securities Act**")). Persons into whose possession this document comes are required to inform themselves about and observe any such restrictions. For a description of these and further restrictions, see "*Information on the Prospectus and Cautionary Statements—Restrictions on the Offering*" (*Paragraph 4.16* of *Part 4*) and see "*Information on the Offering—Plan of distribution and allocation of the New Shares*" (*Paragraph 14.3* of *Part 14*). Neither the New Shares, the Preferential Subscription Rights, nor the Scrips have been or will be registered under the Securities Act and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in the US unless the New Shares, the Preferential Subscription Rights or the Scrips are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available and done in compliance with applicable US state securities laws, if any. Subject to certain limited exceptions, and at the discretion of the Issuer, the New Shares, the Preferential Subscription Rights and the Scrips are only being offered and sold in offshore transactions outside the US in accordance with Regulation S. Accordingly, none of the New Shares, the Preferential Subscription Rights or the Scrips may be offered, issued or transferred to any person with a registered address in, or who is resident in, the US. The New Shares, the Preferential Subscription Rights and the Scrips are also subject to transfer and selling restrictions in certain other jurisdictions. Prospective investors should read the restrictions described in "*Information on the Prospectus and Cautionary Statements—Restrictions on the Offering*" (*Paragraph 4.16* of *Part 4*).

Joint Global Coordinators and Joint Bookrunners

BNP PARIBAS FORTIS

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KBC Securities

15 June 2016

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PART 1
SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E (A.1 – E.1).

This summary contains all the Elements required to be included in a summary for this type of securities and company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not applicable."

Section A. Introduction and Warnings		
Element	**Disclosure requirement**	**Disclosure**
A.1	Introduction and warnings	This summary must be read as an introduction to this Prospectus and is provided to aid investors when considering whether to invest in the Shares, the Preferential Subscription Rights or the Scrips, but is not a substitute for this Prospectus. Any decision to invest in the Shares, the Preferential Subscription Rights or the Scrips should be based on consideration of this Prospectus as a whole, including any documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the persons responsible for this summary in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Shares, the Preferential Subscription Rights or the Scrips. Where a claim relating to this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.
A.2	Consent for use of this Prospectus for subsequent resale	Not applicable. The Company does not consent to the use of this Prospectus for the subsequent resale or final placement of securities by financial intermediaries.

Section B. Issuer		
Element	**Disclosure requirement**	**Disclosure**
B.1	The legal and commercial name of the Company	Fagron NV.
B.2	Registered office and legal form of the Company	The Company is a public limited liability company (*naamloze vennootschap / société anonyme*), incorporated under Belgian law, having its registered office at Textielstraat 24, 8790 Waregem, Belgium and registered with the Crossroads Bank for Enterprises (*Kruispuntbank van Ondernemingen / Banque-Carrefour des Entreprises*) under number 0890.535.026 (LER Ghent, division Kortrijk).
B.3	Current operations and principal activities of the	The Group believes that it is the only company operating on a global scale that offers a one-stop solution to community and hospital pharmacies,

Section B. Issuer		
Element	**Disclosure requirement**	**Disclosure**
	Group and the principal markets in which it competes	clinics and other customers of pharmaceutical compounding. Pharmaceutical compounding is a niche market within the pharmaceutical industry. Compounds are tailor-made to the specific conditions of patients, therefore the demand for a particular compounded medication is generally relatively small, making compounding an uninteresting market for traditional pharmaceutical companies (including generic pharmaceutical manufacturers). The Group is active in the following segments: • *FSPS*: prepares customised medication in 20 sterile (excluding Bellevue Pharmacy) and non-sterile compounding facilities in Europe, the US, Colombia and South Africa. FSPS produces customised medication for both specific patients and large-scale production, increasingly (though not exclusively) using the raw materials sourced from its Fagron Essentials segment and the delivery vehicles sourced from its Fagron Trademarks segment. • *Fagron Trademarks*: develops innovative concepts, drug delivery vehicles and formulations for pharmaceutical compounding developed by Fagron's research and development team, often in close cooperation with prescribers and pharmacies. • *Fagron Essentials*: reconditions (or repacks) and distributes pharmaceutical raw materials, supplies and equipment that pharmacists need to prepare medication in the pharmacy. • *HL Technology*: a legacy business which develops and produces innovative precision components and orthopaedic tools for the dental and medical orthopaedic industry.
B.4a	Significant recent trends affecting the Group and the industry in which it operates	The demand for customised medication benefits from long-term growth drivers, including: *Changing demographics* Children and the elderly are the primary users of compounded medication. Both children and elderly populations are growing demographics (source: United Nations Population Fund, *State of world population 2014*, 2014); therefore the global market for pharmaceutical compounding is also expected to grow. *Drug shortages* A growing drug shortage problem in many markets is impacting a range of patient conditions and issues. The number of active drug shortages, according to the US FDA, increased from 154 in 2007 to around 300 in 2015. Pharmaceutical compounding plays an important role in providing access to drugs which are in short supply by compounding the specific drug, based on a physician's prescription, and using pharmaceutical ingredients to help ensure that patients get the critical care they require. *Drug discontinuations* Following mergers and acquisitions activity of pharmaceutical companies, it is not unusual to discontinue unprofitable drugs, often as a result of the relatively small size of the patient population. Pharmaceutical compounding can ensure that specific patient groups continue to have

Section B. Issuer		
Element	**Disclosure requirement**	**Disclosure**
		access to discontinued drugs. *Outsourcing of compounding by hospital pharmacies* As the overall compounding market has grown, the resulting rapid increase in the volume of sterile preparations needed and the complexity of these preparations has put pressure on in-house compounding by hospital pharmacies. Over time, complying with more stringent regulations in respect of compounding in certain jurisdictions has become increasingly challenging and costly for many hospital pharmacies. In addition, unless hospital pharmacies have a comprehensive quality and testing program, most in-house sterile compounded medications have a shorter shelf-life, which leaves the hospital more vulnerable to waste. By contrast, outsourced sterile compounded medication often have a significantly longer beyond-use date, which can reduce waste by up to 61% (source: Pharmacy Practice News, *Outsourced Hospital Sterile Compounding: A New and Safer Era To Come*, September 2013). As a result, many hospital pharmacies have turned to outsourcing facilities to handle the complexities of preparing sterile preparations, especially low-medium risk (or sterile-to-sterile) compounds. Outsourcing facilities have the expertise and experience to produce high quality compounds, with the scale to produce them more cost effectively. *More stringent regulation of sterile compounds in the US* Currently the primary factor restraining usage of sterile compounded drugs is unsafe compounding practices, which include compounding contaminations and non-adherence to Good Manufacturing Practice ("**GMP**") regulations. To avoid unsafe compounding, the FDA introduced the Section 503B Regulation for all outsourcing facilities in the United States. This registration is expected to become increasingly stringent. Registration and inspection of facilities are routinely conducted by the FDA to identify compounding pharmacies with deficient sterile compounding practices. The stringent regulations in the US are expected to prompt small compounding pharmacies to gradually withdraw from the market, primarily as a result of being unable to cost-effectively comply with evolving regulatory requirements. In the US in particular, the sterile compounding market is expected to undergo consolidation in the future due to the increasingly stringent regulatory measures from the FDA to obtain the necessary GMP certifications.
B.5	Description of the Group and the Company's position within the Group	The Company operates its business through several direct and indirect wholly or partially owned subsidiaries. The Company is the direct or indirect parent company of these subsidiaries.
B.6	Relationship with major shareholders	Based on the transparency declarations received by the Company, at the date of the Prospectus, the Company's largest shareholders are (i) WPEF VI Holdco III BE B.V., jointly controlled by WPEF VI Holding III BE B.V. (in its turn ultimately controlled by Waterland Private Equity Fund VI C.V.) and Baltisse NV (in its turn ultimately controlled by Filiep Balcaen), which holds (together with the persons acting in concert with it) approximately 29.16% of the Shares and (ii) Alychlo NV, which holds (together with related persons) approximately 14.76% of the Shares. None of these shareholders control the Company in the sense of article 5 of the

Section B. Issuer		
Element	**Disclosure requirement**	**Disclosure**
		Belgian Companies Code. WPEF VI Holdco III BE B.V., jointly controlled by WPEF VI Holding III BE B.V. (in its turn ultimately controlled by Waterland Private Equity Fund VI C.V.) and Baltisse NV (in its turn ultimately controlled by Filiep Balcaen), has entered into an agreement with the Company relating to the subscription by WPEF VI Holdco III BE B.V. to new Shares to be issued by the Company. Such agreement can be considered to qualify as an agreement aimed to obtain control over the Company in the sense of Article 3, §1, 13°a) of the Transparency Law. As such agreement includes arrangements relating to the trading of treasury shares by the Company, this agreement can also be considered to qualify as an agreement relating to the holding, acquisition or transfer of securities conferring a right to vote in the sense of Article 3, §1, 13°c) of the Transparency Law. In addition, WPEF VI Holdco III BE B.V., WPEF VI Holding III BE B.V. and Baltisse NV have entered into an agreement which can be considered to qualify as an agreement in the sense of Article 3, §1, 13°a), b) and c) of the Transparency Act. See also *E.3* of this *Summary*.
B.7	Selected historical key financial information	The unaudited condensed interim financial statements of the Company as at and for the three months ended 31 March 2016 and 2015 are included in *Annex 3* and the audited consolidated financial statements of the Company as at and for the year ended 31 December 2015, including the notes thereto (the "**2015 Financial Statements**") are included in *Annex 1* of this Prospectus. Certain elements of the audited consolidated financial statements of the Company as at and for the year ended 31 December 2014, including the notes thereto (the "**2014 Financial Statements**") and as at and for the year ended 31 December 2013, including the notes thereto (the "**2013 Financial Statements**", and together with the 2015 Financial Statements and the 2014 Financial Statements, the "**Financial Statements**") have been incorporated by reference in this Prospectus and may be viewed at investors.fagron.com. The audited consolidated financial information of the Company set forth below as at and for the years ended 31 December 2015, 2014 and 2013 has been derived from, should be read in conjunction with and is qualified in its entirety by the Financial Statements, included or incorporated by reference into this Prospectus, which have been prepared in accordance with IFRS, as adopted by the EU. The unqualified opinion for the financial statements for the year ended 31 December 2015 includes an emphasis of matter paragraph. In this article the Statutory Auditor noted the existence of uncertainty which may give rise to significant doubts regarding the Group's ability to maintain its continuity, as set out from the Statutory Auditor's opinion: *Without departing from our opinion as referred to above, we draw attention to note 2 'Accounting policies and continuity' on pages 83 and 84 of the annual report, where detailed reference is made to the existence of uncertainty of material importance which may give rise to significant doubts regarding the Group's ability to maintain its continuity and in which the Board of Directors has cited the valuation rules in the assumption of continuity.* In its review report for the unaudited condensed interim financial statements of the Company for the three months ended 31 March 2016 and 2015, the Statutory Auditor did not include an emphasis of matter paragraph following the entry into the Long Term Waivers. The 2013 Financial Statements were restated in 2014 using IFRS 5 to

Section B. Issuer		
Element	**Disclosure requirement**	**Disclosure**
		adjust for discontinued operations and non-current assets held for sale, consisting primarily of the Group's medical and dental divisions, which were sold in 2013 and 2014, and the ICT (Corilus) division, which was sold in early 2015. The 2013 financial information presented below presents restated figures and is therefore directly comparable to the 2014 and 2015 numbers presented.

Consolidated income statement (€ millions)	**01/01/2016 -31/03/2016** (unaudited)	**01/01/2015 -31/03/2015** (unaudited)	**01/01/2015 -31/12/2015**	**01/01/2014 -31/12/2014**	**01/01/2013 -31/12/2013**
Operating income	**103.7**	**102.8**	**481.7**	**450.4**	**343.6**
Turnover	103.6	102.6	473.0	447.1	342.7
Other operating income	0.2	0.2	8.7	3.4	0.9
Operating expenses	**89.2**	**83.6**	**632.0**	**356.1**	**277.3**
Trade goods	37.7	37.4	164.2	158.8	148.1
Services and other goods	20.4	17.6	89.0	76.1	49.2
Employee benefit expenses	22.8	23.8	125.4	101.6	71.2
Depreciation and amortisation	3.7	4.5	23.6	19.0	8.9
Impairment	-	-	225.6	-	-
Other operating expenses	4.6	0.4	4.3	0.5	-
Operating profit (loss)	**14.6**	**19.3**	**(150.3)**	**94.3**	**66.3**
Financial income	10.4	0.3	2.0	0.7	1.0
Financial expenses	(14.8)	(8.4)	(47.0)	(25.2)	(18.5)
Profit (loss) before income tax	**10.2**	**11.2**	**(195.3)**	**69.9**	**48.8**
Taxes	3.5	3.9	7.0	26.7	7.0
Profit (loss) for the period from continuing operations	**6.8**	**7.3**	**(202.3)**	**43.2**	**41.8**
Profit (loss) for the period from discontinued operations (attributable to equity owners of the Group)	(3.9)	3.7	0.3	(27.0)	(73.9)
Profit (loss) for the period	**2.9**	**11.0**	**(202.0)**	**16.2**	**(32.0)**
Profit (loss) attributable to:					
Equity holders of the Group (net result)	2.6	10.9	(202.3)	16.2	(32.1)
Non-controlling interest	0.3	0.1	0.3	(0.1)	0.1

Consolidated statement of financial position (€ millions)	As at 31/03/2016 (unaudited)	As at 31/12/2015	As at 31/12/2014	As at 31/12/2013
Non-current assets	**487.1**	**501.5**	**662.6**	**492.1**
Intangible assets	399.2	410.6	575.3	400.6
Property, plant and equipment	69.0	71.1	60.0	47.5
Financial assets	6.1	5.9	5.1	15.8
Deferred tax assets	12.8	13.9	22.4	28.3
Current assets	**163.0**	**187.8**	**228.1**	**236.5**
Inventories	70.1	67.3	65.2	58.9
Trade receivables	39.1	34.1	36.3	29.6
Other receivables	13.5	11.0	18.0	19.1
Cash and cash equivalents(1)	40.4	75.5	108.6	128.9
Assets held for sale	-	-	83.0	76.1
Total assets	**650.1**	**689.4**	**973.8**	**804.7**
Equity	**(52.1)**	**(64.8)**	**156.9**	**155.2**
Shareholders equity (parent)	(55.1)	(67.5)	154.6	151.6
Non-controlling interest	3.0	2.7	2.3	3.6
Non-current liabilities	**32.1**	**27.1**	**575.5**	**389.1**
Provisions	20.2	16.0	8.9	9.2
Pension obligations	5.2	5.1	6.1	4.3
Deferred tax liabilities	2.4	1.5	6.2	4.5
Borrowings	4.2	4.4	551.5	368.7
Financial instruments	-	-	2.9	2.5
Current liabilities	**670.1**	**727.1**	**220.9**	**230.4**
Borrowings	572.4	594.9	5.7	55.0
Trade payables	42.9	63.0	57.4	55.6
Taxes, remuneration and social security	20.9	25.3	38.7	28.8
Other current payables	32.2	41.9	119.1	91.0
Financial instruments	1.8	2.0	-	-
Liabilities directly associated with assets classified as held for sale	-	-	20.4	30.1
Total liabilities	**702.2**	**754.2**	**816.8**	**649.5**
Total equity and liabilities	**650.1**	**689.4**	**973.8**	**804.7**

Notes:
(1) The Group's balance sheet as at 31 December 2013 reflects cash and cash equivalents from continuing operations of €128.9 million and of cash and cash equivalents attributable to assets held for sale of €6.5 million.

Consolidated statement of cash flow (€ millions)	01/01/2016 -31/03/2016 (unaudited)	01/01/2015 -31/03/2015 (unaudited)	01/01/2015 -31/12/2015	01/01/2014 -31/12/2014	01/01/2013 -31/12/2013
Operating activities					
Profit (loss) before income tax	7.3	13.4	(195.3)	46.3	(21.6)
Paid taxes	(3.8)	(14.0)	(19.4)	(11.4)	(10.3)
Adjustments for financial items	4.3	8.1	45.0	26.7	25.0
Total adjustments for non-cash items	5.1	6.9	241.2	44.3	79.8
Total changes in working capital	(34.1)	(34.9)	1.8	(4.2)	(9.8)
Total cash flow from operating	**(21.2)**	**(20.6)**	**73.3**	**101.7**	**63.1**

Consolidated statement of cash flow (€ millions)	**01/01/2016 -31/03/2016** (unaudited)	**01/01/2015 -31/03/2015** (unaudited)	**01/01/2015 -31/12/2015**	**01/01/2014 -31/12/2014**	**01/01/2013 -31/12/2013**
activities					
Investing activities					
Capital expenditure	(4.7)	(6.1)	(22.1)	(20.7)	(15.8)
Investments in existing shareholdings (subsequent payments) and in new holdings	(0.7)	(34.4)	(96.7)	(196.2)	(101.3)
Proceeds from disposal of assets	-	71.3	72.5	23.0	53.6
Total cash flow from investing activities	**(5.4)**	**30.8**	**(46.3)**	**(193.8)**	**(63.5)**
Financing activities					
Capital increase	-	-	0.1	0.7	0.8
Sale (purchase) of treasury shares	-	(1.8)	1.4	1.3	(18.3)
Dividends paid	-	-	(31.4)	(22.2)	(18.8)
New borrowings	-	14.2	100.3	355.5	129.2
Reimbursement of borrowings	(1.0)	(74.9)	(100.9)	(245.7)	(7.0)
Interest received	0.4	0.3	2.0	0.8	1.5
Interest paid	(7.5)	(4.9)	(33.0)	(25.5)	(20.8)
Total cash flow from financing activities	**(8.0)**	**(67.0)**	**(61.5)**	**65.0**	**66.5**
Total net cash flow for the period	**(34.6)**	**(56.8)**	**(34.4)**	**(27.1)**	**66.1**
Cash and cash equivalents – start of the period	75.5	108.6	108.6	135.4(1)	72.4
Gains or losses on exchange on liquid assets	0.5	(4.4)	(1.3)	(0.2)	(3.0)
Cash and cash equivalents – end of the period	40.4	56.2	75.5	108.6	135.4(1)
Change in cash and cash equivalents	**(34.6)**	**(56.8)**	**(34.4)**	**(27.1)**	**66.1**
Discontinued operations					
Cash flow from operating activities	(5.2)	1.0	-	11.2	7.9
Cash flow from investing activities	(0.2)	(0.1)	-	(13.3)	(21.3)
Cash flow from financing activities	-	-	-	3.7	11.5
Total net cash flow from discontinued operations	**(5.4)**	**0.9**	**-**	**1.5**	**(1.9)**

Notes:
(1) Includes cash and cash equivalents attributable to assets held for sale of €6.5 million.

Section B. Issuer		
Element	**Disclosure requirement**	**Disclosure**
B.7	Selected historical key financial information (*continued*)	This Prospectus includes certain financial measures that are not measures defined by IFRS (See "*Information on the Prospectus and Cautionary Statements*" (*Part 4*)). The tables below present these non-IFRS measures for the Group for the periods presented. See "*Selected Historical Financial Information*" (*Part 7*) for more details.

Non-IFRS financial information (€ millions, except percentages)	**As at and for the 3 months ended 31/03/2016** (unaudited)	**As at and for the 3 months ended 31/03/2015** (unaudited)	**As at and for the year ended 31/12/2015**	**As at and for the year ended 31/12/2014**	**As at and for the year ended 31/12/2013**
EBITDA	18.2	23.7	98.8	113.4	75.2
REBITDA	22.3	25.0	106.5	118.5	79.1
EBIT	14.6	19.3	(150.3)	94.3	66.3
Operational working capital	66.2	81.0	38.3	44.1	33.0
Net operational capital expenditure	4.7	6.1	22.1	12.5	5.2
Net financial debt	536.3	477.6	523.8	448.7	289.2
Adjusted net financial debt / adjusted REBITDA	-	-	-	3.2	2.6
Organic turnover growth	(6.0%)	13.5%	(1.0%)	9.7%	8.3%
Organic turnover growth CER	(0.1%)	8.8%	(2.9%)	11.5%	12.8%
Gross margin	63.6%	63.6%	65.4%	64.5%	56.8%
Cost coverage	72.3%	63.6%	68.0%	60.7%	61.4%
Cash conversion	-	-	20.5%	39.9%	26.5%

Section B. Issuer		
Element	**Disclosure requirement**	**Disclosure**
B.8	Selected key pro forma financial information	Not applicable. No pro forma financial information has been included in the Prospectus.
B.9	Profit forecast or estimate	Not applicable. No profit forecast or estimate has been included in the Prospectus.
B.10	A description of the nature of any qualifications in the audit reports on the historical financial information	Not applicable. There are no qualifications in the audit reports on the historical financial information.
B.11	Working capital	On the date of this Prospectus, the Company is of the opinion that, taking into account the available cash and available credit facilities, it has sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of the Prospectus.

Section C. Shares		
Element	**Disclosure requirement**	**Disclosure**
C.1	Type and class of the securities being offered and/or admitted to trading	The securities offered by the Company are 17,105,690 new ordinary shares without nominal value (the "**New Shares**"). The New Shares to be issued within the framework of the Offering shall be of the same class as the existing and outstanding Shares of the Company at the moment of their issue. The admission to trading on Euronext Brussels and Euronext Amsterdam will comprise the New Shares, the Preferential Subscription Rights and 22,626,387 new ordinary shares without nominal value (the "**Private Placement Shares**"), issued pursuant to a capital increase dated 20 May

Section C. Shares		
Element	**Disclosure requirement**	**Disclosure**
		2016 by contribution in cash with cancellation of the preferential subscription rights of the existing shareholders for the benefit of WPEF VI Holdco III BE B.V., Alychlo NV, Carmignac Gestion S.A., Carmignac Portfolio SICAV, Midlin N.V., Bart Versluys and Johannes (Hans) Stols in the amount of approximately €131.0 million (the "**First Tranche Capital Increase**").
C.2	Currency of the Shares	The currency of the existing Shares, the Private Placement Shares and the New Shares is Euro.
C.3	Number of shares issued	The Company's share capital currently amounts to €460,109,177.55 and is currently represented by 54,738,214 shares (including, for the avoidance of doubt, the Private Placement Shares). Upon successful completion of the Offering, if the Offering is fully subscribed, the Issuer will issue 17,105,690 New Shares, for an aggregate issue price estimated to be approximately €88.3 million (or €5.16 per New Share). As a result, upon successful completion of the Offering, the Company's share capital would be increased to €548,374,537.95 and be represented by 71,843,904 Shares, each with a fractional value of €7.63. It should be noted that on 1 June 2016, the Board of Directors has convened an extraordinary General Shareholders' Meeting, to be held on 1 July 2016, which is expected to resolve to decrease the Company's share capital by incorporation of losses, in the amount of €54,182,316.27. This capital decrease was proposed by the Board of Directors to strengthen the balance sheet of the Company. Consequently, subject to the extraordinary General Shareholders' Meeting resolving on 1 July 2016 to decrease the Company's share capital by incorporation of losses, as per 1 July 2016, the Company's share capital is expected to amount to €405,926,861.28 and will be represented by 54,738,214 shares. Hence, to the extent the extraordinary General Shareholders' Meeting resolves on 1 July 2016 to decrease the Company's share capital by incorporation of losses, upon successful completion of the Offering, the Company's share capital would be increased up to €494,192,221.68 and be represented by 71,843,904 shares, each with a fractional value of €6.88. In addition, on or before 30 September 2016, the Board of Directors may (i) issue an additional 224,133 shares in the Company's share capital in the framework of the authorised capital or (ii) convene an extraordinary General Shareholders' Meeting, which might propose to resolve to issue an additional 224,133 shares in the Company's share capital. This issuance of shares would then be used to satisfy the Company's earnout obligations in relation to the acquisition of AnazaoHealth in April 2015. Alternatively, such obligation could also be fulfilled by delivering treasury shares (subject to WPEF VI Holdco III BE B.V.waiving the undertaking of the Company not to purchase, acquire or transfer any of its own shares in accordance with the subscription agreement entered into by and between WPEF VI Holdco III BE B.V. and the Company). The Board of Directors will assess the various options before 30 September 2016 and decide in the Company's best interest.
C.4	Rights attached to the	All of the existing Shares have the same voting rights except that voting

Section C. Shares		
Element	**Disclosure requirement**	**Disclosure**
	Shares	rights are suspended when such Shares are held by the Company as treasury shares. The Private Placement Shares are of the same class and have the same rights as the existing Shares. The New Shares shall be of the same class and shall have the same rights as the existing Shares.
C.5	Restrictions on the free transferability of the Shares	There are no provisions limiting the free transferability of the existing Shares (including, for the avoidance of doubt, the Private Placement Shares) and New Shares included in the Articles of Association of the Company.
C.6	Applications for admission to trading on a regulated market and identity of all the regulated markets where the Shares are or are to be traded	An application has been submitted to admit the Private Placement Shares and the New Shares to listing and trading on Euronext Brussels and Euronext Amsterdam under the same symbol "FAGR" as for the existing Shares. The Private Placement Shares are expected to have been separately accepted for clearance through Euroclear Bank NV/SA, as operator of the Euroclear system ("**Euroclear**"), under ISIN code BE00038 74915.The Private Placement Shares were issued in registered form on 20 May 2016 and are expected, subject to a request thereto by the holders of the Private Placement Shares (if any), to be dematerialised concurrently with the delivery of the New Shares by Euroclear on or about 7 July 2016. The New Shares are expected to have been separately accepted for clearance through Euroclear, under ISIN code BE0003874915. Delivery of the New Shares is expected to take place through the book-entry facilities of Euroclear against payment therefore in immediately available funds on or about 7 July 2016.
C.7	A description of dividend policy	All Shares participate in the same manner in the Company's profits (if any). In general, the Company may pay dividends only upon approval by the Company's Shareholders at the General Shareholders' Meeting, although the Board of Directors may declare interim dividends without such shareholder approval. The amount of the dividend is decided by the General Shareholders' Meeting upon a proposal of the Board of Directors. The Company adopts a progressive dividend policy that takes into account the profitability of the business and any underlying growth, as well as its capital requirements and cash flows, while maintaining sufficient liquidity for pursuing its buy-and-build strategy. Accordingly, the Company expects to retain the majority of its free cash flow in the next few years as it reduces its leverage. Under the Company's current financing arrangements, certain restrictions on dividend distributions are included. Any dividend distribution made on or prior to 31 December 2017 will be permitted only if (adjusted on a pro forma basis to take into account such distribution) the Group's consolidated total net debt to consolidated EBITDA ratio is no greater than 3.25x and when such payment is made no default under the financing arrangements has occurred or would occur immediately after making such payments. The distribution restriction does not apply to payments of distribution on share capital made to the Company or a wholly-owned subsidiary of the Company.

Section C. Shares		
Element	**Disclosure requirement**	**Disclosure**
		The Company did not declare any dividend in relation to the year ending on 31 December 2015 and does not intend to declare any dividend in relation to the year ending on 31 December 2016. The New Shares will be entitled to dividend distributions as from the financial year which started on 1 January 2016 onwards. The Private Placement Shares will be entitled to dividend distributions as from the financial year which started on 1 January 2016 onwards.

Section D. Risks		
Element	**Disclosure requirement**	**Disclosure**
D.1	Key Risks Relating to the Group's activities and the industry in which it operates	The Group is subject to the following material risks. The order in which the individual risks are presented is neither indicative of their likelihood to occur, nor of the severity or significance of the individual risks. • **The legal and regulatory frameworks governing the industry in which the Group operates is complex and changing, and could have an adverse effect on the Group's business, financial position or prospects.** The pharmaceutical compounding sector is subject to extensive regulations in the countries where the Group operates. The Group's pharmaceutical compounding business is highly dependent on its ability to meet GMP and/or other quality standards which are subject to change, and on the ability of pharmacists to compound and dispense pharmaceutical products without those products being subject to registration or regulatory approval in the jurisdictions in which the Group operates. If regulations change to require registration or regulatory approval of compounded products or disallow the outsourcing of compounded products, this may impose additional costs and burdens on the Group and may cause some or all of the Group's products to become unviable or less attractive to customers. In Europe, the regulatory framework consists of EU directives, resolutions and guidelines which are implemented and interpreted at the national level, and which are complex and subject to interpretation and application on a country-by-country basis, as well as being subject to evolving interpretations of certain EU Directive which could have an impact across Europe. In the US, extensive regulation by federal and state authorities is subject to frequent changes that may require extensive changes to the Group's business and operations that may be difficult to implement and require significant expenditures. As a result, there can be no guarantee that certain of the Group's activities or products will not become subject to more stringent regulation or require testing in the future. • **The Group's operating and financial flexibility is restricted by the level of its indebtedness and financial covenants, which may place it at a disadvantage compared to less leveraged competitors, and breaches of such covenants may lead to insolvency or cessation of operations.** A breach of the terms and conditions of the Long Term Waivers, or

Section D. Risks		
Element	**Disclosure requirement**	**Disclosure**
		other financial debt, may result in the Group's outstanding borrowings totalling €572.4 million in current indebtedness, and including the Eurobonds, the outstanding amount of the Revolving Loan Facility, and the full amounts due under the Note Purchase Agreement, all becoming repayable immediately and could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions. These restrictions in the Group's operating and financial flexibility could also cause the Group to implement cost cutting and restructuring measures which require it to reprioritise the uses to which its capital is put to the potential detriment of its business needs. • **Changes in the reimbursement regimes of public healthcare administrations and private insurers have had, have and may in the future have an adverse effect on the Group** While the Group is directly paid by community and hospital pharmacies and pharmaceutical companies for many of its products and in most jurisdictions where it sells its products, in some of the jurisdictions where the Group operates, particularly the US and Europe, the cost of certain compounded medication are paid for by public healthcare administrations and/or private insurers in the form of reimbursements to the community and hospital pharmacies that are customers of the Group's compounded medication. If public healthcare administrations and private insurers further reduce reimbursement levels, the Group's customers which are community and hospital pharmacies and pharmaceutical companies may seek to reduce their pharmaceutical costs by preparing pharmaceuticals internally or by using lower-cost third party providers, which could have an adverse effect on the Group's business, financial position or prospects. • **The Group has experienced reduced profitability due to changes in the reimbursement regimes of certain payors, particularly in the United States, as well as higher costs of servicing its high levels of indebtedness.** The commercial success of the Group's business depends, in part, on the extent to which reimbursement for certain of its products is available from public healthcare administrations and private insurers, particularly in the US and Europe. If the reimbursement regimes in the US or the Group's other key jurisdictions continue to reduce available reimbursement levels, the Group could suffer a further decline in turnover in respect of its affected products and operating segments, with a consequent material adverse effect on the Group's profitability. In addition, as a result of its efforts to avoid potential breaches under certain financial covenants in the Revolving Loan Facility Agreement and the Note Purchase Agreement, and the resulting Long Term Waivers now in place, the Group is subject to significant interest costs, which further impact the Group's profitability. If the Group incurs substantial additional indebtedness in the future, and is unable to increase its turnover or reduce other expenses in proportion to any increased interest expense, its profitability could be further impacted, resulting in a material adverse effect on its business, financial position and prospects.

Section D. Risks		
Element	**Disclosure requirement**	**Disclosure**
		• **The Group is, and expects to continue to be, exposed to foreign currency exchange risk.** The Group's financial statements are prepared in euros, its presentation currency. As a result, the Group is exposed to both transaction and translation foreign currency exchange risk in connection with its operations in countries outside the Eurozone and its transactions, assets and liabilities in currencies other than the euro, specifically entities operating in US dollars, Brazilian reals, Polish zloty, Czech crowns, Swiss francs, British pounds, Danish crowns, Colombian pesos, Chinese yuan, South African rand, Australian dollars and Argentinian pesos. The Group does not currently hedge the impact of its operations in currencies other than the euro, and as a result the impact of exchange rate fluctuations on its results of operations in any given period could be significant. There can be no certainty that the Group will, or will be able to, obtain sufficient exchange rate instruments to mitigate any adverse impact of exchange rate fluctuations. Such exchange rate fluctuations could have an adverse effect on the Group's business, financial position or prospects. In 2015, the Group recognized unrealized exchange rate differences of €26.3 million euros, mainly due to the weakening of the Brazilian real against the euro, which may be realized in future periods, reducing the Group's reported profit in such periods. • **The industry in which the Group operates is highly competitive and subject to rapid changes resulting from innovation, new discoveries, changing regulatory framework and other factors.** The market for pharmaceutical compounding is highly competitive. Competitors may currently be developing, or may in the future develop technologies and products, either compounded products or alternatives, that are more effective, safer or more economically viable than any current or future technology or product of the Group. Competing products may gain faster or broader market acceptance than the Group's products, and medical advances or rapid technological development by competitors may result in the Group's product candidates becoming non-competitive or obsolete before the Group is able to recover its research and development and commercialisation expenses. In addition, if the Group is unable to adapt its operations and business model to comply with the changing regulatory framework in the countries where it operates, it may lose business to competitors who have adapted to comply more quickly or more successfully than the Group. • **The commercial success of the Group's products depends on attaining significant market acceptance among physicians, pharmacists, patients, healthcare payers and the medical community.** The success of the Group depends in part on physicians' willingness to prescribe its products, patients' desire to use its products, public healthcare administrations' and private insurers' agreement to reimburse the costs of its products, and the general acceptance of its products by the medical community. Market acceptance of the Group's current and future products depends on a number of factors, many of which are beyond the Group's control. The failure of the

Section D. Risks		
Element	**Disclosure requirement**	**Disclosure**
		Group's products to achieve and maintain market acceptance could have an adverse effect on the Group's business, financial position or prospects. • **An inability to identify or successfully bid for suitable acquisition targets, or to consummate and effectively integrate recent and future potential acquisitions, could limit the Group's future growth.** Acquisitions have been and are likely to remain an important part of the Group's growth strategy. There is a risk that acquired businesses may perform below expectation, returns from such acquisitions may not support the financing utilised to acquire or maintain them, corporate cultures may not match, expected synergies may not be fully realised, restructurings may prove to be more costly than initially anticipated, or acquired companies may prove to be more difficult to integrate than foreseen. In addition, there are a number of factors that could hinder the Group's ability to pursue its buy-and-build strategy and such factors could have an adverse effect on the Group's business, financial position or prospects. • **The Group relies on third party suppliers and manufacturers.** The Group depends to a significant extent on the reliable production and delivery by third party manufacturers for all Fagron Essentials products and on third party manufacturers for a substantial portion of Fagron Trademarks products. The Group's reliance on third party suppliers exposes it to risks that could delay the production of the Group's products or result in higher costs or reduced turnover. Furthermore, delays or interruptions in supply could limit or curtail the Group's ability to meet customer demand for its products, and the Group's inventories may not be sufficient to cover such demand. Any such delay or interruption could harm the Group's reputation as a reliable provider of pharmaceutical compounds or cause customers to find alternative sources, which could have an adverse effect on the Group's business, financial position or prospects. In addition to the abovementioned risks, the Group is also subject to the following risks: • The economic and political condition in Brazil, and any deterioration thereof, may have an adverse effect on the Group's business, financial position or prospects. • The Group's consolidated balance sheet includes significant goodwill, which could become impaired. • The Group may require access to additional funding in the future and may not be able to obtain such funding on favourable terms, or at all, or within a timely manner. • The Group may not be successful in its research and development efforts to add to its future pipeline of products and may not be able to develop innovative and marketable products. • The Group faces risks relating to order fulfilment and execution and relating to the safety and quality of its products or of pharmaceutical

Section D. Risks		
Element	**Disclosure requirement**	**Disclosure**
		compounds more generally. • The Group may be subject to legal or administrative proceedings or investigations brought by third parties, regulatory bodies or administrative agencies. • The Group may fail to protect its trade secrets and intellectual property. • The Group may infringe on the intellectual property rights of others and may face litigation which may be costly and time consuming. • The Group could be subject to product liability claims and adverse publicity. • Failure to attract and retain skilled personnel and management could have a material adverse effect on the Group. • Price fluctuations for the raw materials the Group purchases could have an adverse effect on the Group. • The Group's employees, consultants, and partners may engage in improper activities, including non-compliance with regulatory standards and requirements. • The Group's manufacturing and research and development activities may involve the use and disposal of potentially harmful biological materials and chemicals, and changes in the environmental and safety regulations governing the Group's operations could have an adverse effect on the Group. • The Group is subject to complex taxation arrangements which may require making subjective determinations subject to scrutiny by, and disagreements with, tax regulators. • An inability to realise the value of the Group's deferred tax assets could have an adverse effect on the Group's business, financial position or prospects. • The Group's effective tax rate could be materially adversely affected by several factors. • The Group's estimates, assumptions and judgments underlying the size of the global and regional pharmaceutical compounding markets may prove inaccurate. • Inventory related risks could have a material adverse effect on the Group. • The Group's business is concentrated in a limited number of countries. • The international nature of the Group's business activities subjects it to additional risks and uncertainties. • The Group may not succeed in executing its business strategy. • The Group may be unable to maintain the required level of insurance cover on acceptable terms or at an acceptable cost. • The Group is subject to stringent manufacturing standards, has a limited number of manufacturing facilities and relies on a limited

Section D. Risks		
Element	**Disclosure requirement**	**Disclosure**
		number of suppliers for some of its products. • The Group relies on sophisticated information technology systems, and interruptions to services could have an adverse effect. • The Eurozone debt crisis and related market perceptions concerning the instability of the euro, as well as the political instability in Europe and the Middle East, could have an adverse effect on the Group's business prospects. • The Group's operations and profitability could suffer if it experiences labour relations problems. • The ceased Bellevue Pharmacy business may have surviving claims that may become liabilities, or the disposal or winding down of the Bellevue Pharmacy business may be time-consuming and costly for the Group. • The Group is subject to counterparty risk, including credit risk.
D.3	Key Risks Relating to the Offering	Any investment in the Shares is subject to the following material risks: • **WPEF VI Holdco III BE B.V. has a significant stake in the Company and its stake may further increase as a result of the Offering. The interests of WPEF VI Holdco III BE B.V. may conflict with those of other shareholders.** Depending on shareholder attendance at shareholders' meetings, WPEF VI Holdco III BE B.V.'s current and new stake could provide it with significant influence on decisions that are submitted to the General Shareholders' Meeting, such as the approval of the financial statements, the appointment and removal of directors, the remuneration of directors, the appointment and removal of the statutory auditor, and amendments to the Articles of Association (including decisions to increase or reduce the Company's share capital). An increase of WPEF VI Holdco III BE B.V.'s stake, which is expected to result from this Offering, may allow it to exercise a greater voting power on such decisions. Following the Offering, WPEF VI Holdco III BE B.V. could control the Company in the sense of the Article 5 of the Belgian Companies Code. • **Failure to exercise Preferential Subscription Rights during the Rights Subscription Period will result in such Preferential Subscription Rights becoming null and void.** There is no assurance that any Scrips will be sold during the Scrips Private Placement or that there will be any such proceeds. The right of first refusal of WPEF VI Holdco III BE B.V., to the exclusion of any third party, to purchase all or part of the Scrips at the price determined in the Scrips Private Placement and the obligation of WPEF VI Holdco III BE B.V. to purchase the Scrips at a price of maximum one eurocent (€0.01) per Scrip may negatively affect the Net Scrips Proceeds as this may discourage other investors from participating in the Scrips Private Placement. • The market price of the New Shares may fluctuate and may fall below the Issue Price, as applicable.

Section D. Risks		
Element	**Disclosure requirement**	**Disclosure**
		• There is no assurance that a trading market will develop for the Preferential Subscription Rights, and if a market does develop, the market price for the Preferential Subscription Rights may be subject to greater volatility than the market price for the Shares. • In the context of the Offering, WPEF VI Holdco III BE B.V. may increase its shareholding above 30% without triggering the obligation to launch a mandatory public takeover bid to all shareholders of the Company. An increase of WPEF VI Holdco III BE B.V.'s stake could decrease the liquidity of the Shares and could have a material adverse effect on the value of the Shares. • The market price of the Preferential Subscription Rights or the New Shares may be negatively affected by actual or anticipated sales of substantial numbers of Preferential Subscription Rights or Shares on Euronext Brussels and Euronext Amsterdam. • The New Shares may not be traded actively, and there is no assurance that the Offering will improve the trading activity, which may lead the New Shares to trade at a discount to the Issue Price, making sales of the New Shares more difficult. • If securities or industry analysts do not publish research reports about the Group, or if they change their recommendations regarding the Shares in an adverse way, the market price of the New Shares may fall and the trading volume may decline. • Failure by an existing Shareholder to exercise the allocated Preferential Subscription Rights in full, may lead to dilution of its proportionate shareholding. • Withdrawal of subscription in certain circumstances may not allow sharing in the Net Scrips Proceeds and may have other adverse financial consequences. • A substantial decline in the market price of the Shares or the discontinuation of the Offering may result in the Preferential Subscription Rights becoming worthless or void. • If the Offering is not fully subscribed, the Group may have to consider additional funding, reduce its level of investments or a combination of both. • Investors outside of Belgium and the Netherlands may be restricted from participating in this Rights Offering, and may be subject to dilution or other financial adverse consequences. • Investors may not be entitled to participate in future equity offerings, and may be subject to dilution. • Certain significant Shareholders after the Offering may be able to influence the shareholders' resolutions or control the Group, and may have different interests from the Group and the other shareholders. • The presence of the Significant Shareholders may discourage public takeover bids. • Investors in jurisdictions with currencies other than the euro face additional investment risk from currency exchange rate fluctuations in

Section D. Risks		
Element	**Disclosure requirement**	**Disclosure**
		connection with their investment in the Preferential Subscription Rights or the New Shares. • Any sale, purchase or exchange of the New Shares may become subject to the Financial Transaction Tax. • Investors' rights as shareholders will be governed by Belgian law and may differ in some respects from the rights granted to shareholders in other companies under the laws of other jurisdictions.

Section E. Offering		
Element	**Disclosure requirement**	**Disclosure**
E.1	Net proceeds and expenses of the Offering	The total gross proceeds of the Offering, if fully subscribed, are expected to be approximately €88.3 million. The Group estimates that the expenses in relation to the Offering will be approximately €2.5 million. The net proceeds of the Offering may, therefore, be estimated at a maximum of approximately €85.8 million. Taking into account the net proceeds of the First Tranche Capital Increase, the total net proceeds are estimated at approximately €216.8 million.
E.2	Reasons for the Offering and Use of proceeds	Since its separation from Omega Pharma NV and subsequent listing on Euronext Brussels and Amsterdam, acquisitions have been an important part of the Group's growth strategy. Notable recent transactions include the purchase of Freedom Pharmaceuticals and JCB Laboratories in 2013, the acquisition of Bellevue Pharmacy and Panoramix BV in 2014 and the acquisition of AnazaoHealth and ABC Chemicals in 2015. This buy and build strategy and the related expansion and investment have led to a significant increase in the Company's debt. The current indebtedness of the Group mainly consists of the Eurobonds, the multicurrency credit facility and the senior unsecured notes. As a result of changes to the reimbursement regime for non-sterile compounding in the US implemented in 2015, Bellevue Pharmacy experienced sharp declines in its sales of non-sterile compounded medication in 2015 (resulting as of January 2016 in a classification as discontinued operations and a stop of production in March 2016). The changes to the reimbursement regime further resulted in the Group's pharmacy customers in the US significantly reducing their purchases of APIs, primarily impacting Freedom Pharmaceuticals. As a result of the decrease in profitability of both Freedom Pharmaceuticals and Bellevue Pharmacy, an impairment charge was recognized in 2015 for respectively €27.1 million and €178.2 million. In the context of these changes, Fagron announced on 2 October 2015 ahead of its third quarter trading update a negative revision on its outlook for 2015. At the same time, Fagron announced that it had received non-binding offers for a possible public takeover offer on Fagron. This negative outlook was confirmed in the third quarter trading update dated 9 October 2015. Following receipt of the non-binding offers for a takeover bid, Fagron engaged with several potential bidders to explore a sale of the company. Simultaneously with these discussions, Fagron started also exploring the possibility of a public and/or private capital increase to

Section E. Offering		
Element	**Disclosure requirement**	**Disclosure**
		address a potential covenant breach (as detailed below) under its financing arrangements. As the visibility on a binding offer for a sale of the company remained low, the Board of Directors decided during a board meeting of 12 December 2015 to no longer give priority to a takeover bid and to instead give priority to its discussions with its financing banks and a possible public and/or private capital raise. In light of these recent events, Mr Ger Van Jeveren stepped down as CEO of Fagron and the Board of Directors appointed Hans Stols as successor. On 5 February 2016, Fagron announced in its 2015 results release that it was in exclusive negotiations with a cornerstone investor concerning Fagron's financing. Fagron announced on 2 March 2016 that it had reached a conditional agreement with WPEF VI Holdco III BE B.V. and the five individual investors regarding a private capital increase combined with a public capital increase for an aggregate amount of €220 million, subject to approval by Fagron's general meeting of shareholders (which was granted pursuant to a decision of the General Shareholders' Meeting dated 4 May 2016). In accordance with this agreement, the capital increase of the Company was to be effected in two tranches, being the First Tranche Capital Increase and a second tranche, in the form of the Offering. The First Tranche Capital Increase was implemented on 20 May 2016. It was further agreed that the second tranche of the capital increase would be effected by means of a public capital increase, through a rights issue, for an amount equal to the difference between €220 million and the amount of the First Tranche of the Capital Increase. The Offering thus constitutes this second tranche of the capital increase. The changes to the reimbursement regime in the US, combined with a weakening of the Brazilian real and the Group's decision to phase out non-strategic and low margin products has significantly adversely affected the Group's results. The combined impact of these negative elements led to a potential breach of certain financial covenants under certain financing agreements of the Company, including the net debt / REBITDA covenant which was to be tested at 31 December 2015. The Company consequently started negotiations with its credit providers of the financing arrangements regarding a stabilisation of the credit structure. On each of 30 December 2015 and on 31 March 2016, in advance of the covenant testing dates under the Revolving Loan Facility Agreement and the Note Purchase Agreement, the Group was granted waivers by its lenders and noteholders, in respect of compliance with the financial covenants under the Revolving Loan Facility Agreement and the Note Purchase Agreement. On 5 May 2016, the Group received the Long Term Waivers under its Revolving Loan Facility Agreement and Note Purchase Agreement which permanently waived the potential breach of the covenants (which would have arisen without the entry into the Long Term Waivers) and reset the financial covenants to give the Group additional headroom compared to the original levels of the financial covenants. The additional headroom to the levels of the financial covenants will decrease upon every six-month testing period, starting with the first testing period ending on 31 December 2016, until the testing period ending on 30 June 2018. For any testing period ending after 30 June 2018, the levels of both financial covenants revert to those set out in the original Revolving Facility Agreement and Note Purchase Agreement. The Long Term Waivers are conditional on the Company raising an aggregate gross amount of minimum €218,000,000 through the First Tranche Capital Increase and

Section E. Offering		
Element	**Disclosure requirement**	**Disclosure**
		the Offering by 31 July 2016. The Offering is consequently being effected to allow the Company to comply with its contractual obligations vis-à-vis WPEF VI Holdco III BE B.V. and the five individual investors and to satisfy the conditions set out in the Long Term Waivers. If the Offering is fully subscribed, the total gross proceeds of the Offering are estimated to be approximately €88.3 million. Taking into account the gross proceeds of the First Tranche Capital Increase, the total gross proceeds are estimated to be approximately 218.0 million. The total net proceeds of the First Tranche Capital Increase and the Offering are estimated at approximately €216.8 million. The Long Term Waivers require that the capital increase (consisting of the First Tranche Capital Increase and the Offering) is effected for a gross minimum amount of €218.0 million. If such amount is not raised, the Group will need to re-enter into discussions with its financiers in order to determine the impact of this on the financial covenant calculations. The Long Term Waivers contain restrictions to the use of the net proceeds of the First Tranche Capital Increase and the Offering, stipulating that the proceeds should be retained by the Company, or a guarantor under the Revolving Loan Facility Agreement or the Note Purchase Agreement in one or more blocked accounts, held with one or more financial institutions which are not a lender under the Revolving Loan Facility Agreement or any other facility available to the members of the Group. The net proceeds of the First Tranche Capital Increase and the Offering can only be used by the Group to repay, at their stated maturity date, (i) the $45.0 million 4.15% Series A Notes due 15 April 2017, (ii) the €22.5 million 3.55% Series B Notes due 15 April 2017 and (iii) the €225.0 million Eurobonds (due 2 July 2017). The net proceeds of the First Tranche Capital Increase and the Offering cannot be used for any other purpose and any breach of this restriction will cause an immediate event of default under the Revolving Loan Facility Agreement and the Note Purchase Agreement. The net proceeds of the Offering will consequently solely be used to decrease the current financial indebtedness of the Company, but are as such not sufficient to reimburse all such outstanding indebtedness (the debt maturing in 2017 amounts to approximately €288.4 million). The Company expects to repay the remaining maturing indebtedness and the additional interests charged for non-compliance with its covenants from the net cashflow realised from its ongoing operations.
E.3	Terms and conditions of the Offering	*Maximum amount of the Offering* The Company has resolved to increase its share capital by an amount of up to €88,265,360.40, with Preferential Subscription Rights granted to the existing Shareholders, in accordance with articles 581, 582, 584 to 590, 592 and 593 of the Belgian Companies Code. The Company reserves the right to proceed with a capital increase for a lower amount. *Maximum number of New Shares* If the Offering is fully subscribed, 17,105,690 New Shares will be offered for subscription by exercise of the Preferential Subscription Rights in accordance with the Ratio. *Allocation of the Preferential Subscription Rights*

Section E. Offering		
Element	**Disclosure requirement**	**Disclosure**
		Each Share (including for the avoidance of doubt, each Private Placement Share), will entitle its holder on the Record Date to receive one Preferential Subscription Right. *Issue Price and Ratio* The Issue Price has been fixed at €5.16 per New Share, which is below the closing price of €7.31 per Share quoted on Euronext Brussels and Euronext Amsterdam on 14 June 2016. Based on the closing price, the theoretical ex-right price (**TERP**) is €6.798, the theoretical value of one Preferential Subscription Right is €0.512, and the discount of the Issue Price to TERP is 24.10%. The holders of Preferential Subscription Rights may subscribe for New Shares in the proportion of 16 Preferential Subscription Rights for 5 New Shares (the "**Ratio**"). *Rules for subscription* Holders of Preferential Subscription Rights may only exercise and subscribe for New Shares in accordance with the Ratio during the Rights Subscription Period, to the extent permissible under the restrictions in this Prospectus and subject to applicable securities laws. Investors purchasing Scrips shall irrevocably commit to exercise the Scrips, and hence, will subscribe for the corresponding number of New Shares at the Issue Price in accordance with the Ratio. *Rights Offering* The Rights Offering will be open during the Rights Subscription Period from 17 June 2016 until and including 1 July 2016. Subject to restrictions under this Prospectus and subject to applicable securities laws, existing Shareholders and investors may subscribe for New Shares in accordance with the Ratio or trade their Preferential Subscription Rights. The Preferential Subscription Rights, represented by coupon no. 9 of the existing Shares, will be separated from the underlying Shares on 16 June 2016 after the closing of Euronext Brussels and Euronext Amsterdam and will be tradable on such regulated market from 17 June 2016. Depending on the financial intermediary, investors may be required to provide their subscription request on or before a certain date during the Subscription Period. Investors should consult with their financial intermediary to determine as to when they should provide their subscription request at the latest. Investors wishing to sell part or all of their dematerialised Preferential Subscription Rights, should instruct their financial intermediary accordingly. Holders of registered shares wishing to sell their Preferential Subscription Rights should comply with the instructions delivered to them in the letter received from the Company (if any, subject to the restrictions set out in this Prospectus and applicable securities laws). After the Rights Subscription Period, the Preferential Subscription Rights may no longer be exercised or traded and as a result subscription requests received after the deadline will become void. During the Rights Subscription Period, investors who do not hold the exact number of Preferential Subscription Rights to subscribe for a round number of New Shares, may elect either to (i) purchase the missing Preferential Subscription Rights in order to subscribe for an additional New Share, (ii) sell their Preferential Subscription Rights, or (iii) elect not

Section E. Offering		
Element	**Disclosure requirement**	**Disclosure**
		to take any action but await for payment of the Net Scrips Proceeds, if any. WPEF VI Holdco III BE B.V., Alychlo NV, Carmignac Portfolio SICAV and Carmignac Gestion S.A., Midlin N.V. and Bart Versluys have committed (as the case may be subject to certain conditions) to exercise their Preferential Subscription Rights and to accordingly subscribe to New Shares. The results of the Rights Offering will be announced by a press release on or about 5 July 2016. *Scrips Private Placement* At the closing of the Rights Offering, the unexercised Preferential Subscription Rights will automatically be converted into an equal number of Scrips and the offer of the Scrips will be offered by in an accelerated bookbuilt private placement for the benefit of holders of unexercised Preferential Subscription Rights, addressed solely to qualified investors in the EEA and in Switzerland in accordance with a private placement concluded outside the United States pursuant to Regulation S under the Securities Act. If all Preferential Subscription Rights are exercised during the Rights Subscription Period, the Scrips Private Placement will not take place. The Scrips Private Placement will be organised by way of an accelerated bookbuilding procedure for the benefit of holders of unexercised Preferential Subscription Rights in order to determine a single market price per Scrip. The modalities of the Scrips Private Placement, such as criteria for admissibility of investors and the criteria for allocation in case of oversubscription, will be determined by the Company in consultation with the Underwriters. The Issuer shall offer with priority all the Scrips to WPEF VI Holdco III BE B.V. and WPEF VI Holdco III BE B.V. shall have a right of first refusal, to the exclusion of any third party, to purchase all or part of the Scrips at the price determined in the Scrips Private Placement and WPEF VI Holdco III BE B.V. shall be obliged to purchase the Scrips at a price of maximum one eurocent (€0.01) per Scrip if the price determined in the Scrips Private Placement does not exceed one eurocent (€0.01) per Scrip. All reasonable expenses, charges and other expenditures which the Company incurred for the sale of the Scrips will be deducted from the proceeds of the Scrips Private Placement. The Net Scrips Proceeds (rounded down to a whole Eurocent per unexercised Preferential Subscription Right) will be distributed proportionally between all holders of unexercised Preferential Subscription Rights. The Net Scrips Proceeds will be announced in the Belgian Financial Press and will be paid to the holders of such unexercised Preferential Subscription Rights upon presentation of coupon no. 9. Neither the Group nor the Underwriters nor any other person procuring a sale of the Scrips will be responsible for any lack of Net Scrips Proceeds arising from the sale of the Scrips in the Scrips Private Placement. If the Net Scrips Proceeds are less than one eurocent (€0.01) per unexercised Preferential Subscription Right, the holders of such unexercised Preferential Subscription Rights are not entitled to receive any payment and, instead, the Net Scrips Proceeds will be transferred to the Company.

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Element	**Disclosure requirement**	**Disclosure**
		In case insufficient proceeds are raised to cover the costs of the Scrips Private Placement, the uncovered costs will be borne by the Group. The results of the Scrips Private Placement will be announced by a press release on or about 5 July 2016. *Supplement to the Prospectus* Any significant new information or any material inaccuracy relating to the information included in the Prospectus, which is capable of affecting the assessment of the New Shares or the Private Placement Shares, and which arises or is noted between the time when the Prospectus is approved and the time when trading of the New Shares or the trading of the Private Placement Shares on Euronext Brussels and Euronext Amsterdam begins, shall be set forth by the Issuer in a supplement to the Prospectus. Investors who have already agreed to subscribe for the New Shares in the Rights Offering or the Scrips Private Placement before the supplement is published shall have the right, exercisable within the time limit set forth in the supplement, which shall not be shorter than two business days after publication of the supplement, to withdraw their subscriptions in accordance with article 34, §3 of the Prospectus Law. *Suspension or revocation of the Offering* The Company has reserved the right (i) not to proceed with the Offering if the market circumstances prevent the Offering from taking place under satisfactory circumstances or (ii) to proceed with the Offering in a reduced amount in the event the Offering is not fully subscribed. No minimum has been set for the Offering. In case the Underwriting Agreement is not entered into, one of the conditions precedent to the decision by the extraordinary General Shareholders' Meeting will not be fulfilled, and to the extent that the Company has not waived this condition precedent, the capital increase will not take place. The Company reserves the right to revoke or suspend the Offering, after the beginning of the Rights Subscription Period. If the Company suspends or revokes the Offering, a press release will be published and, to the extent such event would legally require the Company to publish a supplement to the Prospectus, such supplement will be published. As a result of the decision to revoke the Offering, the subscriptions for New Shares will automatically be withdrawn and the Preferential Subscription Rights (and Scrips, as the case may be) will become void and worthless. Investors will not be compensated, including for the purchase price (and any related costs or taxes) paid in order to acquire any Preferential Subscription Rights on the secondary market. Investors, who have acquired any such Preferential Subscription Rights in the secondary market, will thus suffer a loss, as trades relating to Preferential Subscription Rights will not be unwound once the Offering is revoked. *Revocation of the acceptance* Subscriptions to the New Shares are binding and may not be revoked. However, if a supplement to the Prospectus is published, subscribers in the Rights Offering will have the right, within two business days, to withdraw subscriptions made by them prior to the publication of the supplement, provided that the event that triggered the requirement to publish a supplement took place prior to delivery of the New Shares. If

Section E. Offering		
Element	**Disclosure requirement**	**Disclosure**
		such withdrawal takes place after the end of the Scrips Private Placement, the subscriber who has exercised its Preferential Subscription Rights shall not be entitled to the Net Scrips Proceeds. Moreover, subscribers will not be compensated in any other way, including the purchase price (and any related cost or taxes) paid in order to acquire any Preferential Subscription Rights. *Publication of the results of the Offering* The results of the Offering, including the amount and the number of New Shares subscribed for and the Net Scrips Proceeds, will be published in the Belgian Financial Press before the market opening on or about 6 July 2016. *Payment of funds and terms of delivery of the New Shares* The payment for the New Shares subscribed for with Preferential Subscription Rights is expected to take place on 7 July. The payment will be done by debiting the subscriber's account or for the registered Shareholders through a wire instruction. The payment for the New Shares subscribed for in the Scrips Private Placement will be made by delivery against payment. Delivery of the New Shares will take place on or around 7 July. The New Shares will be delivered in the form of dematerialised securities (booked in the securities account of the subscriber), or as registered securities recorded in the Company's share register at the choice of the subscriber indicated at the time of subscription. *Reduction of the subscriptions and refunding excess amounts* The Company does not have the possibility to reduce subscriptions. Therefore, there is no procedure organised to refund any excess amounts paid by subscribers. The Company may however reduce the total amount of the Rights Offering. *Underwriting Agreement* The Underwriters are envisaged to be BNP Paribas Fortis, ING Belgium SA/NV and KBC Securities NV/SA, having their respective registered offices at Warandeberg 3, 1000 Brussels, Belgium, Marnixlaan 24, 1000 Brussels, Belgium and Havenlaan 12, 1080 Brussels, Belgium. The Underwriters are expected (but have no obligation) to enter into a soft underwriting agreement (the Underwriting Agreement), which is expected to take place immediately after the closing of the Scrips Private Placement and prior to the delivery of the New Shares. The Underwriters shall have no obligation to underwrite any of the Underwritten Shares prior to the execution of the Underwriting Agreement (and then only in accordance with the terms and subject to the conditions set forth therein). The Underwriting Agreement is expected to provide that each Underwriter shall, severally and not jointly or jointly and severally, underwrite and procure payment for 1/3 of the Underwritten Shares, with a view to immediately after receipt deliver such Underwritten Shares to the relevant subscribers in the Offering. The Underwriters' commitment to subscribe and deliver the Underwritten Shares is expected to be subject to the fulfilment of certain conditions on or prior to the completion of the

Section E. Offering		
Element	**Disclosure requirement**	**Disclosure**
		capital increase, including (i) the receipt of certain closing documents, (ii) no material adverse effect occurring since the entering into the Underwriting Agreement, (iii) no breach of the representations and warranties by the Company in the Underwriting Agreement and (iv) WPEF VI Holdco III BE B.V., Alychlo NV, Carmignac Gestion S.A., Carmignac Portfolio SICAV, Midlin N.V. and Bart Versluys having complied with their commitments to exercise their Preferential Subscription Rights and to accordingly subscribe to New Shares, and, as the case may be, WPEF VI Holdco III BE B.V. having complied with its commitment to purchase the Scrips at a price of maximum one eurocent (€0.01) per Scrip if the price determined in the Scrips Private Placement does not exceed one eurocent (€0.01) per Scrip. The Underwriting Agreement is further expected to provide that each Underwriter may terminate the Underwriting Agreement before the realisation of the capital increase in relation to the Offering upon the occurrence of certain events since the time of execution of the Underwriting Agreement, such as (among others): (i) the occurrence of any change in the financial markets likely to materially prejudice the success of the Offering and distribution of the New Shares or dealings in the New Shares or (ii) trading in any securities of the Company has been suspended or materially limited by Euronext Brussels or Euronext Amsterdam (for reasons other than the announcement of the Offering). If the Underwriting Agreement is not signed or is terminated in accordance with its terms, the Underwriters are expected to be released from the obligation to subscribe for any underwritten Shares. In that case, the Company shall publish a supplement to the Prospectus that will be subject to approval by the FSMA and passporting with the AFM. After publication of this supplement, the investors which have exercised the Preferential Subscription Rights in the Rights Offering or the Scrips in the Scrips Private Placement before the publication of this supplement will have the right to withdraw their subscriptions (see "*Information on the Offering – Terms and conditions of the Offering – Supplement to the Prospectus*" (*Paragraph 14.2.7 of Part 14*)).
E.4	Material interests to the Offering	There is no natural or legal person involved in the Offering and having an interest that is material to the Offering, other than the Underwriters and WPEF VI Holdco III BE B.V.
E.5	Lock up	The Underwriting Agreement is not expected to include a lock up or standstill undertaking given by the Company to the Underwriters. Neither WPEF VI Holdco III BE B.V. or any other Shareholder has entered into any lock up or standstill undertaking. WPEF VI Holdco III BE B.V. has entered into an agreement with the Company relating to the subscription by WPEF VI Holdco III BE B.V. to new Shares to be issued by the Company, which agreement includes an undertaking of the Company not to purchase, acquire or transfer any of its own shares until the expiration of the Issuer's authorisation on 12 December 2019 other than transfers of its own shares in the framework of its current stock option arrangements.
E.6	Dilution resulting from the Offering	The participation of an existing Shareholder, holding 1% of the share capital prior to the First Tranche Capital Increase and who was not able to

Section E. Offering		
Element	**Disclosure requirement**	**Disclosure**
		participate in the First Tranche Capital Increase, decreased to 0.59% as a result of the First Tranche Capital Increase. Assuming that an existing Shareholder of the Company holding 1% of the Company's share capital prior to the Offering does not subscribe for the New Shares, such Shareholder's participation in the Company's share capital would decrease to 0.76% as a result of the Offering. If a Shareholder exercises all Preferential Subscription Rights allocated to it, there will be no dilution in terms of its participation in the Company's share capital or in terms of its dividend rights.
E.7	Estimated expenses charged to the investor by the Company	All reasonable expenses, charges and other expenditures which the Company incurred for the sale of the Scrips will be deducted from the proceeds of the Scrips Private Placement. The Net Scrips Proceeds (rounded down to a whole Eurocent per unexercised Preferential Subscription Right) will be distributed proportionally between all holders of unexercised Preferential Subscription Rights. No other fees or expenses in connection with the Offering will be charged to investors by the Company.

PART 2
DEFINITIONS OF KEY TERMS USED IN THE PROSPECTUS

2013 Financial Statements	the audited consolidated financial statements of the Company as at and for the year ended 31 December 2013, including the notes thereto, prepared in accordance with IFRS, as adopted by the EU
2014 Financial Statements	the audited consolidated financial statements of the Company as at and for the year ended 31 December 2014, including the notes thereto, prepared in accordance with IFRS, as adopted by the EU
2015 Financial Statements	the audited consolidated financial statements of the Company as at and for the year ended 31 December 2015, including the notes thereto, prepared in accordance with IFRS, as adopted by the EU
Articles of Association	the articles of association of the Company from time to time
Belgian Companies Code	the Belgian Companies Code of 7 May 1999, as amended from time to time
Belgian Financial Press	De Tijd
Board of Directors	the board of directors of the Company from time to time
CG Charter	the corporate governance charter of the Company from time to time (as last amended on 14 May 2012)
CG Code	the Belgian code on corporate governance dated 12 March 2009
Closing Date	the date on which payment for the New Shares subscribed to with Preferential Subscription Rights and Scrips will be made by debiting the subscriber's account, and which is expected to be on 7 July 2016
Company	Fagron NV, a public limited liability company (*naamloze vennootschap / société anonyme*), incorporated under Belgian law, having its registered office at Textielstraat 24, 8790 Waregem, Belgium and registered with the Crossroads Bank for Enterprises (*Kruispuntbank van Ondernemingen / Banque-Carrefour des Entreprises*) under number 0890.535.026 (LER Ghent, division Kortrijk)
Eurobonds	the fixed rate 4.75% bonds with a denomination of €1,000 per bond, due 2 July 2017, for a total amount of €225 million, issued by the Company on 2 July 2012
Euroclear	Euroclear Bank NV/SA, as operator of the Euroclear system
Euronext Amsterdam	a Euronext Amsterdam by Euronext, a regulated market of Euronext Amsterdam N.V.
Euronext Brussels	a Euronext Brussels by Euronext, a regulated market of Euronext Brussels SA / NV
Financial Statements	the 2013, 2014 and 2015 Financial Statements
General Shareholders' Meeting	the shareholders' meeting (*algemene vergadering / assemblée générale*) of the Company
Group	the Company and its subsidiaries

Issue Amount	€88,265,360.40, assuming all Preferential Subscription Rights and Scrips are exercised
Issue Price	the subscription price in euro at which each New Share is offered, i.e. €5.16 per New Share
Joint Global Coordinators and Joint Bookrunners	BNP Paribas Fortis SA/NV, having its registered office at Warandeberg 3, 1000 Brussels, Belgium, ING Belgium NV/SA, having its registered office at Marnixlaan 24, 1000 Brussels, Belgium and KBC Securities NV/SA, having its registered office at Havenlaan 12, 1080 Brussels, Belgium
Long Term Waivers	means each of the Loan Facility Long Term Waiver and the Note Long Term Waiver
Net Scrips Proceeds	the net proceeds from the sale of the Scrips, after deduction of all reasonable expenses, charges and other expenditures which the Company has to incur for the sale of the Scrips
New Shares	the 17,105,690 Shares to be issued in the framework of the Offering
Note Purchase Agreement	the note purchase agreement originally dated 15 April 2014 and amended by a waiver and amendment agreement on 30 December 2015 (the "**Note December 2015 Waiver and Amendment**") and last amended by a waiver and amendment agreement on 5 May 2016 (the "**Note Long Term Waiver**"), which included $45.0 million 4.15% Series A Senior Notes due 15 April 2017, €22.5 million 3.55% Series B Senior Notes due 15 April 2017, €15.0 million 4.04% Series C Senior Notes due 15 April 2019, €5.0 million Floating Rate Series D Senior Notes due 15 April 2019, $20.0 million 5.07% Series E Senior Notes due 15 April 2019 and $60.0 million 5.78% Series F Senior Notes due 15 April 2021
Offering	the Rights Offering and the Scrips Private Placement
Private Placement Shares	the 22,626,387 shares issued in the framework of the capital increase on 20 May 2016 pursuant to a decision of the General Shareholders' Meeting dated 4 May 2016
Prospectus	this prospectus dated 15 June 2016
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading, and any amendments thereto (including Directive 2010/73/EU to the extent implemented in the relevant Member State)
Prospectus Law	the Belgian Law of 16 June 2006 on the public offering of securities and the admission of securities to trading on a regulated market, and any amendments thereto (*Wet van 16 juni 2006 op de openbare aanbieding van beleggingsinstrumenten en de toelating van beleggingsinstrumenten tot de verhandeling op een gereglementeerde markt / Loi du 16 juin 2006 relative aux offres publiques d'instruments de placement et aux admissions d'instruments de placement à la négociation sur des marchés réglementés*)
Prospectus Regulation	Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, and any amendments thereto

Preferential Subscription Rights	the preferential subscription rights of the holders of existing Shares which entitle them to subscribe to the New Shares in accordance with the Ratio at the Issue Price
Ratio	the ratio, pursuant to which 16 Preferential Subscription Rights or Scrips give the right to subscribe to 5 New Shares as part of the Offering
Record Date	16 June 2016, the date on which coupon no. 9 will be detached from the underlying Share after closing of the market
Regulation S	Regulation S under the Securities Act
Revolving Loan Facility	the revolving multicurrency credit facility under the Revolving Loan Facility Agreement, originally dated 3 July 2012 (as amended and restated on 16 December 2014 pursuant to an amendment and restatement agreement, subsequently amended on 30 December 2015 by a waiver and amendment letter (the "**Loan Facility December 2015 Waiver and Amendment**") and last amended pursuant to a waiver and amendment letter dated 5 May 2016) (the "**Loan Facility Long Term Waiver**") with total commitments of €220.0 million
Rights Offering	the public offering by the Issuer for subscription to New Shares as part of a capital increase with Preferential Subscription Rights
Rights Subscription Period	the period of minimum 15 calendar days during which the holders of Preferential Subscription Rights can subscribe to New Shares; the Rights Offering is expected to start on 17 June 2016 and to close on 1 July 2016
Scrips	the Preferential Subscription Rights that are not exercised at the end of the Rights Subscription Period will be converted automatically into an equal number of Scrips. Investors who acquire Scrips irrevocably commit to exercise the Scrips and thus to subscribe to the corresponding number of New Shares at the Issue Price and in accordance with the Ratio
Scrips Private Placement	the placement, at the closing of the Rights Offering, of the unexercised Preferential Subscription Rights that are automatically converted into an equal number of Scrips. The offer of the Scrips will be addressed solely to qualified investors in the EEA and Switzerland in accordance with a private placement concluded outside the United States pursuant to Regulation S under the Securities Act As part of the Scrips Private Placement, the holders of unexercised Preferential Subscription Rights will receive their portion of the Net Scrips Proceeds. If the Net Scrips Proceeds are less than one eurocent (€0.01) per unexercised Preferential Subscription Right, the holders of such unexercised Preferential Subscription Rights are not entitled to receive any payment and, instead, the Net Scrips Proceeds will be transferred to the Company. The Scrips Private Placement is expected to last for one day and is expected to take place on 5 July 2016

	In addition, the Issuer shall offer with priority all the Scrips to WPEF VI Holdco III BE B.V. and WPEF VI Holdco III BE B.V. shall have a right of first refusal, to the exclusion of any third party, to purchase all or part of the Scrips at the price determined in the Scrips Private Placement and WPEF VI Holdco III BE B.V. shall be obliged to purchase the Scrips at a price of maximum one eurocent (€0.01) per Scrip if the price determined in the Scrips Private Placement does not exceed one eurocent (€0.01) per Scrip
Securities Act	US Securities Act of 1933, as amended
Shareholders	the Company's shareholders from time to time
Shares	the ordinary shares of the Company, having the rights set out in the Articles of Association
Statutory Auditor	PwC Bedrijfsrevisoren bcvba, a civil company adopting the form of a cooperative company with limited liability (*burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid / société civile sous la form d'une société coopérative à responsabilité limitée*), having its registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, Belgium and registered with the Crossroads Bank for Enterprises (*Kruispuntbank van Ondernemingen / Banque-Carrefour des Entreprises*) under number 0429.501.944 (LER Brussels), represented by Peter Van den Eynde
Underwritten Shares	the New Shares excluding (i) the New Shares that WPEF VI Holdco III BE B.V., Alychlo NV, Carmignac Gestion S.A., Carmignac Portfolio SICAV, Midlin N.V. and Bart Versluys have committed to take up pursuant to their irrevocable undertaking to exercise their Preferential Subscription Rights and (ii) any New Shares that WPEF VI Holdco III BE B.V. will take up through the purchase and exercise of all or part of the Scrips
Underwriting Agreement	the agreement which the Underwriters expect (but have no obligation) to enter into with the Issuer, after finalisation of the Scrips Private Placement but prior to the Closing date of the Offering, which is expected to take place on or around 5 July 2016
Underwriters	the Joint Global Coordinators and Joint Bookrunners
Warrants	the 1,157,500 (non-granted) and 662,627 (granted) outstanding warrants issued by the Company

GLOSSARY OF TERMS IN THE PROSPECTUS

483 Observations	FDA Form 483 observations, which are issued to management at the conclusion of an inspection when investigators have observed any conditions that in their judgement may constitute violations of US Food, Drug and Cosmetic Act ("**FDCA**") and related Acts
Section 503A	section 503A of the FDCA which allows individual states to regulate traditional pharmacies that compound on a small scale for individual patients
Section 503B outsourcing facilities	outsourcing facilities registered under section 503B of the Food Drug and Cosmetic Act which governs registered facilities engaged in the compounding of sterile drugs
Section 503B Regulation	section 503B of the FDCA which governs registered facilities engaged in the compounding of sterile drugs
AKS	the US federal Anti-Kickback Statute
ANVISA	the Brazilian Health Surveillance Agency
API	active pharmaceutical ingredient
CSA	the US Controlled Substances Act
DEA	the US Drug Enforcement Agency
DQSA	the US Drug Quality and Security Act
FCA	the US federal False Claims Act
FDA	the US Food and Drug Administration
FDA warning letter	a correspondence that notifies regulated industry about violations that FDA has documented during its inspections and/or investigations
FDCA	the US Food, Drug and Cosmetic Act
FSPS	Fagron Specialty Pharma Services
GDP	good distribution practice
GMP	good manufacturing practice
HIPAA	the US Health Insurance Portability and Accountability Act of 1996
ICU	intensive care unit
IV	intravenous; the infusion of liquid substances directly into a vein
Magistral preparation	a pharmaceutical preparation compounded according to a physician's prescription, and intended for one or a limited number of patients. This in contrast to an officinal preparation, which is kept in stock
Non-Sterile	all medication that is not-sterile and therefore may contain micro-organisms. This medication is generally - but not exclusively - given orally, topically or

	rectally. Examples include tablets, capsules, oral liquids, suspensions, creams/ointments and suppositories or enemas
Non-sterile-to-sterile	the process of manufacturing sterile compounds using non-sterile pharmaceutical raw materials. Products compounded using a non-sterile-to-sterile process are then sterilised by moist heat, dry heat, irradiation or any other suitable sterilisation method. Non-sterile-to-sterile is considered high-risk compounding.
Officinal preparation	a pharmaceutical preparation kept in stock for a larger group of patients. This in contrast to a magistral preparation which is made according to a physician's prescription and intended for one or a limited number of patients
PPACA	the US Patient Protection and Affordable Care Act
PBM	pharmacy benefit manager. This is a third party administrator of prescription drug programmes for US public healthcare schemes and private insurance plans. PBMs are primarily responsible for processing and paying prescription drug claims
QP	qualified person
Ready-to-administer	the medication can be administered to the patient without further adjustment
Ready-to-use	the medication must be adjusted before it can be administered to the patient
Rest of the World	includes the Group's business in Australia, China and South Africa
Sterile	medications which are generally, but not exclusively, inserted intravenously. Examples include IV-bags, ampoules, vials, TPN, cytostatics, prefilled syringes, prefilled morphine cassettes and prefilled elastomeric devices. Sterile medication is prepared using either the sterile-to-sterile method or the non-sterile-to-sterile method
Sterile-to-sterile	the process of manufacturing sterile compounds using only sterile, approved or otherwise registered (with the relevant authorities) finished products produced by pharmaceutical manufacturers. Sterile-to-sterile is considered low to medium risk compounding
TPN	Total Parenteral Nutrition; a nutritional formulation that feeds a person intravenously
VAP	ventilator-associated pneumonia

PART 3
RISK FACTORS

Prospective investors should carefully consider the risk factors set out below, together with the other information contained in this Prospectus, before making an investment decision with respect to investing in the Shares, the Preferential Subscription Rights or the Scrips. All of these factors are contingencies which may or may not occur. The Group believes that the risks and uncertainties described below are all material risks and uncertainties relating to the Group, the Offering, the Shares, the Preferential Subscription Rights or the Scrips. If additional risks and uncertainties not presently known to the Group or that are currently deemed to be immaterial occur, this may also have an adverse effect on the Group's business, financial position or prospects. If any of those risks or uncertainties occurs, the market price of the Shares or the Preferential Subscription Rights or both may decline and investors may lose all or part of their investment.

In addition to considering carefully the risk factors set out below and in this entire Prospectus, prospective investors should also consult, before making an investment decision with respect to the Shares, the Preferential Subscription Rights or the Scrips, their own financial, legal and tax advisers to review the risks associated with an investment and consider such an investment decision in light of their personal circumstances.

3.1 Risks relating to the Group's activities and the industry in which it operates

3.1.1 The legal and regulatory frameworks governing the industry in which the Group operates is complex and changing, and could have an adverse effect on the Group's business, financial position or prospects.

The pharmaceutical compounding sector is subject to extensive regulations in the countries where the Group operates. The Group's pharmaceutical compounding business is highly dependent on its ability to meet GMP and/or other quality standards which are subject to change, and on the ability of pharmacists to compound and dispense pharmaceutical products without those products being subject to registration or regulatory approval in the jurisdictions in which the Group operates. The Group relies on its ability to sell and ship its compounded products into multiple jurisdictions and quickly fulfil orders, and is able to do so only so long as its compounded products are not classified as new drugs and therefore do not require regulatory approvals or testing. There can be no guarantee however that such activities or products will not become subject to more stringent regulation or require testing in the future. If regulations change to require registration or regulatory approval of compounded products or disallow the outsourcing of compounded products, this may impose additional costs and burdens on the Group and may cause some or all of the Group's products to become unviable or less attractive to customers. In Europe, the regulatory framework consists of EU directives, resolutions and guidelines which are implemented and interpreted at the national level, and which are complex and subject to interpretation and application on a country-by-country basis, as well as being subject to evolving interpretations of certain EU Directive which could have an impact across Europe. In the US, extensive regulation by federal and state authorities is subject to frequent changes that may require extensive changes to the Group's business and operations that may be difficult to implement and require significant expenditures. Furthermore, regulations on minimum quality standards imposed on manufacturers of pharmaceutical raw materials may increase the costs of procurement and either decrease the Group's gross margins or force the Group to raise prices of its products. For more details, see "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—Price fluctuations for the raw materials the Group purchases could have an adverse effect on the Group*" (*Paragraph 3.1.21* of *Part 3*). If regulations change to hinder or disallow the outsourcing of compounding or tighten requirements on pharmaceutical raw materials used in compounding, this may impose additional costs and burdens on the Group and may cause some or all of the Group's products to become unviable or less attractive to customers.

European Regulation

In Europe, regulation of pharmaceutical compounding is not harmonised at EU level. The regulatory framework consists of EU directives, resolutions and guidelines which are implemented and interpreted at the national level. Furthermore, each EU country has its own laws regulating compounding, with some countries such as the Netherlands and as of two years ago, Belgium, implementing quality control and inspection standards which in the Group's view effectively encourage community and hospital pharmacies to outsource compounding, while other countries such as Italy, Portugal or Poland effectively prohibit pharmacists from outsourcing compounding to outsourcing facilities.

The Group's pharmaceutical compounding business is highly dependent on the ability of pharmacists to compound and dispense such compounded products without those products being subject to registration or regulatory approval, and the ability of pharmacists to outsource compounding. If regulations change to require registration or regulatory approval of compounded products or disallow the outsourcing of compounded products, this may

impose additional costs and burdens on the Group and may cause some or all of the Group's products to become unviable or less attractive to customers. For example, under the EU Directive 2001/83/EC, manufacturers of medical products falling within the scope of this directive (as defined in Article 2) would need a marketing authorisation to manufacture and place such products on the market, if no exception to this requirement, found in Article 3 of EU Directive 2001/83/EC ("**Article 3**") or Article 5 of EU Directive 2001/83/EC ("**Article 5**"), would apply to such products. In the Group's view, its compounding business in Europe historically has fallen within the Article 3 or Article 5 exception, and has been relying on these exceptions for its operations in Europe to prepare and market its products without a marketing authorisation. In July 2015, the European Court of Justice ("**ECJ**") ruled in the *Abcur AB versus Apoteket Farmaci AB* case that pharmacies may continue to prepare medicinal products without a marketing authorisation. However the ECJ further defined the conditions under which such production may take place. In particular, the ECJ found that the exceptions in Article 3 should be interpreted narrowly, that is, if a compounded product would fall within the scope of the directive (as defined in Article 2), then manufacturing such compounded product on an industrial scale requires a marketing authorisation. Furthermore, in this judgment, the ECJ also confirms previous case law in which it has interpreted Article 5 narrowly, holding that the exception provided for in Article 5 can only concern situations in which the doctor considers that the state of health of his individual patients requires that a medicinal product be administered for which there is no authorised equivalent on the national market or which is unavailable on that market (*Commission v Poland*, Judgment of the Court of 29 March 2012, C-185/10). European countries are now evaluating the ECJ's interpretation, and are expected to adopt it in new legislation or policy, which in the case of the Netherlands may be later this year (see "*Business Overview—Regulation—EU*" (*Paragraph 6.13.1* of *Part 6*) for further detail). If, as a result of this case or otherwise, the interpretation of the exceptions used by the Group were to become more restricted or become unavailable for the Group in one or more key jurisdictions, or if new policy in the Netherlands or elsewhere so requires, the Group may be required to seek marketing authorisation for some of its products or certain elements of the production or fulfilment of certain products, which may entail significant costs, could reduce turnover and may force the Group to discontinue production of some of its compounded products in certain European countries. In addition, the Group's customers and suppliers may be affected by changes in regulations across jurisdictions which may impact their ability to purchase the Group's products and provide supplies. Such regulatory changes could have an adverse effect on the Group's business, financial position or prospects.

The Group' facilities must adhere to GMP protocols imposed at a national level in Europe, requiring periodic inspections and evaluations. As a result, the Group must adhere to varying country-specific regulations in this respect, which may become increasingly complex and costly (see "*Business Overview—Regulation*" (*Paragraph 6.13* of *Part 6*) for further detail). The Group may fail to meet such GMP protocols which may result in, among other things, regulatory penalties, damage to key customer relationships, product recalls, significant additional costs, or reputational harm. If such GMP protocols were to become less complex or restrictive, smaller community and hospital pharmacies may opt to increase their in-house compounding activities rather than outsourcing to compounders such as the Group, resulting in a loss of turnover for the Group.

United States

In the US, the manufacturing, distribution, processing, formulation, packaging and labelling of the Group's products are subject to extensive regulation by federal agencies, including the Food and Drug Administration ("**FDA**") and the Drug Enforcement Administration ("**DEA**"), state and local laws and regulations such as the State Boards of Pharmacy. Compliance with these regulations requires the substantial expenditure of time, money and effort. Failure to comply with such regulations can result in fines, disgorgement, unanticipated compliance expenditures, recall or seizure of products, exposure to product liability claims, total or partial suspension of production or distribution, and civil or criminal prosecution, any of which could have an adverse effect on the Group's business, financial position or prospects. Furthermore, the publicity of any violations or perceived violations of these regulations could result in significant reputational harm to the Group's business.

The regulations that govern the compounding industry in the US are subject to frequent changes. Changes in these regulations, or their interpretations, may require extensive changes to the Group's business and operations that may be difficult to implement and require significant expenditures. For example, as a result of the increased scrutiny to the pharmaceutical compounding industry resulting from the 2012 meningitis outbreak (further described in "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—The Group faces risks relating to order fulfilment and execution and relating to the safety and quality of its products or of pharmaceutical compounds more generally.*" (*Paragraph 3.1.14 of Part 3*)), in 2013 the US Congress passed the Drug Quality and Security Act ("**DQSA**"), which amended the Food, Drug and Cosmetic Act ("**FCDA**") and sets forth new standards applicable to outsourcing facilities such as the Group's, inviting voluntary registration with the FDA. Under the FCDA (as amended by the DQSA), the Group has registered certain of its facilities with the FDA as "outsourcing facilities" ("**Section 503B**

outsourcing facilities") under section 503B of the FCDA which governs registered facilities engaged in the compounding of sterile drugs ("**Section 503B Regulation**") and has implemented policies and procedures to achieve compliance with the Section 503B Regulation. However, there can be no assurance that the Group's operations, as a result of changes in regulatory requirements, human error or otherwise, will continue to be fully compliant with these new requirements, and any failure to comply may result in additional expenditures.

The Group's production facilities are also required to comply with applicable GMP requirements, which are issued and enforced by the FDA. The Group must expend time, money and effort in production, record-keeping and quality control to ensure its products meet applicable specifications and requirements. The GMP requirements may become increasingly complex and costly in the future. The FDA and other governmental entities enforce compliance with regulations and guidance through periodic inspections. In 2015, all of the Group's operational Section 503B outsourcing facilities were inspected by the FDA. Both JCB Laboratories and AnazaoHealth received FDA Form 483 observations ("**483 Observations**") and one warning letter each. Although since receipt of the 483 Observations (and warning letters), both JCB Laboratories and AnazaoHealth have provided responses to the FDA and believe they have addressed all issues noted by the FDA (see "*Business Overview—Regulation—US-FDA*" (*Paragraph 6.13.4.1 of Part 6*)), there can be no assurance that the Group will not receive 483 Observations, warning letters or other inspections from the FDA in the future. If the FDA or another regulator deems inspectional observations at one of the Group's facilities or its responses to such observations to be unsatisfactory, operations at such facility could be interrupted or halted, and the Group may incur unanticipated compliance expenditures and be subject to enforcement actions such as recall or seizure of products, injunctions, civil penalties and criminal prosecution. In addition, any regulatory deficiencies or suspension resulting in manufacturing interruptions or halts may disrupt the Group's ability to meet manufacturing and contractual obligations to customers, which would have an adverse effect on its business, financial position or prospects.

Certain of the Group's products contain controlled substances or "listed chemicals," which are subject to extensive regulation by the DEA regarding procurement, manufacture, storage, shipment, sale and use. These regulations are also imposed on the Group's suppliers and customers and add additional complications and costs to the storage, use, sale and distribution of such products. Government quotas on controlled substances limit the supply of components for certain of the Group's products and restrict its ability to distribute those products. The DEA quota allocation and approval system have recently been found to be inefficient and to potentially contribute to drug shortages by a government audit, due to the untimely actions by the DEA in administering the quota system. As a result, the Group may be unable to obtain required DEA authorisations for new or existing products in a timely manner, or at all. The Group's inability to obtain authorisation from the DEA to procure controlled substances used in its products could have an adverse effect on its business, financial position or prospects. The FDA and the DEA review the safety of controlled substances on an ongoing basis, and it is possible that these regulatory agencies could impose additional restrictions on marketing or distribution of such products or services, could withdraw regulatory approval for materials the Group uses as components in its products or may in the future seek to regulate additional ingredients in the Group's products as controlled substances or listed chemicals. Failure to comply with relevant regulations governing controlled substances could result in civil penalties, refusal to renew necessary registrations, initiation of proceedings to revoke such registrations, reductions of the amounts of controlled substances that the Group may obtain and, in certain circumstances, criminal prosecution. For further details on regulations in the US, see "*Business Overview—Regulation—US*" (*Paragraph 6.13.4 of Part 6*).

The Group is also subject to federal privacy regulations under the Health Insurance Portability and Accountability Act of 1996 ("**HIPAA**") which are designed to protect the medical information of a healthcare patient or health plan enrolee that could be used to identify the individual. These regulations impose substantial requirements on covered entities and significant fines are levied by the government in case of breach. Many of these laws apply to the business of the Group and any breaches of such laws could have an adverse effect on the Group.

For information on the potential impacts on the Group from incidences involving pharmaceutical compounders that attract negative publicity, see "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—The Group faces risks relating to order fulfilment and execution and relating to the safety and quality of its products or of pharmaceutical compounds more generally*" *(Paragraph 3.1.14 of Part 3).*

3.1.2 The Group's operating and financial flexibility is restricted by the level of its indebtedness and financial covenants, which may place it at a disadvantage compared to less leveraged competitors, and breaches of such covenants may lead to insolvency or cessation of operations.

Fagron may experience difficulty in complying with certain of the financial covenants under its financing arrangements. Changes to the reimbursement regime in the United States combined with a weakening of the Brazilian real and the Group's decision to phase out non-strategic and low margin products led to a potential breach

of the leverage covenant and the interest cover ratio at the end of the testing period (31 December 2015) as included in the Revolving Loan Facility Agreement and the Note Purchase Agreement. This required the Company to negotiate with its debt providers an extension of the testing period for a short term by the entry into the Loan Facility December 2015 Waiver and Amendment and the Note December 2015 Waiver and Amendment (the waivers were extended in March 2016) and finally resulted in amongst others the permanent amendment of the financial covenants by the entry into the Long Term Waivers.

Prior to the entry into force of the Long Term Waivers, under the financial covenants in the Revolving Loan Facility Agreement and the Note Purchase Agreement, the Group was required, among other things, to maintain a consolidated total net debt to consolidated EBITDA ratio no greater than 3.25x and a consolidated EBITDA to consolidated net interest expense ratio of at least 4x. The Group is highly leveraged, and had a total net debt to consolidated EBITDA ratio that exceeded 3.25, and a consolidated EBITDA to net interest expense ratio that was lower than 4.0, as at 31 March 2016, in both cases resulting in potential breaches of the Revolving Loan Facility Agreement and the Note Purchase Agreement at those dates. On 30 December 2015 and on 31 March 2016, in advance of the covenant testing dates under the Revolving Loan Facility Agreement and the Note Purchase Agreement, the Group was granted waivers by its lenders and noteholders, in respect of compliance with the financial covenants under the Revolving Loan Facility Agreement and the Note Purchase Agreement. On 5 May 2016, the Group received the Long Term Waivers under its Revolving Loan Facility Agreement and Note Purchase Agreement which permanently waived its potential covenant breaches (which would have arisen without the entry into the Long Term Waivers) and reset the financial covenants to give the Group additional headroom compared to the original levels of the financial covenants. The additional headroom to the levels of the financial covenants will decrease upon every six-month testing period, starting with the first testing period ending on 31 December 2016, until the testing period ending on 30 June 2018. For any testing period ending after 30 June 2018, the levels of both financial covenants revert to those set out in the original Revolving Facility Agreement and Note Purchase Agreement (see "*Operating and Financial Review—Liquidity and capital resources—Borrowings*" (*Paragraph 8.8.4* of *Part 8*) for further details).

A breach of the terms and conditions of the Long Term Waivers, or other financial debt, may result in the Group's outstanding borrowings totalling €572.4 million in current indebtedness, and including the Eurobonds, the outstanding amount of the Revolving Loan Facility, and the full amounts due under the Note Purchase Agreement, all becoming repayable immediately and could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions. Against the total current indebtedness that would become repayable immediately upon such acceleration, the Group had available cash and cash equivalents of only €40.4 million as at 31 March 2016. If the Group's creditors accelerate the payment of those amounts, the Group cannot guarantee that its assets would be sufficient to repay in full those amounts and to satisfy all other liabilities of the Group which would be due and payable which may lead to the Group becoming insolvent or otherwise ceasing its operations, resulting in Shareholders losing all or a significant portion of the value of their Shares. The Long Term Waivers also specify that an immediate event of default under the Revolving Loan Facility Agreement and the Note Purchase Agreement will exist, if the Offering will not be completed by 31 July 2016.

Taking into account the net proceeds of the Offering, if fully subscribed (estimated at approximately €85.8 million) and of the First Tranche Capital Increase (estimated at approximately €131.0 million), and the application of such proceeds to the repayment, at their stated maturity dates, of certain elements of the Group's borrowings (see also "*Reasons for the Offering and Use of the Proceeds*" (*Part 13*), the Group will remain substantially indebted. The Group's high level of indebtedness and the covenants which currently apply to it may have other important consequences, including but not limited to:

- causing the Group to implement cost cutting and restructuring measures which require it to reprioritise the uses to which its capital is put to the potential detriment of its business needs, which, depending on the level of its borrowings, prevailing interest rates and exchange rate fluctuations, could result in reduced funds being available for acquisitions which may be necessary in pursuit of its buy-and-build strategy and for the operations of its business, including marketing activities and research and development;
- limiting the Group's flexibility in planning for, or reacting to, changes in technology, customer demand and competitive pressures in the industry and jurisdictions in which it operates;
- making it necessary to dispose of core operations at unattractive prices to raise additional cash proceeds to service or reduce debt;
- requiring the Group to reduce inventory to the point where it is unable to meet customer demand, thus harming its relationships with distributors and customers and diminishing its brand;

- key suppliers or other counterparties requiring the Group to pay them in advance or otherwise tighten credit conditions on inventory financing, thus negatively impacting its cash flow from operations;
- placing the Group at a competitive disadvantage compared to its competitors who may be less leveraged and restricted by financial covenants;
- increasing the Group's vulnerability to both general and industry-specific adverse economic conditions;
- increasing the cost of servicing the Group's borrowings in the event such covenants are renegotiated in the future;
- limiting the Group's ability to distribute dividends to its shareholders;
- requiring the Group to seek additional or renegotiated debt financing, if available, which may impose additional restrictions, such as higher interest rates, increased security over its assets, or other restrictions on the Group's financing or operating activities; and
- if the Group fails to renegotiate its existing financing or find alternative financing, becoming insolvent or otherwise ceasing its operations.

The above factors could limit the Group's financial and operational flexibility and this could have an adverse effect on its business, financial position or prospects.

Despite the Group's currently high levels of indebtedness, the Group may be able to incur substantial additional indebtedness in the future if the Group regains compliance with certain ratios set forth in the Note Purchase Agreement and the Revolving Loan Facility Agreement, as amended by the Long Term Waivers. If the Group regains the ability to incur substantial additional indebtedness in the future, such incurrence may further increase the risks created by the Group's current levels of indebtedness.

In addition, the Group's ability to generate sufficient cash flow to make scheduled payments on its indebtedness, and its ability to refinance such indebtedness when due, will depend on its future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of its control.

The Group's compliance with its scheduled payments on its indebtedness is also an important element of the Long Term Waivers. The Long Term Waivers contain the obligation on the Company and the guarantors under the Revolving Loan Facility Agreement or the Note Purchase Agreement to retain the proceeds of the capital raise (consisting both of the First Tranche Capital Increase and the Offering) in one or more blocked accounts, held with one or more financial institutions which are not a lender under the Revolving Loan Facility Agreement or any other facility available to the members of the Group. The net proceeds of the First Tranche Capital Increase and the Offering can only be used by the Group to repay, at their stated maturity date, (i) the $45.0 million 4.15% Series A Notes due 15 April 2017, (ii) the €22.5 million 3.55% Series B Notes due 15 April 2017 and (iii) the €225.0 million Eurobonds (due 2 July 2017), The net proceeds of the First Tranche Capital Increase and the Offering cannot be used for any other purpose and any breach of this restriction will cause an immediate event of default under the Revolving Loan Facility Agreement and the Note Purchase Agreement. The net proceeds of the Offering will consequently solely be used to decrease the current financial indebtedness of the Company (see also "*Reasons for the Offering and Use of the Proceeds*" (*Part 13*)).

The Group's compliance with its covenants depends on a number of factors, some of which are beyond its control. Changes to the applicable reimbursement regimes of public healthcare administrations and private insurers may have a further material adverse effect on its earnings, which in turn could affect its ability to comply with these financial ratios. There can be no assurance that Fagron can continue to comply with its financial covenants, despite the capital increase as a result of the Offering, if such events would materialise (see also "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—Changes in the reimbursement regimes of public healthcare administrations and private insurers have had and may in the future have an adverse effect on the Group*" (*Paragraph 3.1.16 of Part 3*)).

3.1.3 Changes in the reimbursement regimes of public healthcare administrations and private insurers have had, have and may in the future have an adverse effect on the Group.

The commercial success of the Group's business depends, in part, on the extent to which reimbursement for certain of its products is available from public healthcare administrations and private insurers. While the Group is directly paid by community and hospital pharmacies and pharmaceutical companies for many of its products and in most jurisdictions where it sells its products, in some of the jurisdictions where the Group operates, particularly the US and Europe, the cost of certain compounded medication are paid for by public healthcare administrations and/or private insurers in the form of reimbursements to the community and hospital pharmacies that are customers of the Group's compounded medication. As public healthcare administrations and private insurers increasingly focus on limiting healthcare expenditure, they have changed and may continue to change reimbursement regimes and/or practices that can impact market demand for pharmaceutical compounding products, making them more or less favourable than non-compounded products. If public healthcare administrations and private insurers further reduce reimbursement levels, the Group's customers which are community and hospital pharmacies and pharmaceutical companies may seek to reduce their pharmaceutical costs by preparing pharmaceuticals internally or by using lower-cost third party providers, which could have an adverse effect on the Group's business, financial position or prospects.

Changes in reimbursement regimes are likely to have differing impacts in different geographical markets, as follows:

- In the United States in particular, significant uncertainties exist regarding the reimbursement status of non-sterile products. Public healthcare administrations have recently stopped or reduced reimbursement of compounds made from active pharmaceutical ingredients ("**APIs**"). For instance, Medicare currently only covers compounded medication prepared from commercially available ingredients (rather than bulk APIs or bulk compounding bases or vehicles) in finished dosage forms. Medicaid typically does not reimburse bulk API compounding. In 2015, Tricare stopped reimbursing approximately 95% of compounded medication made from APIs. Furthermore, due to a lack of industry and regulatory oversight the prices of certain compounded medication became inflated. The high prices of certain compounded medication, combined with Tricare's decision to stop reimbursing most compounded medication made from APIs, led certain pharmacy benefit managers ("**PBMs**"), which manage public healthcare schemes including Tricare and private insurance plans in the US, over the past several years to stop reimbursing compounded medication made from certain APIs (mostly non-sterile compounded medication), or to place restrictions on such reimbursement, such as requiring the compounded medication to be supplied by a certified compounding pharmacy or imposing a reimbursement cap. The most significant impact of these changes to the reimbursement regime had been on the Group's FSPS non-sterile compounding business, primarily impacting Bellevue Pharmacy, which operated a non-sterile manufacturing and distribution business. As a result of these changes to the reimbursement regime in the US, Bellevue experienced sharp declines in its sales of non-sterile compounded medication in 2015. As of January 2016, Bellevue has been classified as discontinued operations and in March 2016, Bellevue Pharmacy ceased operations altogether. For more details, see "*Business Overview—Ceased business (Paragraph 6.19 of Part 6)*." The changes to the reimbursement regime have further resulted in the Group's pharmacy customers in the US significantly reducing their purchases of APIs, which has impacted Fagron Essentials' API distribution business, primarily impacting Freedom Pharmaceuticals, consequently impacting the profitability of the Group's US operations. For more details, see "*Business Overview—Reimbursements—US—Private reimbursements*" (*Paragraph 6.14.2.2 of Part 6*) and "*Operating and Financial Review—Factors Affecting Results of Operations—Reimbursement levels*" (*Paragraph 8.2.1 of Part 8*).

- In the Netherlands, compounded medication, if reimbursed, is reimbursed by private insurance; the Group estimates that approximately 70-80% of the Group's total sales in the Netherlands in 2015 were reimbursed. At the end of each year, Dutch health insurance companies publish a list containing all compounded products marketed at such time and the reimbursement status of these products for the next year. In November 2015, a new list of reimbursable products was promulgated by the private insurance industry. In this list, certain compounds were no longer reimbursed, which may negatively impact the Group's financial position or prospects in the Netherlands. The November 2015 list impacted products which constituted approximately 3% of the Group's sales in the Netherlands in 2015. In addition, the major health insurers in the Netherlands may introduce policies permitting them to reimburse only the lowest cost provider of a given product, potentially impacting the Group's sales in the Netherlands.

- In addition, a substantial majority of the Group's turnover in Poland is derived from reimbursement. While there have been no changes and there are no anticipated changes to the reimbursement regime in Poland, a change could result in a decrease in the Group's turnover.

If the reimbursement regimes in the Group's key jurisdictions continue to reduce available reimbursement levels, the Group could suffer a material adverse effect on its business, financial position or prospects. For details of reimbursements policy in different jurisdictions where the Group operates, see "*Business Overview—Reimbursements*" (*Paragraph 6.14* of *Part 6*). For details on the financial impact of the changes to the reimbursement regime, see "*Operating and Financial Review—Factors Affecting Resulting of Operations—Reimbursement levels*" (*Paragraph 8.2.1* of *Part 8*).

If reimbursement levels for non-sterile compounds are reduced further, if the reduction to reimbursement is applied to other products such as sterile compounds, or is extended to jurisdictions outside the United States, or if the Group is unable to develop substitute products or increase its proportion of non-reimbursed (cash) sales, the reimbursement environment may continue to have an adverse effect on the Group in the future, consequently impacting the profitability of the Group. There can be no guarantee that similar changes will not be adopted in other jurisdictions where the Group has or will have significant operations.

3.1.4 The Group has experienced reduced profitability due to changes in the reimbursement regimes of certain payors, particularly in the United States, as well as higher costs of servicing its high levels of indebtedness.

The commercial success of the Group's business depends, in part, on the extent to which reimbursement for certain of its products is available from public healthcare administrations and private insurers, particularly in the US and Europe. In the United States in particular, significant uncertainties exist regarding the reimbursement status of non-sterile products. Public healthcare administrations have recently stopped or reduced reimbursement of compounds made from active pharmaceutical ingredients ("**APIs**"). In addition to potentially affecting the timing of implementation of the Group's business strategy, as described in "Risk Factors—The Group may not succeed in executing its business strategy" (*Paragraph 3.1.30 of Part 3*), the most significant impact of these changes to the reimbursement regime had been on the Group's FSPS non-sterile compounding business, primarily impacting Bellevue Pharmacy, which operated a non-sterile manufacturing and distribution business, as well as its Freedom Pharmaceuticals business. As a result of these changes to the reimbursement regime in the US, Bellevue experienced sharp declines in its sales of non-sterile compounded medication in 2015. As of January 2016, Bellevue has been classified as discontinued operations and in March 2016, Bellevue Pharmacy ceased operations altogether. For more details, see "*Business Overview—Ceased business*" *(Paragraph 6.19 of Part 6)*. The changes to the reimbursement regime have further resulted in the Group's pharmacy customers in the US significantly reducing their purchases of APIs, which has impacted Fagron Essentials' API distribution business, primarily impacting Freedom Pharmaceuticals. For more details, see "*Business Overview—Reimbursements—US—Private reimbursements*" *(Paragraph 6.14.2.2 of Part 6)* and "*Operating and Financial Review—Factors Affecting Results of Operations—Reimbursement levels" (Paragraph 8.2.1 of Part 8)*. The loss of business from Bellevue Pharmacy, and the resulting costs of ceasing operations within the business, as well as the loss of turnover in respect of certain products within Freedom Pharmaceuticals, has significantly impacted the Group's turnover and profitability in the United States. In 2015 the Group estimates that the impact of these changes within Bellevue Pharmacy and Freedom Pharmaceuticals was a reduction in turnover of approximately €44 million, as well as a reduction in EBITDA. If the reimbursement regimes in the US or the Group's other key jurisdictions continue to reduce available reimbursement levels, the Group could suffer a further decline in turnover in respect of its affected products and operating segments, with a consequent material adverse effect on the Group's profitability. See "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—Changes in the reimbursement regimes of public healthcare administrations and private insurers have had, have and may in the future have an adverse effect on the Group*" *(Part 3.1.16 of Part 3)*.

In addition, as a result of its efforts to avoid potential breaches under certain financial covenants in the Revolving Loan Facility Agreement and the Note Purchase Agreement, and the resulting Long Term Waivers now in place, the Group is subject to significant interest costs, which further impact the Group's profitability. See "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—The Group's operating and financial flexibility is restricted by the level of its indebtedness and financial covenants, which may place it at a disadvantage compared to less leveraged competitors, and breaches of such covenants may lead to insolvency or cessation of operations*" *(Paragraph 3.1.2 of Part 3)*. As a result, the Group's ability to generate sufficient cash flow to make scheduled payments on its indebtedness, and to maintain turnover at a level which will support its profitability in light of these interest payments, will depend on its future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of its control. If the Group incurs substantial additional indebtedness in the future, and is unable to increase its turnover or reduce other expenses in proportion to any increased interest expense, its profitability could be further impacted, resulting in a material adverse effect on its business, financial position and prospects.

3.1.5 The Group is, and expects to continue to be, exposed to foreign currency exchange risk.

The Group's financial statements are prepared in euros, its presentation currency. As a result, the Group is exposed to both transaction and translation foreign currency exchange risk in connection with its operations in countries outside the Eurozone and its transactions, assets and liabilities in currencies other than the euro, specifically entities operating in US dollars, Brazilian reals, Polish zloty, Czech crowns, Swiss francs, British pounds, Danish crowns, Colombian pesos, Chinese yuan, South African rand, Australian dollars and Argentinian pesos. For the three months ended 31 March 2016, these currencies collectively represented approximately 51.0% of the Group's consolidated turnover and approximately 35.8% of the Group's operating profit. In 2015, these entities collectively represented approximately 57.1% of the Group's consolidated turnover and approximately 72.3% of the Group's operating profit before impairment.

The Group is exposed to transaction risk involving its businesses which operate in a functional currency other than the euro. Specifically, the Group is exposed to transaction risk from fluctuations in the value of the US dollar as compared to the value of the euro, as a result of the use of US dollars to purchase raw materials from suppliers in the international market, particularly in China and India. To the extent the value of the US dollar strengthens against the euro, the Group may incur higher operating expenses which it may be unable to fully or as quickly pass on to its customers, resulting in lower operating profit for the Group. A significant portion of the Group's operating expenses, particularly in respect of activities in Brazil and the Netherlands, are these transactions in US dollars for procurement of raw materials. As a result, if the value of the US dollar as compared to the euro or any local currency were to increase, the Group's cost of goods sold in respect of its sales outside the United States may increase at a faster rate than the Group is able to recover such higher costs from its customers. In 2015, the Group recognized unrealized exchange rate differences of €26.3 million euros, mainly due to the weakening of the Brazilian real against the euro, which may be realized in future periods, reducing the Group's reported profit in such periods.

The Group is exposed to translation risk resulting from the translation impact of exchange rate movements between the euro and the other currencies in the jurisdictions in which the Group receives revenue or incurs expenses, or in which the Group holds assets and liabilities. As a result, the Group must translate the assets, liabilities, turnover and expenses of all of its operations in other currencies to the euro at then-applicable exchange rates. These translation effects will have an impact on the value in euros of the Group's reported operating profit (loss) in any given period, and on the value in euros of its assets, liabilities and cash balances on a given balance sheet date. For example, the Group's turnover from continued operations in the three months ending 31 March 2016 increased over the same period in 2015 partly due to strong organic growth in Brazil, however the positive impact on turnover from such growth was eliminated by the weakened Brazilian real when translated into euros; see "*Operating and Financial Review—Results of Operations—Comparison of the three months ended 31 March 2016 and 31 March 2015—Operating income*" (*Paragraph 8.7.1.1* of *Part 8*). As the political condition in Brazil continues to remain uncertain, the Brazilian real may weaken further, which could materially adversely affect the Group's turnover.

A stronger euro will reduce the Group's reported turnover and expenses from its non-euro businesses and, conversely, a weaker euro will increase the Group's reported turnover and expenses from non-euro businesses. Because the Group's non-euro turnover is more significant than its non-euro expenses, the Group's profit before tax generally increases when the euro weakens, and generally decreases when the euro strengthens. For example, a 10% increase in the value of the euro against the Brazilian real in 2015 would have reduced the Group's profit before income tax by €0.9 million. This translation impact could also significantly affect the comparability of the Group's results between financial periods and/or result in significant changes to the carrying value of its assets, liabilities and shareholders' equity, as well as lower reported financial results.

The Group does not currently hedge the impact of its operations in currencies other than the euro, and as a result the impact of exchange rate fluctuations on its results of operations in any given period could be significant. In addition, the Group is not hedged with respect to the principal amounts under its senior unsecured notes and the Revolving Loan Facility, and may be adversely affected by the translation risk of a weakening euro against the US dollar when the principal amounts become due. There can be no certainty that the Group will, or will be able to, obtain sufficient exchange rate instruments, such as hedging products, forward exchange contracts or options to mitigate any adverse impact of exchange rate fluctuations. Such exchange rate fluctuations could have an adverse effect on the Group's business, financial position or prospects. For more information on the Group's currency exposure see "*Operating and Financial Review—Factors Affecting Results of Operations— Foreign exchange rates*" (*Paragraph 8.2.3* of *Part 8*).

3.1.6 The industry in which the Group operates is highly competitive and subject to rapid changes resulting from innovation, new discoveries, changing regulatory framework and other factors.

The market for pharmaceutical compounding is highly competitive. Competitors may currently be developing, or may in the future develop technologies and products, either compounded products or alternatives, that are more effective, safer or more economically viable than any current or future technology or product of the Group. Competing products may gain faster or broader market acceptance than the Group's products, and medical advances or rapid technological development by competitors may result in the Group's product candidates becoming non-competitive or obsolete before the Group is able to recover its research and development and commercialisation expenses.

Competitors' products may be safer, more effective, more effectively marketed or sold, or have lower prices or better performance features than those of the Group. The Group cannot predict with certainty the timing or impact of competitors' products. In addition, particularly in the United States, the health care industry is undergoing consolidation among product suppliers and purchasers, primarily driven by the rise in health care costs which has resulted in numerous initiatives and reforms by legislatures, regulators and public healthcare administrations and private insurers to curb these cost increases. Many healthcare industry participants, including pharmaceutical compounding providers, are consolidating to create integrated healthcare delivery systems with significant market power, and the trend is expected to continue. As provider networks consolidate, thereby decreasing the number of market participants, competition to provide products like the Group's will become more intense, and the importance of establishing relationships with key industry participants will become greater. Also, industry participants may try to use their increased market power to negotiate price reductions for the Group's products. If the Group is forced to reduce prices as a result of decreased demand for its products, turnover would decrease which could have an adverse effect on the Group's business, financial position or prospects.

The Group may face increased competition from competitors that do not currently engage in pharmaceutical compounding in the markets in which the Group operates. The Group sources pharmaceutical raw materials, supplies and equipment or sometimes compounded products from third party suppliers. One or more of these suppliers could decide to directly sell its pharmaceutical raw materials, supplies and equipment or compounded products to the market, thereby becoming the Group's competitor. For example, the Group's largest supplier Tiofarma has the right to supply certain compounded products to the Group in the Netherlands. In turn, the Group has the right to sell compounded products supplied by Tiofarma in the Netherlands. See "*Business Overview—Suppliers—Major supplier*" (*Paragraph 6.8.4* of *Part 6*). However, Tiofarma could directly sell the compounded products to the Dutch market. In such cases, the Group's turnover and profitability in the Netherlands could decline significantly. Also see "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—The Group relies on third party suppliers and manufacturers*" *(Paragraph 3.1.9 of Part 3)*. Such potential competitors may have longer operating histories and greater financial, marketing and other resources than the Group. These potential competitors could leverage existing resources and experience operating in industries that are subject to significant regulatory oversight in order to overcome certain barriers to entry. Consequently, competitors may be able to develop products competitive with, or superior to, the Group's, which may negatively affect market acceptance of the Group's products.

Furthermore, if a product of the Group becomes successful and achieves a certain sale volume or popularity, there is a risk that such product would be registered by a competitor in a particular jurisdiction. Unless the Group also registers the product in that jurisdiction, it would be forced to discontinue production of a popular and profitable product. The Group generally does not seek to register such products as the process is costly, time consuming and does not form part of the Group's strategy. The Group believes its competitive advantage lies in continually identifying new demands in customised medication or care and to innovate in technology to produce products meeting these demands, rather than primarily relying on registration or patents to protect its intellectual property; see "*Risk Factors—Risk Factors—Risks relating to the Group's activities and the industry in which it operates—The Group may fail to protect its trade secrets and intellectual property*" (*Paragraph 3.1.17* of *Part 3*). Therefore, any failure by the Group to identify new demands for customised medication or introduce innovative solutions addressing such demands may have an adverse effect on its business, financial position or prospects.

In addition, if the Group is unable to adapt its operations and business model to comply with the changing regulatory framework in the countries where it operates, it may lose business to competitors who have adapted to comply more quickly or more successfully than the Group. For example, the *Abcur AB versus Apoteket Farmaci AB* case may require the Group to seek marketing authorisations for its FSPS activities in the Netherlands and certain other EU countries in the future; these countries are currently evaluating the ECJ's interpretation of the case and are expected to adopt it in new legislation or policy, which in the case of the Netherlands may be later this year; see "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—The legal and regulatory frameworks*

governing the industry in which the Group operates is complex and changing, and could have an adverse effect on the Group's business, financial position or prospects." (*Paragraph 3.1.1 of Part 3*). If the Group would be required to seek such marketing authorisations or comply with other regulatory requirements imposed in the future, it be not be able to do so successfully or as quickly as its competitors, which may have an adverse effect on its business, financial position or prospects.

3.1.7 The commercial success of the Group's products depends on attaining significant market acceptance among physicians, pharmacists, patients, healthcare payers and the medical community.

The success of the Group, in particular of the FSPS and Fagron Trademarks businesses, depends in part on physicians' willingness to prescribe its products, patients' desire to use its products and public healthcare administrations' and private insurers' agreement to reimburse the costs of its products, and the general acceptance of its products by the medical community. Physicians and other prescribers may fail to prescribe the Group's current or future products due to changing perceptions of such products' safety or effectiveness vis-à-vis alternative forms of medication, or due to changes in the reimbursement environment, or for other reasons, which could adversely affect the Group's turnover. In addition, efforts to market the Group's products and to educate the medical community and public healthcare administrations and private insurers on the benefits of the Group's products may require significant costs and commitment of substantial resources and may not be successful. Market acceptance of the Group's current and future products by prescribers, patients, healthcare payers and the medical community depends on a number of factors, many of which are beyond the Group's control, including but not limited to:

- acceptance by customers, physicians, pharmacists patients and healthcare payers of each product as a safe and effective product;
- real and perceived efficacy, safety and other potential advantages of the Group's products over competing products;
- the cost of the product compared to alternative products;
- the availability of adequate reimbursement by third parties, such as insurance companies and other healthcare payers;
- the extent to which the product is approved for inclusion in formularies of hospitals and managed care organisations;
- regulatory restraints in different jurisdictions regarding product quality or other requirements;
- relative convenience and ease of administration;
- prevalence and severity of adverse side-effects;
- limitations, precautions or warnings contained in a product's approved labelling; and
- changes in the standard of care for the targeted patient group for any condition.

The failure of the Group's products to achieve and maintain market acceptance could have an adverse effect on the Group's business, financial position or prospects.

3.1.8 An inability to identify or successfully bid for suitable acquisition targets, or to consummate and effectively integrate recent and future potential acquisitions, could limit the Group's future growth.

Acquisitions have been and are likely to remain an important part of the Group's growth strategy. There is a risk that acquired businesses may perform below expectation, returns from such acquisitions may not support the financing utilised to acquire or maintain them, corporate cultures may not match, expected synergies in cost, operations or otherwise may not be fully realised, key staff may not be retained, strategies or customer relationships may not align, restructurings may prove to be more costly than initially anticipated, or acquired companies may prove to be more difficult to integrate than foreseen. It cannot be excluded that the company would encounter integration issues in the future, such as non-materialisation of cost savings, poor alignment of strategy, difficulties in maintaining customer relationships, etc. For example, the Group may fail to successfully complete the integration of its recent acquisitions of US-based AnazaoHealth and Belgian-based ABC Chemicals.

Furthermore, the integration and consolidation of acquisitions is a difficult and complex process and requires substantial human, financial and other resources and may divert management's attention from its existing business

concerns, disrupt the Group's ongoing business, or not be successfully integrated. To the extent the Group grows through acquisitions, it may have to recruit additional personnel and improve its managerial, operational and financial systems. If the Group fails to address these challenges, this could have an adverse effect on its business, financial position or prospects.

There are a number of factors that could hinder the Group's ability to pursue its buy-and-build strategy. These factors include, but are not limited to, the Group's high levels of debt and the availability of additional financing, certain limitations on acquisitions under the Long Term Waivers, the absence of acceptable targets, the inability to acquire and successfully integrate certain identified targets into the Group, competition in acquiring targets from the Group's competitors, and increases in the prices the Group has to pay for acquisitions due to bidding competition. Given the importance of the buy-and-build strategy to the overall Group strategy, such factors could have an adverse effect on the Group's business, financial position or prospects.

3.1.9 The Group relies on third party suppliers and manufacturers.

The Group depends to a significant extent on the reliable production and delivery by third party manufacturers for all Fagron Essentials products and on third party manufacturers for a substantial portion of Fagron Trademarks products and certain FSPS products. If a product for which the Group has not maintained an alternative source of supply becomes unavailable or if a supplier is unwilling to sell such product, the Group may not be able to identify and qualify a replacement supplier or may suffer a delay in doing so. Further, the Group may not receive the same pricing from an alternative supplier. A price increase resulting from using alternative suppliers could result in the Group's products becoming more expensive and costly to produce, and therefore potentially less attractive to its customers. Any changes to the relationships the Group maintains with these suppliers, including, but not limited to, the termination of such relationship or changes in pricing, could have an adverse effect on its business, financial position or prospects. For example, the Group is dependent upon its largest supplier, Tiofarma, to supply certain compounded products to the Group in the Netherlands. In turn, the Group has the right to sell compounded products supplied by Tiofarma in the Netherlands. Tiofarma is the Group's biggest supplier, having supply arrangements with the Group primarily in the Netherlands and accounted for approximately 19% of the Group's cost of goods sold in 2015. See "*Business Overview—Suppliers—Major supplier*" (*Paragraph 6.8.4* of *Part 6*). However, Tiofarma could terminate all or any part of this arrangement at any time without prior notice, and could appoint other pharmaceutical companies including the Group's competitors to sell the compounded products supplied by Tiofarma in the Netherlands, or directly sell these compounded products to the Dutch market, thereby becoming the Group's competitor. In such cases, the Group's turnover and profitability in the Netherlands could decline significantly. Furthermore, the Group would lose a key supplier.

The Group's reliance on third party suppliers also exposes it to risks that are not within its control, including, but not limited to, the following:

- the Group relies on suppliers providing products in an accordance with its quality standards and in a timely fashion. Any quality issues or supply delays or interruptions, due to, for example, market conditions, natural disasters, labour-related disruptions, failures in supply or other logistical channels, could limit or curtail the Group's ability to sell products and may subject it to product liability claims;
- suppliers' facilities must satisfy production and quality standards, such as those set by the FDA and other regulatory authorities that periodically inspect facilities to determine compliance. If suppliers fail to satisfy these requirements, the Group would stop purchasing from such suppliers and would need to find alternative suppliers; and
- a supplier could decide to terminate its relationship with the Group, or to compete with the Group by selling directly to the Group' customers.

Each of these risks could delay the production of the Group's products or result in higher costs or reduced turnover. Furthermore, delays or interruptions in supply could limit or curtail the Group's ability to meet customer demand for its products, and the Group's inventories may not be sufficient to cover such demand. Any such delay or interruption could harm the Group's reputation as a reliable provider of pharmaceutical compounds or cause customers to find alternative sources, which could have an adverse effect on the Group's business, financial position or prospects.

3.1.10 The economic and political condition in Brazil, and any deterioration thereof, may have an adverse effect on the Group's business, financial position or prospects.

A substantial portion of the Group's turnover, representing 16.7% of its total turnover for the year ended 31 December 2015, is generated from its operations in Brazil. As such, the economic and political environment in Brazil can have a substantial impact on the Group's performance and ability to continue its operations in that jurisdiction.

Brazil's economy is vulnerable to a number of risks, which include general economic and business conditions in Brazil, the level of consumer demand, the level of confidence that domestic consumers and foreign investors have in the economic and political conditions in Brazil, present and future exchange rates of the Brazilian currency, the level of domestic debt, domestic inflation, the ability of Brazil to effect key economic reforms in order to generate a primary budget surplus, the level of foreign direct and portfolio investment, the level of domestic interest rates, the degree of political uncertainty at the federal and state level in Brazil, and the ongoing "Lava Jato" and other investigations into corruption and their impact on political and economic conditions in the country.

Any of the factors above including the charging of federal or state officials or senior management of Brazilian industry with corruption-related crimes, the impeachment of the president of Brazil, or otherwise could result in the deterioration of the economic and political condition in Brazil which may in turn have an adverse effect on the Group's business, financial position or prospects.

3.1.11 The Group's consolidated balance sheet includes significant goodwill, which could become impaired.

As a result of the Group's acquisitions, the Group's consolidated balance sheet includes a significant amount of goodwill. The Group tests its goodwill at least annually for impairment and whenever a trigger event occurs. The Group's goodwill may be impaired if the Group determines that the fair market value of an asset is lower than the Group's carried value due to changes in circumstances. In 2014, the Group recognised an impairment of €18.2 million upon the sale of its remaining dental and medical activities as a result of the proceeds of sale being lower than the carrying amount of the related net assets. In 2015, the Group recognised an impairment of €225.6 million, primarily in respect of its US operations Freedom Pharmaceuticals and Bellevue Pharmacy, which together accounted for €205.3 million of the impairment (the latter of which ceased operations in March 2016) due to lower profitability resulting from changes in the reimbursement regime in the United States (*see* "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—Changes in the reimbursement regimes of public healthcare administrations and private insurers have had and may in the future have an adverse effect on the Group*" (*Paragraph 3.1.16 of Part 3*)), as well as in respect of HL Technology (€9.6 million). Although as of the end of 2015, goodwill associated with Bellevue Pharmacy had been impaired to zero, the Group may be required to recognise impairments within other businesses in the future. If the Group's goodwill is significantly impaired, it could have an adverse effect on its business, financial position or prospects.

3.1.12 The Group may require access to additional funding in the future and may not be able to obtain such funding on favourable terms, or at all, or within a timely manner.

The amount and timing of any expenditure needed to carry out the Group's acquisitions as part of its strategy or the operations of its business, including marketing activities, research and development, capital expenditures, dividend payments and other general corporate purposes depends on numerous factors, certain of which are outside the Group's control. Although the Group plans to raise additional funding through the Offering, additional funds may be necessary due to a number of factors, which include but are not limited to:

- the need to repay or refinance maturing indebtedness, in particular the Group's €225 million Eurobonds which will mature in July 2017, and the Series A Senior Notes and Series B Senior Notes under the Note Purchase Agreement which will mature in April 2017;
- higher costs or increased quality requirements in manufacturing the Group's products;
- lower revenues than expected from new products or from commercialisation of the Group's research and development projects;
- opportunities to develop additional product candidates or to acquire other businesses; and
- costs incurred to react to technological and market developments.

The Group's ability to raise additional funds will depend in part on financial, economic and market conditions and other factors, over which it may have limited or no control, and there can be no assurance that additional funds will be available on a timely basis, on favourable terms, or at all, or that such funds, if raised, would be sufficient to enable the Group to continue to implement its business strategy. Additionally, a significant portion of the Group's outstanding indebtedness bears interest or will bear interest at variable rates. As a result, increases in interest rates would increase the cost of servicing existing indebtedness and could materially reduce the Group's profitability, cash flow and ability to obtain additional funding.

If the Group is unable to raise additional funds through equity or debt financing, it may need to delay, reduce or eliminate expenditures for some of its operations. In addition, to the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in the dilution of the interests of the Group's existing shareholders. Furthermore, these securities may be sold at a discount from the then prevailing market price, which may be significantly lower than the Issue Price, of the Group's common stock. The Group's inability to obtain additional funds necessary to operate its business could have an adverse effect on its business, financial position or prospects.

In addition, if the Offering is not fully subscribed, the Group may have to consider additional funding, reduce its level of investments or a combination of both. For more information, see "*Risk Factors—Risks relating to the Offering—If the Offering is not fully subscribed, the Group may have to consider additional funding, reduce its level of investments or a combination of both*" (*Paragraph 3.2.12 of Part 3*).

3.1.13 The Group may not be successful in its research and development efforts to add to its future pipeline of products and may not be able to develop innovative and marketable products.

The Group operates in a highly competitive industry that is subject to rapid technological advances. In order to maintain its competitive position, the Group will need to continue to innovate and develop marketable products. Whilst the Group intends to continue to collaborate with prescribers, hospitals and pharmacies to develop its pipeline of pharmaceutical compounding product candidates, there can be no guarantee that the Group will be successful in discovering and developing future product candidates or that such products will be commercially successful. If the Group fails to successfully develop and commercialise further products, it may not be able to generate, maintain or increase its revenue or competitive position in future periods, which could have an adverse effect on its business, financial position or prospects.

3.1.14 The Group faces risks relating to order fulfilment and execution and relating to the safety and quality of its products or of pharmaceutical compounds more generally.

The Group's business requires processing and delivering individual patient prescription orders to community and hospital pharmacies, as well as providing the vehicles, APIs and other supplies and equipment to enable pharmacists to fulfil patient prescription orders. The Group's ability to process such orders quickly and accurately while maintaining quality control and meeting GMP standards, in a cost effectively manner, may be impeded for a number of reasons including equipment failures, human error, material shortages and market price fluctuations. Any actual or perceived failure to do so may adversely affect the Group's brand and reputation and its business prospects. The production, reconditioning, labelling, packaging, storage and transport of the Group's finished compounded products, as well as its vehicles and APIs, is inherently risky. There are a number of factors that could result in the injury or death of a patient who receives one of the Group's products, including quality, manufacturing or labelling flaws, improper packaging or unanticipated or improper uses of the products, any of which could result from human or other error. Any of these situations could lead to a recall of, or safety alert relating to, one or more of the Group's products. In addition, in the ordinary course of business, the Group may voluntarily retrieve products in response to a customer complaint. Any retrieval or recall, whether voluntary or requested by a regulatory authority, could result in significant costs and negative publicity. Regardless of its accuracy or merit, negative publicity regarding the quality or safety of the Group's products could reduce market acceptance of, and decrease demand for, the Group's products, harm its reputation, result in the loss of customers, lead to product withdrawals and harm the Group's ability to successfully launch new products.

The Group's success is highly reliant on its reputation and the market perceptions of pharmaceutical compounds in general. If actual or perceived safety issues arise with pharmaceutical compounds or a product of the Group, sales of the Group's products could be negatively affected. For example, in 2012, a fungal meningitis outbreak in the US resulted in over 60 fatalities and over 750 other people becoming seriously ill. The outbreak was attributed to substandard "non-sterile-to-sterile" compounding manufacturing practices by the New England Compounding Center, a compounding pharmacy in Massachusetts, and resulted in numerous intensive new regulatory requirements at the federal and state levels, stricter supervision of pharmaceutical compounding by the FDA and

significant media and customer scrutiny of the pharmaceutical compounding industry. Such issues may lead prescribers to not prescribe the Group's products, patients to not use its products, or public healthcare administrations and private insurers to not reimburse these products. If any of the Group's products or similar products are subject to market withdrawal or recall or are claimed, perceived or proven to be ineffective or harmful, it could have an adverse effect on the Group's business, financial position or prospects.

In addition, in the ordinary course of business, the Group is the subject of claims and lawsuits alleging injury or harm to patients from the Group's products. Such claims and lawsuits, safety alerts or product recalls and other allegations of product safety or quality issues, regardless of their validity or ultimate outcome, may have an adverse effect on the Group and its reputation, and on the Group's ability to attract and retain customers. See also "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—The Group could be subject to product liability claims and adverse publicity.*" (*Part 3.1.19 of Part 3*).

Furthermore, illegal distribution or sale by third parties of counterfeit versions or stolen pharmaceutical compounding products generally or the Group's products could also have a negative impact on the Group's reputation. Public loss of confidence in the integrity of pharmaceutical compounding products as a result of counterfeiting or theft could have an adverse effect on the Group's business, financial position or prospects.

3.1.15 The Group may be subject to legal or administrative proceedings or investigations brought by third parties, regulatory bodies or administrative agencies.

The Group may from time to time become subject to legal or administrative proceedings or regulatory investigations. The Group could be adversely affected by judgements, settlements, unanticipated costs, reputational harm or other effects resulting from pending or future legal or administrative proceedings or from investigations by third parties, regulatory bodies or administrative agencies. The Group may become subject to claims, proceedings or investigations in its ordinary course of business, including labour disputes, contract disputes, intellectual property disputes, government audits and regulatory investigations. Such proceedings or investigations may result in damages, fines, or other remedies being imposed on the Group. The Group may also incur costs defending or responding to such proceedings or investigations, including legal costs, which may be substantial and could exceed any available insurance coverage. Additionally, such proceedings or investigations, regardless of their outcome, may negatively impact the Group's reputation.

In particular, two of the Group's US subsidiaries, Freedom Pharmaceuticals and Bellevue Pharmacy, the latter of which ceased operations in March 2016, are currently included in an industry-wide US Department of Justice (the "**DOJ**") investigation of compounding pharmacies and bulk raw material suppliers participating in the Tricare programme, which provides health care benefits to military personnel, military retirees and their family members in the US. The DOJ investigation, initiated on 7 April 2015, appears to focus on whether certain compounding pharmacies (including Bellevue Pharmacy) submitted claims with inflated prices to Tricare for reimbursement, and relatedly, whether certain bulk raw material suppliers (including Freedom Pharmaceuticals) submitted inflated prices for raw materials to compounding pharmacies and/or provided consulting or billing support activities which caused compounding pharmacies to submit claims with inflated prices to Tricare. In connection with the investigation, the DOJ sent Civil Investigative Demands ("**CID**") for information and the Group has submitted all demanded materials. In May 2016, the Group met with the DOJ and used the opportunity to provide greater details of the (past) business practices of Bellevue Pharmacy and Freedom Pharmaceuticals. Following the meeting, the DOJ requested (without utilising a CID) more information and the Group is currently in the process of compiling the requested information. Although at the date of this Prospectus, the Group is not aware of any actual complaint or specific allegations against it relating to the DOJ investigation, the Group does not know, and cannot predict with any reasonable certainty, whether the DOJ investigation will lead to formal complaints against it, further investigations or other regulatory action. Although the Group is unable to estimate the amount of any monetary impact of this investigation, a US$10 million provision (of which US$4 million was for legal support and internal investigations) was recorded as part of its goodwill adjustments in 2015. However, the outcome of the investigation, and the likelihood of any claims from the DOJ resulting from the investigation, is difficult to estimate, and as a result this recorded provision may prove to be insufficient.

Furthermore, on 15 March 2016, the former owners of JCB Laboratories filed a suit against the Group alleging that the agreed EBITDA target for 2015 had been met based on the definition in the acquisition agreement entered into in November 2013, therefore the owners are entitled to the full earnout payments of US$6 million for 2015. The Group contested this allegation and has filed its answer and counterclaim on 11 May 2016, and received a response on this counterclaim on 1 June 2016. Although the Group believes it has sound legal grounds to defeat this claim, there is no assurance that its defence and counterclaim will ultimately prevail.

The DOJ investigation, the JCB Laboratories claim and any future investigation may lead to civil liability or criminal charges against the Group. If any complaints or allegations were to be made against the Group, whether or not successful, the costs of the resulting litigation and potential settlements may be very high. Additionally, the continuation of this investigation, whether any complaints or allegations are made, may result in substantial harm to both the Group's and the pharmaceutical compounding industry's reputation which may in turn result in the loss of confidence by customers, physicians, partners and public healthcare administrations and private insurers. Continued media coverage of the investigation may also result in regulators or public healthcare administrations and private insurers issuing new regulations or policies relating to pharmaceutical compounding reimbursement or sales and marketing practice, which may create additional costs for the Group to market its products or receive reimbursements, or reduce the reimbursement amounts or the number of reimbursable products. The occurrence of any of the above could have an adverse effect on the Group's business, financial position or prospects.

Such legal or administrative proceedings or regulatory investigations could have an adverse effect on the Group's business, financial position or prospects.

3.1.16 The Group may fail to protect its trade secrets and intellectual property.

The Group's ability to compete effectively depends, in part, on its ability to protect its trade secrets, know-how and other intellectual property. However, the Group typically does not patent or register its products, formulations or processes. Instead it relies primarily on trade secrets, know-how and proprietary technology which are unregistered intellectual property and therefore not subject to direct legal protection. The Group seeks to protect its unregistered intellectual property through confidentiality, non-compete and other contractual agreements and procedures. For example, although the Group seeks to trademark names of certain products, such as Versatile®, Pentravan® and Nourisil®, the formulations used to create such products are generally not patented or registered and therefore only protected as trade secrets. See also "*Business Overview—Intellectual property*" (*Paragraph 6.10 of Part 6*). Even in the few instances where the Group has patents (for proprietary production methods in its FSPS segment and the active suspension technology used in SyrSpend® SF), the patent positions of pharmaceutical companies are generally uncertain, involve complex legal and factual questions and may be the subject of litigation. As a result, the issuance, scope, validity, enforceability and commercial value of the Group's patents, as well as those patent rights licenced to the Group by third parties may be highly uncertain.

Protecting against the unauthorised use of trade secrets, know-how, proprietary technology and other intellectual property can be expensive, difficult, and may, in some cases, not be possible given that registration of the formulations and other know-how used in the Group's products is not part of the Group's strategy. In some cases, it may be difficult or impossible to detect third party infringement or misappropriation of the Group's intellectual property and proving any such infringement may be even more difficult.

If the Group is unable to protect its trade secrets, or to obtain and maintain sufficient trademarks or other intellectual property protection for its product candidates and products, competitors could develop and commercialise products similar or superior to those of the Group, and its ability to successfully commercialise its products may be adversely affected. As the Group typically does not patent or register its products, competitors could reverse engineer or otherwise re-produce the Group's proprietary products or similar products. From time to time, such as when a product of the Group becomes very successful, a traditional pharmaceutical company or other competitor may register such product in one or more jurisdictions. Unless it also registers the product in the same jurisdiction, the Group would be forced to discontinue production of the product despite the fact that it may have been popular or profitable. The occurrence of any of the above could have an adverse effect on the Group's business, financial position or prospects.

3.1.17 The Group may infringe on the intellectual property rights of others and may face litigation which may be costly and time consuming.

The Group's success will depend in part on its ability to operate without infringing on, or misappropriating, the intellectual property rights of others. The Group cannot guarantee that, unintentionally, its activities, or those of its licensors, will not occasionally infringe on the intellectual property rights owned by others.

The Group may spend significant time and effort and may incur significant litigation costs if it is required to defend itself against intellectual property infringement suits brought against it or its licensors, regardless of whether the claims have any merit. If the Group is found to infringe on the intellectual property rights of others, it may be subject to substantial claims for damages, which could have an adverse effect on its business, financial position or prospects. The Group may also be required to cease development, use or sale of the relevant products or processes

or it may be required to obtain a licence on the disputed rights, which may not be available on commercially reasonable terms, if at all.

3.1.18 The Group could be subject to product liability claims and adverse publicity.

The production, reconditioning, packaging, marketing, distribution and sale of pharmaceutical products for human use entail an inherent risk of product liability, product recall and resultant adverse publicity. Products in the FSPS, Fagron Trademarks and Fagron Essentials segments may become contaminated in the production or reconditioning process, or the APIs or other ingredients used may contain contaminants that may be inadvertently redistributed by the Group. These contaminants may, in certain cases, result in illness, injury or death. For example, in 2012, a fungal meningitis outbreak in the US resulted in over 60 fatalities and over 750 other people becoming seriously ill. The outbreak was attributed to substandard "non-sterile-to-sterile" compounding manufacturing practices by the New England Compounding Center, a compounding pharmacy in Massachusetts; see "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—The Group faces risks relating to order fulfilment and execution and relating to the safety and quality of its products or of pharmaceutical compounds more generally*." (*Part 3.1.14 of Part 3*).

Even an inadvertent shipment of contaminated products is a violation of law in many jurisdictions, and may lead to an increased risk of exposure to product liability claims. In addition, some of the Group's products are used in and around hospitals, doctors' surgeries and clinics and other locations where personal injury or property damage may occur. Furthermore, Fagron Essentials sells its products to pharmaceutical companies, which then use such products in the production of other medication. If any of these medications are found or alleged to be unsafe, the pharmaceutical companies could claim that the issue originated with the ingredients provided by Fagron Essentials. In the course of the Group's production, reconditioning, packing, storage and transportation, products could be subject to adverse effects from foreign matter such as moisture, dust, odors, insects, mold, or other substances (organic or inorganic), or from excessive temperature. Furthermore, pharmaceutical compounds sold in the Group's FSPS segment and compounding vehicles sold in the Group's Fagron Trademarks segment are not subject to regulatory approval prior to their introduction to the market and do not have to satisfy any regulatory requirements demonstrating their safety for use prior to sale.

In the ordinary course of business, the Group is the subject of product liability claims and lawsuits alleging that its products have resulted or could result in an unsafe condition for, or injury to, patients. The Group's compounded products as well as vehicles and APIs could become contaminated or cause undisclosed adverse side effects. In addition, there can be no assurance that healthcare practitioners and patients will comply with any warnings that identify the known potential adverse effects or that the Group's products are not prescribed to patients who cannot use the Group's products.

Any product liability issues may subject the Group to criminal or civil proceedings which might be brought or filed against the Group by users, such as patients, prescribers, researchers and other health and research professionals, regulators, distributors or any other third party that uses or markets its products. Product liability claims and lawsuits, safety alerts, or product recalls, and other allegations of product safety or quality issues, regardless of their merit or ultimate outcome, may generate negative publicity and have a material adverse effect on the Group's reputation and its ability to attract and retain customers. Such negative publicity and perception could also entail increased regulatory scrutiny, significant litigation costs, substantial monetary awards to or costly settlements with patients or other claimants, product recalls or a change in the indications for which they may be used, loss of revenue, diversion of management and resources from the Group's business operations, and the inability to commercialise product candidates. If one of these risks materialises, this may have an adverse effect on the Group's business, financial position or prospects.

Additionally, the Group may not have or may not be able to obtain adequate insurance coverage in relation to potential product liabilities. There can be no assurance that the necessary insurance cover will be available to the Group at an acceptable cost or at all, or that, in the event of any claim, the level of insurance carried by the Group now or in the future will be adequate. If the Group cannot adequately protect against potential liability claims, it may find it difficult or impossible to commercialise its products which may have an adverse effect on the Group's business, financial position or prospects.

3.1.19 Failure to attract and retain skilled personnel and management could have a material adverse effect on the Group.

The Group's success largely depends on its ability to attract and retain skilled personnel and management with a strong knowledge of, and affinity to, the pharmaceutical compounding market. The Group operates in a competitive employment market and there can be no assurance that it will be able to retain its specialised workforce including

laboratory technicians, pharmacists with commercial experience and employees trained in handling and manufacturing pharmaceutical compounds in GMP and GDP environments. The Group's success will also continue to depend on its ability to retain its senior management team and other key personnel with a broad experience in the pharmaceutical compounding market, particularly in light of ongoing developments and changes in the business. The failure to retain such personnel could have an adverse effect on the Group's business, financial position or prospects.

3.1.20 Price fluctuations for the raw materials the Group purchases could have an adverse effect on the Group.

The profitability and future success of the Group is determined in part by the prices of raw materials (particularly APIs) and components which it purchases, and by operating expenses such as transportation and shipping costs, as well as by the prices for which it can sell its products. Market prices for these items are subject to fluctuations that may be outside of the Group's control, including the amount of demand for particular raw materials from competitors or other industries, the number of suppliers meeting the Group's quality standards, the availability/shortages of some raw materials and energy prices. A material fluctuation of the prices of any such items may have an adverse effect on the Group's business, financial position or prospects.

3.1.21 The Group's employees, consultants, and partners may engage in improper activities, including non-compliance with regulatory standards and requirements.

The Group is exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional or grossly negligent failures to comply with pharmaceutical regulations, provide accurate information to regulatory authorities, comply with GMP or other manufacturing standards, comply with national and international fraud and abuse laws and regulations, report financial information or data accurately or disclose unauthorised activities. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion activities, sales commissions, customer incentive programmes and other business arrangements.

It is not always possible to identify and deter employee misconduct, and precautions taken to detect and prevent such activities may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Group from governmental investigations or other actions or lawsuits stemming from a failure to comply with such laws or regulations. If any such actions are instituted against the Group and it is not successful in defending itself or asserting its rights, those actions could have an adverse effect on the Group's business, financial position or prospects including through the imposition of significant fines or other sanctions.

3.1.22 The Group's manufacturing and research and development activities may involve the use and disposal of potentially harmful biological materials and chemicals, and changes in the environmental and safety regulations governing the Group's operations could have an adverse effect on the Group.

The Group's activities, such as FSPS' manufacturing of nuclear compounds, involve the use and disposal of potentially harmful biological materials and chemicals. The handling of such material may result in injury to people or environments, which the Group may be liable for, or may be harmful to the Group's reputation.

Additionally, the Group's operations are subject to environmental and safety laws and regulations, including those governing the use of hazardous materials and GMP protocols that are implemented at national levels. The Group must comply with safety standards under relevant regulations, and is subject to the risk of contamination or injury from potentially harmful biological material, hazardous materials and chemicals. Further, the cost of continued compliance with such current or new standards could be substantial and could have an adverse effect on the Group's business, financial position or prospects.

3.1.23 The Group is subject to complex taxation arrangements which may require making subjective determinations subject to scrutiny by, and disagreements with, tax regulators.

The Group is subject to many different forms of taxation including but not limited to income tax, withholding tax, property tax and value added tax. Tax law and administration is complex and often requires the Group to make subjective determinations. Tax authorities around the world are increasingly rigorous in their scrutiny of transactions and may not agree with the determinations that are made by the Group with respect to the application of tax law. Such disagreements could result in lengthy legal disputes, an increased overall tax rate applicable to the Group and, ultimately, in the payment of substantial amounts for tax, interest and penalties, which could have an adverse effect

on the Group's business, financial position or prospects. Additional tax expenses could accrue in relation to previous tax assessment periods, which are still subject to a pending tax audit or have not been subject to a tax audit yet. For example, the Group's Polish business has a pending tax audit, in which the Polish tax authority is assessing whether the Group's Polish business was permitted to deduct a loss against its tax liability. While the Group believes its tax deduction complies with the relevant tax ruling, there is a risk that the Polish tax authority could revise the original tax assessments and increase the tax burden (including interest and penalty payments) of the Group's Polish business, or that other tax authorities may do so with respect to the Group's affected entities, for example in connection with restructuring measures, transaction costs or recovery of indirect taxes. For instance, the Brazilian state of Goiás implemented a corporate tax incentive programme, Produzir, which is intended to reduce the Brazilian value-added tax on sales and services (also known as *Imposto Sobre Operações Relativas à Circulação de Mercadorias e Serviços de Transporte Interestadual de Intermunicipal e de Comunicações*, or "**ICMS**") liability, assessed by other Brazilian states, on corporates that set up their businesses in Goiás. However, other Brazilian states challenged the validity of Produzir and the discussions between states have been ongoing. If Produzir is found to be invalid, then other Brazilian states may be able to retroactively assess ICMS tax on the Group's Brazilian business, including Pharma Nostra which it acquired in 2011. The realisation of any of these risks could have an adverse effect on the Group's business, financial position or prospects.

3.1.24 An inability to realise the value of the Group's deferred tax assets could have an adverse effect on the Group's business, financial position or prospects.

The Group's net deferred tax assets ("**DTAs**") are subject to an evaluation of whether it is more likely than not that they will be realised for financial statement purposes. In making this determination, the Group considers all positive and negative evidence available, including the impact of recent operating results, as well as potential carry-back of tax to prior years' taxable income, reversals of existing taxable temporary differences, tax planning strategies and projected earnings within the statutory tax loss carryover period. If the Group was to conclude that a significant portion of the DTAs were not more likely than not to be realised, the required valuation allowance could have an adverse effect on the Group's business, financial position or prospects.

3.1.25 The Group's effective tax rate could be materially adversely affected by several factors.

The Group conducts business globally and files income tax returns in multiple jurisdictions. The Group's effective tax rate could be materially adversely affected by several factors, including changes in the amount of income taxed by or allocated to the various jurisdictions in which the Group operates that have differing statutory tax rates, changing tax laws, regulations and interpretations of such tax laws in multiple jurisdictions; and the resolution of issues arising from tax audits or examinations and any related interest or penalties.

The Group reports its results of operations based on its determination of the amount of taxes owed in the various jurisdictions in which it operates. It has transfer pricing arrangements among its subsidiaries in relation to various aspects of the business, including operations, marketing, sales and delivery functions. Transfer pricing regulations in the Netherlands, Belgium, the US, Brazil, Germany, Poland and certain other countries in which the Group operates require that any international transaction involving associated enterprises be on arm's-length terms. Although the Group considers the transactions among its subsidiaries to be on arm's-length terms, the determination of the Group's consolidated provision for income taxes and other tax liabilities requires estimation, judgment and calculations where the ultimate tax determination in this respect may not be certain. The Group's determination of tax liability is always subject to review or examination by authorities in various jurisdictions; see also "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—The Group is subject to complex taxation arrangements which may require making subjective determinations subject to scrutiny by, and disagreements with, tax regulators*." (*Part 3.1.24 of Part 3*).

If a tax authority in any jurisdiction reviews any of the Group's tax returns and proposes an adjustment, including as a result of a determination that the transfer prices and terms applied are not appropriate, such an adjustment could have a negative impact on the Group's business. The results from any such tax examinations and audits may differ from the liabilities recorded in the Group's consolidated financial statements and could materially adversely affect the Group's financial condition and results of operations.

3.1.26 The Group's estimates, assumptions and judgments underlying the size of the global and regional pharmaceutical compounding markets may prove inaccurate.

Various estimates are presented in this Prospectus relating to the size of the global and regional pharmaceutical compounding markets, as presented in "*Market Overview—Pharmaceutical compounding by geographies*" *(Part 5.2 of Part 5)*. These estimates and beliefs reflect a number of assumptions relating to customer demand, market size and growth

and forecasts, any of which may not be borne out due to both known and unforeseen risks, uncertainties and other important factors beyond the control of the Group that could affect actual performance. Such forecasts, assumptions, estimates and valuations carry an inherent degree of uncertainty and may not take into account all relevant considerations. If the assumptions upon which the Group's estimates and assumptions are based prove to be inaccurate, this may indicate lower than expected growth rates or a less favourable position of the Group in the market, which in turn may materially adversely affect the Group's financial condition and results of operations.

3.1.27 Inventory related risks could have a material adverse effect on the Group.

The Group imports and stores a large number of components and products, including components and products having limited storage life as well as technical equipment and supplies. If the Group is unable to sell the APIs in its inventory prior to its expiration date, it will incur inventory write down charges, which could be significant. Additionally, during the second quarter of 2015, the Fagron Essentials segment initiated a project to optimise its product portfolio and repacking and distribution process. It had phased out a portion of its non-strategic, low-margin products (outside its top 750 raw materials with the highest gross margins) that tend to have low turnover ratio. As a result, the Group may incur inventory write downs.

Changes in technology, a sudden change in market prices or a change in customer preferences may make the Group's products less marketable and may also contribute to inventory write down charges. Such inventory related risks may have an adverse effect on the Group's business, financial position or prospects.

3.1.28 The Group's business is concentrated in a limited number of countries.

The Group generates a substantial portion of its turnover and EBITDA from the Netherlands, Belgium, Poland, the US and Brazil. Thus the Group is particularly influenced by, among others, the political and economic developments, demographic trends, healthcare standards, the policies of public healthcare administrations and private insurers, the pharmaceutical regulatory environment and changes in consumer preferences in these countries. Any change in any of these countries could have a material adverse effect on the profitability of the Group.

3.1.29 The international nature of the Group's business activities subjects it to additional risks and uncertainties.

The Group operates on a global level, is active in 32 countries encompassing Europe, the Americas, the Middle East, Africa, Asia and the Pacific, and its products are sold to more than 200,000 customers in over 60 countries. The Group is therefore subject to risks associated with doing business internationally, including but not limited to:

- fluctuations in currency exchange rates;
- differing customer preferences and product requirements;
- differing payment or reimbursement regimes;
- differing regulatory regimes for the speciality pharmaceutical business;
- trade protection measures and import or export licensing requirements;
- difficulty in establishing, staffing, and managing operations;
- differing labour regulations;
- potentially negative consequences from changes in or interpretations of different tax laws;
- political and economic instability, including sovereign debt issues;
- price and currency exchange controls, limitations on participation in local enterprises, expropriation, nationalisation, and other governmental action;
- inflation, recession, and fluctuations in interest rates; and
- potential penalties or other adverse consequences for violations of fraud, kick-backs, anti-corruption, anti-bribery, and other similar laws and regulations, including the US Foreign Corrupt Practices Act and the UK Bribery Act.

The Group may have little or no control over such events occurring or may be unable to mitigate the effects of such events which could have an adverse effect on its business, financial position or prospects.

3.1.30 The Group may not succeed in executing its business strategy.

In addition to its buy-and-build acquisition strategy, the Group aims to grow by capturing more sales from hospitals outsourcing their pharmaceutical compounding needs both in Europe and the US, especially in the sterile compounding market (in the FSPS segment), continuing to develop and introduce innovative solutions and concepts (in the Fagron Trademarks segment) and offering a comprehensive product portfolio of pharmaceutical raw materials, supplies and equipment with high quality and short delivery times (in Fagron Essentials segment). The Group also aims to optimise its operations through integrating and harmonising business processes and procedures. See "*Business Overview—Strategy*" (*Part 6.4* of *Part 6*). However, there can be no assurance that the Group will succeed in implementing all or any part of its business strategy, or execute its strategy on time or in a cost effective manner. For example, in the United States, due to the changes to the reimbursement regime for non-sterile compounding, it has taken more time than expected to validate the products in the new Section 503B outsourcing facility in Wichita and to obtain licenses to sell the sterile products in all 50 states. Furthermore, operational improvements may cause interruptions or delays in business functions, which may have an adverse effect on the Group's business, financial position or prospects.

3.1.31 The Group may be unable to maintain the required level of insurance cover on acceptable terms or at an acceptable cost.

The Group may not be able to maintain general liability insurance on acceptable terms in the future or maintain a level of insurance that would provide adequate coverage against potential product liability claims or other liabilities. An increase in the number of claims against pharmaceutical and healthcare providers generally may result in the cost of insurance for the industry as a whole to rise and comprehensive insurance coverage may become more difficult to attain. Any increase in the cost of insurance in the market is likely to impact the Group's business, financial position or prospects. Additionally, the Group may not have or may not be able to obtain adequate insurance coverage in relation to potential product liabilities. There can be no assurance that the necessary insurance cover will be available to the Group at an acceptable cost or at all, or that, in the event of any claim, the level of insurance carried by the Group now or in the future will be adequate.

Furthermore, insurance policies are subject to exclusions of liability and limitation of liability with respect to both the amount and the insured loss events. There exist liabilities, e.g. related to natural disasters, interruptions to power supplies or other hazards, for which the Group is not insured or cannot insure. In the event that the Group suffers a major uninsured loss or a loss in excess of the amounts insured, such event could result in the loss of the capital invested by the Group in the affected asset as well as the loss of the anticipated future revenue from that asset (and future earnings in general). In addition, the Group could be held liable for the damages resulting from the uninsured risk and remain liable for any debt of other financial obligation, if any, relating to that asset. A successful claim against the Group may have a material adverse effect on its revenues. Moreover, defending itself against such claims may cause a considerable strain on management resources, require it to incur significant legal fees and may adversely affect its reputation.

In addition, the Group may be unable to claim for any liabilities it is exposed to by its suppliers and may thus be exposed to a gap between liabilities exposed to and liabilities covered. As a result, the Group's insurance coverage may not cover the full scope and extent of claims against it or losses that it may incur. The Group cannot guarantee that it is sufficiently and effectively insured against all possible contingencies. If the Group suffers an uninsured loss, this may have a material adverse effect on its business, operational results or financial position. Furthermore, if the Group cannot adequately protect against potential liability claims, it may find it difficult or impossible to commercialise its products which may have an adverse effect on the Group's business, financial position or prospects.

3.1.32 The Group is subject to stringent manufacturing standards, has a limited number of manufacturing facilities and relies on a limited number of suppliers for some of its products.

The manufacturing of the Group's products is subject to stringent manufacturing standards requiring precise process and quality controls, APIs that conform to very tight tolerances for specific characteristics and equipment that operates consistently within narrow performance ranges. In addition to large-scale compounding outsourcing manufacturing, a substantial portion of the Group's business operations require processing and delivering individual patient prescription orders to community and hospital pharmacies. The Group must process such orders quickly and accurately while maintaining quality control and meeting GMP standards, and must do so in a cost effective way. The Group must maintain GMP standards in the US and Europe which increases the complexity of the manufacturing process, and the Group may fail to meet such GMP protocols which may result in, among other things, regulatory penalties, product recalls, or reputational harm.

Problems may arise during manufacturing for a variety of reasons, including, among others, equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters, power outages, labour unrest, political instability and environmental factors. If problems arise during the production of a batch of product, that batch of product may have to be discarded. This could, among other things, lead to increased costs, lost revenue, damage to customer relations, time and expense spent investigating the cause, and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs and reputational damage may also be incurred or sustained. The Group's inability to timely manufacture any of its products could have an adverse effect on its business, financial position or prospects.

Certain of the Group's production are attributable to a limited number of manufacturing facilities and certain third party suppliers. The Group faces supplier concentration risk for certain of its raw materials; for example the Group's top five suppliers represented 37% of the Group's cost of goods sold in 2015. In the Netherlands, the Group also faces supplier concentration risks for certain compounded products, and the Group's largest supplier represented approximately 19% of the Group's cost of goods sold in 2015. As part of the Group's strategy, the Group typically does not enter into formal contracts with suppliers, which exposes the Group to the risk that certain raw materials, supplies and equipment and compounded products the Group relies on may become unexpectedly unavailable or available only at commercially unattractive prices. There can be no guarantee that the Group will be able to maintain relations with such key suppliers, or that such suppliers will continue to supply the Group at viable prices or at all which could be detrimental to the manufacturing process.

A significant disruption at any one of the facilities within the Group's internal or third party supply chain could impair the Group's ability to market these products on a timely basis and could, among other consequences, subject the Group to exposure to claims from customers. Such disruptions may be caused by, amongst other things, disruption in supply of raw material, a labour strike, failure to reach acceptable agreement with labour councils and unions, adverse quality or compliance observation, other regulatory action, infringement of intellectual property rights, natural disasters, civil or political unrest, export or import restrictions, or other event. Any of these events could have an adverse effect on the Group's business, financial position or prospects.

3.1.33 The Group relies on sophisticated information technology systems, and interruptions to services could have an adverse effect.

The Group relies on complex, integrated information systems and standardised procedures for its operations, customer service, distributions and quality and safety procedures. Any failure of the Group's information systems through breakdowns, malicious attacks, security breaches, viruses or other factors, could severely impair several aspects of operations including, but not limited to, research and development, intellectual property, logistics, sales, customer service and administration. The Group also receives, retains and transmits certain highly confidential information, including data that customers and patients provide to purchase products. The Group has put in place security measures designed to protect against the misappropriation or corruption of its systems, intentional or unintentional disclosure of confidential information, or disruption of its operations. However, these security measures may prove ineffective and any compromise of the Group's information systems may harm its reputation and expose it to regulatory actions and claims from customers and other persons. Current employees have, and former employees may have, access to a significant amount of information regarding the Group's operations and confidential patient information, which could be disclosed to its competitors or otherwise used to harm the business. Any breach of the Group's security measures could result in unauthorised access to and misappropriation of its information, corruption of data or disruption of operations or transactions, any of which could adversely affect the Group's business, financial condition, results of operations and prospects.

In addition, the Group may not have the necessary resources to enhance existing information systems or implement new systems to handle increasing volume, customer's changing needs or evolving regulations in data privacy and other requirements. Data privacy regulations differ from country to country; see "*Business Overview—Regulation—EU*" (*Paragraph 6.13.1* of *Part 6*). Any inability of the Group to enhance its information technology systems may cause unanticipated delays, complications and expenses in implementing, integrating and operating its systems. Any interruptions in the Group's operations or failure to enhance information systems when needed may result in delays and customer dissatisfaction, which could adversely affect the Group's business, financial condition, results of operations and prospects.

3.1.34 The Eurozone debt crisis and related market perceptions concerning the instability of the euro, as well as the political instability in Europe and the Middle East, could have an adverse effect on the Group's business prospects.

Financial markets in the Eurozone, and in particular the supply of credit, have been and may continue to be negatively impacted by recent developments in the Eurozone, including ongoing fears surrounding the sovereign debts or fiscal deficits of several countries in Europe (primarily Greece, but also Italy, Portugal and Spain), the possibility of further downgrading of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency given the diverse economic and political circumstances in individual member states. Governments and regulators have implemented austerity programmes and other remedial measures to respond to the Eurozone debt crisis and stabilise the financial system, but the actual impact of such programmes and measures are difficult to predict.

If macroeconomic and fiscal conditions in the Eurozone worsen, or are not resolved, it is possible that one or more countries may default on their debt obligations or cease using the euro and re-establish their own national currency, or that the Eurozone may dissolve. If such an event were to occur, it is possible that there would be significant, extended and generalised market dislocation, which may have an adverse effect on the Group's business, financial position or prospects. In addition, the departure of one or more countries from the Eurozone may lead to the imposition of, among other things, exchange control laws. Should the Eurozone dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro would be determined by laws in effect at such time. Additionally, political instability globally and especially in Europe and the Middle East, including recent events of terrorism, could worsen the macroeconomic environment in which the Group does business and dampen investor confidence, making financing more difficult for the Group. These potential developments, or market perceptions concerning these and related issues, could have an adverse effect on the Group's trading environment and could have an adverse effect on the Group with respect to its outstanding debt obligations that are euro-denominated and, because the Group has a substantial amount of debt denominated in euro, its financial position may be negatively affected.

Furthermore, the Revolving Loan Facility Agreement contains covenants restricting the Group's corporate activities. Certain of such covenants impose limitations based on euro amounts. As such, if the euro were to significantly decrease in value, the restrictions imposed by these covenants would become tighter, further restricting the Group's ability to finance its operations and conduct of its day-to-day business.

3.1.35 The Group's operations and profitability could suffer if it experiences labour relations problems.

The Group is subject to collective bargaining agreements in Belgium, France, the Netherlands, Spain and Brazil. The Group may not be able to negotiate a renewal or a new collective bargaining agreement under the same or more favourable terms than the current collective bargaining agreement, or the agreement may not be concluded without work stoppages or strikes. New or renewed collective bargaining agreements may, for example, oblige the Group to pay higher compensation to its employees or to comply with more burdensome and expensive labour requirements. The Group may also be unable to comply with current or new collective bargaining agreements, or be unable to negotiate collective bargaining agreements that comply with the applicable regulation while reflecting compliable covenants considering its operational and financial conditions, and face resulting litigation and regulatory restrictions. The Group has not experienced work stoppages and strikes in relation to proposed negotiations in the past, but there can be no assurance that there will be none in the future. A prolonged work stoppage or strike, or the entrance into less favourable collective bargaining agreements, could have an adverse effect on the Group's business, financial position or prospects. The inability to comply with collective bargaining agreements' demands may have an adverse effect on the Group's reputation, adversely affecting its business, financial position or prospects. In addition, work stoppages or strikes called by employees of any of the Group's key suppliers could result in interruptions in the performance of its services.

The Group maintains works councils in France, Italy, the Netherlands, Poland, Brazil and Colombia. Works councils are an employee-elected body that has various information, consultation and co-determination rights. For example, in the Netherlands works council advice must be requested in advance of any reorganisations and employee layoffs, it must consent to changes in employment conditions and it is granted co-determination rights in social matters, such as work schedules and rules of conduct. Should significant industrial action or disruptive works council activity be taken by the Group's employees, the Group could experience a disruption of operations and increased costs which could have an adverse effect on its business, financial position or prospects.

3.1.36 The ceased Bellevue Pharmacy business may have surviving claims that may become liabilities, or the disposal or winding down of the Bellevue Pharmacy business may be time-consuming and costly for the Group.

In March 2016, Bellevue Pharmacy, which represented the majority of the Group's non-sterile compounding business in the US, ceased operations. The Group is currently assessing liquidation regarding the business. Bellevue Pharmacy has retained a small number of employees to oversee the assets in the business during liquidation, and has retained liabilities from the ceased Bellevue Pharmacy business are in the form of operating leases on its facilities and offices, but Bellevue Pharmacy may be subject to additional claims upon the liquidation of its business.

Furthermore, Bellevue Pharmacy and Freedom Pharmaceuticals are currently subject to an industry-wide US DOJ investigation of compounding pharmacies participating in the Tricare programme; see "*Risk Factors— The Group may be subject to legal or administrative proceedings or investigations brought by third parties, regulatory bodies or administrative agencies*" (*Paragraph 3.1.15 of Part 3*). Although no actual complaint or specific allegations have been made against Bellevue or Freedom Pharmaceuticals by the DOJ, such complaint, if made in the future, may in respect of Bellevue Pharmacy receive preferred creditor status during any liquidation or bankruptcy proceeding or survive the liquidation or bankruptcy of Bellevue Pharmacy and become a liability of Bellevue Pharmacy. In respect of Freedom Pharmaceuticals, any actual complaint or specific allegations by the DOJ could result in fines, litigation and potential settlements costs and a loss of confidence by customers, physicians, partners and public healthcare administrations and private insurers.

3.1.37 The Group is subject to counterparty risk, including credit risk.

The Group maintains cash balances on deposit with a limited number of financial institutions, including the funds to repay its €225 million Eurobonds which will mature in July 2017, the $45.0 million Series A Senior Notes and €22.5 million Series B Senior Notes due under the Note Purchase Agreement which will mature in April 2017. While these financial institutions have good ratings and strong reputation, these institutions may fail or otherwise become unable to return the Group's cash balances. Such occurrence could cause the Group to default under its Eurobonds, the Series A Senior Notes and Series B Senior Notes under the Note Purchase Agreement or other debt obligations and may lead to insolvency or cessation of the Group's operations.

3.2 Risks relating to the Offering

3.2.1 The market price of the Shares may fluctuate and may fall below the market price or the Issue Price, as applicable.

Publicly traded securities from time to time experience significant price fluctuations that may be unrelated to the performance of the companies that have issued them. The market price of Shares may fluctuate as a result of various factors, many of which beyond the Group's control and may, therefore, fall below the market price or the Issue Price, as applicable.

These factors include, but are not limited to, the following:

- market expectations for the Group's financial performance;
- actual or anticipated fluctuations in the Group's business, financial position or prospects;
- actual or anticipated changes in shareholders' distributions by the Group;
- actual or anticipated fluctuations in the general economic, financial or business conditions in the countries in which the Group operates;
- changes in the estimates of the Group's financial results by securities analysts or the failure to meet the estimates of the securities analysts;
- investors' perception of the impact of the Offering on the Group and its Shareholders;
- actual or anticipated sales of blocks of Shares in the market or short selling of Shares;
- actual or anticipated speculative trading in the Shares;
- actual or anticipated future issuances of Shares;

- actual or anticipated changes in the Group's industry sectors, including but not limited to mergers and acquisitions, strategic alliances, entrance of new competitors, or the development or introduction of new products in the markets in which the Group operates;
- changes to the regulatory environment;
- announcements by the Group or any of its competitors of major contracts or the loss of major customers;
- departures of key personnel;
- changes in or lack of the trading liquidity of the Shares;
- volatility in the domestic or international stock markets;
- the general condition of the global economy or financial system; and
- the risk factors mentioned see "Risk Factors—Risks relating to the Group's activities and the industry in which it operates" (Paragraph 3.1 of Part 3 above).

The market price of the Shares may be adversely affected by any of the preceding or other factors regardless of the Group's actual operational results, financial condition and financial performance. Therefore, the Group cannot make any predictions about the market price of the Shares.

3.2.2 There is no assurance that a trading market will develop for the Preferential Subscription Rights, and if a market does develop, the market price for the Preferential Subscription Rights may be subject to greater volatility than the market price for the Shares.

The Preferential Subscription Rights are expected to be traded on Euronext Brussels and Euronext Amsterdam from 17 June 2016 to 1 July 2016. No application to list the Preferential Subscription Rights on any other exchange will be made. There is no assurance that an active trading market in the Preferential Subscription Rights will develop, and sustain, during that period or, if a market does develop, there is no assurance regarding the nature of such trading market. If an active trading market does not develop, or sustain, the liquidity and market price of the Preferential Subscription Rights may be adversely affected. The market price of the Preferential Subscription Rights will depend on a variety of factors, including but not limited to the performance of the market price of the Shares, but may also be subject to greater volatility than the Shares.

3.2.3 WPEF VI Holdco III BE B.V. has a significant stake in the Company and its stake may further increase as a result of the Offering. The interests of WPEF VI Holdco III BE B.V. may conflict with those of other shareholders.

WPEF VI Holdco III BE B.V., the largest shareholder of the Company, has informed the Company that it currently holds 15,170,764 Shares, which prior to the Offering and before conversion of any outstanding securities, represents 27.72% of the outstanding Shares. In addition, WPEF VI Holdco III BE B.V., jointly controlled by WPEF VI Holding III BE B.V. (in its turn ultimately controlled by Waterland Private Equity Fund VI C.V.) and Baltisse NV (in its turn ultimately controlled by Filiep Balcaen), has informed the Company that it currently holds, together with the persons acting in concert with it, 29.16% of the Shares. WPEF VI Holdco III BE B.V. has agreed to subscribe in the Offering by (i) exercising its Preferential Subscription Rights and to accordingly subscribe to New Shares and (ii) to purchase all Scrips at a price of one eurocent (€0.01) per Scrip if the price determined in the Scrips Private Placement does not exceed one eurocent (€0.01) per Scrip and exercise all Scrips, except for any Scrips related to the Preferential Subscription Rights that are not exercised by Alychlo NV, Carmignac Portfolio SICAV, Carmignac Gestion S.A., Midlin N.V. and Bart Versluys. The Issuer shall offer with priority all the Scrips to WPEF VI Holdco III BE B.V. and WPEF VI Holdco III BE B.V. further has a right of first refusal in respect of the Scrips Private Placement (see "*Information on the Offering—Intentions of existing Shareholders, the Board of Directors, Management or Others—Intentions of the existing Shareholders*" (Paragraph *14.7.1* of *Part 14*)). In view hereof, upon completion of the Offering, WPEF VI Holdco III BE B.V. may hold from 27.72% (acting alone) or 29.16% (acting in concert) of the Company's share capital, if every Shareholder exercises all of its Preferential Subscription Rights in the Offering, to up to 44.93% (acting alone) or 46.03% (acting in concert) of the Company's share capital, if none of the Preferential Subscription Rights are exercised during the Rights Subscription Period and none of the Scrips can be placed with investors in the Scrips Private Placement.

Depending on shareholder attendance at shareholders' meetings, WPEF VI Holdco III BE B.V.'s current and new stake could provide it with significant influence on decisions that are submitted to the General Shareholders' Meeting, such as the approval of the financial statements, the appointment and removal of directors, the

remuneration of directors, the appointment and removal of the statutory auditor, and amendments to the Articles of Association (including decisions to increase or reduce the Company's share capital). An increase of WPEF VI Holdco III BE B.V.'s stake, which is expected to result from this Offering, may allow it to exercise a greater voting power on such decisions. Following the Offering, WPEF VI Holdco III BE B.V. could control the Company in the sense of the Article 5 of the Belgian Companies Code. WPEF VI Holdco III BE B.V. may have interests and exercise its shareholders' rights in a manner inconsistent with, and that may even be adverse to, those of other Shareholders.

3.2.4 In the context of the Offering, WPEF VI Holdco III BE B.V. may increase its shareholding above 30% without triggering the obligation to launch a mandatory public takeover bid to all shareholders of the Company. An increase of WPEF VI Holdco III BE B.V.'s stake decrease the liquidity of the Shares and could have a material adverse effect on the value of the Shares.

WPEF VI Holdco III BE B.V., the largest shareholder of the Company, has informed the Company that it currently holds 15,170,764 Shares, which prior to the Offering and before conversion of any outstanding securities, represents 27.72% of the outstanding Shares. In addition, WPEF VI Holdco III BE B.V., jointly controlled by WPEF VI Holding III BE B.V. (in its turn ultimately controlled by Waterland Private Equity Fund VI C.V.) and Baltisse NV (in its turn ultimately controlled by Filiep Balcaen), has informed the Company that it currently holds, together with the persons acting in concert with it, 29.16% of the Shares. In view of the commitment that WPEF VI Holdco III BE B.V. provided to the Company to subscribe for New Shares in the Offering upon completion of the Offering, WPEF VI Holdco III BE B.V. may hold from 27.72% (acting alone) or 29.16% (acting in concert) of the Company's share capital, if every Shareholder exercises all of its Preferential Subscription Rights in the Offering, to up to 44.93% (acting alone) or 46.03% of the Company's share capital, if none of the Preferential Subscription Rights are exercised during the Rights Subscription Period and none of the Scrips can be placed with investors in the Scrips Private Placement. The increase of WPEF VI Holdco III BE B.V.'s stake could decrease the liquidity of the Shares and could have a material adverse effect on the value of the Shares.

Depending on the shareholder participation in the Offering, WPEF VI Holdco III BE B.V.'s shareholding (as the case may be, acting in concert) may therefore cross the threshold of 30% of the outstanding Shares. Pursuant to Belgian public takeover rules, shareholders that acquire shares in excess of a 30% threshold are obliged to carry out a mandatory tender offer with respect to the outstanding voting securities of the Company. This obligation to launch a mandatory tender offer, however, does not apply if the 30% threshold is crossed within the framework of a capital increase with statutory preferential subscription rights that has been approved by the General Shareholders' Meeting. This Offering is structured as a capital increase with statutory preferential subscription rights and had been approved by the extraordinary General Shareholders' Meeting of the Company on 4 May 2016. An increase of WPEF VI Holdco III BE B.V.'s participation in the Company (increased with the shareholding of the persons acting in concert with it) to more than 30% in the context of the Offering would therefore allow WPEF VI Holdco III BE B.V. to cross the 30% threshold without triggering a mandatory takeover bid. Hence, no takeover bid would be required if WPEF VI Holdco III BE B.V. were to cross the 30% threshold within the framework of the Offering and if WPEF VI Holdco III BE B.V. were to acquire additional shares after the completion of the Offering. An increase of WPEF VI Holdco III BE B.V.'s stake could decrease the liquidity of the Shares and could have a material adverse effect on the value of the Shares. Also, the presence of a significant shareholder may discourage public takeover bids from third parties, and the Share may therefore appear less attractive for investors (see also "*Risk Factors—Risks relating to the Offering—The presence of the Significant Shareholders may discourage public takeover bids*" (*Paragraph 3.2.16* of *Part 3*)).

3.2.5 The market price of the Shares or the Preferential Subscription Rights may be negatively affected by actual or anticipated sales of substantial numbers of Preferential Subscription Rights or Shares on Euronext Brussels and Euronext Amsterdam.

A sale of a significant number of Shares or Preferential Subscription Rights on Euronext Brussels and Euronext Amsterdam, or the perception that such sale will occur, may adversely affect the market price of Preferential Subscription Rights or the Shares or both. The Group cannot make any predictions as to the effect of such sale or perception on the market price of the Preferential Subscription Rights or the Shares.

There is no commitment on the part of any Shareholder, including WPEF VI Holdco III BE B.V., to remain shareholder or to retain a minimum shareholding interest in the Company after the Offering. The Company is not aware of any lock up or standstill arrangement entered into by any of its Shareholders regarding Shares. As a result, the market price of the Shares after the Offering may well be affected by a perceived potential significant sale of Shares by WPEF VI Holdco III BE B.V. even if this sale never, or only in the far future, occurs, and no investment

decision should be made on the basis that WPEF VI Holdco III BE B.V. or any other Shareholder will retain any interest in the Company after the Offering.

3.2.6 The New Shares may not be traded actively, and there is no assurance that the Offering will improve the trading activity, which may lead the New Shares to trade at a discount to the Issue Price, making sales of the New Shares more difficult.

Trading of the Shares on Euronext Brussels and Euronext Amsterdam has in the past shown limited liquidity. The Group cannot make any predictions as to the effect of the Offering on the liquidity of the New Shares in the short or longer term. Reduced liquidity may lead to the difficulty to sell New Shares and may lead to a discounted market price for the New Shares. The risk exists that the market price of the New Shares does not accurately reflect the Group's actual financial performance and investors may be hampered from selling their New Shares or selling them within the desired deadline.

3.2.7 If securities or industry analysts do not publish research reports about the Group, or if they change their recommendations regarding the Shares in an adverse way, the market price of Shares may fall and the trading volume may decline.

The trading market for the Shares may be influenced by the research reports that industry or securities analysts publish about the Group or its industry. If one or more of the analysts who cover the Group, or its industry, downgrades its recommendation, the market price of the Shares may fall. If one or more of the analysts ceases to cover the Group or fails to publish research reports about the Group on a regular basis, the Company may lose visibility in the financial markets, which in turn could cause the market price of the Shares or trading volume to decline.

3.2.8 Failure by an existing Shareholder to exercise the allocated Preferential Subscription Rights in full, may lead to dilution of its proportionate shareholding.

To the extent that an existing Shareholder fails to exercise the Preferential Subscription Rights allocated to it in full by the closing of Euronext Brussels and Euronext Amsterdam on the last day of the Rights Subscription Period, its *pro rata* ownership and voting interest in the Group may dilute as a result of the increase of the Group's share capital.

3.2.9 Failure to exercise Preferential Subscription Rights during the Rights Subscription Period will result in such Preferential Subscription Rights becoming null and void.

Preferential Subscription Rights which are not exercised by the closing of Euronext Brussels and Euronext Amsterdam on the last day of the Rights Subscription Period will become null and void and will subsequently be converted into an equal number of Scrips. Each holder of an unexercised Preferential Subscription Right at the closing of the Rights Subscription Period will be entitled to receive a proportional part of the proceeds of the sale of Scrips, unless the net sales proceeds of the Scrips divided by the number of unexercised Preferential Subscription Rights are less than one eurocent (€0.01) (See "*Information on the Offering*" (*Part 14*)) (the "**Net Scrips Proceeds**"). There is, however, no assurance that any Scrips will be sold during the Scrips Private Placement or that there will be any such proceeds. Furthermore, the right of first refusal of WPEF VI Holdco III BE B.V., to the exclusion of any third party, to purchase all or part of the Scrips at the price determined in the Scrips Private Placement and the obligation of WPEF VI Holdco III BE B.V. to purchase the Scrips at a price of maximum one eurocent (€0.01) per Scrip (See "*Information on the Offering—Placing and Underwriting—Underwriting agreement*" (*Paragraph 14.4.1* of *Part 14*)) may negatively affect the Net Scrips Proceeds as this may discourage other investors from participating in the Scrips Private Placement.

3.2.10 Withdrawal of subscription in certain circumstances may not allow sharing in the Net Scrips Proceeds and may have other adverse financial consequences.

Any Preferential Subscription Rights of which the subscription has been withdrawn, if and to the extent permitted, shall be deemed to have been unexercised for purposes of the Offering. Preferential Subscription Rights which are deemed unexercised during the Rights Subscription Period will become null and void and will subsequently be converted into an equal number of Scrips. However, subscribers who withdraw their subscription after the close of the Scrips Private Placement when permitted by law following the publication of a supplement to the Prospectus, will not be entitled to share in the Net Scrips Proceeds, and will not be compensated in any other way, including for the purchase price (and any related costs or taxes) paid in order to acquire any Preferential Subscription Rights on the secondary market.

3.2.11 A substantial decline in the market price of the Shares or the discontinuation of the Offering may result in the Preferential Subscription Rights becoming worthless or void.

If there is a substantial decline in the market price of the Shares this may have a material adverse effect on the market price of the Preferential Subscription Rights. Any volatility in the market price of the Shares may also adversely affect the market price of the Preferential Subscription Rights, and the Preferential Subscription Rights may become worthless as a result thereof. Furthermore, the obligations of the Underwriters pursuant to the Underwriting Agreement to be entered into on or around the date of the Scrips Private Placement may be terminated in certain circumstances (See "*Information on the Offering—Placing and Underwriting—Underwriting agreement*" (*Paragraph 14.4.1* of *Part 14*)).

If the Offering is discontinued, the Preferential Subscription Rights will become void. Accordingly, investors who have acquired any such Preferential Subscription Rights on the secondary market will suffer a loss, as trades relating to such Preferential Subscription Rights will not be unwound once the Offering is discontinued.

3.2.12 If the Offering is not fully subscribed, the Group may have to consider additional funding, reduce its level of investments or a combination of both.

The Group has the right to proceed with the capital increase for a lower amount. No minimum has been set for the Offering. The actual number of New Shares subscribed for will be confirmed in the Belgian Financial Press. If the Offering is not fully subscribed, a lower number of New Shares will be available for trading and hence the free float of the Shares may be lower than expected. In addition, the Group may, in view of the Use of Proceeds (See "*Reasons for the Offering and Use of Proceeds*" (*Part 13*)), have to consider additional funding, reduce its level of investments or a combination of both.

The Long Term Waivers require that the capital increase (consisting of the First Tranche Capital Increase and the Offering) is effected for a gross minimum amount of €218.0 million. If such amount is not raised, the Group will need to re-enter into discussions with its financiers in order to determine the impact of this on the financial covenant calculations.

3.2.13 Investors outside of Belgium and the Netherlands may be restricted from participating in this Rights Offering, and may be subject to dilution or other financial adverse consequences.

The New Shares are only publicly offered in Belgium and the Netherlands through the publication of this Prospectus (See "*Information on the Prospectus and Cautionary Statements—Restrictions on the Offering*" (*Paragraph 4.16* of *Part 4*)). The Group has not registered the Preferential Subscription Rights and New Shares under the securities laws of any other jurisdiction, including but not limited to the US, Australia, Switzerland, Japan and South Africa, and does not expect to do so in the future. The Preferential Subscription Rights and New Shares may not be offered or sold in any jurisdiction in which the registration or qualification of the Preferential Subscription Rights and New Shares for sale or for subscription is required but has not taken place, including but not limited to the US, Switzerland, Japan, Canada, Australia and South Africa, unless an exemption from the applicable registration or qualification requirements is available or the Rights Offering occurs in connection with a transaction that is not subject to such requirements. Investors may therefore not be entitled to purchase, sell, or otherwise transfer Preferential Subscription Rights, or purchase, sell, otherwise transfer or subscribe for New Shares and as a consequence may be subject to dilution or other financial adverse consequences in the Rights Offering.

3.2.14 Investors may not be entitled to participate in future equity offerings, and may be subject to dilution.

The Group may decide in the future to increase its capital by means of public offerings or private placements, with or without transfer and selling restrictions, and with or without preferential subscription rights. Belgian law and the Articles of Association grant preferential subscription rights to the existing Shareholders in case of a capital increase by contribution of cash, unless such rights are cancelled by a resolution of the General Shareholders' Meeting or, if so authorised by a resolution of such meeting, the Board of Directors. Additionally, certain investors residing outside of Belgium may also not be able to participate in future equity offerings unless the securities offered are registered or qualified for sale under the relevant securities laws or an exemption thereunder exists. Therefore, a risk exists that investors may be subject to dilution to the extent they are not entitled to participate in future capital increases.

3.2.15 Certain significant Shareholders after the Offering may be able to influence the shareholders' resolutions or control the Group, and may have different interests from the Group and the other shareholders.

As of the date of this Prospectus, WPEF VI Holdco III BE B.V., and Alychlo NV (together with related persons) (the "**Significant Shareholders**") held approximately 27.72%, and 14.78% of the Company's shares, respectively, that were outstanding at that date. Depending on the voting rights present or represented at the General Shareholders' Meetings, the Significant Shareholders or parties acting in concert therewith, or any other significant Shareholder after the Offering may be able to cast the votes necessary to obtain a shareholders' resolution on the proposals submitted to the General Shareholders' Meeting, such as the appointment or dismissal of members of the Board of Directors and changes to the Articles of Association. Alternatively, to the extent that the Significant Shareholders or parties acting in concert therewith, or any other significant Shareholder after the Offering cannot cast the necessary votes to impose certain shareholders' resolutions, they may still have the ability to block the proposals that require 75% of the votes cast at the General Shareholders' Meeting.

Four directors of the Company have been appointed upon proposal of WPEF VI Holdco III BE B.V., two directors of the Company have been appointed upon proposal of Alychlo NV (See "*Board of Directors, Executive Committee and Governance—Board of Directors and Executive Committee—Composition of the Board of Directors*" (*Paragraph 9.2.1* of *Part 9*)).

3.2.16 The presence of the Significant Shareholders may discourage public takeover bids.

As of the date of this Prospectus, the Significant Shareholders held approximately held approximately 27.88%, and 14.84% of the Company's voting rights, respectively, that were outstanding at that date (for the avoidance of doubt, without taking into account the voting rights attached to the 327,760 treasury Shares held by the Company). In general, under Belgian law, important decisions at the level of the General Shareholders' Meeting require 75% of the votes cast at such General Shareholders' Meeting, which implies that the Significant Shareholders or parties acting in concert therewith may have the ability to block the proposals concerning such decisions after the Offering.

The presence of the Significant Shareholders may discourage public takeover bids from third parties given that such parties will not be able to acquire full control of the Group at the level of the General Shareholders' Meeting, and the Shares may therefore appear less attractive for investors, limiting the price they are willing to pay for the Shares.

3.2.17 Investors in jurisdictions with currencies other than the euro face additional investment risk from currency exchange rate fluctuations in connection with their investment in the Preferential Subscription Rights or the New Shares.

The Preferential Subscription Rights and the New Shares are quoted only in euro and any future payments of dividends on the New Shares will be denominated in Euro. An investment in the Preferential Subscription Rights or the New Shares by an investor whose principal currency is not the euro may expose the investor to currency exchange rate risk, which may adversely affect the value of its investment in the Preferential Subscription Rights or the New Shares.

3.2.18 Any sale, purchase or exchange of the Shares may become subject to the Financial Transaction Tax.

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will no longer participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Company's shares (including secondary market transactions) in certain circumstances. The issuance and subscription of the Company's shares should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Company's shares where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior

to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective investors are advised to seek their own professional advice in relation to the FTT.

3.2.19 Investors' rights as shareholders will be governed by Belgian law and may differ in some respects from the rights granted to shareholders in other companies under the laws of other jurisdictions.

The Issuer is a limited liability company (*naamloze vennootschap / société anonyme*) organised under the laws of Belgium. The rights of the Shareholders are governed by Belgian law and by the Articles of Association. These rights may differ in material respects from the rights of shareholders in companies organised in jurisdictions other than Belgium. In addition, the Issuer's directors and members of senior management may not be resident in the jurisdiction of certain investors and the Issuer's assets and the assets of its directors and members of senior management may be located outside the jurisdiction of investors. As a result, it may be difficult for investors to prevail in a claim against the Issuer or to enforce claims based on the securities laws of jurisdictions outside of Belgium and, in general, for investors outside of Belgium to serve process on or enforce foreign judgments against the Issuer, its directors or its senior management.

PART 4
INFORMATION ON THE PROSPECTUS AND CAUTIONARY STATEMENTS

4.1 Proportionate Disclosure

This Prospectus relates to a capital increase with statutory preferential subscription rights for the existing Shareholders and as a result, the level of disclosure of this Prospectus is proportionate to this type of capital increase in accordance with article 26a and Annexes XXIII and XXIV of the Prospectus Regulation.

4.2 Responsibility for the Contents of the Prospectus

In accordance with article 61, §1 of the Belgian Law of 16 June 2006 on the public offering of securities and the admission of securities to trading on a regulated market, as amended (*Wet van 16 juni 2006 op de openbare aanbieding van beleggingsinstrumenten en de toelating van beleggingsinstrumenten tot de verhandeling op een gereglementeerde markt / Loi du 16 juin 2006 relative aux offres publiques d'instruments de placement et aux admissions d'instruments de placement à la négociation sur des marchés réglementés*) (the "**Prospectus Law**"), the Company, acting through its Board of Directors, assumes responsibility for the contents of this Prospectus. The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its scope.

None of BNP Paribas, ING or KBC (the "**Underwriters**") or any of their affiliates, make any representation or warranty, express or implied, as to, or assume any responsibility for, the accuracy or completeness or verification of the information in this Prospectus, and nothing in this Prospectus is, or shall be relied upon as, a statement or representation by the Underwriters, or any of their affiliates, whether as to the past or the future. Accordingly, the Underwriters and any of their affiliates disclaim, to the fullest extent permitted by applicable law, any and all liability, whether arising in tort, contract or otherwise, in respect of this Prospectus or any such statement or representation.

The Underwriters are acting exclusively for the Issuer and not for any other person in connection with the Offering and they will not be responsible to any other person for providing the services offered to the Issuer.

Any information from third parties identified in this Prospectus as such, has been accurately reproduced and, as far as the Company is aware and is able to ascertain from the information published by a third party, does not omit any facts which would render the reproduced information inaccurate or misleading.

This Prospectus has been prepared in English and in Dutch. The summary of the Prospectus has also been translated into French. The Company is responsible for the consistency between the English and Dutch versions of the Prospectus and for the consistency between the English, Dutch and French versions of the summary of the Prospectus. Without prejudice to the responsibility of the Company for inconsistencies between the language versions of the Prospectus or the summary of the Prospectus, in the case of such inconsistencies, the English version shall prevail.

4.3 Responsibility for the Auditing of the Statutory and Consolidated Financial Statements

PwC Bedrijfsrevisoren bcvba, a civil company adopting the form of a cooperative company with limited liability (*burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid / société civile sous la forme d'une société coopérative à responsabilité limitée*), having its registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, Belgium, registered with the Crossroads Bank for Enterprises (*Kruispuntbank van Ondernemingen/Banque-Carrefour des Entreprises*) under number 0429.501.944 (LER Brussels), represented by Peter Van den Eynde (the "**Statutory Auditor**") is the statutory auditor of the Company. The Statutory Auditor was appointed as statutory auditor of the Company on 13 May 2013 for a term of three years, and the appointment was renewed for an additional three years during the ordinary General Shareholders' Meeting on 9 May 2016. The Statutory Auditor is a member of the Belgian *Instituut der Bedrijfsrevisoren / Institut des Réviseurs d'Entreprises*.

The unaudited condensed consolidated interim financial statements of the Company for the three months ended 31 March 2016 and 2015 have been prepared in accordance with IAS 34, as adopted by the EU, and have been reviewed by the Statutory Auditor, who delivered an unqualified review report for the unaudited condensed interim financial statements of the Company for the three months ended 31 March 2016 and 2015.

The consolidated financial statements of the Company for the years ended 31 December 2015, 2014 and 2013 have been prepared in accordance with IFRS, as adopted by the EU, and have been audited by the Statutory Auditor, who delivered an unqualified opinion for the consolidated financial statements for each of the years ended 31 December 2015, 2014 and 2013. The unqualified opinion for the financial statements for the year ended 31 December 2015 includes an emphasis of matter paragraph. In this article the Statutory Auditor noted the existence

of uncertainty which may give rise to significant doubts regarding the Group's ability to maintain its continuity, as set out below from the Statutory Auditor's opinion:

Emphasis of matter

Without departing from our opinion as referred to above, we draw attention to note 2 'Accounting policies and continuity' on pages 83 and 84 of the annual report, where detailed reference is made to the existence of uncertainty of material importance which may give rise to significant doubts regarding the Group's ability to maintain its continuity and in which the Board of Directors has cited the valuation rules in the assumption of continuity.

In its review report for the unaudited condensed interim financial statements of the Company for the three months ended 31 March 2016 and 2015, the Statutory Auditor did not include an emphasis of matter paragraph following the entry into the Long Term Waivers.

The statutory (stand-alone) financial statements of the Company for the years ended 31 December 2015, 2014 and 2013 have been prepared in accordance with Belgian GAAP and have been audited by the Statutory Auditor, who delivered an unqualified opinion for the financial statements for each of the years ended 31 December 2015, 2014 and 2013.

4.4 Presentation of Financial Information

Annex 3 of this Prospectus includes the unaudited condensed consolidated interim financial statements of the Company for the three months ended 31 March 2016 and 2015, which were prepared in accordance with IAS 34, as adopted by the EU. *Annex 1* of this Prospectus includes the 2015 Financial Statements. This Prospectus incorporates by reference in "*Information Incorporated by Reference*" (*Part 15*) certain elements of the 2014 Financial Statements and the 2013 Financial Statements. The 2015 Financial statements included in *Annex 1* of this Prospectus together with the 2014 and 2013 Financial Statements incorporated by reference into this Prospectus are collectively referred to as the "**Financial Statements**", which were prepared in accordance with IFRS, as adopted by the EU.

The 2013 Financial Statements were restated in 2014 using IFRS 5 to adjust for discontinued operations and non-current assets held for sale, consisting primarily of the Group's medical and dental divisions, which were sold in 2013 and 2014, and the ICT (Corilus) division, which was sold in early 2015. The 2013 financial information in "*Selected Historical Financial Information*" (*Part 7*) presents restated figures and is therefore directly comparable to the 2014 and 2015 numbers presented.

Bellevue Pharmacy was classified as discontinued operations in the three months ending 31 March 2016 and, for comparison purposes, has also been included as discontinued operations in the results for the three months ending 31 March 2015. However, previous 2014 and 2015 periods have not been restated to reflect Bellevue Pharmacy as discontinued operations. Therefore FSPS and Group results may not be comparable across all the periods presented in this Prospectus. Also see "*Business Overview—Ceased business*" *(Paragraph 6.19 of Part 6).*

4.5 Non-IFRS financial information

This Prospectus contains certain financial measures that are not defined or recognised under IFRS, including EBITDA, REBITDA, EBIT, operational working capital, net operational capital expenditure, net financial debt, adjusted net financial debt / adjusted REBITDA, organic turnover growth, gross margin, cost coverage and cash conversion. These measures are not measures of financial performance under IFRS and should not be considered as alternatives to other indicators of the Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. Information regarding these measures is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

EBITDA

EBITDA is earnings before interest, taxes, depreciations, amortisations and impairments and consists of the Group's operating profit (loss) plus depreciations, amortisations, write-downs on inventories and receivables and impairments.

REBITDA

REBITDA is recurring earnings before interests, taxes, depreciations, amortisations and impairments and consists of the Group's operating profit (loss) plus depreciations, amortisations, write-downs on inventories and receivables and impairments, as adjusted for all non-recurring items. See "*Information on the Prospectus and Cautionary Statements—Non-recurring items*" (*Paragraph 4.6* of *Part 4*).

EBIT

EBIT is earnings before interests and taxes, which is equivalent to the Group's operating profit on its consolidated income statement.

Operational working capital

Operational working capital is the sum of inventories and trade receivables, less trade payables at a given balance sheet date.

Net operational capital expenditure

Net operational capital expenditure is defined as the Group's cash expenditures on intangible assets and property, plant and equipment that have been acquired or produced in a given period (which is reflected as "capital expenditure" under "cash flow from investing activities" on the Group's consolidated statement of cash flows), net of any capital expenditures on businesses sold during the period (which are reflected separately as part of "cash flow from investing activities" under "total net cash flow from discontinued operations" on the Group's consolidated statement of cash flows) and includes the change in investment payables for the period, also referred to as capital expenditure for continuing operations.

Net financial debt

Net financial debt is the sum of current and non-current borrowings, net of cash and cash equivalents.

Adjusted net financial debt / adjusted REBITDA

Adjusted net financial debt / adjusted REBITDA reflects the ratio of the Group's net financial debt at period end, adjusted to deduct the value of the Group's treasury shares, to the Group's adjusted REBITDA for that period. Adjusted REBITDA is the Group's reported REBITDA, adjusted to reflect a portion of the full year impact of acquisitions which took place during that year and to exclude a portion of all REBITDA earned from businesses which were disposed of during that year. For purposes of the Revolving Loan Facility calculation of REBITDA, the adjustment items applied to EBITDA are capped at an adjustment amount of €5 million for non-recurring items according to the terms of the Revolving Loan Facility.

Turnover growth CER

Turnover growth at constant exchange rates is the Group's turnover growth in a given period as calculated on the basis of the average exchange rate in the corresponding period in the previous year. See "*Information on the Prospectus and Cautionary Statements—Constant currency calculations*" (*Paragraph 4.7* of *Part 4*).

Organic turnover growth

Organic turnover growth refers to the Group's turnover growth and includes, in a given period, growth within acquired businesses after the date of acquisition. As a result, the Group's organic turnover growth figures may not be comparable with organic turnover growth figures for some other companies to the extent those companies calculate organic turnover growth excluding the growth of acquired entities in a given period.

Organic turnover growth CER

Organic turnover growth at constant exchange rates is the Group's organic turnover growth in a given period as calculated on the basis of the average exchange rate in the corresponding period in the previous year.

Gross margin

Gross margin is the difference between the Group's turnover and trade goods, as a percentage of turnover.

Cost coverage

Cost coverage is defined as certain operating expenses as a proportion of the Group's gross profit (gross profit being the difference between turnover and trade goods) in a given period. Operating expenses include services and other goods, employee benefit expenses and other operating expenses less other operating income.

Cash conversion

Cash conversion ratio is the operating cash flow for continuing operations as a percentage of EBITDA. Operating cash flow for continuing operations is total cash flow from operating activities adjusted to deduct capital expenditures and cash interest paid, and to add back cash interest received.

4.6 Non-recurring items

Non-recurring items consist of profits or expenses that are considered by the Group to be one-off or infrequent items not related to the Group's operations in the ordinary course of its business and are therefore categorised as non-recurring. As presented, REBITDA figures reflect the Group's EBITDA results, modified to reflect an adjustment for non-recurring items.

- In the three months ended 31 March 2016, non-recurring items included: (i) legal fees relating to advisory fees and small litigation matters, (ii) indemnities relating to restructuring and the dismissal of personnel in Europe and South America and (iii) provisions for an onerous contract related to a facility in the US, and a tax assessment in Brazil, partly offset by a correction on the warrant plans.
- In the three months ended 31 March 2015, non-recurring items included: (i) legal fees related to restructuring, due diligence costs, advisory fees and small litigation matters, (ii) indemnities relating to restructuring and the dismissal of personnel in Europe, South America and corporate headquarters and (iii) acquisition costs and write-offs of old inventories and trade receivables.
- In 2015, non-recurring items included: (i) legal fees related to restructuring, due diligence costs, advisory fees and small litigation matters, (ii) indemnities relating to the dismissal of personnel in Europe and the US initiated in the second half of 2015 and relating to the departure of the former CEO and (iii) release of a contingent liability provision, start-up costs for Fagron Holding USA, Fagron Academy USA and the new JCB Laboratories sterile facility, a retention bonus plan and a one-off revenue from the sale of a building in Belgium.
- In 2014 and 2013, non-recurring items included: (i) expenses relating to the discontinuation of OTC products delivered to pharmacies in Belgium, (ii) legal fees relating to restructuring and due diligence costs, (iii) indemnities relating to the dismissal of personnel and (iv) other expenses relating to acquisition costs and provisions for litigation.

4.7 Constant currency calculations

The exchange rate used for the turnover and organic turnover growth CER for the three months ended 31 March 2016 as compared to the three months ended 31 March 2015 were the average currency exchange rates for the three months ended 31 March 2015, specifically a euro/US dollar rate of 1.126, a euro/Brazilian real rate of 3.224, a euro/Swiss franc rate of 1.072 and a euro/Polish zloty rate of 4.193. The exchange rate of 2015 was a euro/US dollar rate of 1.109, a euro/Brazilian real rate of 3.700, a euro/Swiss franc rate of 1.068 and a euro/Polish zloty rate of 4.183. The exchange rate of 2014 was a euro/US dollar rate of 1.328, a euro/Brazilian real rate of 3.122, a euro/Swiss franc rate of 1.215 and a euro/Polish zloty rate of 4.185. The exchange rate of 2013 was a euro/US dollar rate of 1.328, a euro/Brazilian real rate of 2.867, a euro/Swiss franc rate of 1.231 and a euro/Polish zloty rate of 4.197. See "Operating and Financial Review—Quantitative and Qualitative Disclosures about Market Risk—Exchange rate risk" (Paragraph 8.91 of Part 8).

4.8 Ceased business

Bellevue Pharmacy, which represented the majority of the Group's non-sterile compounding business in the US, became loss-making in the three months ending 31 March 2016. The Board of Directors therefore decided in 2016 to close Bellevue Pharmacy and in March 2016 to cease operations. The production of Bellevue Pharmacy ceased in March 2016 and the majority of the employees have been made redundant. The Group is currently assessing different options regarding the business. Bellevue has been classified as discontinued operations in the three months ending 31 March 2016. The Bellevue Pharmacy business does not have any material assets or liabilities outstanding on the date of this Prospectus, save for the DOJ investigation which could result in a claim or additional liabilities (see "*Business Overview - Legal or administrative investigations* (*Paragraph 6.18 of Part 6*). The Company has no indication on the date of this Prospectus that such would occur. With the exception of "*Selected Historical Financial Information*" (*Part 7*) and "*Operating and Financial Review*" (*Part 8*) and unless otherwise specified, all data, numbers and other information contained in this Prospectus excludes Bellevue Pharmacy.

4.9 Rounding

Certain data in this Prospectus, including financial, statistical and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in this Prospectus have been rounded and accordingly may not add up to 100%.

4.10 Market, economic and industry data

This Prospectus contains historical market information and forecasts which have been obtained from industry publications, market research and other publicly available information. Certain information regarding market trends, market position, growth drivers and other industry information pertaining to the Group and its business contained in this Prospectus consist of estimates based on market research, publicly available information and industry publications, including publications and data compiled by Persistence Market Research, *Global Compounding Pharmacies Market Analysis and Forecast to 2021*, September 2015; IBIS World, *IBIS World Industry Report OD5706 Compounding Pharmacies in the US*, October 2015, United Nations Population Fund, *State of world population 2014*, 2014, European Federation of Pharmaceutical Industries and Associations, *The Pharmaceutical Industry in Figures*, 2015 and the Foundation for Pharmaceutical Statistics ("**SFK**") in the Netherlands.

Industry publications and market research generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed. While the Group accepts responsibility for accurately summarising the information from these external sources, and, as far as it is aware and able to ascertain, no facts have been omitted which would render this information inaccurate or misleading. The Group accepts no further responsibility in respect of such information.

In some cases there is no reliable or complete external information (whether from trade and business organisations and associations, government bodies or other organisations) to validate market related analysis and estimates, requiring the Group to rely on internally developed estimates. In particular, the Group believes that there is no single reliable source for the size of the global and regional pharmaceutical compounding markets. As such, the Group has estimated the sizes of these markets (in "*Market Overview*" (*Part 5*) and elsewhere) based on its own internal market surveys, data and estimates, as well as publicly available information from competitors, regulatory bodies, government agencies, and other third parties. In particular, the Group has estimated the proportion of prescriptions written annually for compounded medication, and has moreover assumed that the proportion of prescriptions written annually for compounded medication is indicative of the overall size of the global pharmaceutical compounding market, and has therefore generated the addressable pharmaceutical compounding market figures provided in "*Market Overview*" (*Part 5*) and elsewhere as a corresponding proportion of the global pharmaceuticals market. To account for the fact that not all European countries permit pharmacists to outsource compounding, the Group's estimation of the proportion of prescriptions written in 2014 for compounded medication in Europe (1.5%) is lower than the actual proportion of prescriptions written in 2014 for compounded medication in the Netherlands (2.2%) (source: SFK, *Data en feiten 2015, Het Jaar 2014 in cijfers*, 2015). In addition, based on the Group's own cost of pharmaceutical raw materials as a proportion of its pharmaceutical compound sales, the Group has further estimated that the global addressable market for pharmaceutical raw materials and vehicles can be calculated as 10% of the global pharmaceutical compounding market.

Although the Company believes its estimates of addressable market size to be reasonable, neither these estimates nor the assumptions underlying these estimates have been verified by any independent sources and the Company cannot assure investors as to the accuracy of such estimates or that a third party using different methods to assemble, analyse or compute market data would obtain the same results. In particular, the Group's assumptions could be incorrect in respect of the actual proportion of the global annual pharmaceutical market that is represented by pharmaceutical compounds, or the proportion of annual prescriptions which represent pharmaceutical compounds, or the proportion of annual pharmaceutical raw materials and vehicles costs as a proportion of pharmaceutical compound sales, or other matters, all of which could result in significantly altered addressable market estimates.

The Company does not intend, and does not assume any obligation, to update industry or market data set forth in this Prospectus. Because market behaviour, preferences and trends are subject to change, prospective investors should be aware that market and industry information in this Prospectus and estimates based on any data therein may not be a reliable indicator of future market performance or the Company's future results of operations. All information contained in this Prospectus is subject to change based on various factors, including those discussed in *Part 3 Risk Factors.*

The Company confirms that all such data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third party information has been used in this Prospectus, the source of such information has been identified.

4.11 Decision to Invest

Investors must form their own opinion about the Group, the Offering, Shares, the Preferential Subscription Rights or the Scrips and the associated merits and risks. Investors should rely only on the information contained in this Prospectus. Neither the Group nor the Underwriters have authorised any other person to provide investors with different information. If anyone provides different or inconsistent information, it should not be relied upon.

The contents of this Prospectus should not be construed as providing any legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting, tax or other advisers prior to making a decision to invest in the Shares, the Preferential Subscription Rights or the Scrips.

The information in this Prospectus is as of the date printed on the cover, unless expressly stated otherwise. The delivery of the Prospectus at any time does not imply that there has been no change in the Group's business or affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof. The information contained herein is up to date as of the date hereof, and may be subject to subsequent change, completion and amendment without notice. The publication of this Prospectus shall not, under any circumstances, imply that there will be no changes in the information set forth herein or in the affairs of the Group subsequent to the date of this Prospectus. In accordance with article 34 of the Prospectus Law, a supplement to the Prospectus will be published in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the New Shares or the Private Placement Shares and which arises or is noted between the time when this Prospectus is approved and the trading of the New Shares or the trading of the Private Placement Shares on Euronext Brussels and Euronext Amsterdam begins.

Investors who have already agreed to subscribe for the New Shares in the Rights Offering or the Scrips Private Placement before the supplement is published shall have the right, exercisable within the time limit set forth in the supplement, which shall not be shorter than two business days after publication of the supplement, to withdraw their subscriptions in accordance with article 34, §3 of the Prospectus Law. If such withdrawal takes place after the end of the Scrips Private Placement, the subscriber who has exercised its Preferential Subscription Rights shall not be entitled to the Net Scrips Proceeds. Moreover, subscribers will not be compensated in any other way, including the purchase price (and any related cost or taxes) paid in order to acquire any Preferential Subscription Rights (see "*Information on the Offering—Terms and conditions of the Offering—Supplement to the Prospectus*" (*Paragraph 14.2.7* of *Part 14*)).

4.12 No incorporation of website information

The contents of the Group's website do not form part of this Prospectus.

4.13 Information not contained in this Prospectus

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to the date hereof.

4.14 Forward-looking Statements

Certain statements in this Prospectus are not historical facts and are forward-looking statements. Forward-looking statements appear in various locations, including, without limitation, in "*Market Overview*" (*Part 5*), "*Business Overview*" (*Part 6*) and "*Operating and Financial Review*" (*Part 8*). Forward-looking statements include statements concerning the Group's plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditure, research and development, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, business strategy and the trends the Group anticipates in the industries and the political, economic, financial, social and legal environment in which it operates and other information that is not historical information.

Words such as "believe", "anticipate", "estimate", "expect", "intend", "predict", "project", "could", "may", "will", "plan" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under "*Risk Factors*" (*Part 3*), as well as those included elsewhere in this Prospectus. Investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

When relying on forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, financial, social and legal environment in which the Group operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, the Group does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, other than as required by applicable laws. The Group makes no representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

In addition, even if the Group's results of operations, including its financial condition and liquidity and the development of the industry in which the Group operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- the legal and regulatory frameworks in the industry in which the Group operates;
- the Group's ability to service existing indebtedness and to access additional funding;
- the reimbursement regimes of public healthcare administrations and private insurers in the countries where the Group operates;
- foreign currency exchange risk;
- loss of market share due to competition and lack of innovation;
- market acceptance of the Group's products among physicians and pharmacies;
- the Group's ability to successfully identify, complete or integrate strategic acquisitions;
- manufacturing difficulties, disruptions or delays affecting the Group or its supply lines;
- the economic and political condition in Brazil;
- impairments to the Group's goodwill;
- the Group's ability to obtain additional funding in the future;
- the Group's ability to successfully research and develop its future pipeline;
- the Group's reputation and market perceptions of the pharmaceutical compounding industry;
- product liability claims, claims of infringement on the intellectual property rights of third parties, or legal or regulatory proceedings or investigations leading to encumbrance of legal costs, inability to market the Group's products, or harm to the Group's reputation;
- the Group's ability to protect its trade secrets, know-how and intellectual property;
- the Group's ability to attract and retain highly qualified personnel;
- price fluctuations affecting the Group's products and suppliers;
- the Group's tax liabilities in the various jurisdictions in which it incurs taxable profits;
- changes in regulations and standards across different jurisdictions, changes in consumer preferences or economic conditions, and other risks associated with operating on a global level;

- disruptions relating to the Group' information systems;
- risks relating to the Offering; and
- other factors discussed in more detail in "*Risk Factors*" (*Part 3*).

4.15 Approval of the Prospectus by the Financial Services and Markets Authority

The English version of this Prospectus was approved on 15 June 2016 by the Belgian Financial Services and Markets Authority ("**FSMA**") in its capacity as competent authority under article 23 of the Prospectus Law.

The approval of the Prospectus by the FSMA does not constitute an appreciation of the soundness of the transaction proposed to investors and the FSMA assumes no responsibility as to the economic and financial soundness of the transaction and the quality or solvency of the Company.

The FSMA has notified this Prospectus to the Dutch Authority for Financial Markets ("**AFM**") for passporting in accordance with article 18 of the Prospectus Directive.

4.16 Restrictions on the Offering

4.16.1 General

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, purchase, subscription for, resale, pledge or other transfer of the New Shares, the Preferential Subscription Rights or the Scrips.

The Offering is conducted as a public offering in Belgium and the Netherlands and a private placement to Institutional Investors (meaning qualified and/or institutional investors under applicable laws of the relevant jurisdiction and, in respect of Belgium, investors that meet the definition of "qualified investors", as defined in article 10 of the Prospectus Law and, subject to certain exceptions, is outside the US in reliance on Regulation S under the Securities Act).

The Issuer and the Underwriters are not taking any action to permit a public offering of the New Shares, the Preferential Subscription Rights and the Scrips in any jurisdiction outside Belgium and the Netherlands. The Offering and this Prospectus have not been and will not be submitted for approval to any supervisory authorities outside Belgium and the Netherlands. Therefore, no steps may be taken that would constitute or result in a public offering of the New Shares, the Preferential Subscription Rights or the Scrips outside Belgium and the Netherlands. The distribution of this Prospectus, the granting or exercise of the Preferential Subscription Rights, the Offering and the delivery of the New Shares may, in certain jurisdictions, be restricted by law, and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Accordingly, the New Shares, the Preferential Subscription Rights or the Scrips may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other documents related to the Offering may be distributed or published in any jurisdiction, except in circumstances that will result in the compliance with all applicable laws and regulations. Investors must inform themselves about, and observe, any such restrictions and neither the Issuer nor the Underwriters assume any responsibility in respect thereof.

Investors must comply with all applicable laws and regulations in force in any jurisdiction in which they purchase, offer, sell or receive the New Shares, the Preferential Subscription Rights or the Scrips or possess or distribute this Prospectus and must obtain any consent, approval or permission required for the purchase, offer or sale of the New Shares, the Preferential Subscription Rights or the Scrips under the laws and regulations in force in any jurisdiction in which any purchase, offer or sale is made. Neither the Issuer nor the Underwriters are making an offer to sell the New Shares, the Preferential Subscription Rights and the Scrips or soliciting an offer to purchase any of the New Shares, the Preferential Subscription Rights or the Scrips to any person in any jurisdiction where such an offer or solicitation is not permitted.

Without prejudice to any of the foregoing, the Issuer and the Underwriters reserve the right to reject any offer to purchase the New Shares, the Preferential Subscription Rights or the Scrips which the Issuer or the Underwriters believe may give rise to a breach of any laws, rules or regulations.

4.16.2 Notice to prospective investors in the US

This document should not be distributed, forwarded to or transmitted in or into the US (as defined in Regulation S under the Securities Act ("**Regulation S**")). Persons into whose possession this document comes are required to inform themselves about and observe any such restrictions. For a description of these and further restrictions, see "*Information on the Offering—Plan of distribution and allocation of the New Shares*" (*Paragraph 14.3* of *Part 14*). Neither the New Shares, the Preferential Subscription Rights, nor the Scrips have been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in the US unless the New Shares, the Preferential Subscription Rights or the Scrips are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available and done in compliance with applicable US state securities laws, if any. Subject to certain limited exceptions, and at the discretion of the Issuer, the New Shares, the Preferential Subscription Rights and the Scrips are only being offered and sold in offshore transactions outside the US in accordance with Regulation S. Accordingly, none of the New Shares, the Preferential Subscription Rights or the Scrips may be offered, issued or transferred to any person with a registered address in, or who is resident in, the US.

None of the New Shares, the Preferential Subscription Rights or the Scrips or this document has been approved or disapproved by the US Securities and Exchange Commission, any US state securities commission or any other US regulatory authority nor has any such authority passed upon or endorsed the merits of the transactions or the accuracy or the adequacy of this document. Any representation to the contrary is a criminal offence in the US.

Until 40 days after the commencement of the Preferential Subscription Rights offering, an offer, sale or transfer of New Shares, the Preferential Subscription Rights or the Scrips within the US by a dealer (whether or not participating in the Preferential Subscription Rights) may violate the registration requirements of the Securities Act.

None of the financial information used or incorporated by reference in this Prospectus has been prepared in accordance with generally accepted auditing or accounting standards of the US. The financial information included or incorporated by reference in this Prospectus is not intended to comply with the reporting requirements of the SEC.

4.16.3 Representations and warranties by investors in the Offering

Each person to whom the New Shares, the Preferential Subscription Rights or the Scrips are distributed, offered or sold outside the US will be deemed by his subscription for, or purchase of, the New Shares, the Preferential Subscription Rights or the Scrips to have represented and agreed, on his behalf and on behalf of any investor accounts for which he is subscribing for or purchasing the New Shares, the Preferential Subscription Rights or the Scrips, as the case may be, that:

- he may lawfully be offered, take up, subscribe for and purchase the New Shares, the Preferential Subscription Rights or the Scrips;
- he is not a national, citizen or resident of Japan, Canada, Australia or South Africa, and that he will not offer, sell or transfer, directly or indirectly, the New Shares, the Preferential Subscription Rights or the Scrips in Japan, Canada, Australia or South Africa;
- he is located outside the US, is acquiring the New Shares, the Preferential Subscription Rights or the Scrips from the Company, the Underwriters in an "offshore transaction" (as defined in Regulation S under the Securities Act); and
- the New Shares, the Preferential Subscription Rights and the Scrips have not been offered to him by the Company, the Underwriters by means of any "directed selling efforts" as defined in Regulation S under the Securities Act.

Each subscriber or purchaser acknowledges that the Issuer and the Underwriters will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber or purchaser by his subscription for, or purchase of, the New Shares, the Preferential Subscription Rights or the Scrips, as the case may be, are no longer accurate, he shall promptly notify the Issuer and the Underwriters. If such subscriber or purchaser is subscribing for, or purchasing, the New Shares, the Preferential Subscription Rights or the Scrips as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that he has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

4.16.4 Notice to prospective investors in the European Economic Area (EEA)

This Prospectus has been prepared on the basis that all offers of the New Shares, the Preferential Subscription Rights and the Scrips (other than the public offering in Belgium and the Netherlands contemplated in this Prospectus once this Prospectus has been approved by the FSMA, passported by the AFM, and published in accordance with the Prospectus Directive, as implemented in Belgium and the Netherlands) will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of securities.

Accordingly, any person making or intending to make any offer within the EEA of the New Shares, the Preferential Subscription Rights and the Scrips (outside Belgium and the Netherlands), should only do so in circumstances in which no obligation arises for the Company or the Underwriters to produce a prospectus for such offer. Neither the Company nor the Underwriters have authorised or authorise the making of any offer of the New Shares, the Preferential Subscription Rights and the Scrips through any financial intermediary, other than offers made through the Underwriters and their affiliates which constitute the final placement of New Shares contemplated herein.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), an offer to the public of the New Shares, the Preferential Subscription Rights or the Scrips contemplated by this Prospectus may not be made in that Relevant Member State unless this Prospectus has been approved by the competent authority in such Relevant Member State and published in accordance with the Prospectus Directive as implemented in such Relevant Member State (which approval and publication is only obtained and performed in relation to the Offering in Belgium and the Netherlands), unless such offer in such Relevant Member State of any New Shares, Preferential Subscription Rights or Scrips is made under the following exemptions under the Prospectus Directive, if and to the extent such exemptions under the Prospectus Directive have been implemented in that Relevant Member State:

- to qualified investors within the meaning of the law in that Relevant Member State implementing article 2(1)(e) of the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Underwriters and the Company for any such offer; or
- in any other circumstances falling within article 3(2) of the Prospectus Directive,

provided that no such offer of New Shares, Preferential Subscription Rights or Scrips shall result in a requirement for the publication by the Company of a prospectus pursuant to article 3 of the Prospectus Directive.

For the purposes of this Section, the expression an "offer to the public" in relation to any New Shares, Preferential Subscription Rights and/or Scrips in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any New Shares, Preferential Subscription Rights and/or Scrips so as to enable an investor to decide to purchase or subscribe to the New Shares, Preferential Subscription Rights and/or Scrips, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

4.16.5 Notice to prospective investors in Switzerland

The New Shares, the Preferential Subscription Rights or the Scrips may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares, the Preferential Subscription Rights or the Scrips or the Offering may be publicly distributed or otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing material relating to the Offering, the Issuer, the New Shares, the Preferential Subscription Rights or the Scrips have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of the New Shares, the Preferential Subscription Rights or the Scrips will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**").

4.16.6 Notice to prospective investors in the United Kingdom

This Prospectus is being distributed only to and is directed solely at (i) persons outside the United Kingdom or (ii) persons inside the United Kingdom who are "qualified investors" within the meaning of Article 2(1)(e) of the

Prospective Director and who: (a) are persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (b) are persons who are high net worth entities falling within article 49(2)(A) to (D) of the Order, or (c) are otherwise persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). Any investment or investment activity to which this Prospectus relates in the United Kingdom is available only to Relevant Persons and will be engaged in only with Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

4.16.7 Notice to prospective investors in Canada, Australia, Japan or South Africa

This Prospectus may not be circulated or otherwise be made available in Canada, Australia, Japan or South Africa and the Shares, Preferential Subscription Rights and Scrips may not be offered, sold, or exercised, directly or indirectly, by any person in Canada, Australia, Japan or South Africa unless such circulation, offering, sale or exercise is allowed under applicable securities laws of the relevant jurisdiction.

4.17 Availability of the Prospectus

This Prospectus is available in English and Dutch and the summary is available in French.

Subject to the terms of this Prospectus, this Prospectus will be made available to investors at no cost at the registered office of the Company, at Textielstraat 24, 8790 Waregem, Belgium, and can be obtained upon request to the Company on the phone number +31 88 33 11 200. This Prospectus will also be made available to investors at no cost upon request to the Underwriters on the following phone numbers:

	Dutch	**French**	**English**
BNP Paribas Fortis SA/NV	+32 2 433 40 31	+32 2 433 40 32	+32 2 433 40 34
ING Belgium SA/NV	+32 2 464 60 01	+32 2 464 60 02	+32 2 464 60 04
KBC Securities NV/SA	+32 78 152 153	+32 78 152 154	+32 16 43 29 15

Subject to certain restrictions (i.e., the acceptance of a disclaimer), this Prospectus is also available, on the internet at the following websites: investors.fagron.com, www.bnpparibasfortis.be/sparenenbeleggen (Dutch), www.bnpparibasfortis.be/epargneretplacer (French), www.ing.be/aandelentransacties (Dutch), www.ing.be/transactionsdactions (French), www.ing.be/equitytransactions (English), www.bolero.be/nl/fagron (Dutch), www.bolero.be/fr/fagron (French) and www.kbc.be/corporateactions.

Posting this Prospectus and the summary on the internet does not constitute an offer to purchase or a solicitation of an offer to sell, and there shall not be any offer, solicitation or sale of any of the New Shares, Preferential Subscription Rights or Scrips in the US or in any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to its registration or qualification under the laws of such jurisdiction or to or for the benefit of any person to whom it is unlawful to make such offer, solicitation or sale. The electronic version may not be copied, made available or printed for distribution. Other information on the website of the Group or any other website does not form part of this Prospectus.

4.18 Available information

The Company must file its (amended and restated) Articles of Association and all other deeds that are to be published in the Annexes to the Belgian Official Gazette with the clerk's office of the Commercial Court of Kortrijk (Belgium), where they are available to the public. A copy of the most recently restated Articles of Association and the CG Charter is also available on the Group's website (www.fagron.com).

In accordance with Belgian law, the Company prepares annual audited statutory (stand-alone) financial statements in accordance with Belgian GAAP and annual audited consolidated financial statements in accordance with IFRS, as adopted by the EU. The Company's statutory (stand-alone) and consolidated financial statements and the reports of the Board of Directors and of the Statutory Auditor relating thereto are filed with the Belgian National Bank, where they are available to the public.

Furthermore, as a company with shares listed on Euronext Brussels and Euronext Amsterdam, the Group also publishes an annual report (which includes the Company's statutory (stand-alone) and consolidated financial statements, the annual report of the Board of Directors and the report of the Statutory Auditor) and an annual announcement preceding the publication of the annual financial report, as well as a half-yearly financial report on

the first six months of its financial year (which includes a condensed set of financial statements and an interim management report).

The Group is also required to disclose price-sensitive information, information about its shareholder structure, and certain other information to the public. In accordance with the Belgian Royal Decree of 14 November 2007 concerning obligations of issuers of financial instruments admitted to trading on a regulated market (*Koninklijk Besluit van 14 november 2007 betreffende de verplichtingen van emittenten van financiële instrumenten die zijn toegelaten tot de verhandeling op een gereglementeerde markt / Arrêté royal du 14 novembre 2007 relatif aux obligations des émetteurs d'instruments financiers admis à la négociation sur un marché réglementé*), such information and documentation will be made available through press releases, the financial press in Belgium, the Group's website, the communication channels of Euronext Brussels and Euronext Amsterdam or a combination of these media.

PART 5
MARKET OVERVIEW

5.1 Pharmaceutical compounding overview

5.1.1 Introduction

The majority of all medication used worldwide is manufactured by large pharmaceutical companies. Bringing a new medication to the market from the laboratory to the patient requires extensive research and development investments for these companies and involves large and time-consuming clinical trials to prove the medication is effective and safe to use. If the medication is still under patent, the medication itself as well as its APIs are made available as branded medication by a single company. Once the patent expires, branded medication will generally be copied by several generic manufacturers and produced as non-branded (generic) medication. At this point in the medications life cycle, most information is publicly available, therefore these companies have almost no research and development costs, generally focus on high volumes and compete on price.

Both branded and non-branded medication are produced on a large-scale; a general production batch can easily consist of millions of units. Branded and non-branded medication that are commercially available represents the best solution for the majority of patients. However, some patients require individualised medication. This medication is custom-made through 'pharmaceutical compounding'.

Pharmaceutical compounding is defined as the manufacturing of unlicensed (unpatented or unregistered) pharmaceutical preparations by or at the request of community or hospital pharmacies or other healthcare establishments, to produce tailor-made or customised medication (which is not commercially available) based on a physician's prescription. Although compounding is customised medication, a compounder such as the Group can produce compounds on a large-scale prior to receiving a specific patient's prescription, for example to stock the inventory of hospital pharmacies for the most commonly prescribed individualised medication. However, even in such cases of anticipatory compounding, the production batch is still generally too small to make compounding a commercially viable market for traditional pharmaceutical companies (including generic pharmaceutical manufacturers).

Compounded medication can be non-sterile (e.g., creams, ointments, capsules or suspensions) or sterile (e.g., syringes, infusion bags, elastomeric pumps or cassettes). In addition, it can be hazardous or non-hazardous for the healthcare professionals preparing and administering the medication. Examples of hazardous medication include cytostatic and nuclear (radioactive) medication. Compounded medication can be made out of branded or non-branded pharmaceutical materials or APIs.

During the past five years, the global compounding market has grown in line with demand for customised medication, for a number of reasons stated in see "*Market Overview—Pharmaceutical compounding overview—Growth drivers*" (*Paragraph 5.1.3 of Part 5*).

5.1.2 Market demand

The Group believes there are various reasons for patients to need compounded tailor-made medication, including:

- *Dose adjustments*. Children and the elderly need a lower dose of most medications than the general adult population. A lower dose is often not available on the market and thus must be tailor made. In addition, oncology patients receive a tailor-made dose based on their height and weight that is the ideal compromise between toxicity and efficacy.
- *A need for an adjusted dosing form*. A large percentage of the population has difficulties swallowing tablets and capsules, including children up to the age of six, as well as tube-fed hospitalised and oncology patients.
- *The drug is simply not on the market (any more)*. This occurs when there are too few patients to make it commercially interesting for large pharmaceutical companies to register or maintain the drug.
- *Instability*. The medication is not chemically and/or physically stable in its final form.
- *Home care*. Compounded medication can help terminally ill patients or patients with an infection that need long-term intravenous therapy at home instead of in the hospital. "Hospital in the Home" is an example of clinical care focused on reducing the length of hospital stay or to avoid a hospital visit altogether. A range of clinical conditions can be effectively and safely managed without a hospital visit or admission. This not only increases patients' quality of life, but also reduces overall healthcare costs.

- *Tailor-made and lesser side effect.* The 'one-size-fits-all' nature of many mass-produced medications means that some specific patients' needs are not met. Pharmaceutical compounding allows the pharmacist to work with the patient and the prescriber to customise a medication to meet the patient's specific needs and take into account allergies or other intolerations. In addition, these patients often experience lesser side effects with personalised compound medication then with generic medication.
- *New and unavailable therapeutic need.* If a patient is not responding to a therapy that is currently available, but there is a drug in another jurisdiction or a drug is presented in literature, in many cases, a pharmacist can compound that specific medication for the patient.

5.1.3 Growth drivers

The demand for customised medication benefits from long-term growth drivers, including:

Changing demographics

Children and the elderly are the primary users of compounded medication. Both the children and elderly populations are growing demographics (source: United Nations Population Fund, *State of world population 2014*, 2014); therefore the global market for pharmaceutical compounding is also expected to grow.

Drug shortages

A growing drug shortage problem in many markets is impacting a range of patient conditions and issues. For example, in the US, the main reasons for drug shortages have been: quality issues due to contamination, delay in sourcing of raw materials, rapid growth in drug demand (*e.g.*, in reaction to SARS and other outbreaks), closure of production facilities and lack of financial incentives. The number of active drug shortages, according to the US FDA, increased from 154 in 2007 to around 300 in 2015. Pharmaceutical compounding plays an important role in providing access to drugs which are in short supply by compounding the specific drug, based on a physician's prescription, and using pharmaceutical ingredients to help ensure that patients get the critical care they require.

Drug discontinuations

Following mergers and acquisitions activity of pharmaceutical companies it is not unusual to discontinue unprofitable drugs, often as a result of the relatively small size of the patient population. Pharmaceutical compounding can ensure that specific patient groups continue to have access to discontinued drugs.

Outsourcing of compounding by hospital pharmacies

As the overall compounding market has grown, the resulting rapid increase in the volume of sterile preparations needed and the complexity of these preparations has put pressure on in-house compounding by hospital pharmacies. Over time, complying with more stringent regulations in respect of compounding in certain jurisdictions has become increasingly challenging and costly for many hospital pharmacies. Hospitals, and many hospital pharmacists, are often unaccustomed to complex sterile compounding procedures and experience a higher error rate, and therefore need additional training to be able to comply with the evolving regulations. In addition, unless hospital pharmacies have a comprehensive quality and testing program, most in-house sterile compounded medications have a shorter shelf-life, which leaves the hospital more vulnerable to waste. By contrast, outsourced sterile compounded medication often have a significantly longer beyond-use date, which can reduce waste by up to 61% (source: Pharmacy Practice News, *Outsourced Hospital Sterile Compounding: A New and Safer Era To Come*, September 2013).

As a result, many hospital pharmacies have turned to outsourcing facilities to handle the complexities of preparing sterile preparations, especially low-medium risk (or sterile-to-sterile) compounds. Outsourcing facilities have the expertise and experience to produce high quality compounds, with the scale to produce them more cost effectively. Hospital pharmacies in the US and Europe are expected to increase outsourcing of compounding services.

More stringent regulation of sterile compounds in the US

Currently the primary factor restraining usage of sterile compounded drugs is unsafe compounding practices, which include compounding contaminations and non-adherence to GMP regulations. Contaminated sterile environments lead to the spread of pathogens and fungal infections, and have resulted in various hazards and drug-related deaths. To avoid unsafe compounding, the FDA introduced the Section 503B Regulation for all outsourcing facilities. This registration is expected to become increasingly stringent. Since the introduction of the Section 503B Regulation in the FDCA in 2013, bulk drug compounding facilities have been required to be registered with the FDA and are

subjected to inspection. Registration and inspection of facilities are routinely conducted by the FDA to identify compounding pharmacies with deficient sterile compounding practices.

The stringent regulations in the US are expected to prompt small compounding pharmacies to gradually withdraw from the market, primarily as a result of being unable to cost-effectively comply with evolving regulatory requirements. In the US in particular, the sterile compounding market is expected to undergo consolidation in the future due to the increasingly stringent regulatory measures from the FDA to obtain the necessary GMP certifications. Section 503B outsourcing facilities enhance efficacy and reduce medication errors and waste and improve the quality of clinical care.

5.2 Pharmaceutical compounding by geographies

The Group believes it is the only company worldwide covering all aspects of the pharmaceutical compounding market by offering Fagron Specialty Pharma Services ("**FSPS**"), Fagron Trademarks and Fagron Essentials to over 200,000 community and hospital pharmacies in 32 countries on five continents.

- FSPS prepares customised medication in 20 sterile and non-sterile compounding facilities in Europe, the US (excluding Bellevue Pharmacy), Colombia and South Africa. FSPS produces customised medication for both specific patients and large-scale production, increasingly (though not exclusively) using pharmaceutical raw materials sourced from its Fagron Essentials segment and the delivery vehicles sourced from its Fagron Trademarks segment. FSPS offers two types of pharmaceutical compounds: sterile and non-sterile. Examples of FSPS' sterile compounds are syringes, vials, ampoules and IV bags, and include products like TPN, cytostatics, medications used during surgery, epidural injections, ophthalmic injections, dialysis products, pain pump syringes and cassettes. Examples of FSPS' non-sterile compounds include tablets, capsules, liquids, suppositories, creams/ointments and suspensions. Some sterile and non-sterile compounds are radioactive and are used for, among other things, cancer diagnosis and treatment, and include radioactive capsules, radioactive injections and radioactive seeds. Such compounds are also known as nuclear compounds.

- Fagron Trademarks develops innovative concepts, drug delivery vehicles and formulations for pharmaceutical compounding developed by Fagron's Research and Development team, often in close cooperation with prescribers and pharmacies. Products from Fagron Trademarks include SyrSpend® SF, a group of vehicles for administering compounded oral liquid dosage forms and Fagron Advanced Derma, a line of vehicles for topical treatments, and Pentravan®, a vehicle for transdermal delivery of hormones and drugs.

- Fagron Essentials reconditions (or repacks) and distributes pharmaceutical raw materials, supplies and equipment that pharmacists need to prepare medication in the pharmacy. Fagron Essentials distributes raw materials, such as amino acids, antibiotics, corticosteroids, hormones, opiates, vitamins, alcohol and excipients, and supplies and equipment, including semi-finished goods used in pharmaceutical compounding such as distilled water, basic solutions, powder mixes, and cream and ointment bases, pharmaceutical packaging materials such as bottles, vials, blister packs and boxes, as well as equipment used by pharmacists to perform compounding, such as weighing balances, pestles and mortars, and packaging equipment such as capsule machines.

The compounding market is a niche in the global pharmaceutical market. As the Group believes there is no single reliable source for the size of the global and regional pharmaceutical compounding markets, the Group estimates the sizes of these markets in this Part 5 based on its own internal market surveys, data and estimates, as well as publicly available information from competitors, regulatory bodies, government agencies, and other third parties. The Group has moreover assumed that the proportion of annual prescriptions written for compounded medication is indicative of the overall size of the global pharmaceutical compounding market, and has therefore generated the addressable pharmaceutical compounding market figures provided in this Part as a corresponding proportion of the global pharmaceuticals market. In addition, based on the Group's own cost of pharmaceutical raw materials and vehicles as a proportion of its pharmaceutical compound sales, the Group has further estimated that the global addressable market for pharmaceutical raw materials and vehicles can be calculated as 10% of the global pharmaceutical compounding market.

Pharmaceutical compounding, which is the market FSPS operates in, represents a large and growing market. On the basis that the global market for all pharmaceuticals was €652 billion in 2014 (source: European Federation of Pharmaceutical Industries and Associations, *The Pharmaceutical Industry in Figures*, 2015), and given that the Group estimates that approximately 1.5% of all prescriptions globally in 2014 were written for compounded medications (partly based on *IBIS World Industry Report OD5706 Compounding Pharmacies in the US*, October 2015 and SFK, *Data en feiten 2015, Het Jaar 2014 in cijfers*, 2015), the Group estimates that the global market for compounded medication

was approximately €10 billion in 2014 (including compounding done in hospital pharmacies as well as in community pharmacies). Of this estimated global €10 billion market, the Group further estimates that approximately 10% (based on the cost of goods sold in the Group's FSPS facilities), or approximately €1.0 billion, represents the global market in 2014 for pharmaceutical compounding raw materials and vehicles, which is the addressable market of Fagron Trademarks and Fagron Essentials.

The sources, bases and assumptions underlying these Group estimates of the global pharmaceutical compounding market are further explained in "*Information on the Prospectus and Contrary Statements – Rounding*" (*Paragraph 4.9* of *Part 4*).

5.2.1 North American pharmaceutical compounding market

On the basis that the North American market for all pharmaceuticals was €290 billion in 2014 (source: European Federation of Pharmaceutical Industries and Associations, *The Pharmaceutical Industry in Figures*, 2015), and given that the Group estimates that approximately 1.5% of all prescriptions in North America in 2014 were for compounded medications (according to the Group's estimates, which are partly based on *IBIS World Industry Report OD5706 Compounding Pharmacies in the US*, October 2015), the Group estimates that the North American market for sterile and non-sterile compounded medication, which is the estimation for the addressable market for FSPS was approximately €4.4 billion in 2014 (including compounding done in hospital pharmacies as well as in community pharmacies). Of this estimated North American €4.4 billion market, the Group further estimates that approximately 10% of this market, or approximately €440 million, represents the cost of pharmaceutical compounding raw materials and vehicles (based on the cost of goods sold in the Group's FSPS facilities) in North America in 2014, which was the addressable market of Fagron Trademarks and Fagron Essentials. On the basis of these addressable market estimates, the Group believes it had a North American market share of approximately 2% in FSPS and approximately 12% in Fagron Trademarks and Fagron Essentials in 2014.

The US market dominates the global market for compounded medication and the Group believes the market is expected to grow in the coming years, primarily driven by growth in the sterile compounding market. Drug shortages of essential medication are an important growth driver in the US. This has created a substitution effect and drives the demand for compounded drugs. Over the years the main reasons for drug shortages have been: quality issues due to contamination, delay in sourcing of raw materials, spurts in drug demand (SARS, vaccines, etc.), loss of production facilities and lack of financial incentives. The number of active drug shortages, according to the US FDA, increased from 154 in 2007 to around 300 in 2015.

5.2.2 European pharmaceutical compounding market

On the basis that the European market for all pharmaceuticals was €164 billion in 2014 (source: European Federation of Pharmaceutical Industries and Associations, *The Pharmaceutical Industry in Figures*, 2015), and given that the Group estimates that approximately 1.5% of all prescriptions in Europe in 2014 were for compounded medications (according to the Group's estimates, partly based on SFK, *Data en feiten 2015, Het Jaar 2014 in cijfers*, 2015), the Group estimates that the European market for sterile and non-sterile compounded medication, which is the addressable market for FSPS in Europe, was approximately €2.5 billion in 2014 (including compounding done in hospital pharmacies as well as in community pharmacies). The Group further estimates that approximately 10% of this market, or approximately €250 million, represents the cost of pharmaceutical compounding raw materials and vehicles (based on the cost of goods sold in the Group's FSPS facilities) in Europe in 2014, which was the addressable market of Fagron Trademarks and Fagron Essentials. On the basis of these addressable market estimates, the Group believes it had a European market share of approximately 4% in FSPS and approximately 57% in Fagron Trademarks and Fagron Essentials in 2014. The majority of the European FSPS sales are generated in the Netherlands.

After North America, Europe is the second largest market for compounded medication (source: European Federation of Pharmaceutical Industries and Associations, *The Pharmaceutical Industry in Figures*, 2015), primarily as a result of its large geriatric population base. The European market is expected to grow at a stable rate in the coming years.

5.2.3 Brazilian pharmaceutical compounding market

In Brazil, based on the total sales of the Group and its key competitors, the Group estimates that the total market for pharmaceutical raw materials and vehicles was approximately €120 million in 2015. The Group estimates, based on its knowledge of conditions and pricing in the local market, that the pharmaceutical compounding raw materials and vehicles market represented approximately 15% of the Brazilian pharmaceutical compounding market in 2015, which was the addressable market of Fagron Trademarks and Fagron Essentials. On the basis of these addressable market estimates, the Group believes it, through Fagron Trademarks and Fagron Essentials had a Brazilian market

share of over 70% of the approximately €120 million market in 2015. The Group does not have FSPS activities in Brazil given the high saturation of compounding-only pharmacies and regular pharmacies.

The Group expects the Brazilian compounding market to grow in the coming years due to the very successful activities of market players like the Group, which has expanded the compounding market by developing and marketing innovations on new compounding areas and indications. The growth of the market is also expected to be driven by a growing middle class population that has the financial ability to pay for lifestyle related compounded products.

5.3 Competitive environment

Due to their differing positions on the pharmaceutical compounding value chain, FSPS, Fagron Trademarks and Fagron Essentials occupy different competitive positions in their respective markets. The Group believes it is the only vertically integrated compounder operating on a global scale that covers the entirety of that value chain, offering a one-stop solution to community and hospital pharmacies, clinics and other customers of pharmaceutical compounding. In most geographical markets, the Group's competitors, based on the Group's estimates, only operate in one out of the three segments covered by the Group, while the Group estimates that only two competitors, PCCA and Medisca in the US, operate in two out of the three segments covered by the Group.

5.3.1 FSPS

With respect to FSPS, the pharmaceutical compounding market is very fragmented by product and scale, and the competitive landscape differs per country. Fagron generates the majority of FSPS sales in the Netherlands and the US. The companies listed below represent the main market participants competing with FSPS in its key jurisdictions:

Country	**Main market participants**
The Netherlands	Ceban, Pharmalot, Dophar, Brocacef Ziekenhuisfarmacie
United States	PharMEDium, Cantrell, KRS Global, Avella, Leiters, QuVa Pharma

In the Netherlands, the Group believes that it is the pharmaceutical compounding market leader (based on its own estimates). In the US, the Group operates three FDA Section 503B outsourcing facilities (two in Wichita, Kansas and one in Las Vegas, Nevada) and one FDA Section 503A facility in Tampa, Florida. In the US, the Group will focus on the growing trend for hospital pharmacies to outsource sterile compounding, especially low-risk (or sterile-to-sterile) sterile compounding. In addition, the Group's remaining non-sterile compounding has been and will continue to focus on cash-based non-sterile compounding. For example, the Group's Section 503A facility in Tampa (a facility of AnazaoHealth) focuses on the production of bio identical hormone replacement therapy ("**BHRT**"), a cash-based non-sterile compounded medication.

The Group believes safety, quality, transparency, demonstrated regulatory compliance, customisation and access to scientific studies and technical information are the principal considerations for community and hospital pharmacies when choosing to outsource compounding and selecting a provider of outsourced compounded medication. The Group believes that the increasing focus on high quality pharmaceutical compounds, partly due to tightening regulations globally, the trend of customisation in medications and the increasing complexity of many chronic conditions all work to its advantage as a pharmaceutical compounder. The Group believes that there is no comparable international player that directly competes with it in the large-scale, high quality pharmaceutical compounding business.

Furthermore, the Group believes the quality and scale of its service offerings are difficult to replicate for new entrants due to the increasing regulatory compliance needed for compounding facilities. For example, in the US, the FDA requires Section 503B outsourcing facilities to maintain GMP production and comply with extensive and evolving regulations with increasing federal regulatory oversight. In addition, customer confidence and loyalty depend on an established track record of quality and patient safety, which the Group believes it has in the jurisdictions where it operates, due to its buy and build strategy.

5.3.2 Fagron Trademarks

Due to its unique product offerings of drug delivery vehicles, formulations and know-how, Fagron Trademarks believes, based on its own estimates, that it does not have direct competitors in its key countries of the Netherlands, Belgium, Poland and Brazil. In the US, PCCA and Medisca offer to the market products that are similar to the Group's products.

Through Fagron Trademarks, the Group positions itself as a research and development company and seeks to differentiate itself from competitors which often only sell pharmaceutical raw materials. Fagron Trademarks believes that customers are attracted to its innovative solutions and concepts, which it believes are unique in the market because its products come with instructions and protocols for compounding formulations, supported by stability and compatibility studies, simplifying and streamlining the compounding process for pharmacists. Furthermore, Fagron Trademarks only use high quality ingredients, and its products are developed in cooperation with pharmaceutical compounding customers such as prescribers and pharmacist and therefore cater to the specific needs of its customers. Finally, Fagron Trademarks attracts customers by offering training to pharmacists and prescribers through Fagron Academy.

5.3.3 Fagron Essentials

In its key markets of the Netherlands, Belgium, Poland, US and Brazil, Fagron Essentials operates in consolidated markets and estimates that it holds either the number one or two position as a result of the Group's buy-and-build strategy, the centralised GMP compliant repacking facilities for raw materials and the Group's economies of scale for purchase and repacking of raw materials.

Country	**Main market participants**
The Netherlands	Duchefa, Bifarma
Belgium	2Pharma, Pannoc
Poland	Amara
United States	PCCA, Medisca, Letco Medical
Brazil	Galena, Purifarma, Idealfarma

Fagron Essentials believes that it differentiates itself from competitors because it aims to be the one-stop solution to community and hospital pharmacies, by offering a very comprehensive selection of high quality pharmaceutical raw materials, supplies and equipment with short delivery times. Furthermore, Fagron Essentials has a record of quickly introducing APIs or pharmaceutical raw materials that have just come out of patents.

PART 6
BUSINESS OVERVIEW

6.1 Overview

The Group is a leading global pharmaceutical compounding company, bringing customised pharmaceutical care to hospitals, pharmacies, clinics and patients in 32 countries worldwide.

The Group is active in the following segments:

FSPS: prepares customised medication in 20 sterile and non-sterile compounding facilities in Europe, the US (excluding Bellevue Pharmacy), Colombia and South Africa. FSPS produces customised medication for both specific patients and large-scale production, increasingly (though not exclusively) using the raw materials sourced from its Fagron Essentials segment and the delivery vehicles sourced from its Fagron Trademarks segment.

Fagron Trademarks: develops innovative concepts, drug delivery vehicles and formulations for pharmaceutical compounding developed by Fagron's research and development team, often in close cooperation with prescribers and pharmacies.

Fagron Essentials: reconditions (or repacks) and distributes pharmaceutical raw materials, supplies and equipment that pharmacists need to prepare medication in the pharmacy.

HL Technology: a legacy business which develops and produces innovative precision components and orthopaedic tools for the dental and medical orthopaedic industry.

The Group has a physical presence and direct operations in 18 countries and is active in a further 14 countries in Europe, the Americas, the Middle East, Africa and Asia Pacific.

6.2 The Group's History

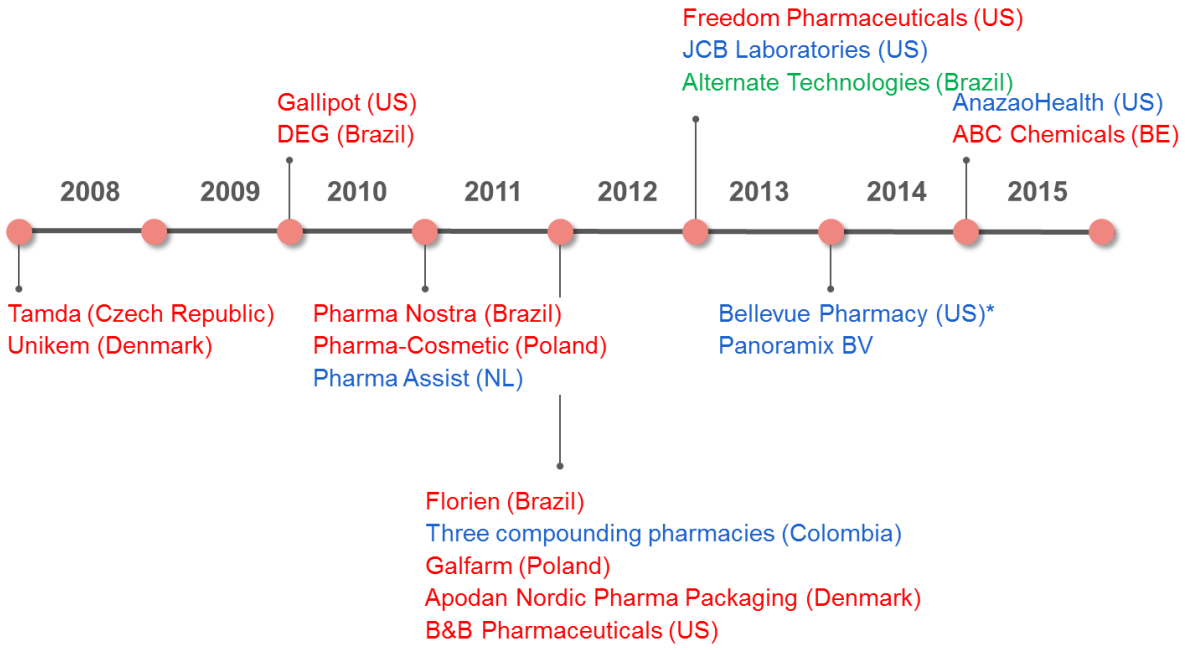
In 1990, Ger van Jeveren founded the Group's business to sell APIs in small quantities to pharmacies. Realising that once pharmacists obtained the required APIs they often also need the supplies and equipment to compound medication for individual patients, Fagron soon began selling pharmaceutical supplies and equipment, along with APIs, to pharmacies. The sale of these APIs, other raw materials, supplies and equipment formed the Fagron Essentials business, which was initially focused on the Dutch market.

During the 1990s, pharmacies in Europe, particularly in the Netherlands, became more regulated and compounded medication needed to meet higher quality assurance and production standards, increasing the time and cost for small community and hospital pharmacies to make their own compounded medication, while simultaneously consumers were increasingly demanding greater efficiency. As a result, community pharmacies either decided to buy semi-finished products or to buy ready-to-dispense non-sterile compounded medication. This gave Fagron the opportunity to sell semi-finished products to community pharmacists, especially in the non-sterile compounding segment, allowing pharmacists to easily complete their compounding by, for example, adding an API to Fagron's cream bases. The sale of these semi-finished products evolved into the Fagron Trademarks business. To meet community pharmacies' demand for ready-to-dispense non-sterile compounded medication, Fagron started to produce non-sterile compounded medication. The sale of such medication evolved into the FSPS business.

The combination of more stringent regulation, the rapid increase in the volume of preparations needed, the complexity of these preparations and an increased focus on quality and efficiency resulted in the global trend of hospital pharmacies outsourcing mainly sterile compounding. Hospital pharmacies are increasingly looking to outsource compounding altogether to GMP compliant compounders and Fagron has sought to capitalise on this shift by obtaining GMP status for most of its facilities. In addition, reductions in government healthcare spending, reductions in private insurance reimbursement and the generally rising cost of healthcare have created opportunities for an increasing proportion of patient care to be provided at home rather than in hospitals or clinics, and Fagron has been able to capitalise on this trend by providing ready to administer products that allow patients to receive customised medication at home. Finally, drug shortages or discontinuations and the general trend towards personalised medication have also contributed to growth of the pharmaceutical compounding market. These trends towards pharmaceutical compounding have shaped the FSPS business.

In 2000, the Group's business was acquired by Omega Pharma. In 2007, the Group's business was one of the key divisions of Arseus, a spin-out of Omega Pharma that combined the group's business-to-business activities. On 5 October 2007, Arseus became publicly listed on Euronext Brussels and Euronext Amsterdam and comprised four divisions: Fagron, Arseus Dental, Arseus Medical and Corilus. Following a strategic analysis of its businesses in mid-2013, the Group sold its dental and medical activities at the end of 2013 and the first half of 2014, and Corilus in March 2015. As a result, the Group has been transformed into a global pharmaceutical compounding company, bringing customised pharmaceutical care to hospitals, pharmacies, clinics and patients in 32 countries worldwide. Consequently, as at 1 January 2015, the company's name was changed from Arseus NV to Fagron NV.

Following an active buy-and-build strategy combined with a healthy organic growth, the Group's business grew from a local player in 2000 to the European market leader in pharmaceutical compounding in 2010. In 2010 the Group's business decided to expand its proven and profitable strategy to other continents. In 2010, it acquired Gallipot, a company based in the US and active in the sale of pharmaceutical raw materials, equipment and supplies for compounding to pharmacies. Gallipot was the Group's first acquisition outside of Europe. In the same year, it also acquired DEG, at the time the number two distributor of pharmaceutical raw materials, equipment and supplies for compounding in Brazil. In addition, in 2011 the Group acquired Pharma Nostra, then the leading supplier of raw materials for pharmaceutical compounding to pharmacies in Brazil. In 2013, the Group acquired Freedom Pharmaceuticals, which has allowed the Group to provide pharmaceutical raw materials and other value added services and compounding training to the US market. In the same year the Group acquired JCB Laboratories, a Section 503B outsourcing facility. In 2014 it acquired Bellevue Pharmacy, a non-sterile compounding facility (which ceased operations in March 2016). In the same year, it also acquired Panoramix BV in the Netherlands. In 2015, the Group acquired AnazaoHealth, a Section 503B outsourcing facility, and a nuclear, pain and intrathecal compounding facility in the US, and ABC Chemicals in Belgium, a company active in the sale of pharmaceutical raw materials (part of Fagron Essentials). A full overview of the acquisitions of the Group since its listing in 2007 is described below. Due to the quality of the Group's organisation and its operational excellence, the Group has integrated these acquisitions quickly and successfully into its organisation.



* Bellevue Pharmacy ceased operations in March 2016

In the graph above, companies in red are active in Fagron Essentials and Fagron Trademarks, while the companies in blue are all FSPS facilities. Alternate Technologies (in green) is active in compounding software.

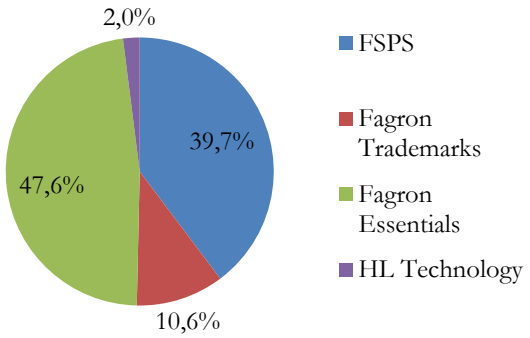
6.3 Business Divisions

Since 1 January 2015, the Group has been operating under four segments:

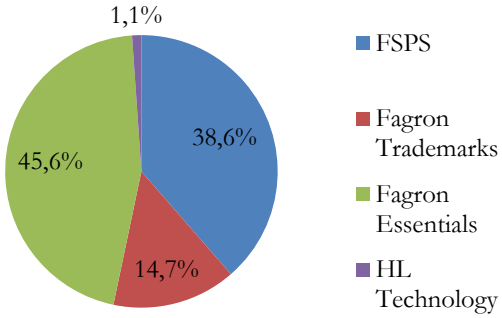
- *FSPS*: prepares customised medication in 20 sterile and non-sterile compounding facilities in Europe, the US (excluding Bellevue Pharmacy), Colombia and South Africa. Sterile medication can be compounded from sterile (sterile-to-sterile or low-medium risk) or non-sterile medication (non-sterile-to-sterile or high risk), and admixture of medication generally refers to sterile-to-sterile compounding. Sterile-to-sterile means mixing two or more sterile substances. Non-sterile-to-sterile means manufacturing sterile compounds using non-sterile pharmaceutical raw materials. Medication can be provided as ready-to-use (which means that the medication must be adjusted before it can be administered to the patient) or ready-to-administer (which means that the medication can be administered to the patient without further adjustment). FSPS produces customised medication for both specific patients and large-scale production, increasingly (though not exclusively) using the raw materials sourced from its Fagron Essentials segment and the delivery vehicles sourced from its Fagron Trademarks segment.
- *Fagron Trademarks*: develops innovative concepts, drug delivery vehicles and formulations for pharmaceutical compounding developed by Fagron's research and development team, often in close cooperation with prescribers and pharmacies.
- *Fagron Essentials*: reconditions (or repacks) and distributes pharmaceutical raw materials, supplies and equipment that pharmacists need to prepare medication in the pharmacy.
- *HL Technology*: a legacy business which develops and produces innovative precision components and orthopaedic tools for the dental and medical orthopaedic industry.

The diagrams below show the relative proportion of Group turnover and REBITDA, by segment and by geographic region.

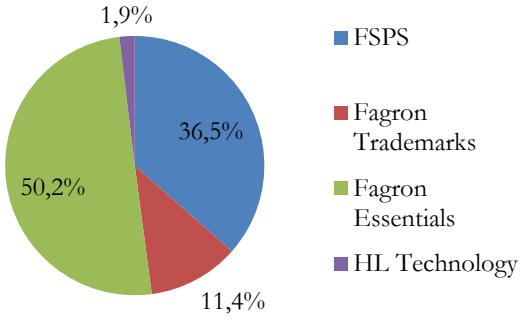
Turnover split for the year ended 31 December 2015



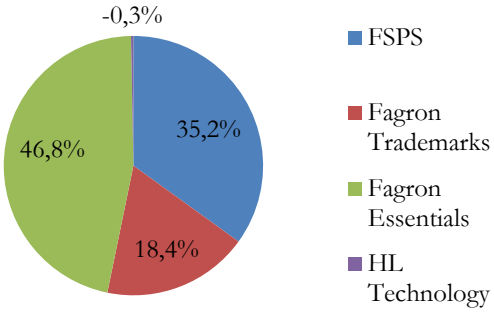
REBITDA split for the year ended 31 December 2015



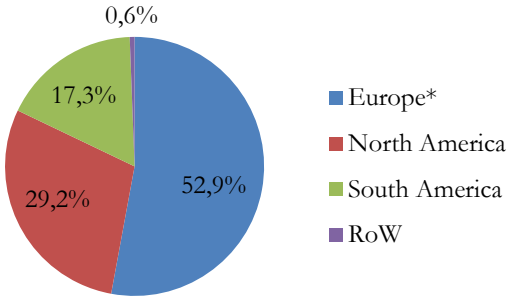
Turnover split for the three months ended 31 March 2016



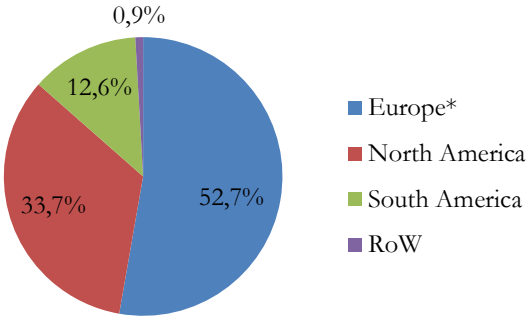
REBITDA for the three months ended 31 March 2016



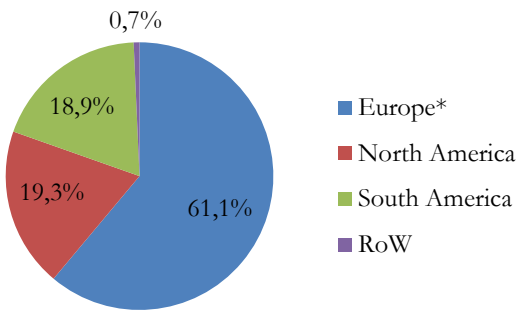
Turnover split for the year ended 31 December 2015



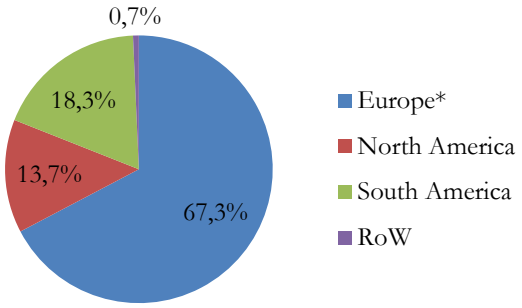
REBITDA for the year ended 31 December 2015



Turnover split for the three months ended 31 March 2016



REBITDA for the three months ended 31 March 2016



*Includes HL Technology

FSPS, Fagron Trademarks and Fagron Essentials each occupy different positions in the pharmaceutical compounding value chain. Fagron Essentials provides raw materials, supplies and third-party branded equipment to enable community and hospital pharmacies to perform their own compounding, thus providing customers with the ability to produce their own compounded medication. Fagron Trademarks provides additional value to customers by providing drug delivery vehicles, formulations and know-how to enable pharmacists to more easily and efficiently complete their compounding with increased patient safety. Therefore, instead of only providing raw materials, supplies and equipment, Fagron Trademarks provides more value-add to customers by giving them additional tools so the customers only need to execute the final phase of the compounding process to create a ready-to-use compounded medication. Highest on the pharmaceutical compounding value chain is FSPS, which supplies ready-to-use or ready-to-administer, tailor-made medication to community and hospital pharmacies and other customers that decided to partly or fully outsource compounding. Together, FSPS, Fagron Trademarks and Fagron Essentials make the Group a vertically integrated player covering the entire pharmaceutical compounding value chain.

The Group's global activities are illustrated by the table below (and presented as at 31 March 2016):

	Physical presence	FSPS Sterile	FSPS Non-sterile	Fagron Trademarks	Fagron Essentials
Europe	Belgium	√	√	√	√
	Czech Republic			√	√
	Denmark			√	√
	France		√	√	√
	Germany			√	√
	Greece		√	√	√
	Italy			√	√
	Poland				√
	Spain			√	√
	The Netherlands	√	√	√	√
	United Kingdom			√	√
North-America	United States	√	√	√	√
South America	Argentina			√	√
	Brazil			√	√
	Colombia		√		
Africa	South Africa	√	√	√	
Asia Pacific(1)	Australia			√	√

Notes:
(1) The China office is only active in the field of procurement of raw materials and the audit of suppliers.

6.3.1 FSPS

FSPS compounds ready-to-use or ready-to-administer, tailor-made medication to meet specific needs of patients. FSPS provides both compounding for individual patients and compounding on a large-scale prior to receiving a specific patient's prescription, for example to stock the inventory of hospital pharmacies for the most commonly prescribed individualised medication. See "*Market Overview*" (*Part 5*) for an explanation of compounded medication, their uses and benefits and the market trends underlying the reasons community and hospital pharmacies and other prescribers outsource compounding to providers like the Group. FSPS accounted for 36.5% of the first quarter 2016 Group turnover and 35.2% of the first quarter 2016 Group REBITDA. FSPS accounted for 39.7% of 2015 Group turnover and 38.6% of 2015 Group REBITDA.

The Group believes that FSPS has one of the broadest offerings in the world for customised compounded medication, and has continued to expand its offerings, as a result of continual innovation and responsiveness to specific customer requests for new products.

FSPS has 20 sterile and non-sterile compounding facilities in Europe, North America, Colombia and South Africa, which supply compounded medication to community and hospital pharmacies, and in the US, South Africa, Colombia and France, also to patients directly. For a list of FSPS' facilities, see "*Business Overview—Business Divisions*" (*Paragraph 6.3* of *Part 6*). FSPS offers two types of pharmaceutical compounds: sterile and non-sterile. For a description of the pharmaceutical compounding production process, see "*Business Overview—Production—FSPS production process*" (*Paragraph 6.6.1* of *Part 6*).

The Group believes that FSPS has consistently and reliably delivered high quality compounded medication with a high degree of process and quality control, which the Group believes is a key differentiator in the compounding market. It utilises compounding facilities, comprehensive standard operating procedures, processes and systems certified by ISO and/or the relevant authorities, and a highly trained workforce of pharmacists and certified pharmacy technicians to create compounded medication in a ready-to-administer form with enhanced safety, labelling, sterility assurance and extended expiration dating that often exceed what community and hospital pharmacies can accomplish on their own. The medications are compounded into forms compatible with various drug delivery mechanisms utilised by community and hospital pharmacies and during treatment of patients at home, which broadens the number of clinical applications supported by FSPS and expands its addressable markets. The Group believes that its compounded medication provides a risk mitigation and cost management solution to its community and hospital pharmacies and pharmaceutical companies, while also improving the overall quality of care provided to patients. FSPS's market position in pharmaceutical compounding allows it to monitor demand trends and react promptly to changes in patient needs and preferences. Furthermore, the knowledge of demand trends often leads to opportunities for Fagron Trademarks to create solutions for such demands.

6.3.1.1 Sterile compounding

Sterile compounds are usually injected or infused drugs that carry a higher risk of infections and other adverse events. Sterility is the absence of viable micro-organisms and sterilisation is the active, validated process in order to kill micro-organisms. It is the most critical step in the preparation of sterile products; see "*Business Overview—Production—FSPS production process*" (*Paragraph 6.6.1 of Part 6*).

FSPS manufactures sterile compound medication for, among others, these key therapeutic categories:

- Pain management, including epidural pain management and patient controlled pain management.
- Hypnotics and sedatives.
- Cancer treatment (oncolytic).
- Eye disease treatment (ophthalmic).
- Infection management (antibiotic).
- Urological treatment.
- Total Parenteral Nutrition ("**TPN**", nutritional formula that feeds a person intravenously).
- Renal dialysis.

Examples of FSPS' sterile pharmaceutical compounds are injections packaged in syringes, vials, ampoules and IV bags, and include products like TPN, cytostatics, medications used during surgery, epidural injections, ophthalmic injections, dialysis products, pain pump syringes and cassettes. Sterile products also include ophthalmic drops used

prior to cataract surgery, topical solutions used to numb pain prior to administering injections or stitches to children, and urological irrigations used to treat bladder cancer. If these products are made only from sterile, approved or otherwise registered (with the relevant authorities) finished products produced by pharmaceutical manufacturers, the process is termed sterile-to-sterile compounding/manufacturing, which is considered low to medium risk compounding. When a compounder manufactures a product using non-sterile pharmaceutical raw materials, the process is termed non-sterile-to-sterile compounding/manufacturing which is considered high-risk compounding. Products compounded using a non-sterile-to-sterile process are then sterilised by moist heat, dry heat, irradiation or any other suitable sterilisation method.

High-quality sterile compounding service providers, such as FSPS, often fill orders to meet the anticipated needs of hospitals in connection with their regular procedures in the operating room, intensive care unit, maternity services and other departments. Additionally, ambulatory surgery centres and dialysis clinics generally maintain a stock of compounded sterile products for everyday use.

In the US, FSPS has historically focused on non-sterile-to-sterile compounding. In Europe, FSPS primarily prepares products using the 'sterile-to-sterile' method (terminology commonly used in Europe). This practice, also called IV admixture (terminology commonly used in the US), is a major focus for Fagron Sterile Services ("**FSS**", an operation within the FSPS segment) in the US in 2016. With this goal in mind, in March 2016 the Group opened a new JCB Laboratories facility focusing on heavily automated sterile-to-sterile production. Not all pharmaceutical raw materials of a sterile compound are available in a sterilised form; therefore non-sterile-to-sterile production remains an important capability. As such, FSPS' ability to offer sterile compounds produced from both sterile-to-sterile and non-sterile-to-sterile compounding is a competitive advantage.

Some sterile and non-sterile compounds are radioactive and are used for, among other things, cancer diagnosis and treatment, and include radioactive capsules, radioactive injections and radioactive seeds. Such compounds are also known as nuclear compounds. Radiation protection during compounding forms an integral part of FSPS's nuclear compounding production and operating process.

In May 2015, FSPS entered the nuclear compounding market through its acquisition of AnazaoHealth in the US, a nuclear, pain and intrathecal compounding facility and was the first nuclear compounding pharmacy permitted to distribute its products nationwide in all 50 states of the US. This acquisition has allowed FSPS to shift a greater proportion of its US sales to sterile compounding, which are mostly directly sold to hospital pharmacies and clinics. Such sales are not directly exposed to the changes in US reimbursement regimes and practices of public and private healthcare providers, thereby decreasing FSPS' exposure to the changes to the reimbursement regime in the US. See "*Business Overview—Reimbursements*" (*Paragraph 6.14 of Part 6*).

FSPS manufactures nuclear compound medication for, among others, these key therapeutic categories:

- Diagnostics relating to detecting diseases/blockages in the brain, lung and gall bladder, cardiac perfusion study, plasma volume studies, thyroid function, liver function, kidney diseases diagnostics, detecting ulcers through white blood cells, tumours of the nervous system and adrenal glands, infection or cancer
- Treatment relating to thyroid cancer, brain cyst, haemophiliacs, tumours and plural or gastric lavage

6.3.1.2 Non-sterile compounding

Non-sterile pharmaceutical compounds include tablets, capsules, liquids, suppositories, creams/ointments and suspensions. These options are typically compounded using APIs in powder form. These APIs are incorporated into vehicles to facilitate alternative drug delivery mechanisms. Other examples may involve incorporating existing commercial medications into ointments, creams, or suspensions. For example, grinding and mixing tablets in an ointment base. Many patients may be unable to take the commercially available dosage forms of existing medications, whether due to difficulty with swallowing or the inability to take oral treatment due to side effects. Additionally, an alternative dosage form such as a topical dosage form could reduce side effects and addiction potential, and deliver the drug at the site of ailment, for example in pain treatment.

FSPS manufactures non-sterile compound medication for, among others, topical pain management, various dermatological conditions, nutrient supplements for mental health or mood disorder, diabetic neuropathy, chronic pain/neuropathy, chronic migraine, hormone replacement therapy, and topical wound management. As more information becomes available on chronic opioid use, topical pain management offers an alternative to traditional oral medications that may produce significant side effects and addiction potential. Prescription nutrient supplement combinations contain ingredients shown to be beneficial in reducing the effects of depression, mood disorders, diabetic peripheral neuropathy, chronic pain and chronic migraines. As many conditions are multifaceted in nature,

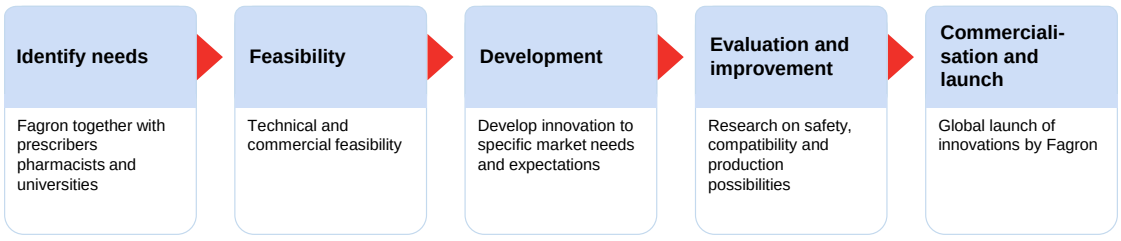
compounding allows drug combinations to be used in treatment while reducing the pill burden of patients, which could lead to improved patient compliance and improved outcomes.

6.3.2 Fagron Trademarks

Innovative concepts, drug delivery vehicles and formulations for pharmaceutical compounding are developed by Fagron's research and development team, often in close cooperation with prescribers and pharmacies. Fagron Trademarks' research and development team of 22 researchers, and over 200 pharmacists located on five continents seeks to develop innovative vehicles, formulations, compounding instructions and combinations of these for pharmaceutical compounding to meet the specific needs and preferences of patients, community and hospital pharmacies and prescribers. A vehicle, also known as a base, does not contain APIs, and can be either mixed with APIs to create a compounded medication or prescribed directly to patients. For example, Fagron Trademarks develops innovative administration vehicles such as emulsion, mixed powder, creams, ointments and transdermal (administer medication through the skin) bases and ready-to-use convenience packs. The creams can also be prescribed to patients directly as basic skincare products. Because Fagron Trademarks' concepts are not ready-to-use drugs, they do not require the lengthy registration or approval processes associated with new drugs and thus can be introduced to markets very quickly. Although not legally required, Fagron Trademarks produces its vehicles in GMP compliant facilities to ensure high quality and to differentiate itself from competitors. Fagron Trademarks accounted for 11.4% of the first quarter 2016 Group turnover and 18.4% of the first quarter 2016 Group REBITDA. Fagron Trademarks accounted for 10.6% of 2015 Group turnover and 14.7% of 2015 Group REBITDA.

In addition to providing Fagron branded vehicles (a liquid or transdermal base for example), Fagron Trademarks also provides additional value to customers by supplying formulations and compounding protocols providing instructions to the pharmacist on how to correctly compound the medication and by supplying stability and compatibility studies done by independent GMP and ISO certified labs which have been audited by the Group. The stability studies inform pharmacists for how long the vehicle and the API will be stable when compounded, and the compatibility studies inform pharmacists which APIs are compatible with the vehicle. Rather than having to conduct their own research and tests, pharmacists can know exactly which APIs can be combined with Fagron Trademarks' vehicles to provide physically and chemically stable customised medication a patient or patient group requires. The formulations and compounding protocols provided also simplifies the pharmacist's work, as he/she can follow the instructions to produce the correct compounding process rather than following steps to produce a compound based on personal experience alone. By supplying formulations, compounding protocols and instructions and stability and compatibility studies along with the vehicle, Fagron Trademarks has simplified and streamlined the compounding process so pharmacists and compounders have everything they need, including knowing which material can be used and how to combine the ingredients, to create compounded medication. For the most commonly used compounds based on its vehicles, Fagron Trademarks has created kits, or convenience packs, that contain the vehicle, pre-weighed APIs and all the preparatory materials needed to prepare and administer the compounded formulation.

Fagron Trademarks' model for the selection and development of non-sterile vehicles focuses on assessing new development opportunities using a five-step process, which includes the identification, feasibility, development, evaluation and improvement, and ultimately commercial launch of selected opportunities. Fagron Trademarks' relationships with prescribers and pharmacists provide it with access to numerous formulation candidates and technologies to develop and realise. Fagron believes that the products provided by Fagron Trademarks are unique. Fagron Trademarks' vehicles are developed in-house but generally produced by third party suppliers in GMP facilities and with ingredients from approved GMP suppliers.



Fagron Trademarks' research and development pipeline includes vehicles for obesity, psoriasis (a type of skin disease) and other transdermal applications. Furthermore, Fagron Trademarks plans to introduce its existing products at an accelerated pace in regions where it is not yet active, such as Asia and the Middle East.

SyrSpend® SF

Fagron's SyrSpend® SF is a group of vehicles for administering compounded oral liquid dosage forms, and was developed in response to a growing demand from community and hospital pharmacies and the pharmaceutical

industry for ready-made, safe and liquid oral administration methods. SyrSpend® SF uses an innovative, active suspension technology that improves accuracy and consistency during dosing, thus improving compounding efficiency and patient comfort. SyrSpend® SF is manufactured entirely from ingredients designated by the WHO, EMEA and FDA as safe for use in children.

In the second half of 2014, Fagron Trademarks introduced SyrSpend® SF compounding convenience packs for the most prescribed APIs compatible with SyrSpend® SF. The pack contains the SyrSpend® SF vehicle, the relevant pre-weighed API and all the preparatory materials needed to prepare and administer the liquid dosage form.

Fagron Trademarks commissioned several independent laboratories to conduct large-scale stability studies, which showed that SyrSpend® SF is compatible with over 100 of the most commonly used APIs so community and hospital pharmacies and other customers can quickly find out whether SyrSpend® SF can be used for their compounded medication. Fagron believes that SyrSpend® SF has the largest scientific API stability database in the market and that this makes SyrSpend® SF the ideal vehicle for compounding and administering oral liquid dosage forms for all patients. SyrSpend® SF has a unique range of products including PH4 powder for reconstitution and the only ready-to-use alkaline vehicle in the market. Three big pharmaceutical companies recently validated and approved SyrSpend® SF for worldwide use in their respective clinical studies with both adults and children.

*Fagron Advanced Derma ("**FAD**")*

Fagron Advanced Derma is a line of Fagron Trademarks vehicles for topical skin treatments. Fagron estimates that seven out of ten compounded medications are for dermatology. Specifically, the vehicle choice for compounded dermatological products accounts for 60-70% of a product's efficacy. Fagron believes that FAD is the global standard for advanced individual dermatological care and offers solutions derived from the latest scientific knowledge of dermatology. With FAD's range of highly compatible vehicles, compounding formulations and stability studies, prescribers and pharmacists can offer their patients tailor-made treatment based on indication and skin conditions. To minimise skin irritation, long-term adverse reactions and allergies, FAD vehicles do not contain harmful, obsolete or controversial ingredients. Fagron's strict selection of ingredients results in vehicles that can be safely used by all patients – including infants, children and the elderly.

*Selective Digestive Decontamination ("**SDD**")*

SDD is marketed as a scientifically proven, cost-effective total treatment solution that decontaminates possible infection sites that ventilated patients in intensive care units ("**ICU**") may develop. Up to 50% of ventilated patients in ICU develop one or more ventilator-associated pneumonia ("**VAP**") episodes. The attributed mortality of VAP for ICU patients in general is around 13%, further increasing to 36% for intermediately ill patients (defined as those with an Acute Physiology and Chronic Health Evaluation score of 20-29) (source: Melsen WG, et al. *Attributable Mortality of ventilator-associated pneumonia: a meta-analysis of individual patient data from randomised prevention studies*, Lancet Infect Dis. 2013 Aug; 13(8):665-71). VAP has been shown to extend the length and cost of patient stay in the ICU by at least seven days and an additional estimated cost of €13,000 (source: Wyncoll D, Camporota L. *Number needed to treat and cost-effectiveness in the prevention of ventilator-associated pneumonia*, Crit Care. 2012;16(3):430).

SDD aims to decontaminate possible infection sites associated with intensive care through intravenous (or parenteral) antibiotics and enteral (oral or tube feeding) non-absorbable antibiotics, thus reducing a patient's likelihood of contracting hospital-acquired infections. Therefore, SDD decreases the attributed mortality and length of stay of ventilated patients in ICU. SDD is suitable for ICU patients expected to receive mechanical ventilation for more than 48 hours and/or an expected ICU stay of more than 72 hours.

Fagron Trademarks' SDD all-in-one total treatment solution targets all possible infection sites and replaces the need for individual antibiotics. Fagron Trademarks' SDD is a ready-to-use product with three components: an oral suspension, a mouth paste and a suppository, each containing non-absorbable antibiotics.

Latanoprost

Latanoprost is an eye drop solution for the treatment of open angle glaucoma and ocular hypertension. As a side effect, Latanoprost may increase growth and pigmentation of eyelashes, including additional lash rows and increased thickness. This side effect of increasing growth and pigmentation of eyelashes has been observed and described in numerous published studies, and later confirmed by other published studies in the treatment of eyelash loss. Given the lack of effective treatment for hair and eyelash loss in the current market, Fagron has researched and developed formulations based on Latanoprost in Fagron vehicles that allow dermatologists and compounding pharmacists to provide their patients with an effective tailor-made treatment for hair and eyelash loss.

CapsiCards® System

In 2014, Fagron Trademarks introduced the Fagron CapsiCards® System. This system offers community and hospital pharmacies the option of filling capsules in an easy, quick and hygienic manner. The Fagron CapsiCards® System consists of an encapsulation device and the CapsiCards®. The CapsiCards® contain 50 or 60 empty capsules and enable 100 to 120 capsules to be filled in one setting.

Other products

Fagron Trademarks' research and development team has developed a range of innovative pharmaceutical base creams that enable pharmacists themselves to prepare specific creams that administer medication via the skin, or transdermally. An example is Pentravan®. Transdermal administration enables the treatment of conditions locally using lower doses, making it more user-friendly (than injections, for instance) and minimising side effects. Pentravan® is often used for treatments involving hormones, anti-inflammatories and pain medication, and for patients who have difficulty taking medication orally.

6.3.3 Fagron Essentials

Fagron Essentials reconditions (or repacks) and distributes pharmaceutical raw materials, supplies and equipment pharmacists need to compound medication worldwide. Fagron Essentials sell to community and hospital pharmacies as well as veterinary clinics and pharmaceutical companies, and also supplies the materials to FSPS to produce compounds. Fagron Essentials believes that it provides value because raw materials are often sold in bulk rather than in the small quantities pharmacists need, and in most countries, fractioning, or repacking materials in bulk into small quantities is required to be done in GMP facilities. Fagron Essentials fractions bulk material into small quantities in its GMP compliant facilities, thus providing pharmacists with the small quantities of raw materials and supplies and equipment they need while also providing assurance to pharmacists of the high quality and regulatory compliant nature of its repacked raw materials, supplies and equipment. Additionally, most Fagron Essentials products ships to customers within 24 hours and, depending on the location of the customer, are received by the customers within the 24 hour timeframe, allowing Fagron Essentials to charge a premium for the turnaround time. Furthermore, Fagron Essentials carries a much larger selection of raw materials (over 2,500) than most of its competitors which typically carry the most common 100 or so APIs. Fagron Essentials accounted for 50.2% of the first quarter 2016 Group turnover and 46.8% of the first quarter 2016 Group REBITDA, Fagron Essentials accounted for 47.6% of 2015 Group turnover and 45.6% of 2015 Group REBITDA.

6.3.3.1 Pharmaceutical raw materials

Fagron Essentials' product range includes over 2,500 raw materials, such as amino acids, antibiotics, corticosteroids, hormones, opiates, vitamins, alcohol and excipients, bought in bulk from selected and qualified suppliers who are required to comply with strict quality standards. All raw materials purchased must pass an acceptance and quality check according to the most recent medicinal guidebooks, or pharmacopeia, and are provided with certificates of analysis. Then, in the Group's GMP clean room facilities, the pharmaceutical raw materials are packaged into approximately 6,500 different forms of packaging that are sold to community and hospital pharmacies under the Fagron brand. With respect to each of the 750 pharmaceutical raw materials with the highest gross margins (together representing a substantial proportion of Fagron Essentials' margin in 2015), Fagron Essentials aims to have a single product specification with multiple sourcing strategies to provide high reliability at a competitive cost of procurement. For further information on Fagron Essentials' sourcing strategy and sourcing platform, see "*Business Overview—Suppliers*" (*Paragraph 6.8* of *Part 6*). Fagron Essentials also supplies FSPS's facilities worldwide, although Fagron Essentials is not the exclusive supplier to FSPS facilities.

6.3.3.2 Pharmaceutical supplies and equipment

The supplies and equipment Fagron Essentials provides include semi-finished goods used in pharmaceutical compounding such as distilled water, basic solutions, powder mixes, and cream and ointment bases, pharmaceutical packaging materials such as capsules, bottles, vials, blister packs and boxes, as well as equipment used by pharmacists to perform compounding, such as weighing balances, pestles and mortars, and packaging equipment such as capsule machines.

6.3.3.3 Sourcing

Fagron Essentials has central purchasing, quality control, sample testing and audit office in China (Shanghai), Brazil (Sao Paulo), US (Minneapolis) and the Netherlands (Rotterdam), on each of the continent on which Fagron does business, to consolidate the purchase of pharmaceutical raw material globally and perform on-site GMP audits of suppliers. It has full visibility on the supply chain of over 2,500 pharmaceutical raw materials, resulting in 100% traceability.

Furthermore, as approximately 70% of the purchase value of raw materials is manufactured in Asia, mainly in China and India by local suppliers, Fagron's Shanghai office strengthens relationships and communication with its strategic suppliers.

During the second quarter of 2015, Fagron Essentials initiated a project to optimise its product portfolio and repacking and distribution process. It had phased out a portion of its non-strategic, low-margin products (outside its top 750 raw materials with the highest gross margins) that tend to have low turnover ratio.

6.3.4 HL Technology

HL Technology develops and produces innovative precision components and orthopaedic tools for the dental and orthopaedic industry, and is the legacy business remaining after the disposal of Fagron's dental and medical activities in 2013 and 2014. In 2014, HL Technology developed Hader Click + R for orthopaedic surgery applications and Colonsay for pain management through neurological stimulation. In 2015 and in the three months ending 31 March 2016, HL Technology generated turnover of €9.5 million and €2.0 million, respectively, and REBITDA of €1.2 million and negative €0.1 million, respectively.

Hader Click + R is a torque limiter, which is regularly used in orthopaedic surgery, such as spine, knee, hip, shoulder and small-joint surgery, to secure implant screws. A torque limiter functions to prevent over-tightening of implant screws as well as allow the ability to remove the implant screws in the second surgery. Hader Click + R has a patented solution providing a ratcheting function on top of the former Hader click torque limiting function. Combining the functions of torque limiting and ratcheting, the latter acting as a screw driver for the torque limiter, the Hader Click + R allows surgeons to use only one product to perform two functions, thus potentially saving a significant amount of time during surgery. This device is intended to function without maintenance and recalibration during its intended lifetime of three years.

In 2015 HL Technology developed two new types of torque wrenches: EASY for the orthopaedic market and OMEGA for the dental industry. EASY is being developed as a sterile single-use torque limiting device. Its single-use feature is intended to eliminate the costs and risks associated with the requirement of device traceability by product type and batch, the need for trained personnel to properly recycle traditional torque limiting devices, the risks of defective sterilisation or contamination or incomplete surgical kit. This product remains in development and testing and is expected to be introduced to the market by late 2016 or early 2017. OMEGA is the next generation of universal dental torque wenches (used to secure a fastener in dental implants) compatible with all brands of dental implants.

Colonsay is a neuro-stimulation device for pain management, and represents HL Technology's first foray in the neuro-stimulation market. Colonsay is now being sold to a single customer for resale.

6.4 Strategy

The Group's overall strategy is built upon six strategic pillars:

- ***High added value products, concepts and solutions***: the Group sells products, concepts or services which it believes will provide high levels of added value, allowing the Group to generate premium prices and differentiate itself from competition.
- ***Innovation and own brands***: the Group aims to realise a minimum of 10% of sales in any given year from products and concepts introduced during the last three years. Innovation is and will be one of the critical success factors for sustainable growth in the coming years. The Group expects to further expand its own global and local brand portfolio (e.g. SyrSpend® SF, Fagron Advanced Derma and Pentravan®).
- ***Global presence***: the Group seeks to strengthen its global market leadership and realise economies of scale such as harmonised processes and procedures, central procurement and repacking of APIs, research and development, shared knowledge, experiences and studies and cross-selling opportunities.
- ***Operational excellence***: the Group seeks to continually optimise its production, supply chain, information technology and front and back office processes to ensure it continues to deliver high quality products and create profitable growth through capital expenditures intended to develop its IT infrastructure and operational efficiencies.
- ***Buy and build***: the Group aims to grow through a combination of organic growth and acquisitions. The Group has built a strong track record of acquiring and integrating businesses and achieving strong margin improvement as a result. The Group believes it is the leading consolidator in the fragmented niche market of pharmaceutical

compounding and intends to continue seeking acquisitions that would be complementary with its core businesses. The Group does not presently expect to engage in any acquisitions activities through at least the end of 2016.

- ***Strengthening customer relationships through education***: the Group provides training to both pharmacists and prescribers to enhance their pharmaceutical compounding knowledge, such as through the Fagron Academy, available in all countries where the Group is active to educate prescribers and pharmacists about pharmaceutical compounding and its unique added value for their patients. Additionally the Group has implemented a free database, Compounding Matters, where prescribers can find compounding formulations by indication and print out customised prescriptions, and pharmacists can find customised formulations along with the required compounding methods and protocols.

The Group believes that these strategic pillars will allow it to capitalise on the key growth drivers of the pharmaceutical compounding industry discussed in "*Market Overview—pharmaceutical compounding overview—Growth drivers*" *(Paragraph 5.1.3 of Part 5)*.

The Group's three primary business segments, FSPS, Fagron Trademarks and Fagron Essentials each occupy different positions in the pharmaceutical compounding value chain and together they make the Group a vertically integrated player covering the entirety of that value chain. The individual strategic focus of each segment is described below.

The proceeds of the Offering will be used to deleverage the Group (see "*Reasons for the Offering and Use of Proceeds*" (*Part 13*)), which will enable the Group to pursue its strategy.

6.4.1 FSPS

The strategy of FSPS is to capture market opportunities both in Europe and the US within the sterile compounding market, with sterile-to-sterile compounding offering the most growth potential as a consequence of the increasing trend for hospital pharmacies to outsource compounding. At the same time, not all pharmaceutical raw materials of a sterile compound are available in a sterilised form; therefore non-sterile-to-sterile production remains an important focus of FSPS, particularly in the Netherlands where the majority of the sales of FSPS are in the non-sterile segment. As such, FSPS' ability to offer sterile compounds produced from both sterile-to-sterile and non-sterile-to-sterile compounding is and will continue to be a competitive advantage. Currently in the Netherlands and Belgium, hospital pharmacies still perform the majority of sterile compounding in-house and in the US, the Group estimates that hospital pharmacies still perform approximately 80% of sterile compounding in-house. Furthermore, regulations in Europe and the US increasingly require compounding facilities to be compliant with GMP, and local small community and hospital pharmacies typically do not have the order volume or the financial resources to meet the more stringent regulatory requirements in a cost-effective manner.

In Europe, the Group believes that hospital pharmacies in the Netherlands and Belgium have the potential to reduce their in-house compounding to outsourcing compounders like the Group. FSPS also aims to further develop the existing facilities in the Netherlands and Belgium by introducing new products and increasing its share of the hospital pharmacies market. In the Netherlands, the Group is also planning to open a new antibiotic facility in Hoogeveen. At the same time, the Group plans to maintain and further its customer relationships and sales in the non-sterile compounding business. Moreover, the Group is investigating entry into new geographic markets in the medium term.

In the US, the regulatory environment is encouraging hospital pharmacies to increasingly outsource sterile compounding to Section 503B outsourcing facilities as the risk of contamination in the compounding production process is higher in hospital pharmacies (as hospital pharmacies, unlike outsourcing facilities compliant with FDA Sections 503A or 503B, do not have to comply with FDA regulations regarding compounding). Patient safety became a very important issue after the accident at the New England Compounding Center in 2012; see "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—The Group faces risks relating to order fulfilment and execution and relating to the safety and quality of its products or of pharmaceutical compounds more generally*" (*Paragraph 3.1.14* of *Part 3*). FSPS currently has three Section 503B outsourcing facilities and has the second largest capacity in the US market (after PharMEDium), and intends to expand its market share by offering hospital pharmacies a one-stop solution, offering both high and low-medium risk sterile compounding. With this goal in mind, the Group has recently, in March 2016, opened a new facility in the US focusing on heavily automated sterile-to-sterile production. Furthermore, with the cessation of Bellevue Pharmacy operations the Group ceased the reimbursement-based portion of its US non-sterile compounding business while its remaining US non-sterile compounding business, such as AnazaoHealth's BHRT, is cash-based. Furthermore, to improve the profitability of the Group's US business, in the second half of 2015 the Group started a cost-saving program and invested in a new sales team.

6.4.2 Fagron Trademarks

Fagron Trademarks' strategy is to further develop new innovative solutions and concepts generated by its research and development team, in close cooperation with prescribers, pharmacies and key opinion leaders and therefore cater to the specific needs of the customers. This strategy consists in not only developing new products, but also building an entire concept around the product. This concept includes stability and compatibility studies, compounding protocols and formulations which are all value-add by simplifying and streamlining the compounding process, and supplied to the customer along with the product itself. Fagron Trademarks seeks to strengthen its customer relationships through increased sales coverage of existing customers such as community pharmacies as well as new customer segments such as hospital pharmacies and clinics.

Fagron Trademarks also seeks to continue marketing its products and services by offering training to pharmacists and prescribers through Fagron Academy. Furthermore, Fagron Trademarks plans to introduce its existing products at an accelerated pace in regions where it is not yet active, such as Asia and the Middle East.

Through Fagron Trademarks, the Group positions itself as a research and development company and seeks to differentiate itself from competitors some of which only sell pharmaceutical raw materials. Since most of the Fagron Trademarks products are Fagron branded, when Fagron Trademarks products are prescribed by physicians, the Fagron brand is continually reinforced to such physicians, pharmacists and their patients. In this way, Fagron Trademarks endeavours to create recurring sales and strengthen the loyalty of customers to Fagron generally, not only to Fagron Trademarks. For example, as part of the Group's effort to improve the profitability of its US business, it has also increased direct sale of Fagron Trademarks' products to hospitals.

6.4.3 Fagron Essentials

Fagron Essentials' strategy is to be the one-stop solution to community and hospital pharmacies by offering a very comprehensive product portfolio of pharmaceutical raw materials, supplies and equipment with high quality and short delivery times. Furthermore, Fagron Essentials offers advanced e-business tools to enable pharmacists to easily manage their own compounding supply chain.

Fagron Essentials has a high market share in most countries in which it is active. Fagron Essentials seeks to maintain or expand its existing market shares through innovation, high quality and quick introduction of APIs or pharmaceutical raw materials that have just come out of patents. At the same time, Fagron Essentials seeks to position itself as a 'premium essentials' business by focusing on the Group's top 750 raw materials with the highest gross margins, in an effort to maintain its gross margins, as well as generating premium prices by providing customers with added value through certificates of analysis, short delivery times and much larger selection of raw materials than competitors.

6.5 Strengths

6.5.1 Unique position across the pharmaceutical compounding value chain

The Group believes that it is the only company operating on a global scale that offers a one-stop solution to community and hospital pharmacies, clinics and other customers of pharmaceutical compounding. Pharmaceutical compounding is a niche market within the pharmaceutical industry. Compounds are tailor-made to the specific conditions of patients, therefore the demand for a particular compounded medication is generally relatively small, making compounding an uninteresting market for traditional pharmaceutical companies (including generic pharmaceutical manufacturers).

Within this niche market, the Group's three business segments, FSPS, Fagron Trademarks and Fagron Essentials occupy different positions in the pharmaceutical compounding value chain. Together, the three segments constitute a vertically integrated player covering the entirety of that value chain. Unlike branded and non-branded medication, compounded medication does not need to undergo a registration process like new drugs. As such, FSPS is able to introduce new compounds customised to meet the specific conditions of patients as soon as the patents or registrations on the ingredients of the compounds expire. Similarly, Fagron Trademarks is able to introduce new and innovative vehicles, concepts or formulations based on APIs or other pharmaceutical raw materials, and Fagron Essentials is able to sell APIs or other pharmaceutical raw materials as soon as the patents or registrations on these materials expire.

Given its unique position, high quality and ability to provide products on very short notice to its customers, the Group's products generally generate relatively high gross margins. In FSPS and Fagron Trademarks, the Group believes it has limited global competition due to its leading scale, high quality products and reputation. In Fagron Essentials, the Group believes it occupies leading market positions in the jurisdictions where it operates, and is able

to generate premium prices by providing customers with added value through certificates of analysis, short delivery times and much larger selection of raw materials than competitors. Across all its segments, the Group's central purchasing and quality control office in China (Shanghai) as well as Brazil (Sao Paulo), US (Minneapolis) and the Netherlands (Rotterdam) provide a unique ability to monitor and control its supply chain to ensure safety, quality and GMP compliance.

6.5.2 Global presence in selected markets with scale advantages and strong reputation

The Group has leading or significant positions in the markets where one or more of its segments are active, and where either community and hospital pharmacies have been encouraged to outsource compounding (the Netherlands and later Belgium, both FSPS) or have the biggest growth potential (the US (FSPS) and Brazil (Fagron Trademarks and Fagron Essentials)). The Group's presence in these key markets enables it to capitalise on economies of scale, cross selling opportunities, cost and product synergies and exchange of best practices. For example, the scale of the Fagron Trademarks business has allowed it to commission several independent laboratories to conduct large-scale stability studies for SyrSpend® SF, demonstrating that SyrSpend® SF is compatible with over 100 of the most commonly used APIs so community and hospital pharmacies and other customers can quickly find out whether SyrSpend® SF can be used for their compound. The scale of the Group's business also allow it to create central purchasing and quality control offices, auditing suppliers from which the Group purchases pharmaceutical compounding raw materials, supplies and equipment to ensure safety, quality and GMP compliance.

The Group's reputation and long-standing track record of providing education and other active engagement with prescribers and pharmacists, global scale, product breadth and proven ability to consistently deliver high-quality compounds, vehicles and compounding raw materials, supplies and equipment in short timeframes help define its leading market position and solidify its customer loyalty. In addition, heightened regulatory standards in many jurisdictions are increasing compliance costs for preparing pharmaceutical compounds for both providers of outsourced compounding such as the Group and community and hospital pharmacies. The Group believes its size and scale allows it to better monitor and understand evolving regulations across multiple jurisdictions as well as absorb the resulting costs while maintaining industry leadership in patient safety and quality initiatives.

6.5.3 Commitment to quality and safety

The Group believes it is well-positioned to address the changing regulatory environment in light of its significant investments in quality and patient safety systems and processes. Most of the Group's facilities are GMP compliant, even where local regulations do not required GMP. In the US the Group has registered all of its facilities with the FDA as either Section 503A or Section 503B outsourcing facilities. Although the Group is not legally required to do so, it produces all of Fagron Trademarks' products in GMP facilities, and sources most of Fagron Essentials' materials from GMP compliant suppliers, audited by the Group, analysed by either the Group's own or third party laboratories to check conformity with GMP, and repacked in GMP facilities. The Group's high level of compliance reflects its continued commitment to quality and patient safety with enhanced process requirements, compliance and information transparency. The increased oversight and regulation of pharmaceutical compounding by regulators, together with customers' heightened focus on quality and safety, also heightens the barrier to enter the pharmaceutical compounding market and reinforces the Group's position in the industry as a quality-focused compounding provider.

6.5.4 Supportive demographic, market and regulatory trends

The Group operates in a niche growth market. The aging population around the world and the consequent increase in chronic illnesses, individual intolerancies and other conditions have led and is expected to lead to growing demand for compounded medication. Market forces such as healthcare cost pressures on public and private providers, as well as the rise of home care and the trend towards personalised medication generally also contribute to further demand for compounded medication. Furthermore, drug shortages (for example due to a surge in demand) and drug discontinuations also result in more demand for compounded medication. The increasing regulatory oversight of compounding in Europe and the US have encouraged community and hospital pharmacies to outsource compounding to reduce their compliance obligations, reduce costs and inefficiencies associated with in-house compounding and reduce risks of contamination. The Group turnover generated from hospital pharmacies increased from 2013 to 2015 and the Group believes that it will continue to benefit from such trends.

6.6 Production

6.6.1 FSPS production process

In a FSPS facility, an example of a sterile-to-sterile compounding production process is:

- Warehouse incoming goods: all incoming goods, which includes APIs, packaging materials and other inputs, are received in the warehouse, released by a qualified person ("**QP**") and stored until use in compounding.
- Clean compounding supplies and equipment: this is the first step in a four-step cleaning process to minimise contamination risk for both particles and microbes. The supplies and equipment to be used in compounding are cleaned with a disinfecting agent.
- Transfer into clean room: the supplies and equipment are transferred into the first clean room.
- Clean supplies and equipment in clean room: the supplies and equipment are cleaned a second time.
- Transfer to the compounding clean room: the supplies and equipment are transferred into a second clean room where products are compounded in a sterile environment.
- Batch record administration: all necessary information is recorded in the batch record.
- Prepare for compounding: the supplies and equipment are cleaned for the third time, removing all particles and microbes, and the materials are prepared for compounding.
- Compounding: critical areas, that is, the actual clean room where compounding takes place, are cleaned a fourth and final time, prior to the compounding of the medication. The medication is then compounded.
- Visual analyses: visual inspection of the compounded medication to assure good composition, colour, absence of air etc.
- Packaging: the compounded medication is packed to allow for good distribution practice ("**GDP**") compliant shipping.
- Microbiology analyses: routine microbiological samples are gathered and sent to the laboratory for incubation and continuous evaluation and monitoring of sterility.
- Complete batch record: the batch record is completed and the cleanroom and laminar flow systems-hoods are cleaned and disinfected. The compounded medication is released by a QP and shipped to customers for use.

In general, sterile compounds are required to undergo expensive sterility and stability testing to achieve extended beyond-use dates to assure quality and improve patient safety.

6.6.2 Fagron Trademarks production process

Fagron Trademarks' vehicles are produced either at the Group's own facilities or by contract manufacturing. In both cases, first the Group's research and development researchers develop the formulation which will be produced. Then the vehicles are produced on a large-scale according to GMP standards. In the case of a contract manufacturer, agreements are put in place, including a quality agreement and a service level agreement. Contract manufacturers are physically audited by the Group's global quality team before the technical transfer may take place.

Fagron Trademarks' vehicles are produced in the following process:

- The global quality team performs supplier qualification and qualification of all materials used centrally.
- Procurement of the goods needed: centralised procurement assures optimal balance between price and quality.
- Quarantine of incoming goods: materials are stored until the laboratory analysis confirm they can be used in the production process.
- Laboratory analysis of incoming goods: the materials undergo chemical, physical and/or microbiological analysis. In Europe each material undergoes three full analyses that are performed by a third party. In the US each material undergoes one full analysis and is performed in-house. In Brazil, there is always a full analysis for the same API from the same supplier.
- Release of incoming goods for production: materials are released for production.

- Production according to GMP production protocol.
- Batch record administration: all necessary information is recorded in the batch record.
- Cleaning and line-clearance of the production room: cleaning and line-clearance are being performed after each production runs to prevent cross-contamination or mix-up.
- Quarantine of the product: materials are stored until the final laboratory control confirm they can be released for shipment.
- Final laboratory control of the product: the product undergoes chemical, physical and/or microbiological analysis.
- Release of the product: the product is released by authorised person and shipped to customer.

6.6.3 Fagron Essentials reconditioning process

Fagron Essentials sells many different materials. The process below describes the reconditioning of an API. All steps are performed to GMP standards.

- The global quality team performs supplier qualification and qualification of all materials used centrally.
- Procurement of the goods needed: centralised procurement assures optimal balance between price and quality.
- Quarantine of incoming goods: materials are stored until the laboratory analysis confirm they can be used for repacking.
- Laboratory analysis of incoming goods: chemical, physical and/or microbiological analysis of the materials is carried out. In Europe each material undergoes three full analyses and are performed by a third party. In the US and Brazil each material undergoes one full analysis and is performed in-house.
- Release of incoming goods for reconditioning.
- Reconditioning according to the reconditioning protocol in a cleanroom.
- Batch record administration: all necessary information is recorded in the batch record.
- Cleaning and line-clearance of the reconditioning cleanroom: cleaning and line-clearance are being performed after each production runs to prevent cross-contamination or mix-up.
- Quarantine of the product: materials are stored until the final laboratory control confirm they can be released for shipment.
- Final laboratory control of the product: the product undergoes chemical, physical and/or microbiological analysis.
- Release of the product: the product is released by authorised person and shipped to customer.

Between the steps in the reconditioning process, samples of materials are transported from the Group's facilities to laboratories (own or third party) by selected third party transport companies.

6.6.4 Production facilities

The Group's production facilities provide a highly automated, and highly specialised environment for its compounding operations and for conditioning pharmaceutical raw materials for distribution to pharmacies. The Group provides certificates of analysis and material safety data sheets, accessible to its customers online, to testify to the composition and quality of its compounded products and pharmaceutical raw materials. Furthermore, the Group's logistics operations, including warehouses in the Netherlands, Belgium, Germany and Spain, are GDP compliant and subject to regular quality audits. By maintaining higher standards than required by EU regulation, the Group is well positioned should regulations become stricter in the future. For more information on the Group's facilities, see "*Business Overview—Property, plant and equipment*" (*Paragraph 6.11* of *Part 6*).

6.7 Sales and marketing

As each of FSPS, Fagron Trademarks and Fagron Essentials occupy a different position on the pharmaceutical compounding value chain, Fagron's sales and marketing strategy is not differentiated by business segments. Rather, Fagron plans its sales and marketing strategy based on geographic region. The Group may offer products from

FSPS, Fagron Trademarks or Fagron Essentials, or combinations thereof, depending on customer preference, market trends and the regulatory environment of each country. For instance, the Netherlands is a pioneer in the EU in outsourcing compounding, so the FSPS business, both sterile and non-sterile, is firmly established in the Netherlands (approximately 44.3% of the FSPS turnover in 2015 was generated in the Netherlands). Italy, on the other hand, prohibits pharmacists from outsourcing compounding, so Fagron targets the sale of vehicles, semi-finished products, raw materials and compounding supplies and equipment in Italy via Fagron Trademarks and Fagron Essentials. The US also has a tradition of outsourcing compounding so the FSPS business, along with Fagron Trademarks and Fagron Essentials, is firmly established. In Belgium, up until two years ago community and hospital pharmacies could not outsource compounding completely by regulation, so historically the Group focused on Fagron Trademarks and Fagron Essentials. Since outsourcing has been allowed two years ago, thus the Group has been focusing on marketing FSPS in Belgium as well. Currently, the Group is the only outsourcing compounder in Belgium. In Poland, individual APIs and vehicles need to be registered before they can be sold, creating barriers to entry for small API suppliers who may lack the scale and resources to register APIs they wish to sell. Fagron Essentials has registered approximately 150 APIs, so the Group focuses on the Fagron Essentials business in Poland. In Brazil, there are approximately 7,250 compounding-only pharmacies in addition to approximately 25,000 regular community pharmacies. If the Group introduces its FSPS business in Brazil, it would be competing directly with these compounding-only pharmacies and community pharmacies, which are customers of its Fagron Trademarks and Fagron Essentials businesses. As such, the Group only focuses on marketing the Fagron Trademarks and Fagron Essentials businesses in Brazil.

In each country, each of the local subsidiaries of FSPS, Fagron Trademarks and Fagron Essentials focuses its marketing efforts on community and hospital pharmacies and prescribers, such as dermatologists, paediatricians, geriatricians and oncologists. The Group has a fully integrated global sales network comprised of 385 experienced professionals located throughout Europe, US, Brazil, Colombia, South Africa and Australia, targeting roughly 2,500 hospital pharmacies and 50,000 community pharmacies. With respect to Fagron Trademarks, the local sales and marketing teams receive central support from the global marketing and innovation team. Sale practices differ by country and customer type, with most sale orders from small to medium sized community and hospital pharmacies and pharmaceutical companies still placed by fax, phone or with the Fagron sales representative. In most jurisdictions, customers can also place orders online via the Group's websites and other internet shops.

6.7.1 Customers

The Group's customers consist of community and hospital pharmacies (and including large pharmacy chains such as Mediq and Alliance in the Netherlands), clinics and patients. The following illustration lists customers by segment:

- *FSPS*: community and hospital pharmacies, private clinics, outpatient ward where both general and specialist examinations are available to outpatients
- *Fagron Trademarks*: community and hospital pharmacies, pharmaceutical companies, outpatient ward where both general and specialist examinations are available to outpatients
- *Fagron Essentials*: community and hospital pharmacies, veterinary clinics, pharmaceutical companies

In 2015, approximately 52% of the Group's turnover was generated in Europe, 30% in the US, 17% in Brazil and the remainder in the rest of the world. For further discussion of the impact of cash versus reimbursement payment methods, see "*Operating and Financial Review—Factors Affecting Results of Operations—Reimbursement levels*" (*Paragraph 8.2.1 of Part 8*). The Group has framework agreements with certain large community and hospital pharmacies and pharmaceutical companies and in general has no formal agreement with small community pharmacies.

6.7.2 Customer education

An integral part of the Group's marketing strategy is educating and promoting the benefits of compounded medication to prescribers and pharmacists. The Group has set-up Fagron Academies in all countries where it is

active, to educate prescribers and pharmacists about pharmaceutical compounding and its unique added value for their patients. Through courses and training, Fagron Academy aims to expand the prescribers' and pharmacists' knowledge and skills in pharmaceutical compounding. The Group believes that it offers the most extensive training and educational opportunities on, among other things, pharmaceutical compounding techniques, evaluation of materials and usage, dosage forms and quality and safety of procedures.

The Group has also implemented a global initiative, Compounding Matters, that offers pharmacists and prescribers a broad range of specific formulations linked to particular illnesses which they can prescribe. Compounding Matters provides a scientific evidence-based selection of formulations for customised medication designed to meet individual patient needs. In this free database, prescribers can find compounding formulations by indication and print out customised prescriptions, and pharmacists can find customised formulations along with the required compounding methods and protocols.

Finally, the Group created Fagron Bookstore as a channel where pharmacists can purchase literature, selected by Fagron pharmacists, about the compounding of customised medication to support the common goal of improving patients' quality of life. The Group hopes this channel will enable pharmacists to expand their knowledge of pharmaceutical compounding and provide their colleagues with more information about compounding solutions.

The Group has set up the Fagron's Partner Program to allow its customers to benefit from its pharmaceutical compounding knowledge through free access to the Compounding Matters database, Fagron Academy and the availability of Fagron Bookstore. The Group's customers also help build pharmaceutical compounding knowledge in their communities by donating their Partner Program reward points to Fagron University, Fagron Global Management Program or Fagron Foundation. Fagron University provides compounding courses to students, and Fagron Global Management Program provides international work experience with the Group to talented young professionals with a pharmaceutical or related master's degree.

6.8 Suppliers

As the Group is a vertically integrated compounder offering products from basic pharmaceutical raw materials to finished pharmaceutical compounds that can be administered directly to patients, it can aggregate sourcing needs from its three segments wherever possible, creating economy of scale to save cost and increase efficiency. In some cases, FSPS and Fagron Trademarks may source materials and supplies from third party sources, rather than Fagron Essentials, for example because Fagron Trademarks outsources production to some independent manufacturers who may have existing suppliers. In such cases, these third party suppliers must comply with the Group's stringent quality requirements.

6.8.1 Sourcing platform

Fagron has worked to establish an efficient sourcing and supply chain team on each continent where it operates. Each team has local expertise in sourcing, selecting and contracting raw materials, packaging and equipment and supplies, understanding market requirements, following new developments and maintaining contact with suppliers. Fagron utilises a supplier performance tool to follow the supply performance of each shipment based on timeliness of delivery, accuracy of product specification and shelf life and completeness of documentation.

In addition to activities for the local market, the local sourcing and supply chain teams also support the other sourcing teams worldwide, coordinated by the global purchase and supply chain team. The local sourcing teams are involved in sourcing, contracting, stock management, import and export, logistics and contract manufacturing of all raw materials, packaging and equipment and supplies to select the most reliable solution with the lowest integrated cost.

6.8.2 Sourcing strategy

With respect to the suppliers of the Group's top 750 raw materials with the highest gross margins (combining sourcing for FSPS, Fagron Trademarks and Fagron Essentials), the Group has established a sourcing strategy, executed by the regional central procurement departments in Minneapolis, Sao Paulo, Rotterdam and Shanghai. For the Group's top 750 raw materials with the highest gross margins, the Group chooses three globally approved suppliers. Concentration risk is mitigated by the fact that most of the pharmaceutical raw materials, equipment and supplies used by FSPS and Fagron Trademarks, or sold by Fagron Essentials, are available from multiple suppliers and in sufficient quantities to meet the Group's needs. However, for a small number of raw materials (less than 5% of Fagron Essentials' sale value), the Group only has a single supplier for each. These consist primarily of opiate raw materials which are under strict local regulation. In such cases, the Group aims to establish and maintain good working relations commitment with the suppliers in order to ensure sufficient supply to meet customers' needs.

The Group's top five suppliers represented approximately 37% of the cost of goods sold in 2015. Part of the Group's strategy is not entering into formal contracts with suppliers so that it retains flexibility in changing suppliers or the terms of the supply relationship. For example, the Group does not have formal supply contracts with most of its suppliers in China and India unless exclusivity with the Group is required. The Group believes its procurement provides its suppliers with a strong and unique sales and distribution channel for their existing products, and that strong relationships with key suppliers forged over multiple years and significant purchase volumes, enhanced by its buy and build strategy, allow the Group to capture favourable pricing as well as improve continuity of supply during temporary supply shortages without the need for formal contracts.

Furthermore, the Group does not rely on large suppliers such as traders, importers and agencies due to its strong, long lasting and direct relationship with the original manufacturers, which combined with the availability of multiple high quality manufacturers for most of the materials the Group purchases, gives the Group power to choose among direct manufacturers or suppliers for the most favourable terms. In certain instances, the Group may use importers and agencies when such entities can provide added-value or when the original manufacturer has exclusive supply arrangements with such entities. The Group uses selected transport companies and import-export brokers in and to each continent so it has a clear overview of lead time and traceability of each shipment.

Whenever the Group considers using a new manufacturer, supplier or importer or agency, it will first research the source of the raw material and the production location, followed by a paper qualification and/or on-site audit.

6.8.3 Quality control

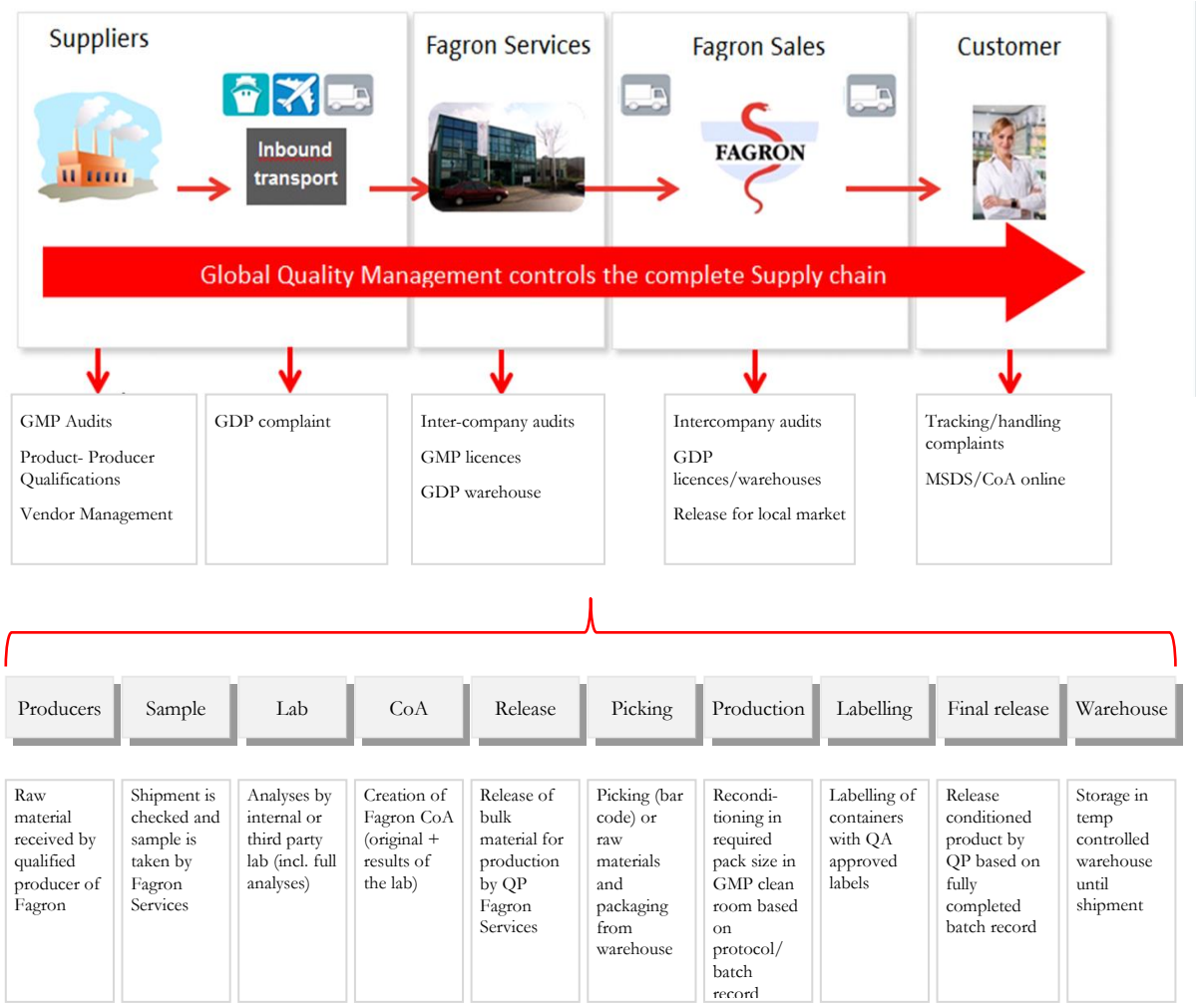
As most of the raw materials the Group purchases are produced in China and India, the Group has a central purchasing, quality control, sample testing and audit office in Shanghai, China so it can be in close contact with its suppliers. The office performs audits, supplier qualifications, supplier management and problem solving. Before the Group can order from any supplier an approved supplier qualification must be in place, with strong preference for an onsite audit as part of the qualification process.

Before the raw materials are shipped to Fagron Essentials services companies for repacking, they are sent to a laboratory (in Brazil (fully owned by the Group), in the US (approximately 85% owned by the Group) or in Europe (independent laboratories)). The laboratory will perform analyses of each batch of bulk material to ensure the material is compliant with European and US pharmacopoeia. After passing the analysis, the raw materials are repacked at Fagron Essentials services companies in a GMP compliant environment according to the flow chart in this section. After repacking the bulk raw material, an identity test will be performed. Identity testing is done as an extra verification that no mix-up has occurred during the production process. In some countries, mainly in Europe, identity testing is required, and in some other countries it is required to pass risk assessment.

In addition to the Fagron Essentials services companies, the Fagron Essentials' marketing and sales companies are equipped with a GDP compliant warehouse to maintain the high quality of the raw materials. All Fagron Essentials' services companies are working with the same enterprise resource planning system which will ensure full traceability of all materials sent to the customers.

In addition to raw materials, Fagron is also developing innovative concepts that respond to the specific and individual wishes of compounding pharmacies and patients all over the world. Fagron's global quality system aims to provide not only the highest quality throughout the entire supply chain of the innovative vehicles but also supports these concepts with quality data such as independent stability and compatibility studies.

The Fagron Supply Chain



If contamination of the raw materials occurs, Fagron will recall the raw materials. As the Group does not have formal contractual agreements with most of its raw material suppliers, it minimises its exposure to quality issues relating to the raw materials by ordering small batches.

6.8.4 Major supplier

Tiofarma is the Group's biggest supplier, having supply arrangements with the Group primarily in the Netherlands and accounted for approximately 19% of the Group's cost of goods sold in 2015. The most commercially significant arrangement between the Group and Tiofarma provides Tiofarma the right to supply certain compounded products for the Group in the Netherlands. In turn, the Group has the right to sell the compounded products supplied by Tiofarma in the Netherlands. This arrangement is without a specified duration and can be terminated at will by either party. The Group believes that it has a good and long established relationship with Tiofarma such that the arrangements provide both parties with the flexibility to negotiate or re-negotiate any issues in good faith and in a commercially reasonable manner.

6.9 Research and development

Although the Group does not invent new drugs, research and development is an essential element of the Group's strategy to continually develop new formulations with existing APIs and new vehicles. The Group has more than 200 pharmacists and 22 researchers working to continually develop innovative concepts and solutions to fulfil the growing need for tailor-made medication worldwide. The Group's research and development strategy is focused on working with patients, prescribers and pharmacists to understand what customisations are in demand and for which the market has not yet provided solutions. The Group's research and development team will then develop and produce, and after rigorous testing, launch the product. While most of the Group's research and development resource is for Fagron Trademarks, some research and development resource is used for both FSPS and Fagron

Trademarks to build product dossiers, validate compounding, clean and develop final analyses of compounded medication (FSPS) or vehicles (Fagron Trademarks) required for the release of these products.

For the Group's global projects, which are generally Fagron Trademarks products, the research and development timeframe is set by the global marketing and innovation department, the quality control process is pre-agreed with the global quality department and local expert through analysing the product and its characteristics including descriptions of the product or its APIs in existing European or US pharmacopoeia. The research and development testing process involves first testing the ingredients; then testing the stability and ease of use of the end product, then testing the end product with packaging, and finally testing the end product's compatibility with various APIs or dermaceutical ingredients.

Historically, the Group's research and development costs have consisted primarily of costs associated with the research and development of Fagron Trademarks, such as salaries and other personnel-related expenses for employees, pre-launch sterility and stability testing and other related expenses.

In addition to the research and development of Fagron Trademarks, the Group invests capital to expand its pharmaceutical compounding offering, enhance production capabilities and automation, improve warehouse space, develop new packaging, labelling and processing solutions, refine quality and safety measures, and develop technology for the intake and management of customer orders. Research and development costs relating to stability and compatibility studies are capitalised (see "*Operating and Financial Review—Description of Key Line Items in the Income Statement – Operating Expenses—Depreciation and amortisation*" (*Paragraph 8.4.2.4* of *Part* 8)) while all other research and development costs, including personnel and equipment, are expensed as incurred.

6.10 Intellectual property

The Group owns or has the right to use all intellectual property rights required to conduct its businesses.

The Group's intellectual property primarily consists of: (1) registered rights, such as registered trade marks in the Group's brand and product names (e.g. SyrSpend® SF); and (2) unregistered rights, such as trade secrets, know-how and confidential information) subsisting in its product dossiers in its three segments, including the Group's validation processes, compounding protocols, compatibility studies and proprietary technology used in FSPS' compounding production process and in Fagron Trademarks' concepts, vehicles and formulations.

Unregistered intellectual property

The Group seeks to protect its intellectual property through confidentiality, non-compete and other contractual agreements and internal confidentiality procedures (e.g. marking documents as 'confidential' as appropriate).

The Group has established and is currently populating a global quality information system which is intended to be used to collect and store information, including technical files, product files, safety documents and stability studies. This is intended to facilitate improved monitoring and protection of the Group's trade secrets.

Patents

The formulations used to create the Group's products are generally not patented or registered and therefore protected as trade secrets. Although in a few instances the Group has been granted patents (for proprietary production methods in its FSPS segment and the active suspension technology used in SyrSpend® SF), historically it has not sought to patent or register most of its proprietary formulations.

A patent grants the patent holder certain exclusive rights for the duration of the patent including, among other things, the exclusive right to sell any product that falls within the scope of the patent. A registration is a jurisdiction-specific authorisation that allows any registration holder the right to sell the drug to the exclusion of non-registration holders, but anyone else may also seek and receive registration for the same drug. If a drug is not patented, anyone else can seek registration. Unlike patents, registrations do not expire after a specified period, so long as they are maintained or updated, the annual registration fee is paid and the registration owner has not withdrawn the registration.

Seeking patents or registration for formulations of drugs or drug delivery vehicles is costly and time consuming, and, because most of the Group's innovations are marketed on a small scale, the Group currently believes that its competitive advantage lies in continually identifying new demands in customised medication and care and continually creating innovations to meet these needs, rather than relying heavily on patents or registrations like traditional pharmaceutical companies. From time to time, one or more of the Group's product becomes so successful that a competitor (usually a traditional pharmaceutical company) would register the product, thereby forcing the Group to stop producing the product. Rather than seeking registration, the Group's strategy is to

continue to find new demands in customised medication or care and to innovate in technology to produce products meeting these demands.

Internal procedures are in place for identifying Group innovations with worldwide potential and considering whether to apply for patent protection.

Trademarks

The 'Fagron' trademark is covered by a number of registrations in various countries, including in the Netherlands, Belgium, Poland, the US and Brazil. The Group also registered its trademark SyrSpend® SF, Pentravan® and CapsiCards® System in many countries including the Netherlands, Belgium, Poland, the US and Brazil, and is currently in the process of registering new trademarks, Fitalite and Epifactor, relating to the alopecia concept of Fagron Advanced Derma, Versatile and MediSpend. Generally, registered trademarks have perpetual life, provided that the Group renews their registrations on a timely basis and uses its trademarks properly. The Group does register the names of the Fagron Trademarks products, and, as a commercial matter, all the formulations, compounding instructions and protocols, stability and compatibility studies and therapeutic recommendations for these products are associated with the trademarked names.

Third party intellectual property

The Group does not believe that it relies on third party intellectual property to a material extent. The Group's compounding business seeks only to use APIs, combinations and dosages that are out of patent. Where this is not the case, the Group would seek to enter into a licence with the owner of the relevant patent, however the Group does not believe that any of its licences of third-party intellectual property are material to its business taken as a whole.

The Group does not perform freedom to operate searches to determine whether Group activities may infringe existing third party patents. In rare cases, the Group has received notification from third parties alleging infringement of that third party's patent, most recently in France two years ago. In those cases, the Group ceased all marketing and sales activities relating to the patented use and recalled commercial material, and these actions were sufficient to resolve the issue without liability or proceedings.

6.11 Property, plant and equipment

The Group's operational head office is located in Rotterdam, the Netherlands, where its central functions are located. In addition, the Group operates subsidiary offices located in Belgium, Poland, Czech Republic, Germany, Brazil, China and the US. The Group has 20 sterile and non-sterile compounding facilities, two research and development facilities and seven repacking or reconditioning facilities. See "*Business Overview—Business Divisions*" (*Paragraph 6.3 of Part 6*).

All of the Group's facilities have the requisite licences and operate in accordance with standardised processes certified by ISO or the relevant authorities; each defined, implemented and managed through the Group's standard operating procedures. In most of the countries where the Group operates, including the Netherlands, Belgium, the US and Greece, the Group's facilities are GMP compliant.

Fagron invests heavily in the development of new compounding infrastructure so Fagron can effectively provide solutions for existing and anticipated needs of its customers. For example, the Group recently opened a 50,000 square feet (4,645 square meters) Section 503B outsourcing facility in the US in March 2016 in Wichita, Kansas as part of JCB Laboratories. This GMP compliant facility consists of 12,000 square feet (1,115 square meters) of GMP class B, C and D cleanroom space and separate shipping and receiving areas that allow one directional flow of API and finished products. It also features automated and robotic pharmaceutical compounding systems to improve quality, optimise efficiencies, cost containment and speed of delivery. The Group believes that these automated systems will decrease opportunities for human error and contamination, improving throughput and decreasing costs. In the Netherlands, the Group plans to open a new antibiotic facility in Hoogeveen.

6.12 Technology

The Group has invested in developing and implementing best practices and globally standardised business processes focusing on scalability and compliancy in a global environment. To support these processes, Fagron has selected a portfolio of globally standardised information systems. This portfolio is based on off-the-shelf, best-in-class systems that provide information and controls for the production, operations, e-commerce, marketing, sales, customer service, human resources, legal and finance functions. Where possible, cloud solutions are used for applications, data centres and networking. The operations are supported by a limited number of global partners.

6.13 Regulation

The Group's business, including the business of its customers, manufacturers and other supply chain partners, is regulated by many government authorities in the jurisdictions where the Group operates. The Group intends for its products and services to meet the highest pharmaceutical quality standards globally, as defined by GMP and GDP globally, and as by regulators such as the FDA in the US and the Brazilian Health Surveillance Agency ("**ANVISA**") which mandate adherence with GMP and GDP standards.

6.13.1 EU

The Group's business in the EU is subject to EU-wide rules regulating compounding, and each country also has its own laws regulating compounding. Such national laws vary widely, with some countries such as the Netherlands and as of two years ago, Belgium, implementing quality control and inspection standards which, in the Group's view effectively encourage community and hospital pharmacies to outsource compounding, while other countries such as Italy, Portugal or Poland effectively prohibit pharmacists from outsourcing compounding to outsourcing facilities. In Spain, outsourcing is only allowed to other pharmacies. The type of products the Group sells in each country varies according to the laws regulating compounding. The Group can set up its FSPS segment in addition to its Fagron Trademarks and Fagron Essentials segments in countries that allow community and hospital pharmacies to outsource compounding, for example in the United Kingdom, the Czech Republic or Greece, while the Group is limited to its Fagron Trademarks and Fagron Essentials segments in countries that prohibit the outsourcing of compounding. Furthermore, some countries such as Poland require APIs and vehicles to be registered before they can be marketed and sold. Such regulatory requirement increases the costs of selling pharmaceutical compounding raw materials for Fagron Essentials (and other competitors) and vehicles for Fagron Trademarks in Poland.

The EU regulatory framework permits sales of compounded medication when it is accompanied by proper toxicity and pharmacovigilance data and manufacturing and marketing authorisations. Under the EU Guidelines for Good Manufacturing Practice for Medicinal Products for Human and Veterinary Use (interpretative guidance of Commission Directive 91/356/EEC, as amended by Directive 2003/94/EC and Directive 91/412/EEC), all compounding facilities and manufacturers are required to comply with GMP for the production of tailor-made medication, which is then enforced by the health authorities of each country who will audit the facilities to ensure GMP compliance. Under EU Directive 2001/83/EC, manufacturers of medical products falling within the scope of this directive (as defined in Article 2) would need a marketing authorisation to manufacture and place such products on the market, if no exception to this requirement, found in Article 3 or Article 5 of the directive, would apply to such products.

Most EU countries where the Group does business, such as Belgium, have created national legislation or policy that, in the Group's view, allowing compounding without obtaining a prior marketing authorisation under Article 5, which allows non-marketed usage of compounded medication under the guidance of an authorised healthcare professional if the healthcare professional takes full responsibility. The Netherlands, on the other hand, created such national policy under Article 3 of the directive (a 2007 Circular of the Dutch Health Care Inspection regulating specific compounding activities ("**Inspectie Gezondheidszorg**" or "**IGZ**")) that, in the Group's view, allow the Group's compounding activities in the Netherlands; See "*Business Overview—Regulation—The Netherlands*" (*Paragraph 6.13.2* of *Part 6*). As such, in the Group's view it has been relying on either the Article 3 or Article 5 exceptions to place its compounded products on the market in Europe without a marketing authorisation.

In July 2015, the ECJ ruled in the *Abcur AB versus Apoteket Farmaci AB* case that pharmacies may continue to prepare medicinal products without a marketing authorisation. However the ECJ further defined the conditions under which such production may take place. In particular, the ECJ found that the exceptions in Article 3 should be interpreted narrowly, that is, if a compounded product would fall within the scope of the directive (as defined in Article 2), then manufacturing such compounded product on an industrial scale and placing it on the market requires a marketing authorisation. Furthermore, in this judgment, the ECJ also refers to Article 5 and confirms previous case law in which it has interpreted Article 5 narrowly, holding that the exception provided for in Article 5 can only concern situations in which the doctor considers that the state of health of his individual patients requires that a medicinal product be administered for which there is no authorised equivalent on the national market or which is unavailable on that market (*Commission v Poland*, Judgment of the Court of 29 March 2012, C-185/10). Although the Group believes that the *Abcur* ruling would principally impact its businesses that rely on Article 3, which is primarily its Dutch compounding business, it is also assessing the *Abcur* ruling's impact on its compounding business in countries where the business relies on Article 5. Amendments to relevant legislation in the Netherlands, as a result of *Abcur*, are expected to be finalised later this year. For more information on the potential impacts of the *Abcur* case, see "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—The legal and regulatory frameworks*

governing the industry in which the Group operates is complex and changing, and could have an adverse effect on the Group's business, financial position or prospects" (*Paragraph 3.1.1* of *Part 3*).

Additionally, the Group's business may be affected by a number of other EU laws and regulations, including:

- Council Directive 93/42/EEC on medical devices
- Proposal for a Regulation on medical devices (2012)
- Directive 2001/20/EC on the approximation of the laws, regulations and administrative provisions of the Member States relating to the implementation of good clinical practice in the conduct of clinical trials on medicinal products for human use
- Regulation (EU) No 536/2014 on clinical trials on medicinal products for human use
- Council Directive 89/105/EEC relating to the transparency of measures regulating the pricing of medicinal products for human use and their inclusion within the scope of national health insurance systems
- Resolution CM/ResAP(2011)1 on quality and safety assurance requirements for medicinal products prepared in pharmacies for the special needs of patients
- EU Guidelines on Pharmacovigilance for Medicinal Products for Human Use
- EMA Good pharmacovigilance practices
- Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data

In general, national rules implementing the aforementioned EU legislation apply as well.

6.13.2 The Netherlands

In the Netherlands, the Group's activities are mainly regulated by the Dutch Medicines Law (amongst others Articles 1 and 40) and a 2007 Circular of the Dutch Health Care Inspection regulating specific compounding activities ("**Inspectie Gezondheidszorg**"). This "Circular", which allows pharmacies to outsource compounding subject to certain conditions, was a national policy of the IGZ created under the exceptions of Article 3; see "*Business Overview—Regulation—EU*" (*Paragraph 6.13.1* of *Part 6*).

Historically, this Circular has indicated that even though large-scale compounding, without a marketing authorisation, was not in compliance with Article 3 and the exceptions to the marketing authorisation obligation do not apply to large-scale compounding, the IGZ would not enforce against such large-scale compounding businesses but would allow the practice under certain conditions. The Circular in principle binds the IGZ, which need to comply with it except for special circumstances. After the *Abcur* case, the Circular is no longer compliant with EU Directive 2001/83/EC as interpreted by *Abcur*. The amended national policy of the IGZ, as a result of *Abcur*, is expected to be finalised later this year. See "*Business Overview—Regulation—EU*" (*Paragraph 6.14.1* of *Part 6*).

6.13.3 Belgium

In Belgium, the Group's activities are mainly regulated by the 1964 Belgian Medicines Law (e.g., Articles 6quater, 12bis, etc.) and its 2006 implementing Royal Decree (both as amended), which sets out the rules on pharmaceutical compounding. For example, Belgian legislation (in particular the aforementioned Medicines Law and its implementing Royal Decree, most notably Articles 83bis and 102 thereof) allows pharmacists to outsource compounding to third-party compounders, like the Group. Furthermore, Belgian legislation requires third party compounders to be licensed, in accordance with the provisions of the Royal Decree amending the Royal Decree dated 19 October 1978 on rules governing pharmacies and drug depots in care establishments, the Royal Decree of 20 July 1993 establishing the amounts referred to in Article 13bis of the aforementioned 1964 Belgian Medicines Law and its 2006 implementing Royal Decree and the Royal Decree dated 21 January 2009 on the instruction of pharmacies with regard to the outsourcing of services by persons authorised to deliver drugs to the public or holding a manufacturing license.

FSPS has a licence for compounding services ("magistral preparations"), granted by the Belgian Medicines Authority (the "**Federal Agency for Medicines and Health Products**"). This licence requires GMP standards of facility and procedures, and GDP cold chain distribution. In September 2014, FSPS in Bornem (Belgium) started to compound for Belgian hospital and community pharmacies. Hospital pharmacies are authorised to outsource the compounding of high risk drugs, allergens, cephalosporins and penicillins, all sterile preparations. In addition, community

pharmacies can also outsource homeopathic medicines and mixtures of gases for medicinal use. FSPS is authorised to compound all sterile and/or high risk registered drugs.

In addition, compounders working with APIs are regulated by the 1997 Royal Decree on active substances which requires compounders to follow basic quality and facility requirements. For hospital pharmacies this will be updated by the implementation of PIC/S guidelines.

6.13.4 US

In the US, compounding may be outsourced by pharmacies to compounding facilities as long as the facilities register with the FDA and comply with the Food, Drug and Cosmetic Act ("**FDCA**").

6.13.4.1 FDA

Traditionally, compounded drugs have not been regulated by the FDA. In 2013 the US Congress passed the DQSA, which amended the Food, Drug and Cosmetic Act ("**FCDA**"), to set forth new standards applicable to outsourcing facilities such as the Group's, inviting voluntary registration with the FDA. Registered facilities must comply with the FDCA and are subject to FDA inspection. Compounded medication is exempt from the FDA drug approval process if they comply with the requirements of Sections 503A or 503B of the FDCA.

Traditional pharmacies that compound on a small scale for individual patients are regulated at the state level pursuant to Section 503A of the FDCA. These pharmacies cannot manufacture APIs or compound medication on a large-scale without patient-specific prescriptions. These pharmacies need a licence in each state that they wish to ship drugs to, and are required to follow US Pharmacopeia standards for the compounding of sterile products. The Section 503B Regulation permits large-scale anticipatory compounding (or compounding not based on a patient-specific prescription), including sterile compounding, to be conducted by outsourcing facilities. Although rare, patient specific compounding, in addition to anticipatory large-scale compounding, is permitted to take place in a Section 503B outsourcing facility as well. A facility can register as a Section 503B outsourcing facility only if it complies with current GMP as set out by the FDA, submits to routine inspections by the FDA and submits adverse event reports to the FDA. Such Section 503B outsourcing facility can ship drugs to other states and can claim FDA exemption from numerous drug approval and labelling requirements.

As at 31 March 2016, the Group's JCB Laboratories facilities and AnazaoHealth's Las Vegas facility are Section 503B outsourcing facilities. Additionally, AnazaoHealth's Tampa, Florida location is a Section 503A facility. In 2015, all of the Group's operational Section 503B outsourcing facilities were inspected by the FDA. Both JCB Laboratories and AnazaoHealth received 483 Observations and one warning letter each. 483 Observations are standard form reports issued by the FDA at the conclusion of an inspection when investigators have observed any conditions that in their judgement may constitute violations of the FDCA and related Acts, and contain a corrective action plan for management to implement. It should be noted that it is currently standard practice for the FDA to issue 483 Observations to Section 503B outsourcing facilities it inspects, and that the Group believes that all operational Section 503B outsourcing facilities in the US that have been inspected by the FDA have received 483 Observations (and, in most cases, warning letters as well). Since receipt of the 483 Observations and warning letters, both JCB Laboratories and AnazaoHealth have provided responses to the FDA and believe they have addressed all issues noted by the FDA.

In addition to the FDA's existing regulations of facilities, a Pharmacy Compounding Advisory Committee has been formed to advise on scientific, technical and medical issues concerning drug compounding under Sections 503A and 503B of the FDCA. The Committee makes appropriate recommendations to the Commissioner of Food and Drugs on substances that Section 503A and Section 503B outsourcing facilities are allowed to compound with. As a result, the Group could be subject to additional or modified FDA regulations at any time. For more information, see also "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates— Changes in the reimbursement regimes of public healthcare administrations and private insurers have had and may in the future have an adverse effect on the Group* " (*Paragraph 3.1.16* of *Part 3*).

6.13.4.2 DEA

The Group maintains registrations with the DEA that enable its subsidiaries AnazaoHealth and B&B Pharmaceuticals, Freedom Pharmaceuticals and Fagron, Inc., all API suppliers and part of Fagron Essentials, to receive, store and distribute controlled substances. Controlled substances are those drugs that appear on one of five schedules promulgated and administered by the DEA under the Controlled Substances Act ("**CSA**"). DEA drug scheduling is based on the potential for abuse. Laws enforced by the DEA, as well as similar state agencies, require each of the Group's locations that handle controlled substances to separately register. They also require state-level reporting and license renewal every two years. The Group follows procedures intended to comply with all applicable federal and state requirements regarding controlled substances.

The CSA governs, among other things, the distribution, recordkeeping, handling, security and disposal of controlled substances. The Group's compounding outsourcing facilities that handle controlled substances are subject to periodic and ongoing inspections by the DEA and similar state drug enforcement authorities to assess ongoing compliance with DEA and state controlled substances regulations. All of the Group's facilities handle controlled substances and are appropriately licensed to do so. In addition, DEA regularly inspects all of the Group's facilities.

Procurement quota requirements imposed by the DEA on the Group's purchases of materials containing controlled substances necessitate regular applications to the DEA for permission to purchase materials essential to the production of many of the Group's compounded medication. The DEA quota allocation and approval system have recently been found to be inefficient and to potentially contribute to drug shortages by a government audit, due to the untimely actions by the DEA in administering the quota system. Any inability of the Group to obtain authorisation from the DEA to procure controlled drugs for use in its business could have a material adverse impact on its operations, reputation and results of operations. To date, this has not been an issue for the Group.

6.13.4.3 Confidentiality, Privacy and HIPAA

The Group's patient-specific compounding operations involve the receipt, use and disclosure of confidential medical and other health-related information. In addition, the Group uses aggregated and blinded (anonymous) data for research and analysis purposes. In the US, the collection and use of personal data is governed at both the federal and state levels. The federal privacy regulations under the Health Insurance Portability and Accountability Act of 1996 ("**HIPAA**") are designed to protect the medical information of a healthcare patient or health plan enrolee that could be used to identify the individual. Among other things, HIPAA limits certain uses and disclosures of protected health information and requires compliance with federal security regulations regarding the storage, utilisation of, access to and transmission of electronic protected health information. In 2009, the Health Information for Economic and Clinical Health Act modified certain provisions of HIPAA to strengthen its privacy and security provisions. The requirements imposed by HIPAA are extensive and significant fines are levied by the government in case of breach. In addition, most states have enacted privacy and security laws that protect identifiable patient information that is not health-related. These regulations impose substantial requirements on covered entities and their business associates regarding the storage, utilisation of, access to and transmission of personal health and non-health information. Many of these laws apply to the business of the Group.

6.13.5 Brazil

ANVISA is responsible for drug registration and issuing of licences to pharmaceutical laboratories and to other companies inside the pharmaceutical production flow. ANVISA is also responsible for establishing regulations applicable to clinical trials and drug pricing, which is carried out by the Chamber of Drug Market Regulation. Together with states and municipalities, the agency inspects factories, monitors the quality of drugs, exercises post-marketing surveillance, takes pharmacovigilance actions, and regulates drug promotion and marketing. Moreover, ANVISA is in charge of analysing patent requests related to pharmaceutical processes and products, in partnership with the National Industrial Property Institute. As the Group only operates its Fagron Trademarks and Fagron Essentials segments in Brazil, all of the Group's products are non-sterile and therefore subject to lesser regulatory scrutiny than sterile compounding.

6.14 Reimbursements

While the Group is directly paid by its community and hospital pharmacies and pharmaceutical companies for many of its products and in most jurisdictions where it sells its products, in some of the jurisdictions where the Group operates, particularly the US and Europe, the cost of certain compounded medication are paid for by public healthcare administrations and/or private insurers in the form of reimbursements to the community and hospital pharmacies that are customers of the Group's compounded medication. As public healthcare administrations and private insurers increasingly focus on limiting growth of healthcare expenditure, they have and may continue to

change reimbursement regimes and/or practices that can impact market demand for pharmaceutical compounding products, making them more or less favourable than non-compounded products. See also "*Operating and Financial Review—Factors Affecting Results of Operations—Reimbursement levels*" (*Paragraph 8.2.1* of *Part 8*) and "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates— Changes in the reimbursement regimes of public healthcare administrations and private insurers have had and may in the future have an adverse effect on the Group* " (*Paragraph 3.1.16* of *Part 3*).

6.14.1 Europe

6.14.1.1 The Netherlands

In the Netherlands, compounded medication, if reimbursed, is reimbursed by private insurance; approximately 70-80% of the Group's total sales in the Netherlands in 2015 were reimbursed. At the end of each year, the health insurance companies publish a list containing all compounded products marketed at such time and the reimbursement status of these products for the next year. During the year, the health insurance companies are not permitted to make changes to this reimbursement status. In November 2015, a new list of reimbursable products was promulgated by the private insurance industry, and certain compounds can no longer be reimbursed, which may negatively impact the Group's financial position and/or prospects in the Netherlands. The November 2015 list impacted products which constituted approximately 3% of the Group's sales in the Netherlands in 2015. The Group believes the impact of this November 2015 list on its Dutch business is minimal, as every year certain of the Group's products become un-reimbursable but the size of the Group's Dutch business absorbs such changes without causing net negative impact on profitability.

Pricing and reimbursement of magistral preparations is regulated by legislation and guidelines. Pharmacies that compound for their own patients are allowed to invoice for reimbursement the raw materials used plus a compounding fee.

In addition, the major health insurers in the Netherlands may introduce policies permitting them to reimburse only the lowest cost provider of a given product, potentially impacting the Group's sales in the Netherlands.

6.14.1.2 Belgium

In community pharmacies, most compounded medication is reimbursed by public healthcare and private insurance. In hospital pharmacies, compounding is not reimbursed and is paid out of the hospital's budget.

6.14.1.3 Poland

In Poland, the system for reimbursement of compounded drugs is different and independent from reimbursement of ready-made medicines and overseen by the Polish National Health Fund. Customers pay a fixed price for compounded drugs that they purchase from pharmacists, which in practice is approximately 10% to 15% of the real value of the drug. The reimbursement regime requires every material for compounding to be registered before entering the market.

6.14.2 US

6.14.2.1 Public reimbursement: Medicare, Medicaid, Children's Health Insurance Program, Tricare

In the United States, a variety of public healthcare administrations provide government-funded health insurance coverage, including drug reimbursement benefits. Medicare is a federally funded programme that provides health insurance coverage for qualified persons age 65 or older and for some disabled persons with certain specific conditions. Medicaid programmes, which are jointly funded by the federal and state governments, provide medical benefits to groups of low-income and disabled individuals, some of whom may have inadequate or no medical insurance. The Children's Health Insurance Program is funded jointly by the federal government and states through a formula based on the Medicaid Federal Medical Assistance Percentage. For veterans, the federal government provides a healthcare programme called Tricare. However, public healthcare administrations, and private insurers, including Tricare, are increasingly attempting to contain the growth of health care costs by, among other things, limiting coverage and the level of reimbursement for pharmaceutical compounds.

For instance, Medicare currently only covers compounded medication prepared from commercially available ingredients (rather than bulk APIs or bulk compounding bases or vehicles) in finished dosage forms. Medicaid typically does not reimburse bulk API compounding. Although in some cases the state-funded portion of Medicare will cover compounding services and APIs. In 2015, Tricare stopped reimbursing approximately 95% of compounded medication made from APIs but continues to reimburse compounded medication made from certain commercially available (or licensed) ingredients.

Due to a lack of industry and regulatory oversight the prices of certain compounded medication became inflated. The high prices of certain compounded medication, combined with Tricare's decision to stop reimbursing most compounded medication made from APIs, led certain PBMs, which manage public healthcare schemes including Tricare and private insurance plans in the US, over the past several years to stop reimbursing compounded medication made from certain APIs (mostly non-sterile compounded medication), or to place restrictions on such reimbursement, such as requiring the compounded medication to be supplied by a certified compounding pharmacy or imposing a reimbursement cap.

The most significant impact of these changes to the reimbursement regime had been on the Group's FSPS non-sterile compounding business, primarily impacting Bellevue Pharmacy, which operated a non-sterile manufacturing and distribution business. Bellevue Pharmacy experienced sales declines because almost all of its products depended on reimbursement (unlike, for example, AnazaoHealth which focuses on the production of BHRT, a cash-based non-sterile compounded medication). Bellevue experienced sharp declines in its sales of non-sterile compounded medication in 2015 and in 2016. As of January 2016, Bellevue has been classified as discontinued operations and in March 2016, Bellevue Pharmacy ceased operations. For more details, see "*Business Overview—Ceased business*" (*Paragraph 6.19* of *Part 6*) The changes to the reimbursement regime have further resulted in the Group's pharmacy customers in the US significantly reducing their purchases of APIs, which has impacted Fagron Essentials' API distribution business, impacting Freedom Pharmaceuticals. Freedom Pharmaceuticals experienced more significant sales declines from the changes to the reimbursement regime than the Group's other API suppliers in the US, B&B and Fagron US, because Freedom Pharmaceuticals' primary customers are big pharmacies such as Bellevue Pharmacy and its product portfolio of approximately 4,000 products is relatively narrow, consisting of only pharmaceutical raw materials. On the other hand, Fagron US has smaller community pharmacies as customers, and its product portfolio of approximately 20,000 products is relatively wide, consisting of pharmaceutical supplies and equipment in addition to pharmaceutical raw materials. B&B sells mostly controlled substances which are generally not subject to reimbursement. For more details of the negative financial impact on the turnover and profitability of Bellevue Pharmacy and Freedom Pharmaceuticals, see "*Operating and Financial Review—Factors Affecting Results of Operations—Reimbursement levels*" (*Paragraph 8.2.1* of *Part 8*).

In addition, to the extent the Group obtains third-party reimbursement for its compounded medication, it may become subject to Medicare, Medicaid, Tricare and other publicly financed health benefit plan regulations prohibiting kickbacks, beneficiary inducement and the submission of false claims.

The federal False Claims Act ("**FCA**")

The FCA is a federal law that imposes civil liability on persons and entities who defraud governmental programs, including Tricare. It is the primary civil statute for the federal government to combat fraud involving false claims or statements made to obtain payment from federal government programs. Penalties can be severe, as the statute allows for "treble" (triple) damages and a monetary penalty ranging from $5,500 to $11,000 for each false claim (e.g. each claim submitted by a pharmacy for payment by a federal program). The DOJ is the federal executive agency responsible for the enforcement of this law. In many, but not all instances, the FCA allegations are initiated by a whistle-blower under the statute's *qui tam* relator provisions. A suit filed by an individual on behalf of the government is known as a "*qui tam*" action, and the person bringing the action is referred to as a "relator". Relators are often, though not always, current or former employees of a company who have knowledge of alleged wrongdoing. The health care and pharmaceutical sectors, including pharmacies, are frequent targets of DOJ FCA investigations. Claims brought against certain US compounding pharmacies by the DOJ as part of its industry-wide investigation of compounding pharmacies and bulk raw material suppliers participating in the Tricare programme have been brought under the FCA. As of the date of this Prospectus, no claims have been brought against Freedom Pharmaceuticals and Bellevue Pharmacy (which ceased operations in March 2016).

The federal Anti-Kickback Statute ("**AKS**")

The federal AKS makes it unlawful for anyone to solicit, receive, offer or pay remuneration in exchange for referring patients to receive certain services that are paid for by the government, including the Tricare programme. The AKS makes it a felony, punishable by imprisonment for up to five years for each violation, to knowingly and wilfully solicit, receive or offer any remuneration in return for referring an individual to a person for the furnishing of any item or service, or for purchasing or recommending purchasing any item or service, for which payment may be made under a federal health care program. As part of the Patient Protection and Affordable Care Act of 2010, the AKS was amended to provide that claims submitted in violation of the AKS automatically constitute false claims for purposes of the FCA. Thus, if the government is able to establish the existence of a kickback scheme involving a referring physician and a compounding pharmacy, it will likely take the position that every single claim for payment to a federal program relating to prescriptions written by that physician is a false claim that is subject to treble

damages and possibly per claim penalties of up to $11,000. DOJ has made greater use of the AKS in pursuing claims against companies under the FCA in recent years. Most recently, there have been a series of cases involving compounding pharmacies that have been pursued by DOJ for FCA violations, including conduct that allegedly violated the AKS.

6.14.2.2 Private reimbursements

There is no set rule for private reimbursement coverage due to the variability in insurance contracts. However, as compounded medication is not required to be, and the Group's compounded medication has not been, approved for sale by the FDA, some prescribers may be unwilling to prescribe, and some patients may be unwilling to use, the Group's compounded medication. Additionally, as discussed in "—Public reimbursements: Medicare, Medicaid, Children's Health Insurance Program, Tricare" above, certain PBMs which manage private insurance plans in the US in addition to managing public healthcare schemes, stopped reimbursing non-sterile compounded medication made from certain APIs or placed restrictions on reimbursement, to both private as well as the public plans they manage.

Not all ingredients and prescriptions are affected by the changes to the reimbursement regime. At present, compounding in the US will continue to be reimbursed when all three of the following requirements are met: (a) there is no licenced or registered alternative available, (b) the compound is based on a licenced or registered product and (c) prior authorisation has been received by the pharmacy from the PBM (according to the policies of public healthcare administration and private insurers).

6.14.2.3 US reimbursement outlook

The changes in reimbursement from public healthcare administration and private insurers (in both cases often carried out by PBMs) have negatively impacted FSPS' non-sterile compound sales, primarily impacting Bellevue Pharmacy, and Fagron Essentials' API distribution business, primarily impacting Freedom Pharmaceuticals. However, with the cessation of Bellevue Pharmacy operations, most of the Group's FSPS non-sterile compounding business in the US have ceased, therefore the changes to the reimbursement regime in the US has and is expected to have a minimal impact on the Group's FSPS business.

Not all non-sterile compounded medications have been affected by the changes to the reimbursement regime. For example, AnazaoHealth focuses on producing non-sterile compounds for BHRT. BHRT is a cash-based, rather than reimbursable, product. Furthermore, the changes to the reimbursement regime in the US do not generally affect the Group's sterile compounded medication; consequently the Group has shifted its US business to derive a greater proportion of turnover from sterile compounding, capitalising on the trend for US hospital pharmacies to outsource to Section 503B outsourcing facilities, as hospital pharmacies have large need for sterile compounds. For instance, the acquisition of AnazaoHealth in 2015 provided the Group with additional sterile production capability in the US, and in March 2016 the Group opened a new JCB sterile production facility. Also see "*Business Overview—Strategy—FSPS*" (*Paragraph 6.4.1* of *Part 6*).

In February 2015, the FDA issued a draft regulation proposing to limit non-sterile compounding providers' interstate shipment to 30% of their overall sales. However, that draft regulation received much negative industry feedback and is currently on hold while the FDA re-evaluates its proposal. The further impact of reimbursement practices by PBMs and the proposed FDA regulations on the Group is currently expected to be limited, but if extended in ways currently not foreseen, changes in the reimbursement regime in the Group's key jurisdictions could have a further negative impact on the Group's business. For more information, see also "*Risk Factors—Risks relating to the Group's activities and the industry in which if operates— Changes in the reimbursement regimes of public healthcare administrations and private insurers have had and may in the future have an adverse effect on the Group* " (*Paragraph 3.1.16* of *Part 3*).

6.14.3 Brazil

In Brazil, the Group's compounded medications are primarily focused on endocrinology (weight, life style and BHRT), gynaecology and dermatology (alopecia, vitiligo and eczema). Pharmaceutical care is not reimbursed in Brazil. This means that registered, generic and compounded medications are not reimbursed; therefore the Group's results in Brazil are not impacted by reimbursement regimes or practices.

6.15 Environmental, health and safety

The Group is subject to environmental, health and safety requirements in the jurisdictions where it operates, which govern, among other things, air emissions, wastewater discharges, worker health and safety and the use, generation, management, storage, handling, transportation, treatment and disposal of hazardous substances and other materials. Non-compliance with these requirements may result in significant fines or penalties or limitations on the Group's

operations or claims for remediation costs, as well as alleged personal injury or property damages. The Group will continue to make expenditures to comply with applicable environmental requirements. The Group anticipates that it may incur additional capital and operating costs in the future to comply with new requirements arising from new or amended laws and regulations. The Group is not aware of any non-compliance with environmental, health and safety requirements by it, or any obligations under any current or proposed environmental, health and safety requirements applicable to it, which could, according to the Group, materially and adversely affect it.

6.16 Employees

As at 31 March 2016, the Group had 2,193 employees (or 2,038 full-time equivalents), of which 200 are pharmacists and 22 are researchers. Approximately 54.1%, 16.0% and 28.0% of the full-time equivalents are located in Europe, the United States and South America respectively. The Group is subject to collective bargaining agreements in Belgium, France, the Netherlands, Spain and Brazil, and maintains works councils in France, Italy, the Netherlands, Poland, Brazil and Colombia. In the three years ended December 31, 2015 and the three months ending 31 March 2016, the Group has not experienced work stoppages.

The following table shows the Group's number of full-time equivalents per country/region as at 31 March 2016.

Country/Region	**Total**
Australia	4
Belgium	97
Brazil	497
China	8
Colombia	73
Czech Republic	121
Denmark	9
France	131
Germany	39
Greece	30
Italy	36
Poland	122
South Africa	27
Spain	36
Switzerland	62
The Netherlands	414
United Kingdom	9
United States	327
Total	**2,042**

6.17 Insurance

The Group maintains insurance policies that it considers sufficient to protect it against potential damage and liabilities incurred in the ordinary course of its business. As of the date of this prospectus, the Group maintains products and professional liability coverage to protect it from claims of bodily injury arising out of the use of its pharmaceutical compounds. To the extent the Group has framework agreements with its community and hospital pharmacies and pharmaceutical companies, such customers generally require varying coverage limits as part of such framework agreements. The Group also maintains business income coverage and real and personal property insurance. Additionally, the Group maintains workers' compensation, auto and general liability, executive risk and directors' and officers' liability insurance.

The Group believes it has maintained insurance in appropriate amounts and in line with market practice in its industry; however, if its insurance coverage is not adequate, or if insurance coverage does not continue to be available on terms acceptable to it, the Group's business, financial condition and operating results could be materially harmed. See "*Risk Factors—Risks relating to the Group's activities and the industry in which it operates—The Group may be unable to maintain the required level of insurance cover on acceptable terms or at an acceptable cost*" (*Paragraph 3.1.32* of *Part 3*).

6.18 Legal or administrative investigations

From time to time, in the ordinary course of business and like others in the industry, the Group is subject to inspections by regulatory authorities (see, for example, FDA inspections discussed below) and receives requests for information from government agencies in connection with their regulatory or investigational authority. Such requests can include subpoenas or demand letters for documents to assist the government in audits or investigations (see, for example, the DOJ investigations discussed below).

In the US, the Group's business is subject to periodic inspections by regulatory authorities, including the FDA, DEA and state boards of pharmacies and health. Such regulatory inspections may lead to Form 483 Observations, warning letters, allegations of non-compliance or similar correspondence, voluntary or involuntary product recalls, consent decrees, injunctions to halt the manufacture and distribution of products, seizures of products, monetary sanctions, civil penalties, criminal prosecution and other restrictions on operations. For more information with respect to FDA Form 483 Observations, see "*Business Overview—Regulation—US—FDA*" (*Paragraph 6.13.4.1 of Part 6*).

Two of the Group's US subsidiaries, Freedom Pharmaceuticals and Bellevue Pharmacy (which ceased operations in March 2016), are currently subject to an industry-wide US DOJ investigation of compounding pharmacies and bulk raw material suppliers participating in the Tricare programme, which provides health care benefits to military personnel, military retirees and their family members in the US. The DOJ investigation, initiated on 7 April 2015, appears to focus on whether certain compounding pharmacies (including Bellevue Pharmacy) submitted claims with inflated prices to Tricare for reimbursement, and relatedly, whether certain bulk raw material suppliers (including Freedom Pharmaceuticals) submitted inflated prices for raw materials to compounding pharmacies and/or provided consulting or billing support activities which caused compounding pharmacies to submit claims with inflated prices to Tricare. In connection with the investigation, the DOJ sent a CID requesting information and the Group has submitted all demanded materials. In May 2016, the Group met with the DOJ and used the opportunity to provide greater details of the (past) business practices of Bellevue Pharmacy and Freedom Pharmaceuticals. Following the meeting, the DOJ requested (without utilising a CID) more information and the Group is currently in the process of compiling the requested information. Although at the date of this Prospectus, the Group is not aware of any actual complaint or specific allegations against it relating to the DOJ investigation, the Group does not know, and cannot predict with any reasonable certainty, whether the DOJ investigation will lead to formal complaints against Bellevue Pharmacy, further investigations or other regulatory action. Therefore it is unable to estimate reasonable damages; however the Group recorded a $10 million provision (of which $4 million was for legal support and internal investigations) as part of its goodwill adjustments for Bellevue Pharmacy in 2015. Also see *"Risk Factors—Risks relating to the Group's activities and the industry in which it operates—The Group may be subject to legal or administrative proceedings or investigations brought by third parties, regulatory bodies or administrative agencies"* (*Paragraph 3.1.15* of *Part 3*). However, the outcome of the investigation, and the likelihood of any claims from the DOJ resulting from the investigation, is difficult to estimate, and as a result this recorded provision may prove to be insufficient.

Furthermore, on 15 March 2016, the former owners of JCB Laboratories filed a suit against the Group alleging that the agreed EBITDA target for 2015 had been met based on the definition in the acquisition agreement entered into in November 2013, therefore the owners are entitled to the full earnout payments of $6 million for 2015. The Group contested this allegation and has filed its answer and counterclaim on 11 May 2016, and received a response on this counterclaim on 1 June 2016. Although the Group believes it has sound legal grounds to defeat this claim, there is no assurance that its defence and counterclaim will ultimately prevail.

The Brazilian state of Goiás implemented a corporate tax incentive programme, Produzir, which is intended to reduce the Brazilian value-added tax on sales and services (also known as *Imposto Sobre Operações Relativas à Circulação de Mercadorias e Serviços de Transporte Interestadual de Intermunicipal e de Comunicações*, or "**ICMS**") liability, assessed by other Brazilian states, on corporates that set up their businesses in Goiás. However, other Brazilian states challenged the validity of Produzir and the discussions between states have been ongoing. If Produzir is found to be invalid, then other Brazilian states may be able to retroactively assess ICMS tax on the Group's Brazilian business, including Pharma Nostra which it acquired in 2011. Under the Pharma Nostra acquisition agreement, the Group would be

indemnified by the sellers should ICMS tax liability relating to Produzir arise. As such, the Group believes that no provision need to be made at this time.

The Group is also subject to litigation and other administrative proceedings arising in the ordinary course of its business, including litigation principally relating to product liability, employment matters and workers compensation claims. Currently the Group does not expect these to have any material impact on its financial position.

6.19 Ceased business

In April 2014, the Group acquired Bellevue Pharmacy in the US for approximately €142.1 million and Bellevue Pharmacy became part of the FSPS segment. Bellevue Pharmacy operated a non-sterile manufacturing and distribution business, with three non-sterile manufacturing facilities in the states of Missouri, Illinois and Florida that directly distributed non-sterile compounds to patients, typically on a mail-order basis. Bellevue Pharmacy employed approximately 167 employees at the end of 2015. Before the changes to the reimbursement regime in the US negatively impacted the business (see "*Business Overview—Reimbursements—US*" (*Paragraph 6.14.2* of *Part 6*)), Bellevue Pharmacy's turnover in the last nine months of 2014 (after it had been acquired by the Group in April) was €49.8 million, or 11.1% of the Group's total turnover for the full year 2014. As the changes to the reimbursement environment began to impact the business, turnover from Bellevue Pharmacy declined to €45.4 million for the full year 2015, or 9.6% of the Group's total turnover for the full year 2015. As a result of the changes to the reimbursement regime, in 2015 the Group recognised an impairment charge of €178.2 million in respect of Bellevue Pharmacy due to its lower profitability, reducing the goodwill value of Bellevue Pharmacy to zero on the Group's balance sheet.

In three months ending 31 March 2016 this trend continued, Bellevue Pharmacy became loss-making with only €4.2 million of turnover (which turnover was classified as discontinued operations as of January 2016). The Board of Directors therefore decided in 2016 to close Bellevue Pharmacy and in March 2016 to cease operations. The production of non-sterile compounding ceased in March 2016 and the majority of the employees have been made redundant. In order to finalise and close out all remaining operations, Bellevue Pharmacy has continued to employ a few employees. In May 2016, the Group reached a settlement of approximately $5.8 million with certain former Bellevue Pharmacy employees in respect of their shareholder appreciation rights ("**SAR**"). The SAR liability was over provisioned for during the three months ending 31 March 2016, and the provision has been adjusted accordingly in the financial results for the 3 months March 2016. The Group's other remaining liabilities are non-material operating leases on its facilities and offices. The Group believes that the ceased business does not have any material assets or liabilities outstanding.

The Group is currently assessing different options regarding the business. Currently the Group does not expect the cessation and ongoing assessment of Bellevue Pharmacy to have any material impact on its financial position going forward.

Although Bellevue Pharmacy has been classified as discontinued operations in the three months ending 31 March 2016 and, for comparison purposes, has also been included as discontinued operations in the results for the three months ending 31 March 2015, previous 2014 and 2015 periods have not been restated to reflect Bellevue Pharmacy as discontinued operations. Therefore FSPS and Group results may not be comparable across all the periods presented in this Prospectus.

PART 7
SELECTED HISTORICAL FINANCIAL INFORMATION

The unaudited condensed interim financial statements of the Company as at and for the three months ended 31 March 2016 and 2015 are included in Annex 3 of this Prospectus and the 2015 Financial Statements are included in Annex 1 of this Prospectus. Certain elements of the 2014 and 2013 Financial Statements have been incorporated by reference in this Prospectus. This "Selected Historical Financial Information" (Part 7) should be read in conjunction with "Information on the Prospectus and Cautionary Statements—Presentation of Financial Information" (Paragraph 4.4 of Part 4), "Risk Factors" (Part 3), "Operating and Financial Review" (Part 8), "Information on the Group" (Part 10), the unaudited condensed interim financial statements of the Company as at and for the three months ended 31 March 2016 and 2015 and the Financial Statements, including the notes thereto, in Annex 3 and Annex 1 of this Prospectus, respectively, the 2014 and 2013 Financial Statements, including the notes thereto, incorporated by reference in this Prospectus and other financial data appearing elsewhere in this Prospectus.

7.1 IFRS Consolidated Financial Information

The unaudited condensed interim financial information of the Company set forth below as at and for the three months ended 31 March 2016 and 2015 have been derived from and should be read in conjunction with and is qualified in its entirety by the unaudited condensed interim financial statements, including the notes thereto, included into this Prospectus, which have been prepared in accordance with IAS 34, as adopted by the EU.

The audited consolidated financial information of the Company set forth below as at and for the years ended 31 December 2015, 2014 and 2013 has been derived from, should be read in conjunction with and is qualified in its entirety by the Financial Statements, included or incorporated by reference into this Prospectus.

The 2013 Financial Statements were restated in 2014 using IFRS 5 to adjust for discontinued operations and non-current assets held for sale, consisting primarily of the Group's medical and dental divisions, which were sold in 2013 and 2014, and the ICT (Corilus) division, which was sold in early 2015. The 2013 financial information presented in this "*Selected Historical Financial Information*" (*Part 7*) presents restated figures and is therefore directly comparable to the 2014 and 2015 numbers presented.

7.1.1 Consolidated income statement

Consolidated income statement (€ millions, except as indicated)	**01/01/2016 -31/03/2016** (unaudited)	**01/01/2015 -31/03/2015** (unaudited)	**01/01/2015 -31/12/2015**	**01/01/2014 -31/12/2014**	**01/01/2013 -31/12/2013**
Operating income	**103.7**	**102.8**	**481.7**	**450.4**	**343.6**
Turnover	103.6	102.6	473.0	447.1	342.7
Other operating income	0.2	0.2	8.7	3.4	0.9
Operating expenses	**89.2**	**83.6**	**632.0**	**356.1**	**277.3**
Trade goods	37.7	37.4	164.2	158.8	148.1
Services and other goods	20.4	17.6	89.0	76.1	49.2
Employee benefit expenses	22.8	23.8	125.4	101.6	71.2
Depreciation and amortisation	3.7	4.5	23.6	19.0	8.9
Impairment	-	-	225.6	-	-
Other operating expenses	4.6	0.4	4.3	0.5	-
Operating profit (loss)	**14.6**	**19.3**	**(150.3)**	**94.3**	**66.3**
Financial income	10.4	0.3	2.0	0.7	1.0
Financial expenses	(14.8)	(8.4)	(47.0)	(25.2)	(18.5)
Profit (loss) before income tax	**10.2**	**11.2**	**(195.3)**	**69.9**	**48.8**
Taxes	3.5	3.9	7.0	26.7	7.0
Profit (loss) for the period from continuing operations	**6.8**	**7.3**	**(202.3)**	**43.2**	**41.8**
Profit (loss) for the period from discontinued operations (attributable to equity owners of the Group)	(3.9)	3.7	0.3	(27.0)	(73.9)
Profit (loss) for the period	**2.9**	**11.0**	**(202.0)**	**16.2**	**(32.0)**

Consolidated income statement (€ millions, except as indicated)	01/01/2016 -31/03/2016 (unaudited)	01/01/2015 -31/03/2015 (unaudited)	01/01/2015 -31/12/2015	01/01/2014 -31/12/2014	01/01/2013 -31/12/2013
Profit (loss) attributable to:					
Equity holders of the Group (net result)	2.6	10.9	(202.3)	16.2	(32.1)
Non-controlling interest	0.3	0.1	0.3	(0.1)	0.1
Net profit per share(1) (€)	0.20	0.23	(6.47)	1.41	1.36

Notes:
(1) The 2015, 2014 and 2013 net profit is on the basis of continuing operations.

7.1.2 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income (€ millions)	01/01/2016 -31/03/2016 (unaudited)	01/01/2015 -31/03/2015 (unaudited)	01/01/2015 -31/12/2015	01/01/2014 -31/12/2014	01/01/2013 -31/12/2013
Profit (loss) for the period	**2.9**	**11.0**	**(202.0)**	**16.2**	**(32.0)**
Other comprehensive income:					
Items that will not be reclassified to profit (loss)					
Remeasurements of post-employment benefit obligations	-	-	0.8	(1.9)	0.1
Taxes related to remeasurements of post-employment benefit obligations	-	-	0.3	(0.6)	-
Items that may be subsequently reclassified to profit (loss)					
Currency translation differences	10.6	1.7	(26.3)	6.0	(22.9)
Other comprehensive income from the year	10.6	1.7	(25.3)	3.4	(22.8)
Total comprehensive income for the year	**13.5**	**12.7**	**(227.3)**	**19.6**	**(54.8)**
Attributable to:					
Equity holders of the company	13.3	12.5	(227.7)	19.7	(54.7)
Non-controlling interest	0.3	0.1	0.4	(0.1)	(0.1)
Total comprehensive income for the year	**13.6**	**12.7**	**(227.3)**	**19.6**	**(54.8)**
Total comprehensive income for the year attributable to equity holders of the company:					
From continuing operations	17.1	8.8	(227.9)	46.7	19.2
From discontinued operations	(3.9)	3.7	0.3	(27.0)	(73.9)
	13.3	12.5	(227.7)	19.7	(54.7)

7.1.3 Consolidated statement of financial position

Consolidated statement of financial position (€ millions)	As at 31/03/2016 (unaudited)	As at 31/12/2015	As at 31/12/2014	As at 31/12/2013
Non-current assets	**487.1**	**501.5**	**662.6**	**492.1**
Intangible assets	399.2	410.6	575.3	400.6
Property, plant and equipment	69.0	71.1	60.0	47.5
Financial assets	6.1	5.9	5.1	15.8

Consolidated statement of financial position (€ millions)	As at 31/03/2016 (unaudited)	As at 31/12/2015	As at 31/12/2014	As at 31/12/2013
Deferred tax assets	12.8	13.9	22.4	28.3
Current assets	**163.0**	**187.8**	**228.1**	**236.5**
Inventories	70.1	67.3	65.2	58.9
Trade receivables	39.1	34.1	36.3	29.6
Other receivables	13.5	11.0	18.0	19.1
Cash and cash equivalents(1)	40.4	75.5	108.6	128.9
Assets held for sale	-	-	83.0	76.1
Total assets	**650.1**	**689.4**	**973.8**	**804.7**
Equity	**(52.1)**	**(64.8)**	**156.9**	**155.2**
Shareholders equity (parent)	(55.1)	(67.5)	154.6	151.6
Non-controlling interest	3.0	2.7	2.3	3.6
Non-current liabilities	**32.1**	**27.1**	**575.5**	**389.1**
Provisions	20.2	16.0	8.9	9.2
Pension obligations	5.2	5.1	6.1	4.3
Deferred tax liabilities	2.4	1.5	6.2	4.5
Borrowings	4.2	4.4	551.5	368.7
Financial instruments	-	-	2.9	2.5
Current liabilities	**670.1**	**727.1**	**220.9**	**230.4**
Borrowings	572.4	594.9	5.7	55.0
Trade payables	42.9	63.0	57.4	55.6
Taxes, remuneration and social security	20.9	25.3	38.7	28.8
Other current payables	32.2	41.9	119.1	91.0
Financial instruments	1.8	2.0	-	-
Liabilities directly associated with assets classified as held for sale	-	-	20.4	30.1
Total liabilities	**702.2**	**754.2**	**816.8**	**649.5**
Total equity and liabilities	**650.1**	**689.4**	**973.8**	**804.7**

Notes:
(1) The Group's balance sheet as at 31 December 2013 reflects cash and cash equivalents from continuing operations of €128.9 million and of cash and cash equivalents attributable to assets held for sale of €6.5 million.

7.1.4 Consolidated statement of changes in equity

Consolidated statement of changes in equity (€ millions)	Share capital & share premium	Other reserves	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2013	**318.1**	**(208.3)**	**(4.3)**	**135.9**	**241.4**	**3.8**	**245.2**
Profit (loss) for the year				(32.1)	(32.1)	0.1	(32.0)
Other comprehensive income for the year		(22.6)			(22.6)	(0.2)	(22.8)
Total comprehensive income for the year		**(22.6)**		**(32.1)**	**(54.7)**	**(0.1)**	**(54.8)**
Capital increase	0.8				0.8		0.8
Purchase of treasury shares			(12.9)		(12.9)		(12.9)
Result on treasury shares			(4.6)		(4.6)		(4.6)

Consolidated statement of changes in equity (€ millions)	**Share capital & share premium**	**Other reserves**	**Treasury shares**	**Retained earnings**	**Total**	**Non-control-ling interest**	**Total equity**
Dividends relating to 2012 result				(18.8)	(18.8)		(18.8)
Share-based payments		0.4			0.4		0.4
Balance at 31 December 2013	**318.9**	**(230.5)**	**(21.8)**	**85.0**	**151.6**	**3.6**	**155.2**
Profit (loss) for the year				16.2	16.2	(0.1)	16.2
Other comprehensive income for the year		3.5			3.5		3.4
Total comprehensive income for the year		**3.5**		**16.2**	**19.7**	**(0.1)**	**19.6**
Capital increase	0.7				0.7		0.7
Sale of treasury shares			5.4		5.4		5.4
Result on treasury shares			(3.7)		(3.7)		(3.7)
Dividends relating to 2013 result				(22.2)	(22.2)		(22.2)
Share-based payments		2.1			2.1		2.1
Change in non-controlling interests		1.2			1.2	(1.2)	
Balance at 31 December 2014	**319.7**	**(223.8)**	**(20.2)**	**79.0**	**154.6**	**2.3**	**156.9**
Profit (loss) for the year				(202.3)	(202.3)	0.3	(202.0)
Other comprehensive income for the year		(25.3)			(25.3)	0.1	(25.3)
Total comprehensive income for the year		**(25.3)**		**(202.3)**	**(227.7)**	**0.4**	**(227.3)**
Capital increase	26.1				26.1		26.1
Sale of treasury shares			4.8		4.8		4.8
Result on treasury shares			(3.4)		(3.4)		(3.4)
Dividends relating to 2014 result				(31.2)	(31.2)		(31.2)
Share-based payments		9.2			9.2		9.2
Change in non-controlling interests							
Balance at 31 December 2015	**345.8**	**(239.9)**	**(18.8)**	**(154.5)**	**(67.5)**	**2.7**	**(64.8)**
Profit (loss) for the year				2.6	2.6	0.3	2.9
Other comprehensive income for the period		10.7			10.7		10.6
Total comprehensive income for the year		**10.7**		**2.6**	**13.3**	**0.3**	**13.5**
Capital increase							
Sale of treasury shares							
Result on treasury shares							
Dividends relating to 2015 result							
Share-based payments		(0.8)			(0.8)		(0.8)
Change in non-controlling interests							
Balance at 31 March 2016	**345.8**	**(230.1)**	**(18.8)**	**(151.9)**	**(55.0)**	**3.0**	**(52.1)**

7.1.5 Consolidated statement of cash flows

Consolidated statement of cash flow (€ millions)	**01/01/2016 -31/03/2016** (unaudited)	**01/01/2015 -31/03/2015** (unaudited)	**01/01/2015 -31/12/2015**	**01/01/2014 -31/12/2014**	**01/01/2013 -31/12/2013**
Operating activities					
Profit (loss) before income tax	7.3	13.4	(195.3)	46.3	(21.6)
Paid taxes	(3.8)	(14.0)	(19.4)	(11.4)	(10.3)
Adjustments for financial items	4.3	8.1	45.0	26.7	25.0
Total adjustments for non-cash items	5.1	6.9	241.2	44.3	79.8
Total changes in working capital	(34.1)	(34.9)	1.8	(4.2)	(9.8)
Total cash flow from operating activities	**(21.2)**	**(20.6)**	**73.3**	**101.7**	**63.1**
Investing activities					
Capital expenditure	(4.7)	(6.1)	(22.1)	(20.7)	(15.8)
Investments in existing shareholdings (subsequent payments) and in new holdings	(0.7)	(34.4)	(96.7)	(196.2)	(101.3)
Proceeds from disposal of assets	-	71.3	72.5	23.0	53.6
Total cash flow from investing activities	**(5.4)**	**30.8**	**(46.3)**	**(193.8)**	**(63.5)**
Financing activities					
Capital increase	-	-	0.1	0.7	0.8
Sale (purchase) of treasury shares	-	(1.8)	1.4	1.3	(18.3)
Dividends paid	-	-	(31.4)	(22.2)	(18.8)
New borrowings	-	14.2	100.3	355.5	129.2
Reimbursement of borrowings	(1.0)	(74.9)	(100.9)	(245.7)	(7.0)
Interest received	0.4	0.3	2.0	0.8	1.5
Interest paid	(7.5)	(4.9)	(33.0)	(25.5)	(20.8)
Total cash flow from financing activities	**(8.0)**	**(67.0)**	**(61.5)**	**65.0**	**66.5**
Total net cash flow for the period	**(34.6)**	**(56.8)**	**(34.4)**	**(27.1)**	**66.1**
Cash and cash equivalents – start of the period	75.5	108.6	108.6	135.4(1)	72.4
Gains or losses on exchange on liquid assets	0.5	(4.4)	(1.3)	(0.2)	(3.0)
Cash and cash equivalents – end of the period	40.4	56.2	75.5	108.6	135.4(1
Change in cash and cash equivalents	**(34.6)**	**(56.8)**	**(34.4)**	**(27.1)**	**66.1**
Discontinued operations					
Cash flow from operating activities	(5.2)	1.0	-	11.2	7.9
Cash flow from investing activities	(0.2)	(0.1)	-	(13.3)	(21.3)
Cash flow from financing activities	-	-	-	3.7	11.5
Total net cash flow from discontinued operations	**(5.4)**	**0.9**	**-**	**1.5**	**(1.9)**

Notes:
(1) Includes cash and cash equivalents attributable to assets held for sale of €6.5 million.

7.2 Non-IFRS financial information

This Prospectus includes certain financial measures that are not measures defined by IFRS (See "*Information on the Prospectus and Cautionary Statements*" (*Part 4*)). The tables below present these non-IFRS measures for the Group for the periods presented.

Non-IFRS financial information (€ millions, except percentages)	**For the 3 months ended 31/03/2016** (unaudited)	**For the 3 months ended 31/03/2015** (unaudited)	**For the year ended 31/12/2015**	**For the year ended 31/12/2014**	**For the year ended 31/12/2013**
EBITDA[(1)]	18.2	23.7	98.8	113.4	75.2
REBITDA[(2)]	22.3	25.0	106.5	118.5	79.1
EBIT[(3)]	14.6	19.3	(150.3)	94.3	66.3
Operational working capital[(4)]	66.2	81.0	38.3	44.1	33.0
Net operational capital expenditure[(5)]	4.7	6.1	22.1	12.5	5.2
Net financial debt[(6)]	536.3	477.6	523.8	448.7	289.2
Adjusted net financial debt / adjusted REBITDA[(7)]	-	-	-	3.2	2.6
Total turnover growth CER[(8)]	7.2%	8.4%	3.7%	32.5%	19.2%
Organic turnover growth[(9)]	(6.0%)	13.5%	(1.0%)	9.7%	8.3%
Organic turnover growth CER[(10)]	(0.1%)	8.8%	(2.9%)	11.5%	12.8%
Gross margin[(11)]	63.6%	63.6%	65.4%	64.5%	56.8%
Cost coverage[(12)]	72.3%	63.6%	68.0%	60.7%	61.4%
Cash conversion[(13)]	-	-	20.5%	39.9%	26.5%

Notes:
(1) EBITDA is earnings before interest, taxes, depreciation, amortisation and impairment and consists of the Group's operating profit (loss) plus depreciation, amortisation, write-downs on inventories and receivables and impairments.
The following table sets out a reconciliation of EBITDA to operating profit for the period indicated:

Reconciliation of EBITDA to operating profit (€ millions)	**For the 3 months ended 31/03/2016** (unaudited)	**For the 3 months ended 31/03/2015** (unaudited)	**For the year ended 31/12/2015**	**For the year ended 31/12/2014**	**For the year ended 31/12/2013**
Operating profit (loss)	14.6	19.3	(150.3)	94.3	66.3
Depreciation	1.8	2.2	9.0	8.1	5.4
Amortisation	1.5	1.2	12.2	8.3	3.5
Write-down on inventories	0.1	0.7	1.2	1.2	(0.4)
Write-down on receivables	0.2	0.4	1.3	1.4	0.3
Impairment	-	-	225.6	-	-
EBITDA	**18.2**	**23.7**	**98.8**	**113.4**	**75.2**

(2) REBITDA is recurring earnings before interests, taxes, depreciation, amortisation and impairment and consists of the Group's operating profit (loss) plus depreciation, amortisation, write-downs on inventories and receivables and impairment, as adjusted for all non-recurring items. See "*Information on the Prospectus and Cautionary Statements—Non-recurring items" (Paragraph 4.6 of Part 4).*
The following table sets out a reconciliation of REBITDA to EBITDA for the period indicated:

Reconciliation of REBITDA to EBITDA (€ millions)	**For the 3 months ended 31/03/2016** (unaudited)	**For the 3 months ended 31/03/2015** (unaudited)	**For the year ended 31/12/2015**	**For the year ended 31/12/2014**	**For the year ended 31/12/2013**
EBITDA	18.2	23.7	98.8	113.4	75.2

Reconciliation of REBITDA to EBITDA (€ millions)	**For the 3 months ended 31/03/2016** (unaudited)	**For the 3 months ended 31/03/2015** (unaudited)	**For the year ended 31/12/2015**	**For the year ended 31/12/2014**	**For the year ended 31/12/2013**
Discontinued products[(a)]	-	-	-	1.4	0.6
Legal fees[(b)]	0.2	0.1	0.9	1.0	0.1
Indemnities[(c)]	0.5	0.5	6.1	0.5	2.5
Other[(d)]	3.3	0.6	0.7	2.2	0.7
REBITDA	**22.3**	**25.0**	**106.5**	**118.5**	**79.1**

Notes:
(a) In 2014 and 2013, discontinued products related to costs incurred in the discontinuation of OTC products delivered to pharmacies in Belgium.
(b) In the three months ended 31 March 2016, legal fees included €0.2 million relating to advisory fees and small litigation matters and in the same period in 2015, legal fees included €0.1 million relating to restructuring, due diligence costs, advisory fees and small litigation matters. In 2015, legal fees included €0.9 million relating to restructuring, due diligence costs, advisory fees and small litigation matters. In 2014, legal fees included costs relating to restructuring and due diligence costs.
(c) In the three months ended 31 March 2016, indemnities included €0.5 million related to restructuring and the dismissal of personnel in Europe and South America and in the same period in 2015, indemnities included €0.5 million related to restructuring and the dismissal of personnel in Europe, South America and corporate headquarters. In 2015, indemnities included the dismissal of personnel in Europe and the US initiated in the second half of 2015 and €1.8 million relating to the departure of the Group's former CEO. In 2014, indemnities related mainly to the reduction in headcount in South America. In 2013, indemnities related to dismissal of personnel in Europe and at corporate headquarters.
(d) In the three months ended 31 March 2016, other non-recurring items included €3.9 million costs for an onerous contract related to a facility in the US, €0.8 million for a tax assessment in Brazil, partly offset by a correction on the warrant plans of €1.1 million and in the same period in 2015, other non-recurring items included €0.1 million acquisition costs and €0.5 million write-off of old inventories and trade receivables. In 2015, other non-recurring items included a €5.1 million release of a contingent liability provision, start-up costs for Fagron Holding USA and Fagron Academy USA of €1.3 million, start-up costs for the new JCB Laboratories sterile facility (opened in March 2016) of €1.2 million, €1.1 million relating to Freedom Pharmaceuticals and AnazaoHealth and other smaller companies, a retention bonus plan of €1.3 million and a one-off revenue from the sale of a building in Belgium. In 2014, other non-recurring items included acquisition costs of €1.1 million relating to Bellevue Pharmacy, Panoramix BV and other smaller companies and €0.8 million relating to provisions for litigation. In 2013, other non-recurring items included acquisition costs of €0.5 million relating to acquisition costs relating to Freedom Pharmaceuticals.

(3) EBIT is earnings before interests and taxes, which is equivalent to the Group's operating profit on its consolidated income statement.
(4) Operational working capital is the sum of inventories and trade receivables, less trade payables at a given balance sheet date.
(5) Net operational capital expenditure is defined as the Group's cash expenditures on intangible assets and property, plant and equipment that have been acquired or produced in a given period (which is reflected as "capital expenditure" under "cash flow from investing activities" on the Group's consolidated statement of cash flows), net of any capital expenditures on businesses sold during the period (which are reflected separately as part of "cash flow from investing activities" under "total net cash flow from discontinued operations" on the Group's consolidated statement of cash flows) and includes the change in investment payables for the period, also referred to as capital expenditure for continuing operations.
(6) Net financial debt is the sum of current and non-current borrowings, net of cash and cash equivalents. Net financial debt as at 31 December 2013 included a net financial debt for assets held for sale amount of €5.6 million.
(7) Adjusted net financial debt / adjusted REBITDA reflects the ratio of the Group's net financial debt at period end, adjusted to deduct the value of the Group's treasury shares, to the Group's adjusted REBITDA for that period. Adjusted REBITDA is the Group's reported REBITDA, adjusted to reflect a portion of the full year impact of acquisitions which took place during that year and to exclude a portion of REBITDA earned from businesses which were disposed of during that year. For purposes of the Revolving Loan Facility calculation of REBITDA, the adjustment items applied to are capped at an adjustment amount of €5 million for non-recurring items according to the terms of the Revolving Loan Facility.
(8) Turnover growth at constant exchange rates is the Group's turnover growth in a given period and is calculated on the basis of the average exchange rate in the same period of the previous year. The exchange rate used for the turnover growth CER for the three months ended 31 March 2016 as compared to the three months ended 31 March 2015 were the average currency exchange rates for the three months ended 31 March 2015, specifically a euro/US dollar rate of 1.126, a euro/Brazilian real rate of 3.224, a euro/Swiss franc rate of 1.072 and a euro/Polish zloty rate of 4.193. The exchange rate of 2015 was a euro/US dollar rate of 1.109, a euro/Brazilian real rate of 3.700, a euro/Swiss franc rate of 1.068 and a euro/Polish zloty rate of 4.183. The exchange rate of 2014 was a euro/US dollar rate of 1.328, a euro/Brazilian real rate of 3.122, a euro/Swiss franc rate of 1.215 and a euro/Polish zloty rate of 4.185. The exchange rate of 2013 was a euro/US dollar rate of 1.328, a euro/Brazilian real rate of 2.867, a euro/Swiss franc rate of 1.231 and a euro/Polish zloty rate of 4.197. See "*Operating and Financial Review—Quantitative and Qualitative Disclosures about Market Risk—Exchange rate risk*" (*Paragraph 8.9.1* of *Part 8*).
(9) Organic turnover growth refers to the Group's turnover growth and includes, in a given period, growth within acquired businesses after the date of acquisition. As a result, the Group's organic turnover growth figures may not be comparable with organic turnover growth figures for some other companies to the extent that those other companies may calculate organic turnover growth excluding the growth of acquired entities.
(10) Organic turnover growth at constant exchange rates is the Group's organic turnover growth in a given period and is calculated on the basis of the average exchange rate in the same period of the previous year. The exchange rate used for the organic turnover growth CER for the three months ended 31 March 2016 as compared to the three months ended 31 March 2015 were the average currency exchange rates for the three months ended 31 March 2015, specifically a euro/US dollar rate of 1.126, a euro/Brazilian real rate of 3.224, a euro/Swiss franc rate of 1.072 and a euro/Polish zloty rate of 4.193. The exchange rate of 2015 was a euro/US dollar rate of 1.109, a euro/Brazilian real rate of 3.700, a euro/Swiss franc rate of 1.068 and a euro/Polish zloty rate of 4.183. The exchange rate of 2014 was a euro/US dollar rate of 1.328, a euro/Brazilian real rate of 3.122, a euro/Swiss franc rate of 1.215 and a euro/Polish zloty rate of 4.185. The exchange rate of 2013 was a euro/US dollar rate of 1.328, a

euro/Brazilian real rate of 2.867, a euro/Swiss franc rate of 1.231 and a euro/Polish zloty rate of 4.197. See "*Operating and Financial Review—Quantitative and Qualitative Disclosures about Market Risk—Exchange rate risk*" (*Paragraph 8.9.1* of *Part 8*).

(11) Gross margin is the difference between the Group's turnover and trade goods, as a percentage of turnover.

(12) Cost coverage is defined as certain operating expenses as a proportion of the Group's gross profit (gross profit being the difference between turnover and trade goods) in a given period. Operating expenses include services and other goods, employee benefit expenses and other operating expenses less other operating income.

(13) Cash conversion ratio is the operating cash flow for continuing operations as a percentage of EBITDA. Operating cash flow for continuing operations is total cash flow from operating activities adjusted to deduct capital expenditures and cash interest paid, and to add back cash interest received. For the three months ended 31 March 2016 and 2015, the Group's cash conversion ratio was negative due to operating cash flow for continued operations being negative as a result of a more efficient working capital management at period end closing dates.

PART 8
OPERATING AND FINANCIAL REVIEW

The unaudited condensed interim financial statements of the Company as at and for the three months ended 31 March 2016 and 2015 are produced in Annex 3 of this Prospectus and the 2015 Financial Statements are produced in Annex 1 of this Prospectus. Certain elements of the 2014 and 2013 Financial Statements have been incorporated by reference in this Prospectus.

This "Operating and Financial Review" (Part 8) should be read in conjunction with "Market Overview"(Part 5), "Business Overview"(Part 6), "Selected Historical Financial Information" (Part 7), the financial statements in Annex 3 and Annex 1 of this Prospectus and the financial statements which have been incorporated by reference in this Prospectus. Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this "Operating and Financial Review" (Part 8) is extracted from the financial statements in Annex 3 and Annex 1 of this Prospectus as well as the financial statements incorporated by reference in this Prospectus.

The 2013 Financial Statements were restated in 2014 using IFRS 5 to adjust for discontinued operations and non-current assets for sale, consisting primarily of the medical and dental divisions, which were sold in 2013 and 2014, and the ICT (Corilus) division, which was sold in early 2015. The 2013 financial information presented in this "Operating and Financial Review" (Part 8) represents restated figures and is therefore directly comparable to the 2014 and 2015 numbers presented.

The following discussion of the Group's results of operations and financial conditions contains forward-looking statements. The Group's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this document, particularly under "Risk Factors" (Part 3) and "Information on the Prospectus and Cautionary Statements" (Part 4).

8.1 Overview

The Group is a leading global pharmaceutical compounding company, bringing customised pharmaceutical care to hospitals, pharmacies, clinics and patients in 32 countries worldwide. The Group is active in the following segments:

- *FSPS*: prepares customised medication in 20 (excluding Bellevue Pharmacy) sterile and non-sterile compounding facilities in Europe, the US, Colombia and South Africa. FSPS produces customised medication for both specific patients and large-scale productions, increasingly (though not exclusively) using the raw materials sourced from Fagron Essentials and the delivery vehicles sourced from Fagron Trademarks.
- *Fagron Trademarks*: develops innovative concepts, drug delivery vehicles and formulations for pharmaceutical compounding developed by Fagron's research and development team, often in close cooperation with prescribers and pharmacies.
- *Fagron Essentials*: reconditions (or repacks) and distributes pharmaceutical raw materials, supplies and equipment that pharmacists need to prepare medication in the pharmacy.
- *HL Technology*: a legacy business which develops and produces innovative precision components and orthopaedic tools for the dental and medical orthopaedic industry.

8.2 Factors Affecting Results of Operations

The Group's results from operations have been, and will continue to be, affected by a number of factors, many of which are beyond the Group's control. See also "*Risk Factors*" (*Part 3*). There are several key factors that the Group believes have impacted its results from operations during the period under review and, in some cases, will continue to impact its results both on a consolidated basis and within its individual business segments going forward. These items are described below.

8.2.1 Reimbursement levels

The Group is directly paid by its pharmacy customers for most of its products and in most jurisdictions where it sells its products, but in some of the jurisdictions where the Group operates, particularly the US and Europe, the cost of compounded medication are often paid for by public healthcare administrations and/or private insurers in the form of reimbursement payments to the pharmacies which are purchasers of the Group's compounded medication. As public healthcare administrations and private insurers increasingly focus on limiting healthcare expenditure, they have and may continue to change reimbursement regimes and/or practices in ways which significantly impact market demand for pharmaceutical compounding products, making them more or less favourable than non-compounded products. See "*Business Overview—Reimbursements*" (*Paragraph 6.14* of *Part 6*).

The Group earns a substantial portion of its turnover in the form of reimbursements from public healthcare administrations and private insurers. The proportion of Group turnover earned from reimbursement, as compared to the proportion earned from cash payments according to the Group's agreed customer payment terms, varies by jurisdiction, by product, and from period to period. Across the Group's primary jurisdictions, the Group's exposure to reimbursement as a source of payment varies from a substantial all revenue in Poland, a significant majority in the Netherlands and Belgium, a slight majority in the United States, and zero reimbursement in Brazil.

Historically, compounding pharmacies in the US were allowed to claim reimbursement from public healthcare administrations and private insurers for a wide range of active and inactive ingredients used in the compounding process, allowing compounding pharmacies to freely use relatively high cost ingredients, leading to an increase in compounded medication prices and higher profits for pharmaceutical compounders. Beginning in May 2015, both public healthcare administrations, including Tricare, and private insurers in the US began to stop reimbursing compounded medication made from APIs (which are mostly non-sterile compounded medication) or placed restrictions on reimbursement, such as requiring the compounded medication to be supplied by a certified compounding pharmacy or imposing a reimbursement cap in order to contain costs. See "*Business Overview—Reimbursements—US*" (*Paragraph 6.14.2* of *Part 6*). The biggest impact of these changes to the reimbursement regime has been on the Group's FSPS non-sterile compounding business, primarily impacting Bellevue Pharmacy, which operated a non-sterile manufacturing and distribution business. Bellevue Pharmacy experienced sales declines because almost all of its products depended on reimbursement (unlike, for example, AnazaoHealth which focuses on the production of BHRT, a cash-based non-sterile compounded medication). Bellevue saw sharp declines in its sale of non-sterile compounded medication in 2015, from a turnover of €60.3 million (including €10.4 million of turnover from the first three months of 2014 before Bellevue was acquired by the Group) in 2014, to €45.4 million in 2015. In 2015, the Group recognised an impairment charge of €178.2 million in respect of Bellevue Pharmacy. The change to the reimbursement regime have further resulted in the Group's pharmacy customers in the US significantly reducing their purchases of APIs, which has impacted Fagron Essentials' API distribution business, primarily impacting Freedom Pharmaceuticals. Freedom Pharmaceuticals experienced bigger sales declines from the changes to the reimbursement regime than the Group's other API suppliers in the US, B&B and Fagron US due to differences in their customer base and product portfolio, see "*Business Overview—Reimbursements—US*" (*Paragraph 6.14.2* of *Part 6*). In 2015, the Group recognised an impairment charge of €27.1 million in respect of Freedom Pharmaceuticals.

Consequently, the Group's total turnover in the US was negatively impacted in 2015, dropping on a US dollar basis from $169.2 million in 2014 to $153.2 million in 2015 (partially offset by the acquisition of AnazaoHealth and, due to the strengthening of the US dollar, the Group's total turnover when translated into euros increased slightly from €127.9 million in 2014 to €138.1 million in 2015). Due to lower turnover and profitability at Bellevue Pharmacy and Freedom Pharmaceuticals resulting from the changes to the reimbursement regime in the US, the Group recognised a combined impairment charge of €205.3 million in 2015. In 2015 the Group estimates that the impact of these changes within Bellevue Pharmacy and Freedom Pharmaceuticals was a reduction in turnover of approximately €44 million, as well as a reduction in EBITDA. Furthermore, Bellevue Pharmacy became loss-making in the three months ending 31 March 2016. The Board of Directors therefore decided in 2016 to close Bellevue Pharmacy and in March 2016 to cease operations. The production of non-sterile compounding within Bellevue ceased in March 2016 and the majority of the employees have been made redundant. Due to this decision, the turnover of Bellevue Pharmacy is reported in the three months ending 31 March 2016 under discontinued operations. For more details, see "*Business Overview—Ceased business*" (*Paragraph 6.19* of *Part 6*).

As a result of these changes, the Group has shifted its US business to derive a greater proportion of turnover from sterile compounding, capitalising on the trend for US hospital pharmacies to outsource to Section 503B outsourcing facilities, as hospital pharmacies have large need for sterile compounds. Also see "*Business Overview—Strategy—FSPS*" (*Paragraph 6.4.1* of *Part 6*). In 2015, sterile compound turnover in the US accounted for approximately 29.5% of total US turnover.

The Group's business in the Netherlands is also significantly dependent on reimbursement to its customers. Recently, Dutch insurance companies have taken some actions with respect to reimbursement schemes for certain compounds as a result of an increasing focus on cost controls. See "*Business Overview—Reimbursements—Europe—The Netherlands*" (*Paragraph 6.14.1.1* of *Part 6*). Although to a lesser degree than in the US, the Group's turnover in the Netherlands has been and may continue to be negatively impacted as a result of this development. The major health insurers in the Netherlands may also introduce policies permitting them to reimburse only the lowest cost provider of a given product, potentially impacting the Group's sales in the Netherlands.

In addition, a substantial majority of the Group's turnover in Poland is derived from reimbursement. While there have been no changes and there are no anticipated changes to the reimbursement regime in Poland, a change could

result in a material decrease in the Group's turnover. See "*Risk Factors—Risks relating to the Group's activities and the industry in which if operates— Changes in the reimbursement regimes of public healthcare administrations and private insurers have had and may in the future have an adverse effect on the Group* " (*Paragraph 3.1.16* of *Part 3*).

8.2.2 Disposals and discontinued operations

As changes to the reimbursement environment in the US began to impact the business (see "*Business Overview—Reimbursements—US*" (*Paragraph 6.14.2 of Part 6*)), Bellevue Pharmacy's turnover in the last nine months of 2014 (after it had been acquired by the Group in April 2014), part of the Group's FSPS non-sterile compounding business, significantly declined from €49.8 million, or 11.1% of the Group's total turnover for the last nine months of 2014, to €45.4 million for the full year 2015, or 9.6% of the Group's total turnover for the full year 2015. As a result of the changes to the reimbursement regime in the US, in 2015 the Group recognised an impairment charge of €178.2 million in respect of Bellevue Pharmacy due to lower profitability, reducing the goodwill value of Bellevue Pharmacy to zero on the Group's balance sheet. In three months ending 31 March 2016 this trend continued, Bellevue Pharmacy became loss-making with only €4.2 million of turnover (classified as discontinued operations as of January 2016), and operations ceased in March 2016. Although Bellevue Pharmacy has been classified as discontinued operations in the three months ending 31 March 2016 and, for comparison purposes, has also been included as discontinued operations in the results for the three months ending 31 March 2015, previous 2014 and 2015 periods have not been restated to reflect Bellevue Pharmacy as discontinued operations. Therefore FSPS and Group results may not be comparable across all the periods presented in this Prospectus. Also see "*Business Overview—Ceased business*" (*Paragraph 6.19* of *Part 6*).

In 2013 and 2014, the Group successfully disposed of several of its non-core activities. Specifically, the Group completed the divestment of its Healthcare Specialities and Healthcare Solutions divisions, the Group's dental and medical activities, including the sale of Duo-Med, Owandy Radiology, Eurotec Germany, Eurotec France and Arseus Medical at the end of 2013 and the first half of 2014. From these disposals, the Group received €52.5 million and €33.2 million in 2013 and 2014 respectively. The Group recognised an impairment of €18.2 million in 2014 for the sale of its remaining dental and medical activities as a result of the proceeds of sale being lower than the carrying amount of the related net assets. In March 2015, the Group also completed the divestment of its ICT division, Corilus, for which the Group received a total of €74.0 million. The fair value less costs to sell the discontinued operations was higher than the carrying amount of the related assets and liabilities. Therefore, management recognised no impairment loss when the assets and liabilities of the discontinued operations were reclassified as held for sale. There were no material cash flows generated from discontinued operations in 2015.

As a result of the sale of these divisions, the profit and loss from these businesses have been included in the Group's consolidated income statement as discontinued operations and the assets and liabilities from those businesses have been included in the Group's consolidated balance sheet as assets and liabilities held for sale. Thus, the financial information relating to the Group's consolidated turnover and profit in 2015, 2014 and 2013 reflect only continuing operations, specifically the segments of FSPS, Fagron Trademarks and Fagron Essentials, as well as HL Technology, unless otherwise stated. The sale of its non-core activities has increased the Group's total operating profit as many of these businesses had previously been operating at a significant loss.

The following table shows the Group's result from discontinued operations in the periods indicated.

Group's result from discontinued operations (€ millions)	**01/01/2016 -31/03/2016** (unaudited)	**01/01/2015 -31/03/2015** (unaudited)	**01/01/2015 -31/12/2015**	**01/01/2014 -31/12/2014**	**01/01/2013 -31/12/2013**
Operating income	4.2	15.2	-	90.2	237.9
Turnover	4.2	15.2	-	88.6	235.0
Other operating income	**-**	**-**	-	1.6	2.9
Expenses	7.1	13.0	-	86.3	240.3
Profit (loss) before tax	**(2.9)**	**2.2**	**-**	**3.9**	**(2.4)**
Attributable income tax expenses	0.1	(0.8)	-	(3.5)	(3.4)
Result on remeasurement to fair value less costs to sell	(1.0)	**-**	-	-	(68.0)
Result on sale discontinued companies incl. costs to sell	**-**	2.4	0.3	(27.5)	-
Profit (loss) for the period from discontinued operations (attributable	**(3.9)**	**3.7**	**0.3**	**(27.0)**	**(73.9)**

Group's result from discontinued operations (€ millions)	01/01/2016 -31/03/2016 (unaudited)	01/01/2015 -31/03/2015 (unaudited)	01/01/2015 -31/12/2015	01/01/2014 -31/12/2014	01/01/2013 -31/12/2013
to equity owners of the Group)					

As a result of the reclassification of Bellevue Pharmacy to discontinued operations, the Group's profit for the period from discontinued operations decreased to a loss of €3.9 million for the three months ended 31 March 2016 from a profit of €3.7 million for the three months ended 31 March 2015. The Group's profit for the period from discontinued operations rose to €0.3 million in 2015 from a loss of €27.0 million in 2014 and a loss of €73.9 million in 2013, reflecting the lack of any significant disposals within the Group during 2015.

The Board of Directors regularly reviews the assets of the Group. The outcome of such review could result in additional divestment or cessation of non-core and non-strategic activities, the divestment or cessation of activities that do not satisfy the financial objectives of the Group, or the sale of non-strategic real estate. In the second quarter of 2016, the Board of Directors has decided to cease the activities of a small compounding pharmacy located in Marseille, France. Although no decisions have been made yet in this regard as of the date of this Prospectus, it cannot be excluded that such strategic review would lead to further divestments or cessations of activities or real estate of the Group in the near future.

8.2.3 Foreign exchange rates

The Group's financial statements are prepared in euros, its presentation currency. As a result, the Group is exposed to both transaction and translation foreign currency exchange risk in connection with its operations in countries outside the Eurozone and its transactions, assets and liabilities in currencies other than the euro, specifically entities operating in US dollars, Brazilian reals, Polish zloty, Czech crowns, Swiss francs, British pounds, Danish crowns, Colombian pesos, Chinese yuan, South African rand, Australian dollars and Argentinian pesos. For the three months ended 31 March 2016, these currencies collectively represented approximately 51.0% of the Group's consolidated turnover and approximately 35.8% of the Group's operating profit. In 2015, they represented 57.1% of the Group's consolidated turnover and approximately 72.3% of the Group's operating profit before impairment. In particular, the Brazilian real has been especially volatile and the Group entities which operate in Brazilian real represented approximately 17.7% and 16.7% of the Group's consolidated turnover in the three months ending 31 March 2016 and 2015, respectively.

The Group is exposed to transaction risk involving its businesses which operate in a functional currency other than the euro. Profits and losses from exchange rate differences resulting from settling transactions and from converting monetary assets and liabilities into euros at exchange rates valid at year-end are recognised in the income statement within the financial result. Specifically, the Group is exposed to transaction risk from fluctuations in the value of the US dollar as compared to the value of the euro, as a result of the use of US dollars to purchase raw materials from suppliers in the international market, particularly in China and India.

A significant portion of the Group's operating expenses, particularly in respect of activities in Brazil and the Netherlands, are these transactions in US dollars for procurement of raw materials. As a result, if the value of the US dollar as compared to the euro or any local currency were to increase, the Group's cost of goods sold in respect of its sales outside the United States may increase at a faster rate than the Group is able to recover such higher costs from its customers.

The Group is exposed to translation risk resulting from the translation impact of exchange rate movements between the euro and the other currencies in the jurisdictions in which the Group receives revenue or incurs expenses, or in which the Group holds assets and liabilities. As a result, the Group must translate the assets, liabilities, turnover and expenses of all of its operations in other currencies to the euro at then-applicable exchange rates. Turnover and expenses are translated at the average rate for the year while components of equity are translated at the historical exchange rate. These translation effects will have an impact on the value in euros of the Group's reported operating profit (loss) in any given period, and on the value in euros of its assets, liabilities and cash balances on a given balance sheet date.

For example, the Group's turnover from continued operations in the three months ending 31 March 2016 increased over the same period in 2015 partly due to strong organic growth in Brazil, however the positive impact on turnover from such growth was eliminated by the weakened Brazilian real when translated into euros. In particular, a stronger euro will reduce the Group's reported turnover and expenses from its non-euro businesses and, conversely, a weaker euro will increase the Group's reported turnover and expenses from non-euro businesses. Because the Group's non-

euro turnover is more significant than its non-euro expenses, the Group's profit before tax generally increases when the euro weakens. See "*Operating and Financial Review—Quantitative and Qualitative Disclosures about Market Risk—Exchange rate risk*" (*Paragraph 8.9.1* of *Part 8*). This translation impact could significantly affect the comparability of the Group's results between financial periods and/or result in significant changes to the carrying value of its assets, liabilities and shareholders' equity, as well as lower reported financial results. Further detail on the Group's currency exposure is contained below in "*Operating and Financial Review—Quantitative and Qualitative Disclosures about Market Risk—Exchange rate risk*" (*Paragraph 8.9.1* of *Part 8*). The Group does not currently hedge the translation impact of its operations in currencies other than the euro.

The Group's senior unsecured notes and the Revolving Loan Facility are largely denominated in US dollars. These are naturally hedged through intercompany loans made in US dollars to the Group's US subsidiaries (no intercompany loans to Bellevue Pharmacy), which hold US dollar denominated assets in equivalent value to the Group's US dollar denominated liabilities. The US dollar interest paid by the US subsidiaries to the Group is used to pay the interest on these external loans. Therefore the foreign exchange impact on the interest payable is neutralised. However, the Group is not hedged with respect to the principal amounts under its senior unsecured notes and the Revolving Loan Facility, and may be adversely affected by the translation risk of a weakening euro against the US dollar when the principal amounts become due.

8.2.4 Acquisitions

Part of the Group's strategy is to grow through a combination of organic growth and acquisitions, or buy and build. During the periods presented, the Group demonstrated its buy and build track record of acquiring and integrating businesses leading to strong margin improvement. A significant proportion of the Group's turnover growth, particularly in its FSPS and Fagron Essentials segment, has resulted from the acquisition of existing and related businesses in the US, Europe, South Africa and Colombia, intended to strengthen its global market leadership in pharmaceutical compounding.

In 2013, the Group acquired Freedom Pharmaceuticals in the US for approximately €77.7 million. Freedom Pharmaceuticals has been integrated into the Fagron Essentials segment and has allowed the Group to provide pharmaceutical raw materials and other value added services and compounding training to the US market. In the same year, the Group also acquired JCB Laboratories in the US for approximately €16.3 million. JCB Laboratories has been integrated into the FSPS segment and operates a sterile manufacturing business (owning Section 503B outsourcing facilities). In March 2016, JCB Laboratories opened a new Section 503B outsourcing facility focusing on heavily automated sterile-to-sterile production. Freedom Pharmaceuticals and JCB Laboratories contributed €48.1 million and €7.3 million, respectively, to Group turnover in 2014, representing growth of €21.0 million and €6.5 million, respectively, within each business compared to the results from the date of acquisition in 2013.

In 2014, the Group acquired Bellevue Pharmacy in the US for approximately €142.1 million. Bellevue Pharmacy, which operated a non-sterile manufacturing business, was integrated into the FSPS segment but ceased operations in March 2016 and was classified as discontinued operations in the three months ending 31 March 2016. In the same year, the Group also acquired Panoramix BV in the Netherlands for €49.3 million. Panoramix BV, which operates a sterile and non-sterile manufacturing and research and development business, was also integrated into the FSPS segment. In 2014, the Group also acquired a number of smaller companies in Greece and South Africa for a total price of approximately €9.8 million. Bellevue Pharmacy and Panoramix BV contributed €45.4 million and €18.3 million, respectively, to Group turnover in 2015, representing a decrease of €4.4 million and growth of €2.3 million, respectively, within each business compared to the results from the date of acquisition in 2014.

In 2015, the Group acquired AnazaoHealth in the US for €36.6 million (cash and share based consideration, see *Information on the Group—Share Capital and Shares*" (*Paragraph 10.4.1* of Part *10*), with an outstanding earnout payment obligation, see *Information on the Group—Share Capital and Shares*" (*Paragraph 10.4.1* of Part *10*) and *Information on the Group—AnazaoHealth acquisition*" (*Paragraph 10.9.9* of Part *10*)). AnazaoHealth, which operates a sterile compounding business (owning a Section 503B outsourcing facility and a Section 503A facility), was integrated into the FSPS segment. The Group also acquired ABC Chemicals in Belgium for €6.2 million. AnazaoHealth sells pharmaceutical raw materials and has been integrated into the FSPS segment. In 2015 the Group also acquired a number of smaller companies in Colombia, South Africa and the US for a total price of €4.9 million. AnazaoHealth and ABC Chemicals contributed €29.1 million and €3.4 million, respectively, to Group turnover in 2015.

As the acquired businesses have been largely integrated into the Group, their respective contributions to the profit of Fagron have not been reported separately. Acquisitions had a positive impact on turnover growth as turnover increased by €25.9 million in 2015, from €447.1 million in 2014 to €473.0 million in 2015 (of which €30.5 million of growth was due to the previously mentioned acquired businesses in 2015 and the remaining negative €4.6 million

represents primarily a decline in the organic business of the Group). Group turnover increased by €104.4 million in 2014, from €342.7 million in 2013 to €447.1 million in 2014 (of which €64.7 million of growth was due to businesses acquired in 2014 and the remaining €39.7 million represents organic growth). The acquisitions also had a positive impact on the Group's REBITDA growth, as in 2015 all the abovementioned acquired businesses except for Bellevue Pharmacy had REBITDA margins above that of the Group. Please see also "*Operating and Financial Review—Segment Information*" (*Paragraph 8.6* of Part *8*) for a split per segment and "*Operating and Financial Review—Organic Turnover Growth*" (*Paragraph 8.5.9* of Part *8*) for the concept of organic turnover growth.

8.2.5 Trends in healthcare

A number of trends play a role in the pharmaceutical and healthcare sectors. These include the growing paediatric and geriatric populations worldwide, the rise in chronic conditions and drug shortages and drug discontinuation, particularly specialised medication, by traditional pharmaceutical companies due to unprofitability from small scale production; see "*Market Overview—Growth drivers*" (*Paragraph 5.1.3* of Part 5). These trends contribute to higher pharmaceutical and healthcare consumption per person and a constant increase in healthcare expenditure. In parallel to this increased demand is increased pressure to ensure that healthcare remains affordable, accessible and safe, which drives the need for customised medication, more stringent regulations of compounding and the outsourcing of compounding by hospital pharmacies.

8.3 Current Trading and Prospects

The activities of Fagron in Europe, South America and Rest of World performed in line with expectations in April and May 2016. However, the weakening of the Brazilian real continued to have a negative impact on the Group's turnover and profitability in euros. In the United States, the changes to the reimbursement regime for non-sterile compounding continued to have a negative impact on the sale and profitability of pharmaceutical raw materials within Fagron Essentials in April and May 2016. The development of the Company's sterile FSPS activities in the US was weaker than expected in April and May 2016. Although management remains confident in the focused strategy for sterile compounding, it has taken more time than expected to validate the products in the new Section 503B outsourcing facility in Wichita and to get licenses to sell the sterile products in all 50 states of the United States.

In May 2016, the Group reached a settlement of approximately $5.8 million with certain former Bellevue Pharmacy employees in respect of their SAR. The SAR liability has been adjusted accordingly in the 31 March 2016 interim financial statements. Furthermore, the First Tranche Capital Increase in the amount of approximately €131.0 million was completed on 20 May 2016.

On 5 May 2016, the Group received the Long Term Waivers under its Revolving Loan Facility Agreement and Note Purchase Agreement which permanently waived its existing covenant breaches and reset the financial covenants to give the Group additional headroom compared to the original levels of the financial covenants.

The Board of Directors regularly reviews the assets of the Group. The outcome of such review could result in additional divestment or cessation of non-core and non-strategic activities, the divestment or cessation of activities that do not satisfy the financial objectives of the Group, or the sale of non-strategic real estate. In the second quarter of 2016, the Board of Directors has decided to cease the activities of a small compounding pharmacy located in Marseille, France. Although no decisions have been made yet in this regard as of the date of this Prospectus, it cannot be excluded that such strategic review would lead to further divestments or cessations of activities or real estate of the Group in the near future.

8.4 Description of Key Line Items in the Income Statement

8.4.1 Operating income

Operating income reflects the sum of the Group's turnover and its other operating income. Turnover reflects revenue from third parties and other operating income reflects gains on disposal of fixed assets, including releases of accruals related to contingent considerations.

8.4.2 Operating expenses

8.4.2.1 Trade goods

Operating expenses in the form of trade goods reflect the costs of goods sold, including trade goods, raw materials and auxiliary materials, adjusted for changes in inventories and work-in-progress.

8.4.2.2 Services and other goods

Operating expenses in the form of services and other goods reflect costs directly incurred as a result of services performed in the course of a sale, including manufacturing costs, transportation costs, advertising costs, rental costs and representation costs, among other costs.

8.4.2.3 Employee benefit expenses

Employee benefit expenses include wage and salaries, social security costs, pension costs, other post-employment benefit contributions and other employment costs.

8.4.2.4 Depreciation and amortisation

Depreciation and amortisation reflect the decrease in the value of the Group's tangible and intangible assets over time, and also includes write-downs on inventories and receivables. The Group recognises depreciation charges on property, plant and equipment and amortisation on intangible assets, intellectual property (mostly brand names) and certain research and development expenditure such as those relating to stability and compatibility studies.

8.4.2.5 Impairment

The Group tests at least annually for impairment and whenever a trigger event occurs. The Group's goodwill may be impaired if the Group determines that the fair market value of an asset is lower than the Group's carried value due to changes in circumstances. Any impairment charge is recognised as amortisation of intangible assets. In 2015, the Group recognised an impairment of €225.6 million, primarily in respect of its US operations Freedom Pharmaceuticals and Bellevue Pharmacy and of HL Technology due to lower profitability resulting from changes in the reimbursement regime in the United States. As of the end of 2015, goodwill associated with Bellevue Pharmacy had been impaired to zero.

8.4.2.6 Other operating expenses

Other operating expenses include provisions for current liabilities, pension liabilities and for certain taxes and levies.

8.4.3 Financial income and expenses

Financial income includes the revaluation of financial derivatives and interest income.

Financial expenses include interest expenses, currency exchange differences, the revaluation of financial derivatives and other financial expenses.

8.4.4 Taxes

Taxes, specifically income tax expenses (income), include both current tax expenses and deferred tax expenses.

8.4.5 Profit (loss) for the period from discontinued operations

Discontinued operations include those that the Group successfully divested in 2013, 2014 and early 2015 and Bellevue Pharmacy in early 2016. See "*Operating and Financial Review—Factors Affecting Results of Operations—Disposals and discontinued operations*" (*Paragraph 8.2.2 of Part 8*). As a result, the line item profit (loss) for the period from discontinued operations includes the net results from Bellevue Pharmacy (in the three months ended 31 March 2016 and 31 March 2015); the net results from the Group's Healthcare Specialties and Healthcare Solutions divisions (in 2013 and 2014) and Corilus (in 2015). For 2013, the comparative profit and cash flows from discontinued operations have been restated to include those operations classified as discontinued in 2014.

8.4.6 Profit (loss) for the period

Profit for the period is calculated based on the difference between profit for the period from continuing operations and profit (loss) for the period from discontinued operations.

8.5 Non-IFRS Financial Measures

8.5.1 EBITDA

EBITDA is earnings before interest, taxes, depreciations, amortisations and impairments and consists of the Group's operating profit (loss) plus depreciations, amortisations, write-downs on inventories and receivables and impairments.

8.5.2 REBITDA

REBITDA is recurring earnings before interests, taxes, depreciations, amortisations and impairments and consists of the Group's operating profit (loss) plus depreciations, amortisations, write-downs on inventories and receivables and impairments, as adjusted for all non-recurring items. See "*Information on the Prospectus and Cautionary Statements—Non-recurring items*" (*Paragraph 4.6* of *Part 4*).

8.5.3 EBIT

EBIT is earnings before interests and taxes, which is equivalent to the Group's operating profit on its consolidated income statement.

8.5.4 Operational working capital

Operational working capital is the sum of inventories and trade receivables, less trade payables at a given balance sheet date.

8.5.5 Net operational capital expenditure

Net operational capital expenditure is defined as the Group's cash expenditures on intangible assets and property, plant and equipment that have been acquired or produced in a given period (which is reflected as "capital expenditure" under "cash flow from investing activities" on the Group's consolidated statement of cash flows), net of any capital expenditures on businesses sold during the period (which are reflected separately as part of "cash flow from investing activities" under "total net cash flow from discontinued operations" on the Group's consolidated statement of cash flows) and includes the change in investment payables for the period, also referred to as capital expenditure for continuing operations.

8.5.6 Net financial debt

Net financial debt is the sum of current and non-current borrowings, net of cash and cash equivalents.

8.5.7 Adjusted net financial debt / adjusted REBITDA

Adjusted net financial debt / adjusted REBITDA reflects the ratio of the Group's net financial debt at period end, adjusted deduct the value of the Group's treasury shares, to the Group's adjusted REBITDA for that period. Adjusted REBITDA is the Group's reported REBITDA, adjusted to reflect a portion of the full year impact of acquisitions which took place during that year and to exclude a portion of all REBITDA earned from businesses which were disposed of during that year. For purposes of the Revolving Loan Facility calculation of REBITDA, the adjustment items applied to EBITDA are capped at an adjustment amount of €5 million for non-recurring items according to the terms of the Revolving Loan Facility.

8.5.8 Turnover growth CER

Turnover growth at constant exchange rate is the Group's turnover growth in a given period and is calculated on the basis of the average exchange rate in the same period of the previous year. The exchange rate used for the turnover growth CER for the three months ended 31 March 2016 as compared to the three months ended 31 March 2015 were the average currency exchange rates for the three months ended 31 March 2015, specifically a euro/US dollar rate of 1.126, a euro/Brazilian real rate of 3.224, a euro/Swiss franc rate of 1.072 and a euro/Polish zloty rate of 4.193. The exchange rate of 2015 was a euro/US dollar rate of 1.109, a euro/Brazilian real rate of 3.700, a euro/Swiss franc rate of 1.068 and a euro/Polish zloty rate of 4.183. The exchange rate of 2014 was a euro/US dollar rate of 1.328, a euro/Brazilian real rate of 3.122, a euro/Swiss franc rate of 1.215 and a euro/Polish zloty rate of 4.185. The exchange rate of 2013 was a euro/US dollar rate of 1.328, a euro/Brazilian real rate of 2.867, a euro/Swiss franc rate of 1.231 and a euro/Polish zloty rate of 4.197. See "*Operating and Financial Review—Quantitative and Qualitative Disclosure about Market Risk—Exchange rate risk*" (Paragraph 8.9.1 of Part 8).

8.5.9 Organic turnover growth

Organic turnover growth refers to the Group's turnover growth and includes, in a given period, growth within acquired businesses after the date of acquisition. As a result, the Group's organic turnover growth figures may not be comparable with organic turnover growth figures for some other companies to the extent that those other companies may calculate organic turnover growth excluding the growth of acquired entities.

8.5.10 Organic turnover growth CER

Organic turnover growth at constant exchange rates is the Group's organic turnover growth in a given period and is calculated on the basis of the average exchange rate in the same period of the previous year. The exchange rate used for the organic turnover growth CER for the three months ended 31 March 2016 as compared to the three months ended 31 March 2015 were the currency exchange rates for the three months ended 31 March 2015, specifically a euro/US dollar rate of 1.126, a euro/Brazilian real rate of 3.224, a euro/Swiss franc rate of 1.072 and a euro/Polish zloty rate of 4.193. The exchange rate of 2015 was a euro/US dollar rate of 1.109, a euro/Brazilian real rate of 3.700, a euro/Swiss franc rate of 1.068 and a euro/Polish zloty rate of 4.183. The exchange rate of 2014 was a euro/US dollar rate of 1.328, a euro/Brazilian real rate of 3.122, a euro/Swiss franc rate of 1.215 and a euro/Polish zloty rate of 4.185. The exchange rate of 2013 was a euro/US dollar rate of 1.328, a euro/Brazilian real rate of 2.867, a euro/Swiss franc rate of 1.231 and a euro/Polish zloty rate of 4.197. See "*Operating and Financial Review—Quantitative and Qualitative Disclosures about Market Risk—Exchange rate risk*" (Paragraph 8.9.1 of Part 8).

8.5.11 Gross margin

Gross margin is the difference between the Group's turnover and trade goods, as a percentage of turnover.

8.5.12 Cost coverage

Cost coverage is defined as certain operating expenses as a proportion of the Group's gross profit (gross profit being the difference between turnover and trade goods) in a given period. Operating expenses include services and other goods, employee benefit expenses and other operating expenses less other operating income.

8.5.13 Cash conversion

Cash conversion ratio is the operating cash flow for continuing operations as a percentage of EBITDA. Operating cash flow for continuing operations is total cash flow from operating activities adjusted to deduct capital expenditures and cash interest paid, and to add back cash interest received.

8.6 Segment Information

8.6.1 Segment turnover comparison of the three months ended 31 March 2016 and 31 March 2015

The following table sets forth certain financial information per segment for the three months ended 31 March 2016 and 31 March 2015.

(unaudited; € millions, except percentages)	Turnover for the 3 months ended 31/03/2016[1]	Turnover for the 3 months ended 31/03/2015 [1]	Total Turnover Growth 31/03/2015 -31/03/2016	Total Turnover Growth CER 31/03/2015 -31/03/2016[2]	Organic Turnover Growth 31/03/2015 -31/03/2016[3]	Organic Turnover Growth CER 31/03/2015 -31/03/2016[4]	REBITDA for the 3 months ended 31/03/2016[1]	REBITDA for the 3 months ended 31/03/2015[1]
Fagron FSPS	37.8	27.6	36.8%	36.9%	12.7%	12.8%	7.8	6.2
Fagron Trademarks	11.8	11.6	1.9%	17.3%	1.9%	17.3%	4.1	3.8
Fagron Essentials	52.0	60.5	(14.2)%	(6.5)%	(16.4)%	(8.9)%	10.4	14.6
HL Technology	2.0	2.8	(30.5)%	(29.0)%	(30.5)%	(29.0)%	(0.1)	0.5
Group Continued Operations)	**103.6**	**102.6**	**0.9%**	**7.2%**	**(6.0)%**	**(0.1)%**	**22.3**	**25.0**
Discontinued Operations	4.2	15.2	(72.3)%	(72.9)%	(72.3)%	(72.9)%	-	-
Total Group	**107.8**	**117.8**	**(8.5)%**	**(3.1)%**	**(14.0)%**	**(8.9)%**	**22.3**	**25.0**

The following table sets forth certain financial information per region for the three months ended 31 March 2016 and 31 March 2015.

(unaudited; € millions, except percentages)	Turnover for the 3 months ended 31/03/2016[1]	Turnover for the 3 months ended 31/03/2015 [1]	Total Turnover Growth 31/03/2015 -31/03/2016	Total Turnover Growth CER 31/03/2015 -31/03/2016[2]	Organic Turnover Growth 31/03/2015 -31/03/2016[3]	Organic Turnover Growth CER 31/03/2015 -31/03/2016[4]	REBITDA for the 3 months ended 31/03/2016[1]	REBITDA for the 3 months ended 31/03/2015[1]
Fagron Europe	61.3	58.0	5.7%	6.1%	2.9%	3.2%	17.4	14.6
Fagron North America	20.0	20.8	(3.9)%	(5.9)%	(25.1)%	(26.7)%	3.5	10.3

(unaudited; € millions, except percentages)	Turnover for the 3 months ended 31/03/2016[1]	Turnover for the 3 months ended 31/03/2015 [1]	Total Turnover Growth 31/03/2015 -31/03/2016	Total Turnover Growth CER 31/03/2015 -31/03/2016[2]	Organic Turnover Growth 31/03/2015 -31/03/2016[3]	Organic Turnover Growth CER 31/03/2015 -31/03/2016[4]	REBITDA for the 3 months ended 31/03/2016[1]	REBITDA for the 3 months ended 31/03/2015[1]
Fagron South America	19.5	20.2	(3.5)%	28.7%	(3.5)%	28.7%	4.7	3.7
Fagron Rest of the World[5]	0.7	0.7	(0.6)%	22.8%	(0.6)%	22.8%	0.2	0.3
HL Technology	2.0	2.8	(30.5)%	(29.0)%	(30.5)%	(29.0)%	(0.1)	0.5
Corporate	-	-	-	-	-	-	(3.5)	(4.4)
Group (Continued Operations)	**103.6**	**102.6**	**0.9%**	**7.2%**	**(6.0)%**	**(0.1)%**	**22.3**	**25.0**
Discontinued Operations	4.2	15.2	(72.3)%	(72.9)%	(72.3)%	(72.9)%	-	-
Total Group	**107.8**	**117.8**	**(8.5)%**	**(3.1)%**	**(14.0)%**	**(8.9)%**	**22.3**	**25.0**

Notes:
(1) Total Group turnover and REBITDA excludes discontinued operations (including Bellevue pharmacy) which was €4.2 million and €15.2 million for the three months ended 31 March 2016 and 31 March 2015, respectively.
(2) Total turnover growth at constant exchange rates is Group's turnover growth in a given period as calculated on the basis of the average exchange rate in the corresponding period in the previous year.
(3) Organic turnover growth refers to the Group's turnover growth and includes, in a given period, growth within acquired businesses after the date of acquisition. As a result, the Group's organic turnover growth figures may not be comparable with organic turnover growth figures for some other companies to the extent those other companies calculate organic turnover growth excluding the growth of acquired entities in a given period.
(4) Organic turnover growth at constant exchange rates refers to the Group's organic turnover growth in a given period as calculated on the basis of the average exchange rate in the corresponding period in the previous year.
(5) Fagron Rest of the World includes Australia, China and South Africa.

8.6.2 Segment turnover comparison of years ended 31 December 2015 and 31 December 2014

The following table sets forth certain financial information per segment for the years ended 31 December 2015 and 31 December 2014.

(€ millions, except percentages)	Turnover for the year ended 31/12/2015	Turnover for the year ended 31/12/2014	Total Turnover Growth from 2014 to 2015	Total Turnover Growth CER from 2014 to 2015[1]	Organic Turnover Growth from 2014 to 2015[2]	Organic Turnover Growth CER from 2014 to 2015[3]	REBITDA for the year ended 31/12/2015	REBITDA for the year ended 31/12/2014
Fagron FSPS	187.9	147.8	27.1%	17.8%	7.0%	(0.8)%	41.1	43.3
Fagron Trademarks	50.3	45.7	10.3%	16.1%	10.3%	16.1%	15.6	14.4
Fagron Essentials	225.2	245.0	(8.1)%	(6.8)%	(9.1)%	(7.9)%	48.6	60.0
HL Technology	9.5	8.6	11.3%	(2.1)%	11.3%	(2.1)%	1.2	0.7
Group (Continued Operations)	**473.0**	**447.1**	**5.8%**	**3.7%**	**(1.0)%**	**(2.9)%**	**106.5**	118.5
Discontinued Operations	-	-	-	-	-	-	-	-
Total Group	**473.0**	**447.1**	**5.8%**	**3.7%**	**(1.0)%**	**(2.9)%**	**106.5**	**118.5**

The following table sets forth certain financial information per region for the years ended 31 December 2015 and 31 December 2014.

(€ millions, except percentages)	Turnover for the year ended 31/12/2015	Turnover for the year ended 31/12/2014	Total Turnover Growth 2014 to 2015	Total Turnover Growth CER 2014 to 2015[1]	Organic Turnover Growth 2014 to 2015[2]	Organic Turnover Growth CER 2014 to 2015[3]	REBITDA for the year ended 31/12/2015	REBITDA for the year ended 31/12/2014
Fagron Europe	240.7	226.4	6.3%	6.2%	4.8%	4.7%	62.3	52.2
Fagron North America	138.1	127.9	7.9%	(9.8)%	(11.3)%	(25.9)%	40.6	58.7
Fagron South America	81.8	82.9	(1.3)%	16.8%	(0.8)%	17.4%	15.2	15.9

(€ millions, except percentages)	Turnover for the year ended 31/12/2015	Turnover for the year ended 31/12/2014	Total Turnover Growth 2014 to 2015	Total Turnover Growth CER 2014 to 2015[(1)]	Organic Turnover Growth 2014 to 2015[(2)]	Organic Turnover Growth CER 2014 to 2015[(3)]	REBITDA for the year ended 31/12/2015	REBITDA for the year ended 31/12/2014
Fagron Rest of the World[(4)]	2.9	1.2	129.8%	130.3%	129.8%	130.3%	1.1	0.3
HL Technology	9.5	8.6	11.3%	(2.1)%	11.3%	(2.1)%	1.2	0.7
Corporate	-	-	-	-	-	-	(13.9)	(9.3)
Group (Continued Operations)	**473.0**	**447.1**	**5.8%**	**3.7%**	**(1.0)%**	**(2.9)%**	**106.5**	**118.5**
Discontinued Operations	-	-	-	-	-	-	-	-
Total Group	**473.0**	**447.1**	**5.8%**	**3.7%**	**(1.0)%**	**(2.9)%**	**106.5**	**118.5**

Notes:
(1) Total turnover growth at constant exchange rates is Group's turnover growth in a given period as calculated on the basis of the average exchange rate in the corresponding period in the previous year.
(2) Organic turnover growth refers to the Group's turnover growth and includes, in a given period, growth within acquired businesses after the date of acquisition. As a result, the Group's organic turnover growth figures may not be comparable with organic turnover growth figures for some other companies to the extent those other companies calculate organic turnover growth excluding the growth of acquired entities in a given period.
(3) Organic turnover growth at constant exchange rates refers to the Group's organic turnover growth in a given period as calculated on the basis of the average exchange rate in the corresponding period in the previous year.
(4) Fagron Rest of the World includes Australia, China and South Africa.

8.6.3 Segment turnover comparison of years ended 31 December 2014 and 31 December 2013

The following table sets forth certain financial information per segment for the years ended 31 December 2014 and 31 December 2013.

(€ millions, except percentages)	Turnover for the year ended 31/12/2014	Turnover for the year ended 31/12/2013	Total Turnover Growth from 2013 to 2014	Total Turnover Growth CER from 2013 to 2014[(1)]	Organic Turnover Growth from 2013 to 2014[(2)]	Organic Turnover Growth CER from 2013 to 2014[(3)]	REBITDA for the year ended 31/12/2014	REBITDA for the year ended 31/12/2013
FSPS	147.8	58.2	153.9%	153.2%	20.1%	19.8%	43.3	-
Fagron Trademarks	45.7	33.6	35.7%	39.8%	24.6%	28.4%	14.4	-
Fagron Essentials	245.0	243.1	0.8%	3.3%	2.1%	4.7%	60.0	-
HL Technology	8.6	7.7	11.0%	9.5%	11.0%	9.5%	0.7	-
Group (Continued Operations)	**447.1**	**342.7**	**30.5%**	**32.5%**	**9.7%**	**11.5%**	**118.5**	**79.1**
Discontinued Operations	-	-	-	-	-	-	-	-
Total Group	**447.1**	**342.7**	**30.5%**	**32.5%**	**9.7%**	**11.5%**	**118.5**	**79.1**

The following table sets forth certain financial information per region for the years ended 31 December 2014 and 31 December 2013.

(€ millions, except percentages)	Turnover for the year ended 31/12/2014	Turnover for the year ended 31/12/2013	Total Turnover Growth from 2013 to 2014	Total Turnover Growth CER from 2013 to 2014[(1)]	Organic Turnover Growth from 2013 to 2014[(2)]	Organic Turnover Growth CER from 2013 to 2014[(3)]	REBITDA for the year ended 31/12/2014	REBITDA for the year ended 31/12/2013
Fagron Europe	226.4	202.0	12.1%	12.2%	6.7%	6.9%	52.2	45.9
Fagron North America	78.1	49.5	158.6%	157.6%	23.6%	23.1%	58.7	23.8
Fagron South America	82.9	83.5	(0.8)%	8.0%	(1.3)%	7.4%	15.9	15.3
Fagron Rest of the World[(5)]	1.2	-	100.0%	100.0%	100.0%	100.0%	0.3	-
HL Technology	8.6	7.7	11.0%	9.5%	11.0%	9.5%	0.7	-
Corporate	-	-	-	-	-	-	(9.3)	(5.9)

Group (Continued Operations)	**447.1**	**342.7**	**30.5%**	**32.5%**	**9.7%**	**11.5%**	**118.5**	**79.1**
Discontinued Operations	-	-	-	-	-	-	-	-
Total Group	**447.1**	**342.7**	**30.5%**	**32.5%**	**9.7%**	**11.5%**	**118.5**	**79.1**

Notes:
(1) Total turnover growth at constant exchange rates is Group's turnover growth in a given period as calculated on the basis of the average exchange rate in the corresponding period in the previous year.
(2) Organic turnover growth refers to the Group's turnover growth and includes, in a given period, growth within acquired businesses after the date of acquisition. As a result, the Group's organic turnover growth figures may not be comparable with organic turnover growth figures for some other companies to the extent those other companies calculate organic turnover growth excluding the growth of acquired entities in a given period.
(3) Organic turnover growth at constant exchange rates refers to the Group's organic turnover growth in a given period as calculated on the basis of the average exchange rate in the corresponding period in the previous year.
(4) In 2013, the Group only calculated a segmentation of turnover and not REBITDA.
(5) Fagron Rest of the World includes Australia, China and South Africa.

8.7 Results of Operations

The following table sets forth the Group's consolidated income statement for the three months ended 31 March 2016 and 2015, as well as the years ended 31 December 2015, 2014 and 2013:

(€ millions)	**01/01/2016 - 31/03/2016** (unaudited)	**01/01/2015 - 31/03/2015** (unaudited)	**01/01/2015 - 31/12/2015**	**01/01/2014 - 31/12/2014**	**01/01/2013 - 31/12/2013**
Operating income	**103.7**	**102.8**	**481.7**	**450.4**	**343.6**
Turnover	103.6	102.6	473.0	447.1	342.7
Other operating income	0.2	0.2	8.7	3.4	0.9
Operating expenses	**89.2**	**83.6**	**632.0**	**356.1**	**277.3**
Trade goods	37.7	37.4	164.2	158.8	148.1
Services and other goods	20.4	17.6	89.0	76.1	49.2
Employee benefit expenses	22.8	23.8	125.4	101.6	71.2
Depreciation and amortisation	3.7	4.5	23.6	19.0	8.9
Impairment	-	-	225.6	-	-
Other operating expenses	4.6	0.4	4.3	0.5	-
Operating profit	**14.6**	**19.3**	**(150.3)**	**94.3**	**66.3**
Financial income	10.4	0.3	2.0	0.7	1.0
Financial expenses	(14.8)	(8.4)	(47.0)	(25.2)	(18.5)
Profit (loss) before income tax	**10.2**	**11.2**	**(195.3)**	**69.9**	**48.8**
Taxes	3.5	3.9	7.0	26.7	7.0
Profit (loss) for the period from continuing operations	**6.8**	**7.3**	**(202.3)**	**43.2**	**41.8**
Profit (loss) for the period from discontinued operations (attributable to equity owners of the Group)	(3.9)	3.7	0.3	(27.0)	(73.9)
Profit (loss) for the period	**2.9**	**11.0**	**(202.0)**	**16.2**	**(32.0)**
Profit (loss) attributable to:					
Equity holders of the Group (net result)	2.6	10.9	(202.3)	16.2	(32.1)
Non-controlling interest	0.3	0.1	0.3	(0.1)	0.1

8.7.1 Comparison of the three months ended 31 March 2016 and 31 March 2015

8.7.1.1 Operating income

The Group's operating income increased by €0.9 million, or 0.9%, from €102.8 million in the three months ended 31 March 2015 to €103.7 million in the same period in 2016. The Group's turnover growth CER from continued operations was 7.2% and the Group's total turnover growth CER (including discontinued operations) was negative 3.1% during this period.

The primary driver of increased turnover from continued operations in the three months ending 31 March 2016 was the acquisition of AnazaoHealth and ABC Chemicals in 2015, as well as good sales performance in Poland. Organic turnover growth from continued operations was negative 6.0% over the period from 31 March 2015 to 31 March 2016 (and was negative 0.1% at constant exchange rates).

On a segment basis, the increase in the Group's turnover from continued operations was primarily related to an increase in turnover growth of 36.8% from FSPS and 1.9% from Fagron Trademarks, partly offset by a 14.2% decline in turnover from Fagron Essentials. The 36.8% turnover growth from FSPS was primarily a result of its April 2015 acquisition of AnazaoHealth in the US (which contributed €9.2 million of Group turnover in the three months ending 31 March 2016), as well as an overall increase in demand for sterile compounding, particularly in Europe, Colombia and South Africa, as well as the activities of the FSPS sterile business in the United States. The 1.9% turnover growth in Fagron Trademarks was driven mainly by increased sales of global trademarks such as Fagron Advanced Derma and SyrSpend® SF. Fagron Essentials saw a decline in total turnover growth of 14.2%, primarily as a result of the changes to the reimbursement regime in the US resulting in lower sales of pharmaceutical raw materials by Freedom Pharmaceuticals, the Group's decision to phase out non-strategic and low margin products and the weakening of the Brazilian real.

In geographic terms, the increase in the Group's total turnover from continued operations in the three months ending 31 March 2016 was driven by positive developments in Europe and South America. Brazil experienced strong organic growth, but the weakening of the Brazilian real had a negative impact on the Group's turnover in euros. At constant exchange rates, Brazil grew 29.5% in the three months ending 31 March 2016 mainly driven by strong performance of Fagron Trademarks. In North America, the Group's sterile compounding business benefited from turnover growth of €9.5 million, primarily due to the acquisition of AnazaoHealth, but this was offset by declining sales in Freedom Pharmaceuticals within Fagron Essentials as a result of the changes to the reimbursement regime for non-sterile compounds in the US in 2015.

The Group's total turnover decreased primarily as a result of declines in FSPS' non-sterile sales due to the negative effects of the changes to the reimbursement regime in the US, specifically in respect of the cessation of Bellevue Pharmacy operations in March 2016 (classified as discontinued operations in January 2016).

The Group's other operating income remained unchanged compared to the same period in 2015.

8.7.1.2 Operating expenses

The Group's operating expenses increased by €5.6 million, or 6.7%, from €83.6 million in the three months ended 31 March 2015 to €89.2 million in the same period in 2016. This increase was due to the factors discussed below.

Trade goods

The cost of the Group's trade goods increased by €0.3 million, or 0.8%, from €37.4 million in the three months ending 31 March 2015 to €37.6 million in the same period in 2016, primarily due to the growth in turnover and a stable gross margin percentage.

Services and other goods

The cost of the Group's services and other goods increased by €2.9 million, or 16.4%, from €17.6 million in the three months ending 31 March 2015 to €20.4 million in the same period in 2016, primarily due to the acquisitions of AnazaoHealth and ABC Chemicals.

Employee benefit expenses

The Group's employee benefit expenses decreased by €0.9 million, or 4.0%, from €23.8 million in the three months ending 31 March 2015 to €22.8 million in the same period in 2016, primarily due to a decrease in FTEs and other savings realised as part of the Group's cost-saving program initiated in 2015, partly offset by the acquisitions of AnazaoHealth and ABC Chemicals.

Depreciation and amortisation

The Group's depreciation and amortisation decreased by €0.8 million, or 17.9%, from €4.5 million in the three months ending 31 March 2015 to €3.7 million in the same period in 2016, primarily due to increased one-off depreciation and amortisation at HL Technology in 2015, partly offset by the acquisition of AnazaoHealth.

Impairment

There were no impairments in the three months ending 31 March 2015 and in the same period in 2016.

8.7.1.3 Other operating expenses

The Group's other operating expenses increased by €4.2 million from €0.4 million in the three months ending 31 March 2015 to €4.6 million in the same period in 2016, primarily due to a provision for an onerous contract related to a facility in the US of €3.9 million and a provision for a tax assessment in Brazil of €0.8 million.

8.7.1.4 Operating profit

The Group's operating profit decreased by €4.7 million, or 24.4%, from €19.3 million in the three months ended 31 March 2015 to €14.6 million in the same period in 2016, primarily as a result of the changes to the reimbursement regime in the US, leading to lower profitability for the US wholesale companies in the Fagron Essentials business and certain non-recurring items, partially offset by the acquisition in AnazaoHealth and ABC Chemicals in the second and third quarter of 2015.

8.7.1.5 Financial income

The Group's financial income increased by €10.1 million from €0.3 million in the three months ended 31 March 2015 to €10.4 million in the same period in 2016, primarily due a change in estimated net present value of financial debts in the three months ending 31 March 2016 compared to the end of 2015. The Long Term Waivers received on 5 May 2016 put in place a long term financing solution, which resulted in an adjustment of €10.0 million in estimated cash flows of financial debts.

8.7.1.6 Financial expenses

The Group's financial expenses increased by €6.4 million, or 76.2%, from €8.4 million in the three months ended 31 March 2015 to €14.8 million in the same period in 2016, primarily due to a combination of a higher average net debt and an increased interest rate (which contributed €1.8 million), refinancing costs including consultancy costs relating to the refinancing (which contributed €3.9 million) and currency exchange differences (which contributed €0.6 million).

8.7.1.7 Taxes

The Group's taxes decreased by €0.5 million, or 12.5%, from €3.9 million in the three months ended 31 March 2015 to €3.5 million in the same period in 2016. The effective tax rate decreased from 35.2% in the three months ended 31 March 2015 to 33.8% in the three months ended 31 March 2016. This lower effective tax rate is primarily due to a decline in profitability from the activities in the US.

8.7.1.8 Profit (loss) for the quarter from discontinued operations

The Group's profit for the quarter from discontinued operations decreased by €7.6 million from a profit of €3.7 million in the three months ended 31 March 2015 to a loss of €3.9 million in the same period in 2016, primarily due to the loss from Bellevue Pharmacy (which was recognised as discontinued operations) in 2016.

8.7.1.9 Profit (loss) for the quarter

The Group's profit for the quarter decreased by €8.1 million, or 73.7%, from €11.0 million in the three months ended 31 March 2015 to €2.9 million in the same period in 2016, primarily due to the loss of Bellevue Pharmacy in 2016 and generally lower results in the US due to the changes to the reimbursement regime.

8.7.2 Comparison of years ended 31 December 2015 and 31 December 2014

8.7.2.1 Operating income

The Group's operating income increased by €31.3 million, or 6.9%, from €450.4 million in 2014 to €481.7 million in 2015. The Group's turnover growth CER from continued operations was 3.7% and the Group's total turnover growth CER was 3.7% in 2015.

The primary driver of increased turnover in 2015 was the acquisition of AnazaoHealth and ABC Chemicals in 2015, as well as the inclusion in 2015 of a full year of turnover from Panoramix BV in the Netherlands and from several

smaller acquisitions in Greece and South Africa, all of which were acquired in 2014. Organic turnover growth from continued operations was negative 1.0% in 2015 (and was negative 2.9% at constant exchange rates).

On a segment basis, the increase in the Group's turnover was primarily related to an increase in turnover growth of 27.1% from FSPS and 10.3% from Fagron Trademarks, partly offset by an 8.1% decline in turnover from Fagron Essentials. The 27.1% turnover growth from FSPS was primarily a result of its June 2015 acquisition of AnazaoHealth in the US (which contributed €29.1 million of Group turnover in 2015) as well as an overall increase in demand for sterile compounding, particularly in Europe, Colombia and South Africa, as well as the activities of the FSPS sterile business in the United States. In addition, Panoramix BV, acquired in 2014, contributed €18.3 million in turnover to FSPS in 2015. Partly offsetting the overall growth in FSPS in 2015, the Group's non-sterile sales declined due to the negative effects of the changes to the reimbursement regime in the US, specifically in respect of Bellevue Pharmacy (which ceased operations in March 2016) which experienced a 31.6% decrease in turnover in 2015, from €49.8 million in the last nine months of 2014 (after it has been acquired by the Group in April) to €45.4 million in the full year 2015 (see "*Business Overview—Ceased business*" (*Paragraph 6.19* of *Part 6*). The 10.3% turnover growth in Fagron Trademarks was driven mainly by increased sales of global trademarks such as Fagron Advanced Derma and SyrSpend® SF and the worldwide rollout of EPIfactor®. Fagron Essentials saw a decline in total turnover growth of 8.1%, primarily as a result of the changes to the reimbursement regime in the US, the Group's decision to phase out non-strategic and low margin products and the weakening of the Brazilian real, though this decrease was partially offset by its July 2015 acquisition of ABC Chemicals in Belgium (which contributed €3.4 million of Fagron Essentials turnover in 2015).

In geographic terms, the increase in the Group's total turnover in 2015 was driven by a turnover increase of €14.3 million in European operations (excluding HL Technology), as well as a slight benefit from the Rest of the World. In North America, the Group's sterile compounding business benefited from turnover growth of €33.5 million, but this was more than offset by a turnover decline of €23.4 million from the decline in sales from Bellevue Pharmacy within FSPS and Freedom Pharmaceuticals and other US API sellers within Fagron Essentials, in each case as a result of the changes to the reimbursement regime for non-sterile compounds in the US in 2015. Turnover in both Europe, North America and the Rest of the World also grew as a result of the acquisitions of ABC Chemicals and AnazaoHealth, respectively, in 2015, as well as from several smaller acquisitions in Greece and South Africa, all of which were acquired in 2014.

The Group's total turnover increase was slightly offset by the negative growth in Brazil of 3.5% as a result of the weakening of the Brazilian real as compared to the euro. At constant exchange rates, Brazil grew 14.4% in 2015 mainly driven by strong performance of Fagron Trademarks.

The increase in the Group's other operating income was primarily the result of a decrease in contingent considerations (an earnout payment) for JCB Laboratories and an increase in the gain on disposal of fixed assets of €2.1 million (mainly related to the sale of the headquarters office in Belgium), both of which are considered non-recurring.

8.7.2.2 Operating expenses

The Group's operating expenses increased by €275.9 million, or 77.5%, from €356.1 million in 2014 to €632.0 million in 2015. This increase was due to the factors discussed below, and in particular due to the €225.6 million impairment charge in 2015.

Trade goods

The cost of the Group's trade goods increased by €5.3 million, or 3.4%, from €158.8 million in 2014 to €164.2 million in 2015, primarily due to the acquisitions of AnazaoHealth, ABC Chemicals and a number of smaller companies, partly offset by reduced costs at Freedom Pharmaceuticals.

Services and other goods

The cost of the Group's services and other goods increased by €12.9 million, or 16.9%, from €76.1 million in 2014 to €89.0 million in 2015, primarily due to the acquisitions of AnazaoHealth, ABC Chemicals and number of smaller companies, as well as increased production costs at JCB Laboratories and a full year of costs in 2015 from Bellevue Pharmacy. These costs were partly offset by lower costs in Brazil due to translation differences between the euro and the Brazilian real.

Employee benefit expenses

The Group's employee benefit expenses increased by €23.7 million, or 23.4%, from €101.6 million in 2014 to €125.4 million in 2015, primarily due to the acquisitions of AnazaoHealth, ABC Chemicals and a number of smaller

companies, in addition to increased employee benefit expense costs at JCB Laboratories and a full year of costs in 2015 from Bellevue Pharmacy. The Group's headcount reduction programme in July 2015 also accounted for a portion of the increase.

Depreciation and amortisation

The Group's depreciation and amortisation increased by €4.6 million, or 24.1%, from €19.0 million in 2014 to €23.6 million in 2015, primarily due to increased depreciation on intangible fixed assets related to the acquisition of Bellevue Pharmacy (which contributed €2.5 million) in April 2014 and the acquisition of AnazaoHealth (which contributed €1.6 million) in April 2015.

Impairment

The Group's total impairment charge of €225.6 million resulted primarily from the changes to the reimbursement regime in the US, where in 2015 the Group recognised an impairment charge of €178.2 million in respect of Bellevue Pharmacy due to lower profitability, reducing the goodwill value of Bellevue Pharmacy to zero on the Group's balance sheet. The changes to the reimbursement regime also resulted in an impairment charge of €27.1 million in respect of Freedom Pharmaceuticals in 2015. In addition, in 2015 the Group recognised an impairment in respect of HL Technology of €9.6 million as a result of decreasing results and cash flows resulting from the evolution of the market in which HL Technology operates.

8.7.2.3 Other operating expenses

Other operating expenses increased by €3.8 million from €0.5 million in 2014 to €4.3 million in 2015, primarily due to €1.1 million relating to acquisition costs, €0.8 million relating to losses on realised receivables and €0.5 million relating to the sale of fixed assets.

8.7.2.4 Operating profit (loss)

The Group's operating profit before impairment decreased by €19.1 million, or 20.3%, from €94.3 million in 2014 to €75.2 million in 2015, primarily due to lower profits as a result of the changes to the reimbursement regime in the US, particularly in Freedom Pharmaceuticals and Bellevue Pharmacy. These decreases were partially offset by the acquisitions of AnazaoHealth, ABC Chemicals and a number of smaller companies as well as an increase in the profitability of Polish operations. The Group's operating profit after impairment decreased by €244.7 million from a profit of €94.3 million in 2014 to a loss of €150.3 million in 2015.

8.7.2.5 Financial income

The Group's financial income increased by €1.3 million, or 182.3%, from €0.7 million in 2014 to €2.0 million in 2015, primarily due to the positive revaluation of the financial derivatives of €0.9 million.

8.7.2.6 Financial expenses

The Group's financial expenses increased by €21.8 million, or 86.4%, from €25.2 million in 2014 to €47.0 million in 2015, primarily due to additional financing costs in relation to the senior unsecured notes (€10.5 million), costs relating to reclassifying the Revolving Loan Facility and senior unsecured notes (€2.0 million), costs related to the Loan Facility December 2015 Waiver and Amendment and Note December 2015 Waiver and Amendment (€1.9 million), exchange rate differences mainly as a result of a negative impact of the Brazilian real (€2.1 million) and increased interest expenses as a result of a higher outstanding debt (€1.3 million). The first two items are recognised in the Group's income statement as a result of revaluation upon these items changing status from non-current to current liabilities on the Group's balance sheet.

8.7.2.7 Taxes

The Group's taxes decreased by €19.7 million, or 73.9%, from €26.7 million in 2014 to €7.0 million in 2015, primarily due to a decline in profitability from the activities in the US. The effective tax rate decreased from 38.2% in 2014 to 23.0% in 2015 (adjusted for impairments). This lower effective tax rate mainly relates to the impairment of deferred tax assets.

8.7.2.8 Profit (loss) for the period from discontinued operations

The Group's profit for the period from discontinued operations increased by €27.3 million from a loss of €27.0 million in 2014 to a profit of €0.3 million in 2015, primarily due to the divestment of Corilus in March 2015.

8.7.2.9 Profit (loss) for the period

The Group's profit (loss) for the period decreased by €218.2 million from a profit of €16.2 million in 2014 to a loss of €202.0 million in 2015, primarily due to lower profitability in US activities resulting in an impairment of €205.3 million in respect of its US operations, Freedom Pharmaceuticals and Bellevue Pharmacy (which ceased operations in March 2016).

8.7.3 Comparison of years ended 31 December 2014 and 31 December 2013

8.7.3.1 Operating income

The Group's operating income increased by €106.8 million, or 31.1%, from €343.6 million in 2013 to €450.4 million in 2014. The Group's turnover growth CER from continued operations was 32.5% and the Group's total turnover growth CER was 32.5% in 2014.

The primary driver of increased turnover in 2014 was the acquisition of JCB Laboratories in December 2013, Panoramix BV in the Netherlands in January 2014 and Bellevue Pharmacy in the US in April 2014 and also as a result of increased sales volumes. Organic turnover growth from continued operations was 9.7% in 2014 (and was 11.5 % at constant exchange rates).

On a segment basis, the increase in the Group's turnover was primarily related to an increase in turnover growth of 153.9% from FSPS and 35.7% from Fagron Trademarks, due to a number of successful acquisitions and geographical growth. The 153.9% turnover growth from FSPS was primarily a result of three acquisitions, including JCB Laboratories in December 2013, Panoramix BV in the Netherlands in January 2014 and Bellevue Pharmacy in the US in April 2014 and also as a result of increased sales volumes. The 35.7% turnover growth in Fagron Trademarks was mainly a result of growth from the successful global launch of several trademarks such as SyrSpend® SF and Fagron Advanced Derma. Turnover growth in 2014 was more muted for Fagron Essentials at 0.8%, which acquired Freedom Pharmaceuticals Inc. in April 2013.

In geographic terms, the increase in the Group's total turnover in 2014 was driven by a turnover increase of €24.4 million in European operations (excluding HL Technology) and €78.4 million in North American operations. Growth in the US was driven by the acquisitions of Freedom Pharmaceuticals, JCB Laboratories and Bellevue Pharmacy. Organic growth at constant exchange rates in the US was 23.1%. The growth in Europe was primarily driven by the Dutch acquisition of Panoramix BV. Growth in France was driven by a new partnership with two pharmacies. 2014 sales in Belgium were lower than sales in 2013 due to a delay in deliveries to wholesalers. Organic growth at constant exchange rates in Europe was 6.9% for 2014.The Group's total turnover increase was slightly offset by the negative growth in Brazil of 1.6% due to translation differences between the euro and the Brazilian real. At constant exchange rates, Brazil grew 7.1% mainly driven by the introduction of Fagron Trademarks into the country.

HL Technology's turnover was €8.6 million in 2014, an increase of 11.0% from 2013. This increase was primarily due to the launch of new dental and medical orthopaedic products such as the newly patented torque limiter Hader Click + R and Colonsay. At constant exchange rates, turnover increased 9.5% from 2013.

The increase in the Group's other operating income was primarily related to an increase in other operating income by €2.5 million (mainly related to a decrease in contingent considerations), partly offset by a decrease in the gain on disposal of fixed assets of €0.1 million.

8.7.3.2 Operating expenses

The Group's operating expenses increased by €78.8 million, or 28.4%, from €277.3 million in 2013 to €356.1 million in 2014. This increase was due to the factors discussed below.

Trade goods

The cost of the Group's trade goods increased by €10.8 million, or 7.3%, from €148.1 million in 2013 to €158.8 million in 2014, primarily due to the acquisitions of JCB Laboratories, Freedom Pharmaceuticals, Panoramix BV and Bellevue Pharmacy, partly offset by the decrease in Belgian turnover discussed above.

Services and other goods

The cost of the Group's services and other goods increased by €26.9 million, or 54.7%, from €49.2 million in 2013 to €76.1 million in 2014, primarily due to the acquisitions of JCB Laboratories, Freedom Pharmaceuticals, Panoramix BV and Bellevue Pharmacy.

Employee benefit expenses

The Group's employee benefit expenses increased by €30.5 million, or 42.8%, from €71.2 million in 2013 to €101.6 million in 2014, primarily due to an increase in the number of full time employees from 1,600 in 2013 to 2,143 in 2014 as a result of the acquisitions of JCB Laboratories, Freedom Pharmaceuticals, Panoramix BV and Bellevue Pharmacy, leading to increased wage and salary expenses as well as social security costs.

Depreciation and amortisation

The Group's depreciation and amortisation increased by €10.1 million, or 113.4%, from €8.9 million in 2013 to €19.0 million in 2014. Of the increase, €7.4 million was related to the depreciation and amortisation of assets, while €2.8 million was a result of the write down of inventories and accounts receivables.

8.7.3.3 Operating Profit (loss)

The Group's operating profit increased by €28.0 million, or 42.2%, from €66.3 million in 2013 to €94.3 million in 2014, primarily due to an increase in turnover from €342.7 million to €447.1 million, partly offset by higher operating expenses, which increased from €277.3 million in 2013 to €356.1 million in 2014.

8.7.3.4 Financial income

The Group's financial income decreased by €0.3 million, or 29.6%, from €1.0 million in 2013 to €0.7 million in 2014, primarily due to lower interest income in Brazil in 2014.

8.7.3.5 Financial expenses

The Group's financial expenses increased by €6.7 million, or 36.0%, from €18.5 million in 2013 to €25.2 million in 2014 primarily due to an increase in interest expenses (resulting from higher net financial debt levels) and other financial expenses, partly offset by a reduction in currency exchange losses in 2014 compared to those in 2013 due to the translation result of an earnout liability in Brazil.

8.7.3.6 Taxes

The Group's taxes increased by €19.7 million, or 281.1%, from €7.0 million in 2013 to €26.7 million in 2014, primarily due to higher profit before income tax in 2014, a one-off credit of a deferred tax asset on deductible tax losses in Poland of €4.5 million in 2013 and a credit of a deferred tax asset on deductible merger goodwill in Brazil of €3.3 million. The effective tax rate as a percentage of the Group's profit before taxes was 38.2% in 2014 as compared to 14.3% in 2013.

8.7.3.7 Profit (loss) for the period from discontinued operations

The Group's loss for the period from discontinued operations decreased by €46.8 million, or 63.4%, from a loss of €73.9 million in 2013 to a loss of €27.0 million in 2014, primarily due to the disposals of the Healthcare Specialities and Healthcare Solutions divisions, the Group's dental and medical activities, including the sale of Duo-Med, Owandy Radiology, Eurotec Germany, Eurotec France and Arseus Medical. Specifically, the Group's profit increased as a result of lower impairments on sold entities of €27.5 million in 2014 compared to €68.0 million in 2013 as well as a higher profit before income tax of €3.9 million in 2014 compared to a loss of €2.4 million in 2013. See *"Operating and Financial Review—Disposals and discontinued operations" (Paragraph 8.2.2* of *Part 8).*

8.7.3.8 Profit (loss) for the period

The Group's profit for the period increased by €48.2 million, or 150.4%, from a loss of €32.0 million in 2013 to a profit of €16.2 million in 2014, primarily due to a higher operating profit and lower loss from discontinued operations, partly offset by higher income tax expenses.

8.8 Liquidity and Capital Resources

8.8.1 Overview

The Group's principal sources of funds are cash generated from operating activities and, to the extent necessary, commitments available under the Revolving Loan Facility. The Group's principal external funding arrangements are described under "*Operating and Financial Review—Borrowings*" (*Paragraph 8.8.4* of *Part 8 above*).

The Group's principal liquidity and capital requirements in the periods under review have consisted of the following:

- costs and expenses relating to the operation of its business, including working capital requirements, manufacturing expenses, inventory purchases, research and development expenses and corporate overhead expenses;

- the funding of new acquisitions;
- capital expenditures for existing and new production facilities and IT infrastructure;
- the servicing of debt; and
- the payment of dividends to its shareholders.

Historically, the Group has met its liquidity and capital requirements primarily through internally generated cash flows as well as borrowings under its credit facilities, and other forms of indebtedness.

8.8.2 Working Capital

The following table shows the operational working capital for the years ended 31 December 2015, 2014 and 2013.

(€ millions)	**For the year ended 31/12/2015**	**For the year ended 31/12/2014**	**For the year ended 31/12/2013**
Inventories	67.3	65.2	58.9
Trade receivables	34.1	36.3	29.6
Trade payables	63.0	57.4	55.6
Total operational working capital	**38.3**	**44.1**	**33.0**

In 2015, operational working capital constituted 8.1% of the Group's turnover, compared to 9.9% in 2014. Operational working capital decreased in 2015 by €5.8 million, or 13.1%, compared to 2014, primarily due to working capital improvements in the US. The decrease was partly offset by the acquisitions of AnazaoHealth, ABC Chemicals and other smaller companies.

(€ millions)	**For the year ended 31/12/2015**	**For the year ended 31/12/2014**	**For the year ended 31/12/2013**
Other working capital	(56.1)	(139.7)	(100.7)

Other working capital of the Group, which is included in total changes in working capital, increased in 2015 by €83.6 million, or 59.8%, compared to 2014, primarily due to a decrease in amounts payable for acquisitions in the US. Other working capital includes provisions, other amounts receivable and payable and deferred charges amongst others.

In addition, the Group has a non-recourse, ordinary course factoring arrangement with a syndicate of banks which had an outstanding balance of €12.1 million of the Group's receivables factored (and therefore removed from the balance sheet) as at 31 March 2016, compared to €19.8 million as at 31 December 2015 (see *"—Off balance sheet arrangements" (Part 8.8.10 of Part 8)* for more details).

8.8.3 Cash Flows

The following table summarises the Group's consolidated cash flows for the periods indicated and has been extracted without material adjustment from the historical financial information set out in "*Selected Historical Financial Information*" *Part 7*:

(€ millions)	**01/01/2016 -31/03/2016** (unaudited)	**01/01/2015 -31/03/2015** (unaudited)	**01/01/2015 -31/12/2015**	**01/01/2014 -31/12/2014**	**01/01/2013 -31/12/2013**
Cash flow from operating activities	(21.2)	(20.6)	73.3	101.7	63.1
Cash flow from investing activities	(5.4)	30.8	(46.3)	(193.8)	(63.5)
Cash flow from financing activities	(8.0)	(67.0)	(61.5)	65.0	66.5
Total net cash flow from continuing operations	**(34.6)**	**(56.8)**	**(34.4)**	**(27.1)**	**66.1**

8.8.3.1 Cash flow from operating activities

The following table shows the cash flow from operating activities.

(€ millions)	01/01/2016 -31/03/2016 (unaudited)	01/01/2015 -31/03/2015 (unaudited)	01/01/2015 -31/12/2015	01/01/2014 -31/12/2014	01/01/2013 -31/12/2013
Profit (loss) before income tax[1]	7.3	13.4	(195.3)	46.3	(21.6)
Paid taxes	(3.8)	(14.0)	(19.4)	(11.4)	(10.3)
Adjustments for financial items	4.3	8.1	45.0	26.7	25.0
Total adjustments for non-cash items	5.1	6.9	241.2	44.3	79.8
Total changes in working capital	(34.1)	(34.9)	1.8	(4.2)	(9.8)
Total cash flow from operating activities	**(21.2)**	**(20.6)**	**73.3**	**101.7**	**63.1**

Notes:
(1) Includes profit (loss) before income tax from discontinued operations of a profit of €3.9 million in 2014 and a loss of €2.4 million in 2013.

For the three months ended 31 March 2016 and 31 March 2015

Cash flow from operating activities decreased by €0.6 million, or 3.1%, from negative €20.6 million in the three months ending 31 March 2015 to negative €21.2 million for the same period in 2016, primarily due to the Group's decrease in profit before income tax as well as a decrease in adjustments for financial items and non-cash items. This decrease was partly offset by a significantly lower level of paid taxes as well as a decrease in working capital including changes in inventories, trade debtors and creditors and other receivables and debts.

For the years ended 31 December 2015 and 31 December 2014

Cash flow from operating activities decreased by €28.3 million, or 27.9%, from €101.7 million in 2014 to €73.3 million in 2015, primarily due to the Group's decrease in profit before income tax of €241.6 million in 2015 as well as an increase in paid taxes of €8.1 million. The decrease in cash flow from operating activities was partly offset by a significantly higher level of adjustments for non-cash flows representing the non-cash impairment charge of €225.6 million in 2015, as well as an increase in adjustments for financial items of €18.3 million and a decrease in working capital including changes in inventories, trade debtors and creditors and other receivables and debts of €6.0 million, resulting in a release of cash of €1.8 million in 2015.

For the years ended 31 December 2014 and 31 December 2013

Cash flow from operating activities increased by €38.6 million, or 61.2%, from €63.1 million in 2013 to €101.7 million in 2014, primarily as a result of an increase in profit before income tax to €46.3 million in 2014 from a loss of €21.6 million in 2013 caused by the sale of multiple loss-generating companies, specifically the medical and dental divisions, in 2013 and 2014. Changes in working capital, including changes in inventories, trade debtors and creditors and other receivables and debts, also contributed to the increase in cash flow from operating activities as a result of lower use of cash for working capital in 2014. The increase in cash flow from operating activities was partially offset by a decrease in total adjustments for non-cash items, from €79.8 million in 2013 to €44.3 million in 2014, primarily due to impairments on the disposed businesses (Healthcare Specialities and Healthcare Solutions).

8.8.3.2 Cash flow from investing activities

The following table shows the cash flow from investing activities.

(€ millions)	01/01/2016 -31/03/2016 (unaudited)	01/01/2015 -31/03/2015 (unaudited)	01/01/2015 -31/12/2015	01/01/2014 -31/12/2014	01/01/2013 -31/12/2013
Capital expenditure	(4.7)	(6.1)	(22.1)	(20.7)	(15.8)
Investments in existing shareholdings (subsequent payments) and in new holdings	(0.7)	(34.4)	(96.7)	(196.2)	(101.3)
Proceeds from disposal of assets	-	71.3	72.5	23.0	53.6
Total cash flow from investing activities	**(5.4)**	**30.8**	**(46.3)**	**(193.8)**	**(63.5)**

For the three months ended 31 March 2016 and 31 March 2015

Cash flow from investing activities decreased by €36.2 million from an increase in cash of €30.8 million in the three months ending 31 March 2015 to a cash outflow of €5.4 million in 2015. The increase in cash outflow for investing activities was primarily the result of a decrease in proceeds from disposal of assets due to the sale of Corilus in the three months ending 31 March 2015. This has been partly offset by a lower level of investments in existing shareholdings and new holdings, representing lower acquisition-related expenses in 2016. The €34.4 million in the three months ending 31 March 2015 is primarily related to payments for the Bellevue Pharmacy acquisition and a slightly lower level of capital expenditure.

For the years ended 31 December 2015 and 31 December 2014

Cash flow from investing activities decreased by €147.5 million, or 76.1%, from a decrease in cash of €193.8 million in 2014 to an outflow of €46.3 million in 2015. The decrease in cash outflow for investing activities was primarily the result of a decrease in total acquisition costs in 2015 as compared to 2014. In 2014 the Group's acquisitions of Bellevue Pharmacy in the US, Panoramix BV in the Netherlands and a number of smaller companies in Greece and South Africa totalled cash consideration of €196.2 million, compared to 2015, in which the acquisitions of AnazaoHealth in the US and ABC Chemicals in Belgium totalled cash consideration of €96.7 million. The Group also received significantly higher proceeds from disposal of assets in 2015 from the disposal of Corilus for €72.5 million, compared to proceeds in 2014 from the disposal of the Healthcare Specialities and Healthcare Solutions divisions for €23.0 million. The decrease in cash outflow for investing activities was partly offset by slightly higher levels of capital expenditures in 2015, €22.1 million as compared to €20.7 million in 2014, resulting from the construction of the new JCB Laboratories sterile compounding facility in the US.

For the years ended 31 December 2014 and 31 December 2013

Cash flow from investing activities decreased by €130.2 million, or 205.0%, to an outflow of €193.8 million in 2014 from an outflow of €63.5 million in 2013, primarily due to an increase in payments for acquired businesses to €196.2 million from €101.3 million in 2013 relating to the Panoramix BV and Bellevue Pharmacy acquisitions and an increase in capital expenditure to €20.7 million in 2014 from €15.8 million in 2013 relating to several office & facility improvements in Europe, the US and Brazil. The outflow in relation to acquisition payments and capital expenditure were partly offset by the proceeds from the disposals of the Healthcare Specialities and Healthcare Solutions divisions, which amounted to an inflow of €23.0 million in 2014.

8.8.3.3 Cash flow from financing activities

The following table shows the cash flow from financing activities.

(€ millions)	**01/01/2016 -31/03/2016** (unaudited)	**01/01/2015 -31/03/2015** (unaudited)	**01/01/2015 -31/12/2015**	**01/01/2014 -31/12/2014**	**01/01/2013 -31/12/2013**
Capital increase	-	-	0.1	0.7	0.8
Sale (purchase) of treasury shares	-	(1.8)	1.4	1.3	(18.3)
Dividends paid	-	-	(31.4)	(22.2)	(18.8)
New borrowings	-	14.2	100.3	355.5	129.2
Reimbursement of borrowings	(1.0)	(74.9)	(100.9)	(245.7)	(7.0)
Interest received	0.4	0.3	2.0	0.8	1.5
Interest paid	(7.5)	(4.9)	(33.0)	(25.5)	(20.8)
Total cash flow from financing activities	**(8.0)**	**(67.0)**	**(61.5)**	**65.0**	**66.5**

For the three months ended 31 March 2016 and 31 March 2015

Cash flow from financing activities increased by €58.9 million, or 88.1%, from a net outflow of cash of €67.0 million in the three months ending 31 March 2015 to a net outflow of cash of €8.0 million in the three months ending 31 March 2016. The increase was primarily due to significantly lower level of repaid borrowings relating to the Revolving Loan Facility.

For the years ended 31 December 2015 and 31 December 2014

Cash flow from financing activities decreased by €126.5 million, or 194.6%, from a net inflow of cash of €65.0 million in 2014 to a net outflow of cash of €61.5 million in 2015. New borrowings in 2015 of €100.3 million and the

net sale of treasury shares in the amount of €1.4 million resulted in an inflow of cash from financing activities. Outflow of cash from financing activities in 2015 consisted of €100.9 million in repaid borrowings relating to the refinancing of the Revolving Loan Facility, €33.0 million in payments of interest on loans and other financial instruments and €31.4 million in dividend payments.

For the years ended 31 December 2014 and 31 December 2013

Cash flow from financing activities decreased by €1.5 million, or 2.3%, from €66.5 million in 2013 to €65.0 million in 2014. New borrowings in 2014 of €355.5 million and the net sale of treasury shares in the amount of €1.3 million resulted in an inflow of cash from finance activities. Outflow of cash from financing activities consisted of €245.7 million in repaid borrowings relating to the refinancing of the credit facility, €25.5 million in payments of interest on loans and other financial instruments and €22.2 million in dividend payments.

8.8.4 Borrowings

8.8.4.1 Eurobonds

On 2 July 2012, the Group issued bonds for an amount of €225 million. The maturity date of the bonds is 2 July 2017 and the Group is required to pay fixed annual gross interest of 4.75% (the "**Eurobonds**"). The terms and conditions applicable to the Eurobonds contain a guarantor coverage requirement, tested semi-annually, whereby the Group must ensure that the total EBITDA of the guarantors is at least 70% of the consolidated Group EBITDA.

The Eurobonds are unsecured, but certain subsidiaries of the Group have entered into guarantee declarations, whereby they have guaranteed the obligations of the Group under the Eurobonds.

The restrictive covenants of the Eurobonds are limited to a negative pledge covenant, whereby the Group undertakes not to establish any security interest to secure any financial indebtedness of the Group, unless such security interest is given in equal and granted in equal rank with respect to the Eurobonds. In addition, the bondholders benefit from a cross default clause covering financial indebtedness of the Group exceeding a threshold.

If a change of control over the Group takes place, the bondholders have the right to redeem prior to the stated maturity date. The terms and conditions applicable to the bonds also contain an early redemption option for the Group, in case of changes in tax law, which would trigger certain additional payments in relation to the payment of interest on the bonds. The terms and conditions applicable to the bonds do not contain a voluntary repayment option or call option.

8.8.4.2 Multicurrency credit facility

The Group has entered into a revolving multicurrency credit facility agreement (the "**Revolving Loan Facility Agreement**") originally dated 3 July 2012 (as amended and restated on 16 December 2014 pursuant to an amendment and restatement agreement, subsequently amended on 30 December 2015 by the Loan Facility December 2015 Waiver and Amendment and on 5 May 2016 by the Loan Facility Long Term Waiver) with total commitments of €220.0 million (the "**Revolving Loan Facility**").

The Revolving Loan Facility Agreement is unsecured, but the Group's subsidiaries have provided guarantees under the Revolving Loan Facility Agreement. The Revolving Loan Facility Agreement allows dividend payments, but pursuant to the latest amendment to the Revolving Facility Agreement, any dividend distribution made on or prior to 31 December 2017 will be permitted only if (adjusted on a pro forma basis to take into account such distribution) the Group's consolidated total net debt to consolidated EBITDA ratio is no greater than 3.25x, and when such payment is made no default has occurred or would occur immediately after making such payments. The distribution restriction of 3.25x does not apply to payments of distribution on share capital made to the Group or a wholly-owned subsidiary of the Group.

The Revolving Loan Facility Agreement provides for the following financial covenants which are tested semi-annually:

- a maximum leverage ratio, measured as consolidated total net debt to consolidated EBITDA; and
- a minimum interest cover ratio, measured as consolidated EBITDA to consolidated net interest expense.

Pursuant to the Loan Facility Long Term Waiver, the levels of both financial covenants are initially set to provide additional headroom for the Group compared to the original levels (a maximum leverage ratio of 3.25x and a minimum interest cover ratio of 4.0x), and decrease upon every six-month testing period, starting with the first testing period ending on 31 December 2016, until the testing period ending on 30 June 2018. For any testing period

ending after 30 June 2018, the levels of both financial covenants revert to those set out in the original Revolving Facility Agreement (a maximum leverage ratio of 3.25x and a minimum interest cover ratio of 4.0x).

Pursuant to the Loan Facility Long Term Waiver, there is also a forecast liquidity information undertaking included in the Revolving Loan Facility Agreement. Starting as from 31 December 2016, the Group will be required to provide certain information in respect of its results and financial condition to its lenders on a periodic basis.

The Revolving Loan Facility Agreement contains an accordion option, whereby the total commitments can be increased by up to an additional €130.0 million though not by less than €25.0 million.

The final maturity date of the Revolving Loan Facility Agreement is currently set at 22 December 2019. Pursuant to the Loan Facility Long Term Waiver, the Group can, subject to certain limited conditions as set out therein, request to extend the current termination date to 15 April 2021. The Group has already received signed extension confirmation letters, from lenders representing at least €180.0 million of the total commitments under the Revolving Loan Facility Agreement, confirming their agreement to extend the maturity date of their respective revolving facility loans, subject only to the compliance with the restrictive conditions set out in the Loan Facility Long Term Waiver.

If a change of control over the Group takes place, the lenders have the ability to require a cancellation and repayment of the revolving facility prior to its maturity date.

Interest under the Revolving Loan Facility Agreement is fixed until the relevant period ending 30 June 2016, whereby the level of the interest is variable depending on the leverage ratio. The decrease in the margin levels will take effect, five business days after the delivery of the relevant compliance certificate evidencing the leverage ratio for such period. However for the relevant period ending 30 June 2016, the margin decrease will take effect as from 20 May 2016. The interest is payable at the end of each interest period, which can be one, two, three or six months, or such other period as agreed between the Group and the lenders. However the uplift margin (meaning the margin exceeding 1.25% per annum) accruing from 20 May 2016 until 30 June 2018, is payable on 30 June 2018 (or earlier, on the date on which all amounts outstanding under the Revolving Loan Facility Agreement are (p)repaid and the commitments thereunder are cancelled in full). The uplift margin will also be capitalised. Interest payable under the Revolving Loan Facility Agreement is equal to EURIBOR/LIBOR plus a margin and mandatory costs, if any. For any loans drawn in dollars or sterling, an additional 0.15% per annum will be charged. The interest risk relating to €70.0 million of this facility has been hedged with financial derivatives.

8.8.4.3 Senior unsecured notes

The Group issued a series of unsecured notes pursuant to a note purchase agreement originally dated 15 April 2014 and amended on 30 December 2015 by the Note December 2015 Waiver and Amendment and on 5 May 2016 by the Note Long Term Waiver, which included $45.0 million 4.15% Series A Senior Notes due 15 April 2017, €22.5 million 3.55% Series B Senior Notes due 15 April 2017, €15.0 million 4.04% Series C Senior Notes due 15 April 2019, €5.0 million Floating Rate Series D Senior Notes due 15 April 2019, $20.0 million 5.07% Series E Senior Notes due 15 April 2019 and $60.0 million 5.78% Series F Senior Notes due 15 April 2021 (the "**Note Purchase Agreement**").

The Note Purchase Agreement contains representations, covenants and events of default which are customary for this type of agreement, though pursuant to the latest amendment on 5 May 2016, several more restrictive covenants have been introduced in the Note Purchase Agreement.

Pursuant to the Note Long Term Waiver, any dividend distribution made on or prior to 31 December 2017 will be permitted only if (adjusted on a pro forma basis to take into account such distribution) the Group's consolidated total net debt to consolidated EBITDA ratio is no greater than 3.25x, and when such payment is made no default has occurred or would occur immediately after making such payments. The distribution restriction of 3.25x does not apply to payments of distribution on share capital made to the Group or a wholly-owned subsidiary of the Group.

Until the normalisation date (which is the date following the delivery of a certificate which evidences for two subsequent quarters, a leverage below or at 3.25x), certain further restrictions on acquisitions and on disposals apply, to put the noteholders under the Note Purchase Agreement in the same position as the lenders under the Revolving Loan Facility Agreement.

The Note Purchase Agreement provides for the following financial covenants which are tested semi-annually:

- a maximum leverage ratio, measured as consolidated total net debt to consolidated EBITDA; and
- a minimum interest cover ratio, measured as consolidated EBITDA to consolidated net interest expense.

Pursuant to the Note Long Term Waiver, the levels of both financial covenants are initially set to provide additional headroom for the Group compared to the original levels (a maximum leverage ratio of 3.25x and a minimum interest cover ratio of 4.0x), and decrease upon every six-month testing period, starting with the first testing period ending on 31 December 2016, until the testing period ending on 30 June 2018. For any testing period ending after 30 June 2018, the levels of both financial covenants revert to those set out in the original Note Purchase Agreement (a maximum leverage ratio of 3.25x and a minimum interest cover ratio of 4.0x).

Pursuant to the Note Long Term Waiver, there is also a forecast liquidity information undertaking included in the Note Purchase Agreement. Starting as from 31 December 2016, the Group will be required to provide certain information in respect of its results and financial condition to its lenders on a periodic basis.

If a change of control over the Group takes place, the noteholders have the right to ask for prepayment of the notes. There are a limited number of other mandatory prepayment events, as well as a voluntary prepayment, whereby the Group can prepay the notes, subject to compliance with a notice period and the payment of a make-whole amount.

8.8.5 Capital expenditure

The Group's capital expenditure is spent primarily to improve operational efficiencies (see "*Business Overview—Strategy*" (*Paragraph 6.4* of *Part 6*), invest in research and development and construct new production facilities. The Group presents its capital expenditure as net operational capital expenditure or capital expenditure for continuing operations, which is the Group's cash expenditures on intangible assets and property, plant and equipment that have been acquired or produced in a given period (which is reflected as "capital expenditure" under "cash flow from investing activities" on the Group's consolidated statement of cash flows), net of any capital expenditures on businesses sold during the period (which are reflected separately as part of "cash flow from investing activities" under "total net cash flow from discontinued operations" on the Group's consolidated statement of cash flows) (see "Selected Historical Financial Information—Non-IFRS financial information"). The Group considers its net operational capital expenditure to be either recurring or non-recurring. Recurring capital expenditure is capital expenditure for the maintenance of the Group's production facilities, research and development activities, and other intangible assets and property, plant and equipment. Non-recurring capital expenditure is capital expenditure for upgrades and new purchases or construction of production facilities or other property, plant and equipment as well as for new intangible assets and investments.

The following table shows the Group's net operational capital expenditure.

(€ millions)	**01/01/2016 -31/03/2016** (unaudited)	**01/01/2015 -31/03/2015** (unaudited)	**01/01/2015 -31/12/2015**	**01/01/2014 -31/12/2014**	**01/01/2013 -31/12/2013**
FSPS	2.8	3.4	15.1	2.2	-
Fagron Trademarks	0.2	0.6	1.4	1.2	-
Fagron Essentials	1.7	2.1	5.4	8.5	-
HL Technology	-	-	0.2	0.6	-
Net operational capital expenditure	**4.7**	**6.1**	**22.1**	**12.5**	**5.2**

The Group is currently engaged in various capital improvement projects. The Group plans to open a new antibiotic facility in Hoogeveen, the Netherlands. In South Africa the Group has started the construction of a new sterile and non-sterile FSPS facility to capitalise on the growth potential of the South African market. Total construction costs are estimated to be approximately €1.2 million (part of which has been incurred in the three months ending 31 March 2016) and the facility is scheduled to open in December 2016. Additionally, under the terms of the Long Term Waivers, the Group's capital expenditure is restricted in certain respects, as a result of which in December 2015 the Group chose to suspend the construction of a new GMP-accredited sterile manufacturing facility in Hoogeveen, the Netherlands. The total cost of the construction agreement, entered into in September 2015, is approximately €5.4 million. In June 2016, or six months after construction has been suspended, the construction firm can terminate the agreement and receive reimbursement for work already done, a termination fee plus reasonable expenses incurred. In addition, the Group can also terminate the agreement at any time and pay the termination payment discussed above. All of the above-mentioned investments are expected to be financed with the Group's own funds. In addition, the Group has extended a loan of €3.8 million, over the course of 2014 and 2015, to a counterparty to finance the construction of the new antibiotic facility in the Hoogeveen, the Netherlands.

The Group's capital expenditure in the three months ended 31 March 2016 amounted to €4.7 million, of which €4.0 million, or 85%, was considered to be non-recurring. Non-recurring capital expenditure in the three months ended 31 March 2016 was primarily related to a €1.7 million investment in a new compounding facility in the US (the new JCB Laboratories facility that opened in March 2016), €1.0 million for the automation of a warehouse distribution facility in Belgium and €0.7 million in initial costs for the construction of the new sterile manufacturing facility in the Netherlands that has been suspended. Recurring capital expenditure in the three months ended 31 March 2016 totalled €0.7 million, and was primarily related to maintenance of systems and facilities.

The Group's capital expenditure in 2015 amounted to €22.1 million, or 4.7% of the Group's turnover, of which €13.3 million, or 2.8%, was considered to be non-recurring. Non-recurring capital expenditure in 2015 was primarily related to a €11 million investment in a new compounding facility in the US (JCB Laboratories), and a €1.3 million upgrade in Europe (Fagron Belgium NV). Internal research and development expenditures relating to product development are recognised directly in the income statement, and therefore are not part of capital expenditure.

Capital expenditure in 2014 related to investments in new compounding facilities in Europe, warehouse facilities and offices in Brazil and Fagron Academy facilities in the US. Capital expenditure in 2013 related to expanding FSPS in Belgium, improvements on a facility in Italy and facility improvement investments in Poland.

8.8.6 Contractual commitments

The Group has various contractual and commercial commitments to make future payments, including debt obligations, lease obligations, debt repayments, pension obligations and SAR liabilities.

The table below summarises the Group's contractual obligations as at 31 December 2015.

(€ millions)	Within 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Financial Leases[1]	0.3	0.3	-	0.6
Operating Leases[2]	4.0	7.5	3.3	14.8
Debt Repayments[3]	594.6	2.1	2.0	598.7
Pension Obligations[4]	-	-	5.1	5.1
SAR liabilities[5]	8.5	10.0	-	18.4

Notes:
(1) Financial leases are lease contracts regarding property, plant and equipment whereby the Group retains virtually all risks and benefits of ownership.
(2) Operating leases are lease contracts in which a significant portion of the risks and benefits of ownership are retained by the lessor.
(3) Debt repayments include payments for the Group's Eurobonds, Revolving Loan Facility, senior unsecured notes and other smaller long term loans and exclude financial lease obligations.
(4) Pension obligations include the various pension schemes operated by the Group and are funded through payments to insurance companies.
(5) SAR liabilities relate to an appreciate rights incentive plan for the benefit of certain senior executives at Bellevue Pharmacy. The plan was created and entered into on 1 January 2013, prior to its acquisition by the Group. The amount was part of the acquisition value and shall be fully paid over the next 2 years. In May 2016, the Group reached a settlement with the relevant parties, decreasing the liability to approximately $5.8 million.

8.8.7 Pension Obligations

(€ millions)	As at 31/03/2016 (unaudited)	As at 31/12/2015	As at 31/12/2014	As at 31/12/2013
Defined benefit obligations	4.4	4.4	5.3	3.4
Other defined benefit obligations	0.8	0.8	0.8	0.9
Total pension obligations	**5.2**	**5.1**	**6.1**	**4.3**

Defined benefit obligations include the Group's obligations under its defined benefit plans held by Fagron Services BV and Spruyt hillen BV. Other defined benefit obligations include multiple insignificant defined benefit plans, which are not further disclosed.

Defined benefit obligations are estimated using the Projected Unit Credit method. Under this method each participant's benefits under the plan are attributed to years of service, taking into consideration future salary

increases and the plan's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited services. If an employee's service in later years will lead to a materially higher level of benefit than in earlier years, these benefits are attributed on a straight-line basis. From the end of 2014 there have been no new entrants to the defined benefit plan. Further accruing only takes place in a defined contribution plan, and new employees are offered a defined contribution plan.

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 obligations.

8.8.8 Contingent liabilities

The Group is involved in a number of claims, disputes and legal proceedings within the normal conduct of its business. In the US, two of the Group's US subsidiaries, Freedom Pharmaceuticals and Bellevue Pharmacy (which ceased operations in March 2016) are currently subject to an industry-wide US DOJ investigation of compounding pharmacies and bulk raw material suppliers participating in the Tricare programme, which was initiated on 7 April 2015. Although at the date of this Prospectus, the Group is not aware of any actual complaint or specific allegations against it relating to this investigation, the Group has set aside a $10.0 million (€8.7 million) precautionary provision (of which $4 million was for legal support and internal investigations) in the acquisition balance sheet of Bellevue Pharmacy. The provision covers the possible settlement with the US DOJ. At year-end 2015, the provision amounted to €8.5 million. It is expected that this provision will be used, if at all, between 2016 and 2018.

In addition, the Group has a number of small, immaterial provisions mostly relating to product liability claims and employment matters in the ordinary course of business, see "*Business Overview—Legal or administrative investigations*" (*Paragraph 6.18* of *Part 6*), as well as certain legal provisions in respect of its operations in Brazil. The Group also has certain risks which it has not provisioned for (such as the potential ICMS tax liabilities in Brazil) as it believes that these risks are very unlikely to materialise.

8.8.9 Contingent consideration

In addition, at 31 March 2016, the Group had an amount of approximately €2.4 million in contingencies, which reflect deferred consideration fees which will be payable in future periods to former shareholders of certain of the Group's acquired businesses. These contingent payments are expected to total €0.6 million in 2016 and €1.8 million in 2017 and are related to acquisitions in Greece, South Africa and South America.

The Group also has notes payables in respect of past acquisitions which totalled €18.4 million as at 31 December 2015. These notes payable were comprised of SAR liabilities (which, following the settlement reached with the relevant parties in May 2016, has decreased to approximately $5.8 million as at 31 March 2016), as well as, provisions for pensions and a divestment related dispute in the sum of €6.4 million.

The Group's adjusted net debt of €523.8 million as at 31 December 2015 does not include a provision amount of $4.2 million in respect of an onerous lease provision which the Group recognised in the three months ending 31 March 2016 as being potentially payable.

One of the entities of the Group, Fagron Holding USA LLC entered into a share purchase agreement on 30 April 2015 pursuant to which Fagron Holding USA LLC acquired 100% of the issued and outstanding shares in AnazaoHealth (whereby an earnout payment remains outstanding). Pursuant to this earnout payment obligation (which is based on AnazaoHealth's 2015 results), the previous shareholders of AnazaoHealth are entitled to receive a total additional number of 224,133 shares of the Company, which are to be granted each time for 25% each six months starting from 30 September 2016 (see "*Information on the Group—Share Capital and Shares—Share Capital and Shares*" (*Paragraph 10.4.1* of *Part 10*). This earnout payment obligation will be booked through equity and shall be reflected in the next annual accounts on page 128 (section 30: Business combination).

In addition, in order to finalise and close out all remaining operations, Bellevue Pharmacy has continued to employ a small number of its employees.

8.8.10 Off balance sheet arrangements

Since 2011, HL Technology has had a mortgage registration with Credit Suisse AG regarding a building in La Chaux-de-Fonds. As at 31 December 2015, this financing amounted to approximately €1.0 million.

The Group has in place a non-recourse ordinary course factoring arrangement with a syndicate of banks, and factors a portion of its receivables under this arrangement. As at 31 December 2015, the total amount factored was €19.8

million (as compared to total receivables remaining on the balance sheet of €45.1 million) and, as at 31 December 2014, the total amount factored was €17.8 million (as compared to total receivables remaining on the balance sheet of €54.4 million). The factoring banks, rather than the Group, are subject to the risk of non-payment.

The Group has also signed liability statements on behalf of many of its Dutch subsidiaries and one German subsidiary, in which the Group accepts liability for the debts of its subsidiaries.

Other than described above, the Group does not engage in any other off balance sheet financing arrangements.

8.9 Quantitative and Qualitative Disclosures about Market Risk

The principal categories of market risk to which the Group is exposed are exchange rate risk, credit risk, interest rate risk and fair value risk. These risks are being monitored on a continuous basis.

8.9.1 Exchange rate risk

Exchange rate risk is the result of several entities of the Group operating in a functional currency (as defined below) other than euros and of the circumstance that purchasing and retail prices of the Group have foreign currencies as their base. The Group sells its products to over 60 countries across Europe, the Americas, Africa, Asia and the Pacific. The Group reports its financial results in euros and is, due to the international distribution of its activities, subject to the potential impact on turnover and expenses of translating foreign currencies into euros. Other than the euro, the Group operates in US dollars, Brazilian reals, Polish zloty, Czech crowns, Swiss francs, British pounds, Danish crowns, Colombian pesos, Chinese yuan, South African rand, Australian dollars and Argentinian pesos. In the three months ending 31 March 2016 and in 2015, the entities operating in non-euro currencies collectively represented 51.0% and 52.4% of the consolidated turnover, respectively, and 35.8% and 79.6% of the operating profit of the Group, respectively. Exchange rate risk due to the translation of assets and liabilities of foreign subsidiaries into euros is not currently hedged.

8.9.1.1 Foreign currency translation risk

As the Group's results are reported in euros, which is the presentation currency of Group, Fagron is subject to the translation impact of exchange rate movements between the currencies in which transactions occur, or the functional currency, and the presentation currency. Transactions in foreign currencies are converted to the presentation currency using the exchange rates on the transaction date. Profits and losses from exchange rate differences, which result from settling these transactions and from converting monetary assets and liabilities into the presentation currency at exchange rates valid at year-end, are recognised in the income statement. In addition, the Group must translate the assets, liabilities, turnover and expenses of all of its operations in a functional currency other than the euro to the presentation currency. Assets and liabilities are translated at the year-end rate, income statements at the average rate for the year and components of equity at the historical exchange rate. Consequently, increases or decreases in the value of the euro may affect the value of these items with respect to the Group's non-euro operations in its financial statements, even if their value has not changed in their original currency.

For example, a stronger euro will reduce the Group's reported turnover and expenses from its non-euro businesses and, conversely, a weaker euro will increase the Group's reported turnover and expenses from non-euro businesses. Because the Group's non-euro turnover is more significant than its non-euro expenses, the Group's profit before tax generally increases when the euro weakens. This translation impact could significantly affect the comparability of the Group's results between financial periods and/or result in significant changes to the carrying value of its assets, liabilities and shareholders' equity, as well as lower reported financial results. The Group does not currently hedge the translation impact of its operations in currencies other than the euro.

The Group's senior unsecured notes and the Revolving Loan Facility are largely denominated in US dollars. These are naturally hedged through intercompany loans made in US dollars to the Group's US subsidiaries, which hold US dollar denominated assets in equivalent value to the Group's US dollar denominated liabilities. The US dollar interest paid by the US subsidiaries to the Group is used to pay the interest on these external loans. Therefore the currency impact on the interest is neutralised on an intra-company basis. However, the Group is not hedged with respect to the principal amounts under its senior unsecured notes and the Revolving Loan Facility, and may be adversely affected by the translation risk of a weakening euro against the US dollar when the principal amounts become due.

The table below sets out the hypothetical supplementary effect of the euro strengthening or weakening by 10% against the US dollar, the Brazilian real, the Polish zloty and the Swiss franc for the three months ended 31 March 2016 and for the year ended 31 December 2015 and its subsequent effect on profit before tax and impairment and equity. Because of the impairment loss of €205.3 million from Freedom Pharmaceuticals and Bellevue Pharmacy,

the US business has reported a negative equity in 2015. As a result the hypothetical supplementary effect has a loss reducing effect.

(€ millions, 31 December 2015)	Profit (loss) before tax & impairment loss strengthening	Profit (loss) before tax & impairment loss weakening	Equity strengthening	Equity weakening
US dollar	(0.6)	0.8	12.1	(14.8)
Brazilian real	(0.9)	1.0	(8.2)	10.1
Polish zloty	(0.7)	0.9	(3.0)	3.7
Swiss franc	0.1	(0.1)	(0.6)	0.7

(€ millions, 31 March 2016)	Profit (loss) before tax & impairment loss strengthening	Profit (loss) before tax & impairment loss weakening	Equity strengthening	Equity weakening
US dollar	0.8	(0.9)	11.9	(14.6)
Brazilian real	(0.3)	0.4	(8.8)	10.8
Polish zloty	(0.3)	0.3	(3.2)	3.9
Swiss franc	(0.1)	*0.1*	(0.7)	0.8

8.9.1.2 Foreign currency transaction risk

The Group also incurs indirect currency risk as a significant portion of its operating expenses, particularly in respect of the activities in Brazil and the Netherlands, are transactions in US dollars. As a result, if the value of the US dollar as compared to any local currency were to increase, the Group's cost of goods sold related to non-US sales could increase at a faster rate than the Group is able to pass off to its customers through price increases. To the extent the Group is unable to pass along the impact of any such price increases to its customers, its profits could be negatively affected.

8.9.1.3 Exchange rates of key currencies to euros

	Balance Sheet					Income Statement				
	Q1 16	Q1 15	2015	2014	2013	Q1 16	Q1 15	2015	2014	2013
US dollar	1.139	1.076	1.089	1.214	1.379	1.102	1.126	1.109	1.328	1.328
Brazilian real	4.117	3.496	4.312	3.221	3.258	4.303	3.224	3.700	3.122	2.867
Polish zloty	4.258	4.085	4.264	4.273	4.154	4.363	4.193	4.183	4.185	4.197
Swiss franc	1.093	1.046	1.084	1.202	1.228	1.096	1.072	1.068	1.215	1.231

8.9.2 Credit risk

Credit risk involves the risk that a customer or other counterparty is unable to satisfy its payment obligations to the Group, resulting in a loss to the Group. The Group has implemented procedures to manage and limit its credit risks and no individual customer comprises a substantial part of the Group's turnover or outstanding receivables. Further, the Group has an active policy to reduce operational working capital, which is the sum of inventory and trade receivables less trade payables.

(€ millions)	Carrying amount	Not past due at period-end	Due at period-end less than 30 days	Due at period-end between 31 and 90 days	Due at period-end between 91 and 150 days	Due at period-end more than 150 days
Trade receivables at 31/03/ 2016	39.1	30.0	5.0	2.6	0.3	1.1
Trade receivables at 31/12/ 2015	34.1	23.2	6.3	3.2	0.3	1.0
Trade receivables at 31/12/ 2014	36.3	27.5	4.8	2.8	0.8	0.5

The amount of trade receivables due as at 31 March 2016 for more than 150 days equals €1.1 million, which represents 2.8% of the total outstanding amount. The amount of trade receivables due as at 31 December 2015 for

more than 150 days equals €1.0 million, which represents 2.9% of the total outstanding amount. The total provision for impairment of receivables is €2.4 million as at 31 March 2016 and €2.1 million as at 31 December 2015 (2014: €2.8 million). A provision has been formed when there are indications that the trade receivables might be uncollectable in the future. The Group's trading terms with its customers are mainly on credit, with a credit period of generally one month extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. The Group reviews its overdue balances regularly. Trade receivables are non-interest-bearing, and are stated on the Group's balance sheet net of provisions.

8.9.3 Interest rate risk

Interest rate risk is the risk that a variation of interest rates would have a negative impact on the Group's operating profit. The Group regularly assesses the maintained mix of financial debts with fixed and variable interest rates. Currently, financing is partly based on the Revolving Loan Facility in euros and US dollars. Interest is equal to EURIBOR/LIBOR plus a margin and mandatory costs, if any and is payable at the end of each interest period, which can be one, two, three or six months, or such other period agreed between the Group and the lenders. *See* "*Operating and Financial Review—Liquidity and Capital Resources—Borrowings—Multicurrency credit facility*" (*Paragraph 8.8.4.2 of Part 8*). Accordingly, a higher EURIBOR/LIBOR rate by 10 basis points would have adversely affected the variable interest charges by approximately €128,000 in the three months ending 31 March 2016 (three months ending 31 March 2015: €79,000) and €131,000 in 2015 (2014: €113,000). The interest rate risk relating to €70 million of the Revolving Loan Facility has been hedged with financial derivatives, though this interest rate hedge does not qualify as hedge accounting according to IAS 39 and therefore changes in its fair value are recognised in the income statement. Also see "–*Fair value risk*" (*Part 8.9.4 of Part 8*).

8.9.4 Fair value risk

Fair value risk involves the fair value evaluation of financial derivatives. The Group utilises financial derivatives to hedge its interest risks. The Group hedged the interest rate risk on €70 million of its multicurrency syndicated credit facility with financial derivatives. In accordance with IAS 39, financial derivatives are recognised at fair value. Changes in fair value are recognised directly in the income statement as these are financial derivatives that do not qualify as cash flow hedging instruments. At 31 March 2016 and at 31 December 2015, the cumulative revaluation of financial derivatives amounted to negative €1.8 million and negative €2.0 million, respectively (2014: negative €2.9 million), and was treated as a non-cash item.

8.10 Critical Accounting Policies and Estimates

A summary of the Group's significant accounting policies is contained in the Notes in *Annex 3* and *Annex 1*. The preparation of the financial statements requires estimates and judgements to be made which have an effect on the carrying amounts of recognised assets and liabilities, income and expenses and contingent liabilities. The assumptions and estimates are based on parameters which are derived from the information available at the time. In particular, the circumstances prevailing at the time of preparing the financial statements and assumptions regarding the realistic future development of the business environment are used to estimate the Group's future business performance. Though these estimates and judgements are continuously evaluated, where these conditions develop differently than assumed and beyond the Group's control, the actual figures may differ from those anticipated.

The Group makes assessments and assumptions concerning the future. The resulting estimates 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 carrying amounts of assets and liabilities within the next financial year are discussed below.

8.10.1 Revenue recognition

Revenue of goods is recognised at the moment that delivery of the products has been made to the customer, the customer has accepted the products and the related receivables are likely to be collectable. Revenue from services is recognised in the accounting period in which the services have been provided. Revenue from software is recognised as revenue at the time of delivery. The revenues relating to software service contracts are recognised over the term of the contract.

8.10.2 Estimated impairment loss of goodwill and intangible assets

Goodwill is tested at least annually for impairment and consistently when a trigger event occurs. Goodwill is recognised at cost price less accumulated impairment losses. Goodwill is allocated to the cash flow-generating units of the Group, including the segments FSPS, Fagron Trademarks and Fagron Essentials as well as HL Technology.

The recoverable amount of cash flow-generating units is determined on the basis of value-in-use calculations, which require the application of estimates.

The Group recognised impairment charges of €178.2 million and €27.1 million for Bellevue Pharmacy and Freedom Pharmaceuticals, respectively due to lower turnover and profitability from the changes to the reimbursement regime in the US; see "*Operating and Financial Review—Factors Affecting Results of Operations—Reimbursement levels*" (*Paragraph 8.2.1* of *Part 8*). In addition, in 2015 an impairment of €9.6 million was made for HL Technology as a result of decreasing results and cash flows following evolutions in the market in which HL Technology operates.

8.10.3 Estimated deferred tax assets

Deferred tax assets are mainly accounted for by differences in depreciation rates, tax deductible losses and goodwill acquired in business acquisitions. The tax deductible tested twice a year for impairment. If these losses may not be used within a reasonable time, they will be written off. A deferred tax asset is recognised when the book value of goodwill is less than the tax base and it is expected that taxable profits will arise against which the temporary differences can be utilised.

8.10.4 Estimated future cash outflows to determine the carrying amount of the borrowings

As result of the reclassification of the full amounts of the Eurobonds, Revolving Loan Facility and the senior unsecured notes to current liabilities, changes arise in the expected future cash flows related to these borrowings. This revaluation difference is recognised in the income statement.

8.10.5 Pension obligations

The present value of the pension obligations is derived from a number of actuarially determined factors based on assumptions. The assumptions applied to determine net costs (income) for pensions include pension increase, the discount rate and the life expectancy. Any changes in these assumptions will impact the book value of pension obligations. The gross defined benefit obligation is calculated periodically by independent actuaries.

8.10.6 Provisions for disputes

Provisions are valued at present value of the best estimate by management of the expenditure required to settle the existing obligation at the date of the balance sheet. Provisions for disputes require significant professional judgement 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 rulings or judgements prove unexpected. Hypotheses and assessments are continuously evaluated on the basis of empirical facts and other factors including the projected development of future events regarded as reasonable in light of then-current circumstances.

The CIDs, first issued on 7 April 2015, state that the DOJ is conducting an industry-wide investigation of compounding pharmacies participating in the Tricare programme, which provides health care benefits to military personnel, military retirees and their family members in the US. The DOJ investigation appears to focus on whether certain compounding pharmacies (including Bellevue Pharmacy) submitted claims with inflated prices to Tricare for reimbursement, and relatedly, whether certain bulk raw material suppliers (including Freedom Pharmaceuticals) engaged in consulting or billing support activities which caused compounding pharmacies to submit claims with inflated prices to Tricare. Although at the date of this Prospectus, the Group is not aware of any actual complaint or specific allegations against it relating to the DOJ investigation, the Group has set aside a $10.0 million (€8.7 million) precautionary provision (of which $4 million was for legal support and internal investigations) in the acquisition balance sheet of Bellevue Pharmacy. The provision covers the possible settlement with the government. At year-end 2015, the provision amounts to €8.5 million. It is expected that this provision will be used between 2016 and 2018.

Additionally, a claim has been made by Henry Schein regarding a dispute on the sale of multiple companies in 2013, which was settled in April 2016 for €5.1 million for which a provision existed.

The Group has a number of small, immaterial provisions mostly relating to product liability claims and employment matters in the ordinary course of business, see "*Business Overview—Legal or administrative investigations*" (*Paragraph 6.18* of *Part 6*).

8.10.7 Estimated contingent liabilities

Estimated contingent liabilities relate to acquisition earnouts. If a contingent payment is agreed in a business takeover, the liability is valued at fair value based on expected future cash flows. This fair value is determined

annually based on the terms agreed between the parties and the status of those conditions at the end of the reporting period.

8.10.8 Uncertain tax position

The Group is subject to tax on profits in different jurisdictions. Significant judgments must be made in determining the income tax provision. 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.

PART 9
BOARD OF DIRECTORS, EXECUTIVE COMMITTEE AND GOVERNANCE

9.1 Governance

9.1.1 Applicable Corporate Governance Code

The Group has adopted a corporate governance charter (the "**CG Charter**") in line with the Belgian Code on Corporate Governance of 12 March 2009 (the "**CG Code**"). The Company complies with the provisions set forth in the CG Code, except with the following principles:

- principle 5.2./17 of the CG Code provides that an independent internal audit function should be established, with resources and skills adapted to the Group's nature, size and complexity. If the Group does not have an internal audit function, the need for one should be reviewed at least annually. No independent internal audit function has currently been set up as the Audit Committee decided that, for the financial year ended on 31 December 2015, there was no necessity to set up an independent internal audit function.
- principle 7.18 of the GC Code provides that any contractual arrangement concerning the remuneration of the CEO or any other executive manager must specify that severance pay awarded in the event of early termination should not exceed 12 months' basic and variable remuneration, it being understood that the board may consider higher severance pay further to a recommendation by the Nomination and Remuneration Committee, whereby such higher severance pay should be limited to a maximum of 18 months' basic and variable remuneration. Given the long-term involvement in the Group of former CEO Ger van Jeveren and former CFO Jan Peeters, their management agreements (which have in the meantime been terminated), upon recommendation of the Nomination and Remuneration Committee, included a severance package for Ger van Jeveren and Jan Peeters of 18 months' basic and variable remuneration.

The CG Charter describes the main aspects of the corporate governance of the Group including its governance structure, the terms of reference of the Board of Directors and its committees and other important topics.

The CG Charter is available on the Group's website. The Board of Directors adopted the current version of the CG Charter on 14 May 2012.

What constitutes good corporate governance will evolve with the changing circumstances of a company and with the standards of corporate governance globally and must be tailored to meet those changing circumstances. The Board of Directors intends to update the CG Charter as often as required to reflect changes to the Group's corporate governance.

9.1.2 Governance Structure of the Company

The Company's governance is organised in the following way:

- Board of Directors
- Audit Committee
- Nomination and Remuneration Committee
- Executive Committee

9.2 Board of Directors and Executive Committee

9.2.1 Composition of the Board of Directors

The Board of Directors must have a minimum of five members and a maximum of 11 members in accordance with the Articles of Association, while the actual number may vary according to the needs of the Company. At least three directors must be independent directors within the meaning of Article 526ter of the Belgian Companies Code and at least half of the Board of Directors must comprise non-executive directors. The members of the Board of Directors are appointed for a term of maximum four years by the General Shareholders' Meeting.

The Board of Directors is currently composed of ten members, of which:

- three members are considered independent in accordance with the independence criteria laid down in the CG Code and article 526ter of the Belgian Companies Code;

- nine members are non-executive directors;
- one executive member is member of the Executive Committee;
- four members have been appointed upon the proposal of WPEF VI Holdco III BE B.V.; and
- two members have been appointed upon the proposal of Alychlo NV.

The table below gives an overview of the current members of the Board of Directors and their terms of office:

Name	Nature of directorship	Function	End of Term	Business Address	Board Committee Membership
Robert Peek	Independent	Chairman	2018	Textielstraat 24, 8790 Waregem, Belgium	Audit Committee, Nomination and Remuneration Committee
Johannes Stols	Executive	Director	2018	Lichtenauerlaan 182, 3062 ME Rotterdam, the Netherlands	N/A
Luc Vandewalle	Independent	Director	2018	Textielstraat 24, 8790 Waregem, Belgium	Audit Committee, Nomination and Remuneration Committee
Nathalie van Woerkom	Independent	Director	2019	Kralingseweg 350, 3066 RB Rotterdam, the Netherlands	Audit Committee, Nomination and Remuneration Committee
Holdco FV B.V., permanently represented by Frank Vlayen	Non-executive	Director	2020	Jan Van Rijswijcklaan 162 bus 4, 2020 Antwerp, Belgium	N/A
Matthias Geyssens	Non-executive	Director	2020	Jan Van Rijswijcklaan 162 bus 4, 2020 Antwerp, Belgium	N/A
WPEF VI Holdco III BE B.V., permanently represented by Nathalie Clybouw	Non-executive	Director	2020	Jan Van Rijswijcklaan 162 bus 4, 2020 Antwerp, Belgium	N/A
Filiep Balcaen	Non-executive	Director	2020	Pauline Van Pottelsberghelaan 10, 9051 Sint Denijs Westrem, Belgium	N/A
Aubisque BVBA, permanently represented by Freya Loncin	Non-executive	Director	2020	Vlaamsekunstlaan 38, 2020 Antwerp, Belgium	N/A
Michael Schenck BVBA, permanently represented by Michael Schenck	Non-executive	Director	2020	Maria-Henriëttalei 10/8, 2018 Antwerp, Belgium	N/A

9.2.2 General Information on the Members of the Board of Directors (or their permanent representatives)

The following paragraphs contain brief biographies of each of the members of the Board of Directors, or in case of legal entities, their permanent representatives.

Robert Peek

Robert Peek (Dutch nationality) is a graduate of the Hogere Textielschool in Enschede, the Erasmus Universiteit Rotterdam and the University of St.Gallen, Switzerland. In 1973, he joined Organon International, which is part of the pharmaceutical division of Akzo Nobel. After holding various positions, including director of Organon Greece, Organon Venezuela and regional manager South America, he became manager for Marketing Services, in charge of the global marketing policy. In 1988, he moved to OPG Groep NV (now Mediq NV), where he joined the board of

directors on 1 July 1989. In January 2001, he became in charge of all operational activities of the group companies (COO), and was later appointed chairman of the board of directors (CEO) on 1 March 2003, a position he held until his retirement at the end of 2005.

Johannes Stols

Johannes (Hans) Stols (Dutch nationality) held various positions in the Government Audit Department (*Rijksaccountantsdienst*), at ABN-AMRO Bank NV and at Stada Arzneimittel AG. Until 2006, he was Chief Operational Officer and a member of the board of directors of Stada Arzneimittel AG. He was a founding member of the board of many Stada subsidiaries. In addition, he has chaired the European Generic Medicine Association, the Euro Specialities Association and the Netherlands Cystic Fibrosis Foundation. Mr. Stols has been an independent director of Fagron NV (original: Arseus NV) since 2007. Mr. Stols has been CEO of Fagron NV with effect from 12 December 2015.

Luc Vandewalle

Luc Vandewalle (Belgian nationality) obtained a master's degree in Applied Economics from Ghent University. He was appointed to the board and the executive committee of BBL in December 1992. He chaired the BBL's executive committee from 1 January 2000 to 30 June 2007. From 1 July 2007 to 9 May 2011, Mr. Vandewalle was the chairman of the board of directors of ING Belgium. From 9 May 2011 to 12 May 2014, Mr. Vandewalle was a member off ING's supervisory board. Mr. Vandewalle is currently chairman of VZW CAW Stimulans, chairman of the West Flanders Regional Fund of the King Boudewijn Foundation and chairman of the VZW Waak (sheltered workshops). Mr. Vandewalle is also a member of the board of directors of various other listed and non-listed companies.

Nathalie van Woerkom

Nathalie van Woerkom (Dutch nationality) is currently a lawyer and partner at ADK Lawyers and Civil Law Notaries in Rotterdam in the business law practice group, after working at Buruma Maris and Andersen Legal. She has vast experience in general company law, mergers and acquisitions and shareholder agreements. Ms. Van Woerkom is also a member of a number of professional associations. She received a law degree from Erasmus University Rotterdam and also holds an MBA from the Rotterdam School of Management.

Frank Vlayen

Frank Vlayen (Belgian nationality) is group managing partner/CEO of Waterland Private Equity. Mr. Vlayen chairs Waterland's investment committee, is responsible for the daily management of Waterland and for the development of Waterland's overall strategy. He is also in charge of investor relations, the investment and portfolio activities of Waterland in Belgium and the management of the Belgian office. Before joining Waterland in 2005, Frank was an Engagement Partner at Accenture UK, advising utility and industrial companies on mergers & acquisitions and corporate strategy. Before that, he was a director of business development at Citigroup Consumer Banking Europe and vice-president at Tractebel's international energy division, where he held a number of senior positions in operational management, business development and corporate and project finance. He started his career at Generale Bank in corporate finance and trade finance. Mr. Vlayen has worked in Belgium, the United Kingdom, Hong Kong and Central and Eastern Europe.

Matthias Geyssens

Matthias Geyssens (Belgian nationality) is an Investment Manager at Waterland Private Equity in Belgium. Before joining Waterland, Matthias was an Assistant Director at Deloitte Corporate Finance in London where he advised on mergers & acquisitions throughout Europe. Mr. Geyssens started his career at Deloitte as an auditor and later transferred to the corporate finance department. Matthias holds an honors degree in Management Science and Finance from the University of Kent and holds an MBA from the University of Cambridge. During his MBA studies he worked as a consultant at Warburg Pincus.

Nathalie Clybouw

Nathalie Clybouw (Belgian nationality) is Associate Principal for Waterland Private Equity in Belgium. During the previous ten years, Nathalie held various CFO, M&A professional and other management positions in a range of industries such as outdoor retail, building materials, telecom and others. Previously, Nathalie was CFO of Latexco, a world leader in the production of latex matresses, senior investment manager at Fortis Private Equity (ex-VIV) and auditor at Arthur Andersen. Nathalie holds a Master's degree in applied economics with a major in accountancy from the University of Antwerp, as well as an executive master in interim management from the University of Antwerp Management School.

Filiep Balcaen

Filiep Balcaen (Belgian nationality) is the president of Baltisse NV, the family investment vehicle. Filiep has a broad experience in growing and leading companies, in particular in the vinyl industry as CEO and later president of the Balta Group, one of the largest manufacturers of textile flooring in Europe (which was acquired in 2004 by the British private equity group Doughty Hanson, after which Filiep Balcaen remained on board as a direct until the divestment of the company by Doughty Hanson in 2015) and thereafter as CEO and President of IVC Group, the European market leader in residential vinyl. The IVC Group was acquired in 2015 by the US based public company Mohawk Industries. Filiep Balcaen remains involved in the flooring industry as shareholder and member of the board of directors of Mohawk Industries.

Freya Loncin

Freya Loncin (Belgian nationality) is general counsel at Alychlo NV, the investment firm of Belgian entrepreneur Marc Coucke. Previously, Freya was Head of Legal at Omega Pharma NV and TVH NV after starting her career as a lawyer at Allen & Overy LLP. Freya has a broad experience incorporate law, mergers and acquisitions and commercial agreements. Freya is a graduate of the University of Antwerp (Law).

Michael Schenck

Michael Schenck (Belgian nationality) is Investment Manager at Alychlo, the investment firm of Belgian entrepreneur Marc Coucke. Previously, Michael was Investment Manager at Waterland Private Equity. He started his career in corporate finance in France and has worked both as a volunteer and as an entrepreneur in Africa. Michael holds Master's degree in business and management from Erasmus University Rotterdam and HEC Paris.

9.2.3 Powers of the Board of Directors

The Board of Directors is the main decision-making body of the Group, disposing of all the powers that are not reserved by law or the Articles of Association to the General Shareholders' Meeting.

Within certain limits, the Board of Directors is entitled to delegate part of its powers to the Executive Committee and to delegate special and limited powers to the Chief Executive Officer and other members of the Executive Committee.

9.2.4 Committees of the Board of Directors

The Board of Directors has established two advisory committees to assist it in the performance of its main tasks. These are the Audit Committee (in accordance with article 526bis of the Belgian Companies Code) and the Nomination and Remuneration Committee (in accordance with article 526quater of the Belgian Companies Code).

In addition, the Board of Directors has established an Executive Committee (*Directiecomité/Comité de Direction*) in accordance with the provisions of Article 524bis of the Belgian Companies Code to which it has delegated part of its powers. The terms of reference of these committees are primarily set out in the CG Charter.

The Board of Directors determines the terms of reference for each committee, in which the composition, the role and responsibilities and the operation of the relevant committee are specified. The Board of Directors must pay particular attention to the composition of each committee. It must ensure that in appointing the members of each committee and their chairman, consideration is given to the needs and qualifications required for the optimal functioning of that committee. The Board of Directors may revoke the mandates of the committee members at all times.

9.2.4.1 Audit Committee

The Audit Committee is an advisory committee which assists the Board of Directors in the specific areas mentioned hereafter, regarding which it makes recommendations to the Board of Directors as a whole.

The terms of reference of the Audit Committee are included in the CG Charter.

The Audit Committee is composed of minimum three and maximum five members of the Board of Directors, all non-executive and of which more than half must be independent directors in accordance with the criteria laid down in article 526ter of the Belgian Companies Code and the CG Code.

The members are elected by the Board of Directors for the duration of their director mandate, unless stipulated otherwise. At least one independent member must dispose of the relevant expertise in the comprehension of general accounting principles and procedures, and general corporate finance. The chair of the Audit Committee is filled by

one of the members of the Audit Committee. The offices of chairman of the Audit Committee and chairman of the Board of Directors cannot be combined.

The Audit Committee is currently composed as follows:

Name	**Function**
Robert Peek	Member
Nathalie van Woerkom	Member
Luc Vandewalle	Chairman

The Audit Committee meets at least four times a year, and whenever a meeting is required for the proper operation of the Audit Committee. The quorum for a meeting is half the members attending the meeting, one of which at least must be an independent director. Decisions must be taken by a simple majority of the members present or represented. In case of an equality of votes, the chairman of the Audit Committee has the casting vote.

Without prejudice to the legal responsibilities of the Board of Directors, the Audit Committee is responsible for working out a long-term audit programme covering all the activities of the Group and is particularly responsible for:

Determining the internal financial reporting to the Board of Directors

- The Audit Committee supervises the financial reporting to the Board of Directors and formulates concrete proposals with regard to this. The Audit Committee checks to ensure that the financial reporting to the Board of Directors provides sufficient insight into the financial condition and prospects of the Group, at business unit level.

Monitoring the financial reporting process

- The Audit Committee monitors the integrity of the financial information provided by the Group: the Audit Committee checks to ensure that the financial reporting presents a truthful, honest and clear picture of the situation and of the Group's prospects, on a singular and consolidated basis. In its monitoring the Audit Committee particularly assesses the relevancy and coherence of the standards for the annual accounts applied by the Group and its subsidiaries. This assessment contains the criteria for the consolidation of the annual accounts of the companies in the Group. The Audit Committee checks the accuracy, completeness and consistency of the financial information.
- Among other things this duty includes the verification of the periodic information before it is disclosed and the assessment of the relevancy and consistency of the accounting standards applied, the impact of new accounting rules, the management estimates disclosed in the annual accounts, certain forward-looking statements and the work performed by the internal audit function (if an independent internal audit function is set up) and the Statutory Auditor.
- The Audit Committee discusses any significant issues related to financial reporting with both the Executive Committee and the Statutory Auditor.

Monitoring the effectiveness of the Group' internal control and risk management systems

- At least once a year the Audit Committee evaluates the systems of internal control and risk management that have been put in place by the Executive Committee. It must check to ensure that the principle risks are adequately identified, managed and communicated to it in accordance with the system approved by the Board of Directors.
- The internal control also includes the assessment and approval of the explanation of the internal control and risk management in the CG Charter, and an evaluation of the specific rules according to which employees of the Group can confidentially express their concerns about possible irregularities regarding financial reporting or other matters ('whistleblowing scheme"). The Audit Committee shall ensure that this scheme is brought to the attention of all Group employees and employees of its subsidiary companies. Should this be deemed necessary, the Audit Committee arranges for rules to be drawn up for an independent enquiry and an appropriate follow-up to these matters proportional to the alleged severity thereof.

Monitoring the internal audit and its effectiveness

- The Audit Committee annually assesses the need for the internal audit function and advises the Board of Directors about this annual assessment by the Audit Committee.
- If an independent internal audit function has been set up, the Audit Committee ensures that it has the know-how and resources at its disposal that are adapted to the nature, the size and the complexity of the Group.
- The Audit Committee approves any appointments or dismissals of the internal auditor as well as the programme of work and the budget of the internal audit. It evaluates the effectiveness of the internal audit function taking into account the complementary role played by the internal and external audit functions.
- The Audit Committee receives internal audit reports or a periodic summary thereof.
- The internal audit has unrestricted access to the chairman of the Audit Committee (if an independent audit function has been set up) to discuss matters pertaining to the internal audit of the Group.

Monitoring the statutory audit of the annual accounts and the consolidated annual accounts, including following up the questions and recommendations of the Statutory Auditor

- Without prejudicing the statutory provisions pursuant to which the Statutory Auditor presents the Group organs with reports or warnings, the Statutory Auditor reports to the Audit Committee on important issues that have come to light while performing the statutory audit of the annual accounts and more specifically on serious failures in the internal control with respect to the financial reporting.
- The Audit Committee follows up on the work and recommendations of the Statutory Auditor and ensures the effectiveness of the external audit process and ensures that management follows the recommendations formulated by the Statutory Auditor in his management letter.
- The Audit Committee ensures that the audit itself and the reporting on it pertain to the Group as a whole.
- The Audit Committee determines how the Statutory Auditor is involved in the content and disclosure of financial notices concerning the Company, other than the annual accounts.

Assessing and monitoring the independence of the Statutory Auditor with particular focus on the provision of additional services to the Company

- The Audit Committee makes recommendations to the Board of Directors regarding the selection, the appointment and the re-appointment of the Statutory Auditor and regarding the terms governing his or her appointment. The proposal of the Audit Committee regarding the appointment and re-appointment of the Statutory Auditor is placed on the agenda of the General Shareholders' Meeting.
- The Statutory Auditor:
  - Annually confirms his independence vis-à-vis the Company in writing to the Audit Committee;
  - Makes an annual statement to the Audit Committee of all the additional services performed for the Company;
  - Discusses issues that may threaten his independence with the Audit Committee as well as the preventive measures taken to restrict these threats, as required by them.
- The Audit Committee monitors the independence of the Statutory Auditor. To this end the Statutory Auditor provides the Audit Committee with a report containing a description of all the connections the Statutory Auditor has with the Company and its Group. The Audit Committee assesses the effectiveness of the external audit, taking into account the relevant statutory and professional standards.
- The Audit Committee monitors the nature and scope of the additional services that have been performed by the Statutory Auditor. The Audit Committee presents an official policy plan to the Board of Directors which it applies stating the additional services which:
  - Are excluded;
  - Are permitted after being assessed by the Audit Committee, and
  - Are permitted without being referred to the Audit Committee, taking into account the specific requirements set out in the Belgian Companies Code.

9.2.4.2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is an advisory committee which assists the Board of Directors in the specific areas mentioned hereafter, regarding which it makes recommendations to the Board of Directors as a whole.

The terms of reference of the Nomination and Remuneration Committee are included in the CG Charter.

The Nomination and Remuneration Committee is composed of at least three members of the Board of Directors, all non-executive and of which more than half must be independent directors in accordance with the criteria laid down in article 526ter of the Belgian Companies Code and the CG Code.

The members are elected by the Board of Directors, for the duration of their director mandate, unless stipulated otherwise. Members must dispose of the relevant expertise in the matters treated by the Nomination and Remuneration Committee. The chair of the Nomination and Remuneration Committee is filled by one of the members of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is currently composed as follows:

Name	**Function**
Robert Peek	Member
Nathalie van Woerkom	Chairman
Luc Vandewalle	Member

The Nomination and Remuneration Committee meets at least twice a year, and whenever a meeting is required for the proper operation of the Nomination and Remuneration Committee, or whenever changes to the composition of the Board of Directors or the Executive Committee are necessary.

The quorum for a meeting is two members attending the meeting in person or by telephone conference, one of which at least must be an independent director. Decisions must be taken by a simple majority of the members present or represented. In case of an equality of votes, the Chairman of the Nomination and Remuneration Committee has the casting vote.

Nomination Committee

In its role as Nomination Committee, the Nomination and Remuneration Committee must ensure that the appointment and re-election process of members of the Board of Directors, of the Chief Executive Officer and of the Executive Committee is organised objectively and professionally.

In this role, the Nomination Committee has the following duties:

- It drafts procedures and selection criteria (independence requirements, competence and qualification) to be implemented for the appointment of members of the Board of Directors and for the members of the Executive Committee;
- It nominates the appropriate candidates for vacant mandates in the Board of Directors and submits them for approval to the Board of Directors;
- It makes proposals for re-appointments;
- It periodically assesses the size and composition of the Board of Directors and its committees and, if applicable, makes recommendations with regard to any changes;
- It analyses the succession planning of the members of the Board of Directors;
- It advises on proposals (e.g., of the management or of the shareholders) for appointment and dismissal of members of the Board of Directors as well as members of the Executive Committee;
- It advises the Chief Executive Officer on appointment and dismissal of members of the Executive Committee; it evaluates potential candidates for a function in the Executive Committee and submits recommendations regarding the appointment or dismissal of members of the Executive Committee. For the appointment or dismissal of the Chief Executive Officer, the Nomination and Remuneration Committee bases its recommendation on a motivated proposal of the Board of Directors. For the appointment or dismissal of other

members of the Executive Committee, it bases its recommendation on a motivated proposal that is drafted by the Chief Executive Officer in consultation with the Chairman of the Board of Directors.

Remuneration Committee

In its role as Remuneration Committee, the Nomination and Remuneration Committee has the following duties:

- It drafts, evaluates and makes proposals to the Board of Directors on the remuneration policy for the directors, the members of the Executive Committee, the other managers (*leiders*) referred to in article 96, paragraph 3, final subparagraph of the Belgian Companies Code and the persons charged with the day-to-day management as well as, where applicable, on the ensuing proposals which must be submitted to the shareholders by the Board of Directors.
- It drafts, evaluates and makes proposals to the Board of Directors on the individual remuneration of the directors, the members of the Executive Committee, the other managers (*leiders*) referred to in article 96, paragraph 3, final subparagraph of the Belgian Companies Code and the persons charged with the day-to-day management, also including variable remuneration and long-term rewards, stock related or otherwise, in the form of stock options or other financial instruments, and severance payments and, where applicable, on the ensuing proposals which must be submitted to the shareholders by the Board of Directors.
- the proposals shall relate at least to:
  - the main contractual terms, including the main characteristics of the pension schemes and departure/termination arrangements;
  - the key elements for determining the remuneration, including:
    - the relative importance of each component of the remuneration;
    - the performance criteria applicable to the variable elements;
    - the fringe benefits.
- It makes recommendations on the performance objectives for the Chief Executive Officer and the other members of the Executive Committee as well as for other key managers;
- It discusses, at least once a year, with the Chief Executive Officer the operation and performance of the Executive Committee. The Chief Executive Officer should not be present at the discussion of his or her own evaluation. It drafts recommendations with regard to granting bonuses and long-term incentives for the Chief Executive Officer and the other members of the Executive Committee;
- It prepares the annual remuneration report for approval by the Board of Directors;
- It explains the remuneration report to the annual General Shareholders' Meeting.

Executive Committee

The Executive Committee is responsible for the management of the Company and may exercise the authorities granted to it by the Board of Directors. These authorities shall in any event not include the general policy of the Company or any other authorities which may not be delegated to the Executive Committee pursuant to the applicable legal provisions, the Articles of Association or the terms of reference of the Executive Committee. The Board of Directors is responsible for the supervision of the Executive Committee.

The terms of reference of the Executive Committee are included in the CG Charter.

The Chief Executive Officer of the Company is appointed, on recommendation of the Nomination and Remuneration Committee, and can be dismissed by the Board of Directors of the Company. The Executive Committee is composed of several key corporate officers of the Company, which may or may not be directors. The Chief Executive Officer acts as chairman of the Executive Committee.

The members are elected by the Board of Directors, on recommendation of the Nomination and Remuneration Committee. All executive directors are members of the Executive Committee. The members of the Executive Committee are appointed for a period of four years.

The Executive Committee has the following duties:

- It exercises the most extensive powers related to daily management. These powers include, but are not limited, to:

- signing daily correspondence;
- acting in the name of and for the account of the Company with respect to the state, the communities and regions, the provinces and communal authorities, the company desks, the customs and tax authorities, the postal service and any other public services and authorities;
- negotiating, signing and accepting all price offers, contracts, purchase orders or sales orders of all materials, services, goods, products and utilities of and for the Company;
- enrolling the Company as member for all relevant professional and trade organisations;
- representing the Company at employer organisations and trade unions;
- taking all necessary or useful measures for executing the decisions and recommendations of the Board of Directors;
- delegating one or several of these powers to staff members of the Company or any other persons;
- drafting and signing all necessary or useful documents for exercising the powers of daily management.

- It has the most extensive powers in preparing, budgeting, developing and executing (legal) actions that are directly or indirectly related to the matters mentioned hereafter, to the extent that these powers are exercised within the limits of the general and strategy policy as defined by the Board of Directors and to the extent that they have not been explicitly reserved to the Board of Directors according to the Belgian Companies Code:
  - mergers, acquisitions, investments and divestitures;
  - research and product development;
  - distribution, purchase and manufacturing;
  - marketing and sales;
  - logistics;
  - information technology;
  - accounting, administrative and financial matters;
  - treasury;
  - supervision and control of the business unit (managers);
  - legal affairs;
  - environmental affairs and permits;
  - insurances;
  - human resources;
  - fiscal matters and subsidies;
  - intellectual property.
- It edits and publishes the press releases and annual accounts of the Company.
- It exercises other powers and duties entrusted by the Board of Directors to the Executive Committee in specific cases upon the proposal of the Chief Executive Officer.
- The Executive Committee may seek professional external advice at the expense of the Company on subjects that fall within the scope of its competence.
- The Executive Committee meets after being convened by the chairman of the Executive Committee or whenever a meeting is required in the interest of the Company, as well as within a fortnight following a meeting request by two members of the Executive Committee.
- The quorum for a meeting is half the members of the Executive Committee, attending the meeting in person or by telephone conferencing. If this quorum is not met, a new meeting can be convened with the same agenda, which can validly deliberate and decide if at least two members of the Executive Committee are present or represented. Decisions are made by a majority of the votes cast by the members of the Executive Committee. In the case of an equality of votes, the Chief Executive Officer or the member of the Executive Committee who chairs the meeting has a casting vote.

The following persons are member of the Executive Committee:

Members of the Executive Committee	Role
Johannes Stols	Chief Executive Officer
Karin de Jong	Chief Financial Officer
René Clavaux	Chief Information Officer
Michaël Hillaert	Area General Manager Fagron Belgium, France, Germany, Nordic, Poland and Czech Republic
Rafael Padilla	Area General Manager Fagron South America, Italy and Iberica
Constantijn van Rietschoten	Chief Marketing Officer/Area General Manager Australia, Greece, UK and South Africa
Rita Hoke	Vice President, North America

The following paragraphs contain brief biographies of each member of the Executive Committee (except for the biography of the Chief Executive Officer, which can be found in "*Board of Directors, Executive Committee and Governance—Board of Directors and Executive Committee—General Information on the Members of the Board of Directors (or their permanent representatives)*" (*Paragraph 9.2.2* of *Part 9*), or in case of legal entities, their permanent representatives:

René Clavaux

After graduating in 1990 from Nyenrode Business University, René started to work as managing director for a family owned sales company. From 1998 to 2003, he worked as a business consultant until he joined Fagron in 2003 as information management and marketing manager. As of 2009 René is the Chief Information Officer at Fagron.

Michaël Hillaert

Michaël has studied economics and trade at the University of Gent, specialising in marketing and business sciences. In 2003 he started working for Fagron as sales manager in Fagron Belgium. As of 2014 he is area general manager of Belgium, Germany, Poland, Nordic, France and Czech Republic.

Karin de Jong

After graduating in business administration, accounting and control, Karin completed the post-graduate register controller degree at Erasmus University. She has been working for Fagron since 2008, where she started as business controller. In 2013 she was appointed group controller.

Rafael Padilla

Rafael graduated from the University of Barcelona in pharmaceutical sciences and later completed the post-graduate PMD study at IESE. He started working for Fagron in 2002 as a pharmacist. In 2013 he became general manager of Fagron South America, Fagron Italy and Iberica.

Constantijn van Rietschoten

Constantijn has studied politics and public administration at Erasmus University. He started working for Fagron in 2008 as director of corporate communications and investor relations. Since 2012 he is the Chief Marketing Officer and manages Fagron's global marketing and innovation team. As of 2014 he is also the area general manager of Australia, Greece, UK and South-Africa.

Rita Hoke

Mrs. Hoke is a pharmacist and started her career at Baxter Healthcare, a leading American healthcare company, where she held various positions across multiple functions. From 2004 to 2011, she was responsible for the hospital division in the United States for Grifols, a Spanish multinational active in healthcare and bioscience. Since 2011, she has been active as an advisor for multinationals that are or want to become active in the compounding business in the United States.

9.2.5 Other Mandates

Other than set out in the table below, no member of the Board of Directors or member of the Executive Committee has, at any time in the previous five years, been a member of the administrative, management or supervisory bodies or partner of any companies or partnerships. Over the five years preceding the date of this Prospectus, the directors and members of the Executive Committee hold or have held in addition to their function within the Company, the following main directorships or memberships of administrative, management or supervisory bodies and/or partnerships:

Members of Board of Directors	Current Mandates	Past Mandates
Robert Peek	-	-
Johannes Stols	Stada Service Holding B.V. (Director); Hansfree B.V. (Director)	European Generic Medecine Association (Chairman); Stada Service Holding BV (Director); Hansfree B.V. (Director)
Luc Vandewalle	Sioen NV (Director): Besix NV (Director); DIG NV (Director); Galloo NV (Director); Alinso NV (Chairman); Matexi NV (Chairman)	ING Group NV (Director); Sea-Invest Holding NV (Director); Sea-Tankers (Director); Transics NV (Chairman)
Nathalie van Woerkom	Nathalie van Woerkom Werkmaatschappij B.V. (Director); N. Roskott Van Woerkom Holding B.V. (Director); Van Woerkom Pensioen B.V. (Director)	N. Roskott Van Woerkom Holding B.V. (Director); Van Woerkom Pensioen B.V. (Director)
Holdco FV B.V.	WPEF VI Holdco III BE B.V. (Director); Waterland Management Holding III B.V. (Director)	WPEF VI Holdco III BE B.V. (Director); Waterland Management Holding III B.V. (Director)
Frank Vlayen (permanent representative)	Bake & Co NV (Director); Infra Group NV (Director); Ipcom NV (Director); Aminolabs Group NV (Director); Attero Holding NV (Director); Best Belgian Special Beers NV (Director); Histogenex Holding NV (Director); Sarens Bestuur NV (Director); Waterland Private Equity Investments B.V. (Managing Partner)	Bake & Co NV (Director); Infra Group NV (Director); Ipcom NV (Director); Aminolabs Group NV (Director); Attero Holding NV (Director); Best Belgian Special Beers NV (Director); Histogenex Holding NV (Director); Sarens Bestuur NV (Director); Waterland Private Equity Investments B.V. (Managing Partner); Omega Pharma Invest NV (Director); Omega Pharma NV (Director); PL Groupe NV - Gembloux (Director); Vermeersch Logistics NV- Kortemark (Director); Waeyaert-Vermeersch Isolatie NV (Director)
Matthias Geyssens	-	-
WPEF VI Holdco III BE B.V.	-	-
Nathalie Clybouw (permanent representative)	Bake & Co NV (Chairman); Clynvest BVBA (Manager); Infra Group NV (Director); Insulcon Europe B.V. (Director); Ipcom NV (Director); Isolteam NV (Director); Profisol AB (Director); Vermeersch Logistics NV (Director); Waeyaert-Vermeersch Isolatie NV (Director); WPEF VI Holdco III BE B.V. (Director); Witte Beer Indoor NV (Director)	Bake & Co NV (Chairman); Clynvest BVBA (Manager); Infra Group NV (Director); Insulcon Europe B.V. (Director); Ipcom NV (Director); Isolteam NV (Director); Profisol AB (Director); Vermeersch Logistics NV (Director); Waeyaert-Vermeersch Isolatie NV (Director); WPEF VI Holdco III BE B.V. (Director); Witte Beer Indoor NV (Director)
Filiep Balcaen	Mohawk Industries, Inc. (Director); Pentahold NV (Director); Stevia One Holding AG (Director); Baltisse NV (Executive Chairman)	IVC Group NV (Chairman); Mohawk Industries, Inc. (Director); Pentahold NV (Director); Stevia One Holding AG (Director); Baltisse NV (Executive Chairman)
Aubisque BVBA	Adventure Events SA (Director); ARE Holding NV (Director); Durbuy Adventure SA (Director); Pharco Innovations NV (Director); Uest NV (Director)	Omega Pharma Innovation & Development NV (Director); Omega Pharma International NV (Director); Wartner Europe B.V. (Director); Ymea B.V. (Director); Adventure Events SA (Director); ARE Holding NV (Director); Durbuy Adventure SA (Director); Pharco Innovations NV (Director); Uest

Members of Board of Directors	Current Mandates	Past Mandates
		NV (Director)
Freya Loncin (permanent representative)	Aubisque BVBA (Manager)	Omega Pharma GmbH (Director); Omega pharma Nordic AB (Director); Aco Hud Nordic AB (Director); Omega Pharma AS (Director)
Michael Schenck BVBA	DROIA Invest SA (Director); Pharco Innovations NV (Director); ARE NV (Director); ARE Holding NV (Director)	-
Michael Schenck (permanent representative)	-	Sophia Genetics SA; (Director)

Members of Executive Committee	Current Mandates	Past Mandates
Johannes Stols	See above	See above
Karin de Jong	-	-
René Clavaux	-	-
Michaël Hillaert	-	-
Rafael Padilla	-	-
Constantijn van Rietschoten	-	-
Rita Hoke	-	-

9.3 Remuneration and Benefits

9.3.1 Remuneration policy for the Chief Executive Officer and the Members of the Executive Committee

9.3.1.1 Fixed remuneration

The remuneration of the Chief Executive Officer and members of the Executive Committee is calculated to:

- ensure that the Company can attract, motivate and retain a stable base of high calibre talent with great potential, with the view of measuring up to regional and international competitors;
- motivate the achievement of Board of Directors' approved objectives, with the view to increasing short, medium and long-term shareholder value; and
- stimulate, acknowledge and reward personal and team performances.

The level as well as the structure of the remuneration of the Chief Executive Officer and members of the Executive Committee is reviewed annually by the Nomination and Remuneration Committee, which consequently presents a proposal to the Board of Directors for approval. The Board of Directors decided in 2014 that there was no intention to implement any amendments to the remuneration policies for the executive directors and the members of the Executive Committee in the coming two years. The Company will not grant credit, nor maintain or award credit in the form of a personal loan, nor extend an existing credit, to any of the Chief Executive Officer and members of the Executive Committee.

The remuneration package for the Chief Executive Officer, the executive directors and members of the Executive Committee combines two integrated elements, which together form the "total direct remuneration". These integrated elements are (i) the fixed compensation and (ii) the annual incentive bonus in cash. The executive directors and the members of the Executive Committee do not receive any long-term result related share-based incentive programmes.

When determining the remuneration levels for the Chief Executive Officer and members of the Executive Committee, along with the internal factors, the remuneration of executives in multinational companies of similar size and/or similar activities with headquarters in Belgium and neighbouring countries, the size of the Group, the sector, the growth profile and the profitability of the Group are taken into account. It is the intention to establish remuneration levels that, in general, are situated on or around the average market level, to the extent permitted by the results of the Group.

9.3.1.2 Variable remuneration

The Chief Executive Officer receives a bonus remuneration based on his performance over the calendar year. This bonus remuneration amounts to maximum 120% of the annual fixed remuneration. The evaluation criteria are based on financial objectives linked to certain key performance indicators ("**KPIs**") in relation to the turnover, REBITDA and the net debt, with each of these three components having equal weight, as well as non-financial objectives that are based on personal/discretionary targets clearly defined and set down in writing annually (for example structure, commercial practices, new products and/or markets, M&A, human resources, compliance, etc.). Financial objectives account for 80% of the bonus. Non-financial objectives account for 20% of the bonus. The Nomination and Remuneration Committee evaluates the Chief Executive Officer in a private session before presenting a proposal to the Board of Directors for approval. The Chief Executive Officer should not be present at the discussion of his or her own evaluation.

The other members of the Executive Committee receive a bonus remuneration based on their performance over the calendar year. Their bonus remuneration amounts to maximum 60% of their annual fixed remuneration. The evaluation criteria are based on financial objectives linked to certain KPIs in relation to the turnover, REBITDA and the net debt, with each of these three components having equal weight. Financial objectives account for 80% of the bonus. Non-financial objectives account for 20% of the bonus and are based on personal/discretionary targets that are clearly defined and set down in writing annually (for example structure, commercial practices, new products and/or markets, M&A, human resources, compliance, etc.).

The Chief Executive Officer and the Nomination and Remuneration Committee annually evaluate the functioning and performance of the Executive Committee. The evaluation of the Executive Committee takes place in the context of determining the variable remuneration of the Executive Committee members.

Article 520ter, subsection 2, of the Belgian Companies Code states that as of the 2011 financial year, except where the Articles of Association expressly state otherwise or upon express approval by the General Shareholders' Meeting (and unless the variable remuneration is less than a quarter of the annual remuneration), at least one quarter of the variable remuneration must be based on performance criteria that have been determined in advance and that can be measured objectively over a period of at least two years, and at least another quarter of the variable remuneration must be based on performance criteria that have been determined in advance and that can be measured objectively over a period of at least three years.

The Nomination and Remuneration Committee believes, however, that it is not advisable for the Company to change its current bonus system, based on annual targets, and to link it to long-term objectives over two and three years, for the following reasons and has therefore advised that the Company's current bonus system based on annual targets be retained:

- the incentive of the Company's Executive Committee is already strongly aligned with the Company's long-term performance via the current warrant and stock option plans;
- the Company also pursues an active buy-and-build strategy, which makes it neither simple nor opportune to set long-term targets in advance.

The use of long-term turnover, net income or EBIT targets would be less effective if significant acquisitions were to take place in the course of the subsequent years.

The Extraordinary Shareholders' Meeting of 14 May 2012 gave its approval for the amendment of Article 26 of the Articles of Association to allow the Board of Directors to forego application of the spread variable remuneration as provided for in Article 520ter, subsection 2, of the Belgian Companies Code.

There is no explicit claw-back right in respect of the variable remuneration if the variable remuneration would have been granted based on incorrect financial data.

9.3.2 Remuneration of the members of the Board of Directors in 2015

The non-executive directors do not receive any performance-based remuneration, or any benefits in kind or benefits connected with pension schemes. The chairman of the Board of Directors receives an annual remuneration of €60,000, irrespective of the number of committees of which the Chairman is a member, and the other non-executive directors of the Company receive an annual remuneration of €30,000, plus €7,200 per committee of which they are a member.

The remuneration of executive directors follows entirely from their executive positions. The members of the Executive Committee do not receive a separate remuneration for their membership on the Board of Directors.

The annual individual remuneration for the non-executive directors of the Board of Directors which held office in 2015 for their roles in 2015 is as follows:

Name	Fixed remuneration (€)	Attendance Audit Committee (€)	Attendance Nomination and Remuneration Committee (€)	Total (gross) (€)
Robert Peek	60,000.00	-	-	60,000.00
Johannes Stols(1)	25,882.95	6,202.02	6202.02	38,286.99
Luc Vandewalle	30,000.00	7,200.00	7,200.00	44,400.00
Nathalie van Woerkom(1)	19,089.00	0	0	19,089.00
TOTAL	134,971.95	13,402.02	13,402.02	161,775.96

Notes:
(1) Since Mr Stols and Ms Van Woerkom did not perform their respective mandates for a full year, their remuneration was determined prorated to the period of time during which they performed their particular mandates in 2015.

9.3.3 Remuneration of the Chief Executive Officer and the other members of the Executive Committee in 2015

The annual remuneration for the Chief Executive Officer and the other members of the Executive Committee relating to the financial year 2015 is as follows(1):

Total cost for the Company (€)	Basic remuneration	Variable remuneration(2)	Subtotal	Pensions	Total
Gerardus van Jeveren	568,000	-	568,000	34,000	602,000
Johannes Stols	30,000	-	30,000	1,000	31,000
Other members of the Executive Committee	1,882,000	222,000	2,104,000	108,000	2,212,000
TOTAL	2,480,000	222,000	2,702,000	143,000	2,845,000

Notes:
(1) The table above is prepared in line with the new guidance provided by the Belgian Corporate Governance Committee, meaning that for members of the Executive Committee with employee status, the gross remuneration is taken into account, without taking into account employer's social security contributions. The cost of pensions in the table above however represents the costs incurred by the Company, i.e. the gross amount including any social security contributions.
(2) "Variable remuneration" means the remuneration earned for the performance over 2014, but which was only paid out in 2015.

The management agreement with Mr Van Jeveren was terminated with immediate effect as at 12 December 2015, with payment of the contractually agreed fixed severance package in the amount of € 1,785,000 (i.e. 18 months' remuneration and 1.5 times the average of the variable remuneration granted during the three calendar years preceding the year of termination of the agreement). Such 18 months' basic and variable remuneration were paid to Ger van Jeveren early 2016 following the termination of his management agreement in mutual consent on 12 December 2015.

The management agreement with Mr Peeters was terminated with immediate effect as at 9 May 2016, with a (future) payment of € 368,000 (i.e. 8 months' remuneration, payable in monthly instalments). Following the termination of the management agreement of Jan Peeters on 9 May 2016 in mutual consent, the Group and Jan Peeters entered into an agreement for the continued availability of Jan Peeters until 31 December 2016 in which no right to a severance package is foreseen.

9.4 Shares, stock options and Warrants held by the Directors and Members of the Executive Committee

9.4.1 Stock option plans

On 7 December 2009, the Board of Directors approved the Fagron NV 2009 Stock Option Plan for employees, directors and consultants of the Company and/or subsidiaries. The approval was subsequently ratified by the extraordinary General Shareholders' Meeting of 27 January 2010. The 1,000,000 options issued under the 2009 Stock Option Plan are granted free of charge and each option has a term of six years from the date of its grant. Options

that are not exercised at the end of the last exercise period under the plan (ie 30 November 2015), are void by operation of law. Options that are not exercised at the end of the end of the six-year term, on 26 January 2016, are void by operation of law.

On 27 October 2011, the Board of Directors approved the Fagron NV Stock Option Plan for employees and consultants of the Company and/or subsidiaries. The approval was subsequently ratified by the annual General Shareholders' Meeting of 14 May 2012. The 300,000 options issued under the 2011 Stock Option Plan are granted free of charge and each option has a term of six years from the date of its grant. Options that are not exercised at the end of their last respective exercise period, are void by operation of law.

9.4.2 Warrants and vesting

On 6 September 2007, the Board of Directors approved two warrant plans for the benefit of the employees, directors and consultants of the Group: Warrant Plan 1 and Warrant Plan 2.

The warrants granted under Warrant Plan 1 (for employees) have a lifetime of eight years as of the date on which they are granted. The warrants are exercisable in annual instalments of 25%, in May of the fourth, fifth, sixth and seventh calendar year after the calendar year in which the warrants are offered.

Pursuant to a decision of the Board of Directors dated 11 May 2009, a decision to extend the period for exercising the rights granted to beneficiaries prior to 31 August 2008 under Warrant Plan 1 by five years to 17 December 2020 was made in accordance with the Amendment Act (Herstelwet).

The warrants granted under Warrant Plan 2 (for directors and consultants) have a lifetime of five years as of the date on which they are granted. They are exercisable, pursuant to a decision on the relevant body, after granted of the warrants (i) in annual instalments of 50% in May of the third and fourth calendar year after the calendar year in which the warrants are offered or (ii) in annual instalments of 25% in May of any calendar year after the calendar year in which the warrants are offered. These alternatives depend on the holder's contribution for the warrants.

Pursuant to a decision of the Board of Directors dated 13 July 2009, a decision to extend the period for exercising the rights granted to beneficiaries prior to 31 August 2008 under Warrant Plan 2 by five years to 17 December 2017 was made, on the understanding that beneficiaries exercising their rights following the expiry of the initial period (exercising of rights after 17 December 2012) will solely be entitled to acquire existing, instead of new, shares in the Group. This extension was presented by the Board of Directors at the annual meeting on 10 May 2010. The General Meeting ratified this proposal.

The condition for vesting warrants is for employees that have a current employment contract with the Group and for directors and consultants the condition is that their relationship with the Group has not been terminated.

The cost of the warrants and stock options is determined at the warrants' fair value on the grant date and is spread over the vesting period of the warrants. The cost is recognised as "other employee costs," which in 2015 was €2.0 million, €2.1 million in 2014 and €0.4 million in 2013.

On 3 June 2014, the Group's Board of Directors approved the 2014 warrant plan for employees and consultants of the Group. In 2014, 932,500 warrants were granted, with an exercise price of €39.37. In 2015, 50,000 warrants were granted with an exercise price of €38.06.

On 5 June 2015, 12,302 new shares were issued as a result of exercising warrants under Warrant Plans 1 and 2. In 2014, 73,002 warrants had been issued and in 2013, 79,844 warrants had been issued. On 29 June 2015, 224,133 new shares were issued. The shares were used to pay part of the acquisition value of AnazaoHealth. On 4 August 2015, 444,033 new shares were issued. The shares were used for the payment of the earnout related to the acquisition of Bellevue Pharmacy. The total number of voting rights in 2015 was 31,111,827, compared to 31,431,360 in 2014 and 31,585,358 in 2013.

On 1 June 2016 the Board of Directors has convened an extraordinary General Shareholders' Meeting, to be held on 1 July 2016, which is expected to resolve, amongst others, the approval of the 2016 warrant plan for employees, consultants and directors of the Company or its subsidiaries, and the subsequent issuance of 1,000,000 warrants. The warrants to be issued and/or granted in accordance with the 2016 warrant plan are expected to have a lifetime of five years as of the date on which they are granted. They are exercisable for 50% as of the third anniversary of the date of the grant, and respectively for 25% as of the fourth and fifth anniversary of the date of the grant.

The total number of Shares, stock options and Warrants held by the members of the Board of Directors as of the date of this Prospectus is as follows:

Directors	Shares	Warrants	Stock options
Robert Peek	80,000	-	-
Johannes Stols	486,848	0 (513,091 expected to be granted under Warrant Plan 2016)	-
Luc Vandewalle	20,000	-	-
Nathalie van Woerkom	-	-	-
Holdco FV B.V., permanently represented by Frank Vlayen	-	-	-
Matthias Geyssens	-	-	-
WPEF VI Holdco III BE B.V., permanently represented by Nathalie Clybouw	15,170,764(1)	-	-
Filiep Balcaen	-(2)	-	-
Aubisque BVBA, permanently represented by Freya Loncin	-	-	-
Michael Schenck BVBA, permanently represented by Michael Schenck	3,100	-	-

Notes:
(1) WPEF VI Holdco III BE B.V., jointly controlled by WPEF VI Holding III BE B.V. (in its turn ultimately controlled by Waterland Private Equity Fund VI C.V.) and Baltisse NV (in its turn ultimately controlled by Filiep Balcaen), which hold (together with the persons acting in concert with it) approximately 29.16% of the Shares (or 15,961,023 Shares).
(2) Baltisse NV (ultimately controlled by Filiep Balcaen) holds approximately 0.84% of the Shares (or 462,499 Shares).

The total number of Shares, Stock options and Warrants held by the members of the Executive Committee as of the date of this Prospectus is as follows:

Members of the Executive Committee	Shares	Warrants	Stock options
Johannes Stols	486,848	0 (513,091 expected to be granted under Warrant Plan 2016(1))	-
René Clavaux	1,821	(10,000 t expected o be granted under Warrant Plan 2016(1))	5,000
Michaël Hillaert	7,750	(75,000 expected to be granted under Warrant Plan 2016(1))	15,000
Karin de Jong	375	35,000 (50,000 expected to be granted under Warrant Plan 2016(1))	-
Rafael Padilla	26,562	200,000 (75,000 expected to be granted under Warrant Plan 2016(1))	7,500
Constantijn van Rietschoten	3,750	50,000 (10,000 expected to be granted under Warrant Plan 2016(1))	5,000
Rita Hoke	-	(75,000 expected to be granted under Warrant Plan 2016(1))	-

Notes:
(1) Any grants under the Warrant Plan 2016 are subject to the approval of the Warrant Plan 2016 by the special General Shareholders' Meeting of the Company to be held on 1 July 2016, and the actual grant of such warrants to the relevant beneficiary.

9.5 Litigation Statement

No member of the Board of Directors or the Executive Committee has at any time in the previous five years:

- been convicted in relation to fraudulent offences;

- been associated with any bankruptcy, receivership or liquidation of any entity in which such person acted in the capacity of a member of an administrative, management or supervisory body or senior manager;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies); or
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

9.6 Conflicts of Interest

To the knowledge of the Company, there are, on the date of this Prospectus, no potential conflicts of interests between any duties to the Company of the members of the Board of Directors and members of the Executive Committee and their private interests and/or other duties. The following directors were appointed as member of the Board of Directors upon proposal of WPEF VI Holdco III BE B.V. and Alychlo NV, two of the Company's Significant Shareholders:

- Holdco FV B.V., permanently represented by Frank Vlayen;
- Matthias Geyssens;
- WPEF VI Holdco III BE B.V., permanently represented by Nathalie Clybouw;
- Filiep Balcaen;
- Aubisque BVBA, permanently represented by Freya Loncin; and
- Michael Schenck BVBA, permanently represented by Michael Schenck.

None of the members of the Board of Directors and members of the Executive Committee has a family relationship with any of the other members of the Board of Directors and members of the Executive Committee.

PART 10
INFORMATION ON THE GROUP

10.1 General

Fagron NV/SA is a public limited liability company (*naamloze vennootschap / société anonyme*), incorporated under Belgian law, having its registered office at Textielstraat 24, 8790 Waregem, Belgium and registered with the Crossroads Bank for Enterprises (*Kruispuntbank van Ondernemingen / Banque-Carrefour des Entreprises*) under number 0890.535.026 (LER Ghent, department Kortrijk).

The Company was incorporated by notarial deed on 29 June 2007 under the name of "Arseus NV".

The Articles of Association were last amended on 20 May 2016 (not yet published in the Annexes to the Belgian Official Gazette at the date of this Prospectus).

This "*Information on the Group*" (*Part 10*) provides a summary of the information regarding the Company's share capital, its Articles of Association and its shareholder structure. It does not intend to give an exhaustive overview of the Articles of Association or the relevant provisions of Belgian law.

10.2 Corporate Purpose

Pursuant to article 3 of the Articles of Association, the Company's corporate purpose is as follows:

- to invest in, subscribe to, participate directly or indirectly in, place, sell, buy and trade in, acquire and place all shares, units, bonds, certificates, claims, credits, funds and other movable values and transferable securities issued by Belgian or foreign existing or still to be incorporated companies, taking the form of commercial companies, trust offices, institutions and associations, with or without a (semi-) public legal statute;
- to incorporate, in any way participate in, acquire and manage any participation in any existing or still to be incorporated Belgian or foreign company. To retain, transfer or in any other way manage all kinds of participations and interests in other Belgian or foreign companies and enterprises, to establish joint-ventures with other companies or enterprises. To hold mandates as director or liquidator, to provide advice, management and other services to these companies. These services may be provided both on a contractual and a statutory basis and in the capacity of external consultant or official body of the company;
- to finance companies and enterprises in the broadest sense; to borrow, lend and collect funds, including to issue bonds, debentures, or other securities, as well as to enter into related agreements; to provide guarantees and collaterals, to bind the Company and encumber assets of the Company in favour of the enterprises and companies belonging to the same group and in favour of third parties, but in any case excluding activities which are subject to special regulations;
- to provide consultancy of a financial, technical, commercial or administrative nature in the broadest sense excluding consultancy concerning investments and money placements; to provide support and services, directly or indirectly, in the area of administration and finance, sales, marketing, production and general management; to provide administrative and computer services;
- to develop, buy, sell, manage or exploit brands, patents, know-how, and other intellectual property rights; to obtain and grant licences, sub-licences and similar rights irrespective of their label and description;
- to buy and sell, import and export, agency business and representation of any goods, acting as trade intermediary (*handelstussenpersoon*);
- to do research, develop, produce or commercialise new products, new designs of technologies and their applications;
- to collect, judiciously develop and manage an immovable patrimony, all transactions concerning immovable rights in rem, such as financial leasing of real estate to third parties, to acquire, sell, swap, construct, reconstruct, maintain, let, rent, divide into lots, prospect and exploit real estate, to buy and sell, let and rent movable property, as well as all acts which directly or indirectly relate to this purpose and which are of a nature to increase revenues generating from movable or real property, as well as guarantee the smooth working of commitments entered into by third parties who might have the use of these movable or real properties;

- to offer individual and combined services and support to enterprises and self-employed persons, to put business accommodation, office space and shop space at the disposal of enterprises and initiatives, to offer logistics and secretary work to enterprises and initiatives; and
- to carry out all commercial, industrial, immovable, movable or financial operations, which directly or indirectly relate or connect to its purpose or which may facilitate its realisation. The Company may by way of contribution, merger, subscription or any other way, take an interest in enterprises, associations or companies having an identical, similar or related purpose or which are useful for the realisation of the whole or a part of its purpose.

The above enumeration is not limitative and the Company may perform all acts that may in any way be useful to realise its purpose. The Company may realise its purpose in Belgium and abroad in any way which it finds to be the best suitable way.

The Company may by no means provide asset management or investment consultancy, as mentioned in the applicable laws and royal decrees. The Company shall refrain from all activities that are subject to special regulations in so far as the Company itself does not meet the terms of these regulations.

10.3 Organisational Structure

The Company is the Group's holding company.

Listed below are the Company's material subsidiaries and material companies in which the Group has a stake as at 31 March 2016.

Name	Ownership percentage	Country of incorporation
ABC Chemicals NV	100.00	Belgium
ACA Pharma NV	100.00	Belgium
Alternate Sistemas E Informatica Ltda	100.00	Brazil
AnazaoHealth LLC	100.00	The US
ApodanNordic PharmaPackaging A/S	100.00	Denmark
APPEG SA	100.00	Belgium
Arseus België NV	100.00	Belgium
Arseus Capital NV	100.00	Belgium
Arseus Dental Solutions SAS	100.00	France
B&B Pharmaceuticals Inc.	100.00	The US
Belgophar BVBA	100.00	Belgium
Bio Minerals NV	22.76	Belgium
Dynaceuticals Ltd	100.00	South Africa
Euphaco NV	100.00	Belgium
Eurotec Dental GmbH[(1)]	20.00	Germany
Fagron a.s.[(2)]	73.00	Czech Republic
Fagron Belgium NV	100.00	Belgium
Fagron BV	100.00	The Netherlands
Fagron Brazil Holding BV	100.00	The Netherlands
Fagron Ltd	100.00	China
Fagron Colombia S.A.S.	100.00	Colombia
Fagron Compounding Services LLC	100.00	The US
Fagron Compounding Services NV	100.00	Belgium
Fagron Compounding Services SAS	100.00	France
Fagron Compounding Supplies Australia Pty Ltd	100.00	Australia
Fagron GmbH & Co KG	100.00	Germany
Fagron Hellas A.B.E.E.	100.00	Greece
Fagron Holding USA LLC	100.00	The US

Name	Ownership percentage	Country of incorporation
Fagron Iberica SAU	100.00	Spain
Fagron Inc.	100.00	The US
Fagron Italia SrL	100.00	Italy
Fagron Nederland BV	100.00	The Netherlands
Fagron Nordic A/S	100.00	Denmark
Fagron NV	100.00	Belgium
Fagron Poland Sp. Z.o.o.	100.00	Poland
Fagron Sarl	100.00	Argentina
Fagron SAS	100.00	France
Fagron Services BV	100.00	The Netherlands
Fagron Services BVBA	100.00	Belgium
Fagron South Africa Ltd	100.00	South Africa
Fagron UK Ltd	100.00	The United Kingdom
Flores e Ervas Comercio Farmaceutico Ltda	100.00	Brazil
Freedom Pharmaceuticals Inc.	100.00	The US
HL Technology SA	100.00	Switzerland
JCB Laboratories LLC	100.00	The US
Jupiter Health Holding LLC	100.00	The US
Mar-Kem LTD	100.00	South Africa
Mercury Innovations LLC	100.00	The US
Midwest Rx LLC	100.00	The US
Multident GmbH(1)	20.00	Germany
Northern Rx llc	100.00	The US
Pharma Assist BV	100.00	The Netherlands
Pharma Cosmetic K.M. Adamowicz Sp. z.o.o.	100.00	Poland
Panoramix BV	100.00	The Netherlands
Pharmacy Services Inc.	100.00	The US
Pharmaline BV	100.00	The Netherlands
PPH Galfarm Sp. z.o.o.	100.00	Poland
PSI Services Inc.	100.00	The US
Rausa Kem Pharmacy Ltd	100.00	South Africa
Slovgal s.r.o	100.00	Slovakia
SM Empreendimentos Farmaceuticos Ltda	100.00	Brazil
Southern Rx LLC	100.00	The US
Spruyt-Hillen BV	100.00	The Netherlands
Steunpunt Apotheek Mierlo-Hout BV	100.00	The Netherlands
Texas Southern Rx LLC	100.00	The US
Twipe BV	100.00	The Netherlands
Unit Dose Pack BV	100.00	The Netherlands

Notes:
(1) The remaining shares are controlled by the company's former management
(2) The remaining shares are held by certain individuals

10.4 Share Capital and Shares

10.4.1 Share Capital and Shares

The issued share capital of the Company amounts to €460,109,177.55 (fully paid up) and is divided into 54,738,214 Shares (including, for the avoidance of doubt, the Private Placement Shares) without nominal value. All Shares belong to the same class.

Below is an overview of all increases of the Company's share capital which have taken place since 31 December 2014 (on which date 30,853,881 Shares were outstanding):

- On 5 June 2015, the Company's share capital was increased from €322,111,645.98 to €322,217,493.06 as a result of the exercise of 12,301 Warrants of the warrant plan issued on 6 September 2007. As a result, 12,301 Shares were issued.
- On 29 June 2015, the Company's share capital was increased from €322,217,493.06 to €324,514,856.31 as a result of the issuing of 224,133 new Shares (fully paid up), without indication of nominal value but with an accounting par value of one thirty-one million six hundred sixty-seven thousand seven hundred ninety-fourth (1/31,667,794th) part of the capital.
- On 4 August 2015, the Company's share capital was increased from €324,514,856.31 to €329,066,194.56 as a result of the issuing of 444,033 new Shares (fully paid up), without indication of nominal value but with an accounting par value of one thirty-two million one hundred eleven thousand eight hundred twenty-seventh (1/32,111,827th) part of the capital.
- On 20 May 2016, the Company's share capital was increased from €329,066,194.56 to €460,109,177.55 as a result of the issuing of the Private Placement Shares, without indication of nominal value but with an accounting par value of 8.41 (1/54,738,214th) part of the capital (see "*Information on the Group—Shareholder Structure—First Tranche Capital Increase*" (Paragraph *10.8.1* of *Part 10*)).
- On 1 June 2016, the Board of Directors has convened an extraordinary General Shareholders' Meeting to be held on 1 July 2016, which is expected to resolve to decrease the Company's share capital in the amount of €54,182,316.27 by incorporation of losses. This capital decrease was proposed by the Board of Directors to strengthen the balance sheet of the Company. Consequently, as per 1 July 2016, the Company's share capital is expected to amount to €405,926,861.28, and will be represented by 54,738,214 shares.
- On or before 30 September 2016, the Board of Directors may (i) issue an additional 224,133 shares in the Company's share capital in the framework of the authorized capital or (ii) convene an extraordinary General Shareholders' Meeting, which might propose to resolve to issue an additional 224,133 shares in the Company's share capital. This issuance of shares would then be used to satisfy the Company's earnout payment obligation in relation to the acquisition of AnazaoHealth in April 2015 and *Information on the Group—AnazaoHealth acquisition*" (*Paragraph 10.9.9* of Part *10*). Alternatively, such obligation could also be fulfilled by delivering treasury shares (subject to WPEF VI Holdco III BE B.V.waiving the undertaking of the Company not to purchase, acquire or transfer any of its own shares in accordance with the subscription agreement entered into by and between WPEF VI Holdco III BE B.V. and the Company). The Board of Directors will assess the various options before 30 September 2016 and decide in the Company's best interest.

At the date of this Prospectus, the Company holds 327,760 Shares as treasury Shares, representing approximately 0.60% of the Company's share capital and voting rights.

The Shares are either held in registered form or in dematerialised form. In accordance with the Law of 14 December 2005 concerning the abolition of bearer securities, securities issued after 1 January 2008 can only be registered or dematerialised. On 1 January 2008, the bearer Shares listed on a regulated market and registered on a securities account, were automatically converted into dematerialised securities.

10.4.2 Right to Participate in General Shareholders' Meetings and Voting Rights

10.4.2.1 Ordinary General Shareholders' Meetings

The ordinary General Shareholders' Meeting is held each year on the second Monday of May at 3:00 p.m. (Brussels time), or, if this date falls on a public holiday, the meeting will be held at the same time on the next business day.

At the ordinary General Shareholders' Meeting, the Board of Directors submits the audited statutory (stand-alone) financial statements under Belgian GAAP, the audited consolidated financial statements under IFRS, as adopted by the EU, and the reports of the Board of Directors and of the Auditor with respect thereto to the Shareholders.

The ordinary General Shareholders' Meeting typically decides on:

- the approval of the audited statutory (stand-alone) financial statements under Belgian GAAP;
- the proposed allocation of the Company's profit (loss);
- the discharge of liability to the directors and the Auditor;
- the approval of the remuneration report included in the annual report of the Board of Directors;
- the (re-) appointment or dismissal of all or certain directors (as the case may be); and
- the (re-) appointment or dismissal of the Auditor (as the case may be).

In addition, as relevant, the General Shareholders' Meeting must also decide on the approval of the remuneration of the directors and the Auditor for the exercise of their mandate, and on the approval of provisions of service agreements to be entered into with executive directors, members of the Management Committee and other executives providing (as the case may be) for severance payments exceeding 12 months' remuneration (or, subject to a motivated opinion by the Nomination and Remuneration Committee, 18 months' remuneration).

10.4.2.2 Other General Shareholders' Meetings

The Board of Directors or the Auditor (or the liquidator(s), as the case may be) may, whenever the interest of the Company so requires, convene a General Shareholders' Meeting.

The Board of Directors must convene a General Shareholders' Meeting if one or more Shareholders representing 20% of the Company's issued share capital so request. Said request shall specify the agenda items to be included in the convocation notice.

10.4.2.3 Notices convening the General Shareholders' Meeting

The convocation notice for the General Shareholders' Meeting must include:

- the place, date and hour of the meeting; and
- the agenda of the meeting indicating the items to be discussed as well as any draft resolutions.

The notice needs to contain (i) a description of the formalities that Shareholders must fulfil in order to be admitted to the General Shareholders' Meeting and exercise their voting right, (ii) information on the manner in which Shareholders can put additional items on the agenda of the General Shareholders' Meeting and submit draft resolutions, (iii) information on the manner in which Shareholders can ask questions during the General Shareholders' Meeting, (iv) information on the procedure to participate to the General Shareholders' Meeting by means of a proxy or to vote by means of a remote vote and (v) the registration date for the General Shareholders' Meeting.

The notice must also mention where Shareholders can obtain a copy of the documentation that will be submitted to the General Shareholders' Meeting, the agenda with the proposed draft resolutions or, if no resolutions are proposed, a commentary by the Board of Directors, updates of the agenda if Shareholders have put additional items or draft resolutions on the agenda, the forms to vote by proxy or by means of a remote vote, and the address of the webpage on which the documentation and information relating to the General Shareholders' Meeting will be made available. This documentation and information, together with the notice and the total number of outstanding voting rights, must also be made available on the Company's website at the same time as the publication of the convocation notice for the General Shareholders' Meeting.

At least 30 days prior to the date of the General Shareholders' Meeting, the convocation notice must be published:

- in the Belgian Official Gazette (Belgisch Staatsblad / Moniteur belge);
- in a nation-wide newspaper (except if the relevant meeting is an ordinary General Shareholders' Meeting held at the municipality, place, date and hour mentioned in the Articles of Association and its agenda is limited to the review of the annual financial statements, the annual report of the Board of Directors, the report of the Auditor, the vote on the discharge of the directors and the Auditor and the matters described in article 554, subsection 3 and 4 of the Belgian Companies Code); and

- in media of which it reasonably can be expected that they will ensure an effective distribution of the information among the public in the European Economic Area and which is accessible quickly and in a non-discriminatory manner.

Convocation notices must be sent 30 days prior to the General Shareholders' Meeting to the holders of registered Shares, holders of registered bonds, holders of registered warrants, holders of registered certificates issued with the co-operation of the Company, and, as the case may be, to the directors and Auditor. This communication is made by letter unless the addressees have individually and expressly accepted in writing to receive the notice by another form of communication, in accordance with article 533 of the Belgian Companies Code. The convocation notice and the other documents referred to above are also made available on the Company's website as of the date of the publication of the convening notice.

The term of 30 days prior to the date of the General Shareholders' Meeting for the publication and distribution of the convening notice can be reduced to 17 days for a second meeting if the applicable quorum for the meeting is not reached at the first meeting, the date of the second meeting was mentioned in the notice for the first meeting and no new item is put on the agenda of the second meeting.

10.4.2.4 Formalities to attend the General Shareholders' Meeting

All holders of Shares, warrants and bonds issued by the Company and all holders of certificates issued with the co-operation of the Company (if any) may attend the General Shareholders' Meeting. Only Shareholders, however, may vote at General Shareholders' Meetings. If any holder of securities other than Shares wishes to attend a General Shareholders' Meeting, it must comply with the same formalities as those imposed on the Shareholders.

The fourteenth day prior to the General Shareholders' Meeting, at 24:00 (Brussels time), constitutes the registration date. A Shareholder can only participate to a General Shareholders' Meeting and exercise its voting right(s) provided that its Shares are registered in its name on the registration date (and irrespective of the number of Shares the Shareholder holds at the date of the General Shareholders' Meeting). For registered Shares, this is the registration of the Shares in the Company's shareholders' register, and for dematerialised Shares, this is the registration of the Shares in the accounts of an certified account holder or settlement institution in accordance with article 536 of the Belgian Companies Code. The convocation notice to the General Shareholders' Meeting must explicitly mention the registration date.

The Shareholder must also notify the Company (or any person so appointed by the Company) whether it intends to participate to the General Shareholders' Meeting, at the latest on the sixth day before the date of such meeting.

The certified account holder or the settlement institution must provide the Shareholder with a certificate showing the number of dematerialised Shares registered in the Shareholder's name on his accounts, with which the Shareholder indicated that he wishes to participate in the General Shareholders' meeting.

The Board of Directors must hold a register in which, for each Shareholder who has duly expressed its intention to participate to the General Shareholders' Meeting, it must record the name and address (or registered office) of such Shareholder, the number of Shares it held on the registration date and for which it has expressed its intention to participate to the General Shareholders' Meeting, as well as a description of the documents evidencing that such Shareholder held the relevant Shares at the registration date.

Prior to participating to the General Shareholders' Meeting, the holders of securities or their proxy holders must sign the attendance list, thereby mentioning: (i) the identity of the holder of securities, (ii) if applicable, the identity of the proxy holder and (iii) the number of securities they represent. The representatives of shareholders-legal entities must present the documents evidencing their quality as legal body or special proxy holder of such legal entity. In addition, the proxy holders must present the original of their proxy evidencing their powers, unless the convocation notice required the prior deposit of such proxies. The physical persons taking part in the General Shareholders' Meeting must be able to prove their identity.

10.4.2.5 Voting by Proxy

Each Shareholder has, subject to compliance with the requirements set forth above to attend General Shareholders' Meetings, the right to attend a General Shareholders' Meeting and to vote at such meeting in person or through a proxy holder. The Board of Directors can request the participants to the meeting to use a model of proxy (with voting instructions), which must be deposited at the Company's registered office or at a place specified in the notice convening the General Shareholders' Meeting at the latest six days prior to the meeting. The appointment of a proxy holder must be made in accordance with the applicable rules of Belgian law, including in relation to conflicts of interest and the keeping of a register.

10.4.2.6 Quorum and majorities

In general, there is no attendance quorum requirement for a General Shareholders' Meeting and decisions are generally passed with a simple majority of the votes of the Shares present or represented at the meeting.

However, decisions regarding:

- amendments of the Articles of Association;
- an increase or decrease of the Company's share capital (other than a capital increase decided by the Board of Directors pursuant to the authorised share capital (See "*Information on the Group—Authorised Share Capital*" (*Paragraph 10.4.8* of *Part 10*));
- the Company's dissolution, mergers, de-mergers and certain other reorganisations of the Company;
- the issue of convertible bonds or bonds with warrants or the issue of warrants; and
- certain other matters referred to in the Belgian Companies Code,

require a presence quorum of 50% of the share capital of the Company and a majority of at least 75% of the votes cast, with the exception of an amendment of the Company's corporate purpose and, subject certain exceptions, the acquisition of own Shares (see "*Information on the Group—Share Capital and Shares—Acquisition of Own Shares*" (*Paragraph 10.4.5* of *Part 10*)), which require the approval of at least 80% of the votes cast at a General Shareholders' Meeting, which can only validly pass such resolution if at least 50% of the Company's share capital and at least 50% of the profit certificates, if any, are present or represented.

In the event where the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new notice. The second General Shareholders' Meeting may validly deliberate and decide regardless of the number of Shares present or represented.

10.4.2.7 Right of Shareholders to add items to the agenda and file draft resolutions

In accordance with article 533ter of the Belgian Companies Code, one or more Shareholders holding at least 3% of the Company's share capital have the right to add new items to the agenda of a General Shareholders' Meeting and to submit draft resolutions concerning items that were or will be included on the agenda of a General Shareholders' Meeting. This right does not apply to General Shareholders' Meetings that are being convened on the grounds that the presence quorum was not met at the first duly convened meeting.

Shareholders who exercise this right must comply with the following two conditions for the proposal(s) to be eligible for consideration at the General Shareholders' Meeting: (i) they must prove that they hold the abovementioned percentage of Shares on the date of their request (either by producing a certificate of registration of those Shares in the Company's shareholders' register, or by producing a certificate from a certified account holder or settlement institution evidencing that the relevant number of dematerialised Shares are registered in their name in the accounts of such certified account holder or settlement institution) and (ii) they must demonstrate that they still hold the abovementioned percentage of Shares on the registration date.

The Company must receive requests to add new items to the agenda of General Shareholders' Meetings and to file draft resolutions at the latest 22 days prior to the date of the General Shareholders' Meeting. The revised agenda must be published by the Company at the latest 15 days prior to the date of the General Shareholders' Meeting.

10.4.2.8 Right to ask Questions

In accordance with article 540 of the Belgian Companies Code, Shareholders have a right to ask questions to the directors in connection with the report of the Board of Directors or the items on the agenda of such General Shareholders' Meeting. Shareholders can also ask questions to the Auditor in connection with its report. Such questions can be submitted in writing prior to the meeting or can be raised during the meeting. Written questions must be received by the Company no later than the sixth day prior to the meeting. Written and oral questions will be answered during the meeting in accordance with applicable law. In addition, in order for written questions to be considered, the Shareholders who submitted the written questions concerned must comply with the requirements set forth above to attend General Shareholders' Meetings.

10.4.2.9 Voting Rights

Each Share entitles the Shareholder to one vote.

Voting rights may be suspended in relation to Shares, in the following events, without limitation and without this list being exhaustive:

- which are not fully paid up, notwithstanding the request thereto by the Board of Directors;
- to which more than one person is entitled, except in the event that a single representative is appointed for the exercise of the voting right;
- which entitle their holder to voting rights above the threshold of 3%, 5%, 10%, 15% or any multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of the Company on the date of the relevant General Shareholders' Meeting, except in case the relevant Shareholder has notified the Company and the FSMA at least 20 days prior to the date of the General Shareholders' Meeting of its shareholding reaching or exceeding the thresholds above (see "*Information on the Group—Shareholder Structure—First Tranche Capital Increase*" (*Paragraph 10.8.1* of *Part 10*)); and
- of which the voting right was suspended by a competent court or the FSMA.

Generally, the General Shareholders' Meeting has sole authority with respect to:

- the approval of the audited statutory (stand-alone) financial statements under Belgian GAAP;
- the appointment and dismissal of directors and of the Auditor;
- the granting of discharge of liability to the directors and to the Auditor;
- the determination of the remuneration of the directors and of the Auditor for the exercise of their mandate;
- the determination of the remuneration of the directors and of the Auditor for the exercise of their mandate, including inter alia, as relevant, (i) in relation to the remuneration of executive and non-executive directors, the approval of an exemption from the rule that, in accordance with article 520ter, subsection 1, of the Belgian Companies Code, Share based awards can only vest during a period of at least three years as of the grant of the awards, (ii) in relation to the remuneration of executive directors, the approval of an exemption from the rule that, in accordance with article 520ter, subsection 2, of the Belgian Companies Code, (unless the variable remuneration is less than a quarter of the annual remuneration) at least one quarter of the variable remuneration must be based on performance criteria that have been determined in advance and that can be measured objectively over a period of at least two years and that at least another quarter of the variable remuneration must be based on performance criteria that have been determined in advance and that can be measured objectively over a period of at least three years and (iii) in relation to the remuneration of non-executive directors, the approval of any variable part of the remuneration, in accordance with article 554, subsection 7 of the Belgian Companies Code;
- the approval of provisions of service agreements to be entered into with executive directors, members of the Management Committee and other executives providing for severance payments exceeding 12 months' remuneration (or, subject to a motivated opinion by the Nomination and Remuneration committee, 18 months' remuneration);
- the approval of the remuneration report included in the annual report of the Board of Directors;
- the distribution of profits;
- the filing of a claim for liability against directors;
- the decisions relating to the dissolution, mergers, de-mergers and certain other reorganisations of the Company; and
- the approval of amendments to the Articles of Association.

10.4.3 Dividends

All Shares participate in the same manner in the Company's profits (if any). In general, the Company may pay dividends only upon the approval by the Shareholders at the General Shareholders' Meeting, although the Board of Directors may declare interim dividends without such shareholder approval, in accordance with article 42 of the Articles of Association.

Dividends can only be distributed if, following the declaration and payment of the dividends, the amount of the Company's net assets on the date of the closing of the last financial year as follows from the statutory (stand-alone) financial statements prepared in accordance with Belgian GAAP (i.e., the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities), decreased with the non-amortised activated costs of

incorporation and extension and the non-amortised activated costs for research and development, does not fall below the amount of the paid-up capital (or, if higher, the called capital), increased with the amount of non-distributable reserves. In addition, pursuant to the Belgian Companies Code and the Articles of Association, the Company must allocate at least 5% of its annual net profits under its statutory non-consolidated accounts to a legal reserve until the reserve equals 10% of the Company's share capital.

In accordance with Belgian law, the right to collect dividends declared on ordinary shares expires five years after the date the Board of Directors has declared the dividend payable, whereupon the Company is no longer under an obligation to pay such dividends.

For more information on the Company's dividend policy, see "*Information on the Group—Share Capital and Shares—Dividend Policy*" (*Paragraph 10.4.9* of *Part 10*).

10.4.4 Liquidation

The Company can only be dissolved by a shareholders' resolution passed with a majority of at least 75% of the votes at an Extraordinary General Shareholders' Meeting where at least 50% of the share capital is present or represented (see "*Information on the Group—Share Capital and Shares—Liquidation*" (*Paragraph 10.4.4* of *Part 10*)).

If, as a result of losses incurred, the ratio of the Company's net assets (determined in accordance with Belgian GAAP) to share capital is less than 50%, the Board of Directors must convene a General Shareholders' Meeting within two months from the date the Board of Directors discovered or should have discovered this undercapitalisation. At such General Shareholders' Meeting, the Board of Directors must propose either the dissolution of the Company, or the continuation of the Company's activities, in which case the Board of Directors must propose measures to redress the Company's financial situation. Shareholders representing at least 75% of the votes validly cast at this meeting can decide to dissolve the Company, provided that at least 50% of the Company's share capital is present or represented at the General Shareholders' Meeting.

If, as a result of losses incurred, the ratio of the Company's net assets to share capital is less than 25%, the same procedure must be followed, it being understood, however, that in such event Shareholders representing 25% of the votes validly cast at the General Shareholders' Meeting can decide to dissolve the Company.

If the amount of the Company's net assets fall below €61,500 (the minimum amount of share capital of a Belgian public limited liability company), each interested party is entitled to request the competent court to dissolve the Company. The court may order the dissolution of the Company or grant a grace period within which the Company is allowed to remedy the situation.

In case of dissolution of the Company for whatever reason, the General Shareholders' Meeting shall appoint and dismiss the liquidator(s), determine their powers and the manner of liquidation. The General Shareholders' Meeting shall fix the remuneration of the liquidator(s), if any.

The liquidators can only take up their function after confirmation of their appointment by the General Shareholders' Meeting by the competent Commercial Court in accordance with article 184 of the Belgian Companies Code.

After settlement of all debts, charges and expenses relating to the liquidation, the net assets shall be equally distributed amongst all Shares, after deduction of that portion of such Shares that are not fully paid-up, if any.

10.4.5 Acquisition of Own Shares

In accordance with the Belgian Companies Code, the Company can only purchase and sell its own Shares by virtue of a special shareholders' resolution approved by at least 80% of the votes validly cast at a General Shareholders' Meeting where at least 50% of the share capital and at least 50% of the profit certificates, if any, are present or represented. The prior approval by the Shareholders is not required if the Company purchases its own Shares to offer them to its personnel.

In accordance with the Belgian Companies Code, an offer to purchase Shares must be made by way of an offer to all Shareholders under the same conditions. Shares can also be acquired by the Company without an offer to all Shareholders under the same conditions, provided that the acquisition of the Shares is effected in the central order book of Euronext Brussels or Euronext Amsterdam or, if the transaction is not effected via the central order book, provided that the price offered for the Shares is lower than or equal to the highest independent bid price in the central order book of Euronext Brussels or Euronext Amsterdam at that time. Shares can only be acquired with funds that would otherwise be available for distribution as a dividend to the Shareholders (see "*Information on the Group—Share Capital and Shares—Dividends*" (*Paragraph 10.4.3* of *Part 10*)). The total amount of Shares held by the Company can at no time exceed 20% of its share capital.

On 12 December 2014, the General Shareholders' Meeting granted the Board of Directors the authority to acquire, on or outside the stock exchange, a number of Shares representing a maximum of 10% of the Company's share capital, for a price not lower than one euro (€1.00) and not higher than 10% above the average closing price during the 10 trading days preceding the date of acquisition, and this in such a manner that the Company never holds Shares with a fractional value higher than 10% of the Company's issued capital. This authorisation is valid for a period of five years, i.e. until 11 December 2019.

The Board of Directors may, without prior authorisation by the General Shareholders' Meeting and for an unlimited duration in time, in accordance with article 622, §2 of the Belgian Companies Code, dispose of the Company's own Shares as long as they remain listed. Pursuant to the authorisation granted by the General Shareholders' Meeting, the Board of Directors may further dispose of these Shares without any price restriction. The authorisation may also be used for the acquisition or disposal of Shares by direct subsidiaries as referred to in article 627 of the Belgian Companies Code.

At the date of this Prospectus, the Company owns 327,760 of its own Shares. These Shares are held as treasury shares with suspended voting rights. WPEF VI Holdco III BE B.V. has entered into an agreement with the Company relating to the subscription by WPEF VI Holdco III BE B.V. to new Shares to be issued by the Company, which agreement includes an undertaking of the Company not to purchase, acquire or transfer any of its own shares until the expiration of the Issuer's authorisation on 12 December 2019 other than transfers of its own shares in the framework of its current stock option arrangements.

10.4.6 Preferential Subscription Rights

In the event of a capital increase for cash against the issue of new Shares, or in the event of an issue of convertible bonds or warrants, the Shareholders have a preferential right to subscribe, pro rata, to the new Shares, convertible bonds or warrants. These preferential subscription rights are transferable during the subscription period. The General Shareholders' Meeting may decide to limit or cancel this preferential subscription right, subject to compliance with special reporting requirements. Such decision by the General Shareholders' Meeting needs to satisfy the same quorum and majority requirements as the decision to increase the Company's share capital (i.e., the approval of 75% of the votes cast at a General Shareholders' Meeting where at least 50 % of the share capital is present or represented).

The Shareholders may also decide to authorise the Board of Directors to limit or cancel the preferential subscription right within the framework of the authorised share capital, subject to the terms and conditions set forth in the Belgian Companies Code (see "*Information on the Group—Share Capital and Shares—Authorised Share Capital*" (*Paragraph 10.4.8* of *Part 10*)).

10.4.7 Redemption or Conversion Provisions

The Articles of Association do not contain any redemption or conversion provisions.

10.4.8 Authorised Share Capital

Subject to the same quorum and majority requirements as the decision to increase the Company's share capital (i.e., the approval of 75% of the votes cast at a General Shareholders' Meeting where at least 50 % of the share capital is present or represented), the General Shareholders' Meeting can authorise the Board of Directors, within certain limits, to increase the Company's share capital without any further approval of the Shareholders.

This authorisation needs to be limited in time (i.e., it can only be granted for a renewable period of maximum five years) and in scope (i.e., the authorised share capital may not exceed the amount of the share capital at the time of the authorisation).

On 5 June 2012, the Extraordinary General Shareholders' Meeting of the Company granted the authorisation to the Board of Directors to increase the Company's share capital, in one or several times, with an amount up to €320,023,050.35. This authorisation was granted for a term of five years starting from the date of the publication of the resolution in the Annexes to the Belgian Official Gazette (*Belgisch Staatsblad / Moniteur belge*) on 29 June 2012, i.e. until 28 June 2017, and can be renewed.

If the Company's share capital is increased within the limits of the authorised share capital, the Board of Directors is authorised to request payment of an issuance premium. This issuance premium will be booked on a non-available reserve account, which may only be decreased or disposed of by a resolution of the General Shareholders' Meeting subject to the same quorum and majority requirements as the decision to amend the Articles of Association (i.e., the

approval of 75% of the votes cast at a General Shareholders' Meeting where at least 50 % of the share capital is present or represented).

The Board of Directors can make use of the authorised share capital for capital increases subscribed for in cash or in kind, or effected by incorporation of reserves, issuance premiums. The Board of Directors is authorised to issue shares, convertible bonds or warrants within the limits of the authorised share capital. The Board of Directors is authorised to issue shares without voting rights, shares with preferential dividend and liquidation rights and convertible shares that, under certain conditions, convert into a smaller or larger number of ordinary shares.

The Board of Directors is authorised, within the limits of the authorised share capital, to limit or cancel the preferential subscription rights granted by law to the existing Shareholders. The Board of Directors is also authorised to limit or cancel the preferential subscription rights of the existing Shareholders in favour of one or more specified persons, even if such persons are not members of the personnel of the Company or its subsidiaries.

In principle, from the date of the FSMA's notification to the Company of a public takeover bid on the financial instruments of the Company, the authorisation of the Board of Directors to increase the Company's share capital in cash or in kind, while limiting or cancelling the preferential subscription right, is suspended.

10.4.9 Dividend Policy

All Shares participate in the same manner in the Company's profits (if any). In general, the Company may pay dividends only upon approval by the Company's Shareholders at the General Shareholders' Meeting, although the Board of Directors may declare interim dividends without such shareholder approval.

The amount of the dividend is decided by the General Shareholders' Meeting upon a proposal of the Board of Directors. The Company adopts a progressive dividend policy that takes into account the profitability of the business and any underlying growth, as well as its capital requirements and cash flows, while maintaining sufficient liquidity for pursuing its buy-and-build strategy. Accordingly, the Company expects to retain the majority of its free cash flow in the next few years as it reduces its leverage.

Under the Group's current financing arrangements, certain restrictions on dividend distributions are included. Any dividend distribution made on or prior to 31 December 2017 will be permitted only if (adjusted on a pro forma basis to take into account such distribution) the Group's consolidated total net debt to consolidated EBITDA ratio is no greater than 3.25x, and when such payment is made no default under the finance arrangements has occurred or would occur immediately after making such payments. The distribution restriction of 3.25x does not apply to payments of distribution on share capital made to the Group or a wholly-owned subsidiary of the Group.

A proposal was submitted to the annual General Shareholders' Meeting of Shareholders in May 2015 to issue a gross dividend of €1.0 per share, an increase of 39% as compared with 2014. This proposal was approved by the shareholders and in 2015, €31.4 million of dividends were paid to shareholders compared with €22.2 million (a gross dividend of €0.72 per share) in 2014 and €18.8 million (a gross dividend of €0.60 per share) in 2013.

The Issuer has declared a gross dividend per Share for the financial years 2014, 2013 and 2012 of respectively €1.00, €0.72 and €0.60 in aggregate. The Company did not declare any dividend in relation to the financial year ending on 31 December 2015 and does not intend to declare any dividend in relation to the financial year ending on 31 December 2016.

The New Shares will be entitled to dividend distributions as from the financial year which started on 1 January 2016 onwards. The Private Placement Shares will be entitled to dividend distributions as from the financial year which started on 1 January 2016onwards.

10.5 Other Securities – Eurobonds

On 2 July 2012, Fagron launched a public offering of fixed rate 4.75% unsecured convertible bonds (Eurobonds) with a denomination of €1,000 per bond, due 2 July 2017, for a total nominal amount of €225,000,000. The full amount of the Eurobonds is still outstanding in the market on the date of this Prospectus and amounts to €225,000,000. The Eurobonds have been listed on Euronext Brussels and have been admitted to trading on Euronext Brussels. As the Eurobonds are listed on Euronext Brussels, the Company does not have a view on the identity of the holders of the Eurobonds.

10.6 Other Securities – Warrant Plans

On 6 September 2007, the Board of Directors approved two warrant plans for the benefit of the employees, directors and consultants of the Group: Warrant Plan 1 and Warrant Plan 2.

The warrants granted under Warrant Plan 1 (for employees) have a lifetime of eight years as of the date on which they are granted. The warrants are exercisable in annual instalments of 25%, in May of the fourth, fifth, sixth and seventh calendar year after the calendar year in which the warrants are offered.

Pursuant to a decision of the Board of Directors dated 11 May 2009, a decision to extend the period for exercising the rights granted to beneficiaries prior to 31 August 2008 under Warrant Plan 1 by five years to 17 December 2020 was made in accordance with the Amendment Act (Herstelwet).

The warrants granted under Warrant Plan 2 (for directors and consultants) have a lifetime of five years as of the date on which they are granted. They are exercisable, pursuant to a decision on the relevant body, after granted of the warrants (i) in annual instalments of 50% in May of the third and fourth calendar year after the calendar year in which the warrants are offered or (ii) in annual instalments of 25% in May of any calendar year after the calendar year in which the warrants are offered. These alternatives depend on the holder's contribution for the warrants.

Pursuant to a decision of the Board of Directors dated 13 July 2009, a decision to extend the period for exercising the rights granted to beneficiaries prior to 31 August 2008 under Warrant Plan 2 by five years to 17 December 2017 was made, on the understanding that beneficiaries exercising their rights following the expiry of the initial period (exercising of rights after 17 December 2012) will solely be entitled to acquire existing, instead of new, shares in the Group. This extension was presented by the Board of Directors at the annual meeting on 10 May 2010. The General Meeting ratified this proposal.

The condition for vesting warrants is for employees that have a current employment contract with the Group and for directors and consultants the condition is that their relationship with the Group has not been terminated.

On 3 June 2014, the Group's Board of Directors approved the 2014 warrant plan for employees and consultants of the Group. In 2014, 932,500 warrants were granted, with an exercise price of €39.37. In 2015, 50,000 warrants were granted with an exercise price of €38.06.

On 1 June 2016 the Board of Directors has convened an extraordinary General Shareholders' Meeting, to be held on 1 July 2016, which is expected to resolve, amongst others, the approval of the 2016 Warrant Plan for employees, consultants and directors of the Company or its subsidiaries, and the subsequent issuance of 1,000,000 warrants. The warrants to be issued and/or granted in accordance with the 2016 Warrant Plan are expected to have a lifetime of five years as of the date on which they are granted. They are exercisable for 50% as of the third anniversary of the date of the grant, and respectively for 25% as of the fourth and fifth anniversary of the date of the grant.

Per the date of this Prospectus, the total amount of non-granted warrants under the 2014 Warrant Plan amounts to 1,157,500. Per the date of this Prospectus, the total amount of non-exercised but granted warrants which could lead to the issuance of an equal amount of new Shares amounts to 622,327. Their average exercise price amounts to €39.04 (as set out in the table below).

Expiration Date	**Average Exercise Price (€)**	**Number of Warrants**
March 2017	39.37	279,000
March 2017	38.06	25,000
March 2018	39.37	144,500
March 2018	38.06	12,500
March 2019	39.37	142,000
March 2019	38.06	12,500
March 2030	39.37	2,500
Total	**39.04**	**622,627**

See "*Board of Directors, Executive Committee and Governance—Shares, stock options and Warrants held by the Directors and Members of the Executive Committee*" (*Paragraph 9.4* of *Part 9*).

10.7 Other Securities – Stock Options

On 7 December 2009, the Board of Directors approved the Fagron NV 2009 Stock Option Plan for employees, directors and consultants of the Company and/or subsidiaries. The approval was subsequently ratified by the extraordinary General Shareholders' Meeting of 27 January 2010. The 1,000,000 options issued under the 2009 Stock Option Plan are granted free of charge and each option has a term of six years from the date of its grant. Options that are not exercised at the end of the last exercise period under the plan (ie 30 November 2015), are void by

operation of law. Options that are not exercised at the end of the end of the six-year term, on 26 January 2016, are void by operation of law.

On 27 October 2011, the Board of Directors approved the Fagron NV Stock Option Plan for employees and consultants of the Company and/or subsidiaries. The approval was subsequently ratified by the annual General Shareholders' Meeting of 14 May 2012. The 300,000 options issued under the 2011 Stock Option Plan are granted free of charge and each option has a term of six years from the date of its grant. Options that are not exercised at the end of their last respective exercise period, are void by operation of law.

10.8 Shareholder Structure

10.8.1 First Tranche Capital Increase

Pursuant to a decision of the General Shareholders' Meeting dated 4 May 2016, the Company's share capital was increased on 20 May 2016 by cash contribution with cancellation of the preferential subscription rights of the existing shareholders for the benefit of specific persons which are not employees of the Company or its subsidiaries with an aggregate amount of €131,042,982.99 from €329,066,194.56 to €460,109,177.55 by subscription to the Private Placement Shares (22,626,387 new shares with an issue price of €5.7916) by the following parties:

- WPEF VI Holdco III BE B.V. for an aggregate amount of €87,862,996.76, pursuant to which 15,170,764 Private Placement Shares were issued;
- Alychlo NV for an aggregate amount of €29,999,995.72, pursuant to which 5,179,915 Private Placement Shares were issued;
- Carmignac Portfolio SICAV and Carmignac Gestion SA for an aggregate amount of €5,999,999.15, pursuant to which 1,035,983 Private Placement Shares were issued;
- Midlin N.V. for an aggregate amount of €1,999,995.86, pursuant to which 345,327 Private Placement Shares were issued;
- Johannes (Hans) Stols for an aggregate amount of €1,429,998.17, pursuant to which 246,909 Private Placement Shares were issued; and
- Bart Versluys for an aggregate amount of €3,749,997.30, pursuant to which 647,489 Private Placement Shares were issued.

10.8.2 Rules and Regulations Governing Transparency Declarations

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC has been implemented in Belgian law by, inter alia, the Belgian law of 2 May 2007 on the disclosure of major shareholdings in issuers whose securities are admitted to trading on a regulated market (*Wet van 2 mei 2007 op de openbaarmaking van belangrijke deelnemingen / Loi du 2 mai 2007 relative à la publicité des participations importantes*) (the "**Transparency Law**") and the Royal Decree of 14 February 2008 on the disclosure of major shareholdings (*Koninklijk Besluit van 14 februari 2008 op de openbaarmaking van belangrijke deelnemingen / Arrêté royal du 14 février 2008 relatif à la publicité des participations importantes*) (the "**Transparency Royal Decree**").

Belgian law, in conjunction with article 11 of the Articles of Association, imposes disclosure requirements on any natural person or legal entity acquiring or disposing of, directly or indirectly, securities granting voting rights or securities which give a right to acquire existing securities granting voting rights, when, as a result of such acquisition or disposal, the total number of voting rights directly or indirectly held by such natural person or legal entity, alone or in concert with others, increases above or falls below a (statutory) threshold of 3% or a (legal) threshold of 5%, or any multiple of 5%, of the total number of voting rights attached to the Company's securities. Any future amendment to the disclosure thresholds must be made public and simultaneously notified to the FSMA.

Pursuant to article 6 of the Transparency Law, the above disclosure obligations will be triggered any time the above thresholds are crossed (downwards or upwards) as a result of, *inter alia*: (i) the acquisition or the disposal of securities granting voting rights, regardless of the way in which this acquisition or disposal takes place, e.g., through purchase, sale, exchange, contribution, merger, de-merger, or succession, (ii) the passive crossing of these thresholds (as a result of events that have changed the breakdown of voting rights even if no acquisition or disposal took place); or (iii) the execution, amendment or termination of an agreement of concerted action.

Pursuant to article 6 of the Transparency Law, the disclosure obligations apply to each natural person or legal entity that "directly" or "indirectly" acquires, disposes of or holds (at the time of passive crossing the threshold or at the time of execution, amendment or termination of an agreement of concerted action) voting securities or voting rights. In this respect, a natural person or legal entity is deemed to "indirectly" acquire, dispose of or hold voting securities of the Company: (i) when voting securities are acquired, disposed of or held by a third party that, regardless in whose name it is acting, acts on behalf of such natural person or legal entity, (ii) when voting securities are acquired, disposed of or held by an undertaking controlled (within the meaning of articles 5 and 7 of the Belgian Companies Code) by such natural person or legal entity (the notion "control" implies that possibly several persons will be deemed to be a controlling person (e.g., the parent company, the parent company of such parent company, as well as the natural person controlling the latter) and therefore subject to the notification duty); or (iii) when such natural person or legal entity acquires or transfers the control over an entity holding voting rights in the Company in which case there is no acquisition or disposal of a shareholding in the Company itself, but an acquisition or transfer of control over an entity holding voting rights of the Company.

If a transparency notification is legally required, such notification must be made to the FSMA and the Company as soon as possible and at the latest within a period of four trading days as from the trading day following the day on which the event triggering the disclosure obligation took place. The Company must publish all information contained in such notifications no later than three trading days after receipt of such notification.

The notification can be electronically transmitted to the Company and the FSMA. The forms required to make such notifications, as well as further instructions may be found on the website of the FSMA (www.fsma.be).

10.8.3 Declaration of Important Participations

The table below provides an overview of the Shareholders that have filed a notification with the Company pursuant to applicable transparency disclosure rules, up to the date of this Prospectus:

Name	Date of notification	Number of Shares	% of voting rights attached to Shares (excluding Treasury Shares)(1)	% of voting rights attached to Shares (including Treasury Shares)(2)
WPEF VI Holdco III BE B.V.	20/05/2016	15,170,764	27.88%	27.72%
WPEF VI Holdco III BE B.V., jointly controlled by WPEF VI Holding III BE B.V. (in its turn ultimately controlled by Waterland Private Equity Fund VI C.V.) and Baltisse NV (in its turn ultimately controlled by Filiep Balcaen)	20/05/2016	15,961,023	N/A(3)	29.16%
Alychlo NV	20/05/2016	8,076,879	14.84%	14.76%
Carmignac Gestion S.A.	17/03/2016	1,492,006	2.74(3)%	2.73(4)%
Subtotal		**25,529,908**	**46.92%**	**46.64%**
Public	N/A	29,208,306	53.68%	53.36%
Total (excluding treasury Shares)		**54,410,454**	**100.00%**	**99.40%**
Treasury Shares		327,760	N/A	0.60%
Total (including treasury Shares)	**N/A**	**54,738,214**	**N/A**	**100.00%**

Notes:
(1) The percentage of voting rights is calculated on the basis of the 54,738,214 existing Shares as at the date of this Prospectus. The calculation is adjusted to take into account that the voting rights attached to the 327,760 own Shares held by the Company are suspended by operation of law.
(2) The percentage of voting rights is calculated on the basis of the 54,738,214 existing Shares as at the date of this Prospectus (including the own Shares held by the Company).
(3) The amount of 15,961,023 Shares already includes the Company's treasury Shares so it is not relevant to exlude the treasury Shares.
(4) This percentage is different from the percentage included in the transparency notification, as the percentage of voting rights in the transparency notification was calculated on the basis of the 32,111,827 existing Shares as at the date of the transparency declaration, while the percentage of voting rights in the table is calculated on the basis of the 54,738,214 existing Shares as at the date of this Prospectus. The Company has not received a new transparency declaration from Carmignac Gestion S.A. after the First Tranche Capital Increase (see "Information on the Group—Shareholder Structure—First Tranche Capital Increase" (Paragraph 10.8.1 of Part 10)).

No other Shareholders, alone or in concert with other Shareholders, have notified the Company of a participation or an agreement of concerted action in relation to 3% or more of the current total existing voting rights attached to the voting securities of the Company.

None of the Company's Shareholders benefit from voting rights which differ from those of the other Shareholders.

10.8.4 Control over the Company

So far as the Company is aware, no Shareholder(s), acting alone or in concert, control the Company in the sense of article 5 of the Belgian Companies Code.

10.8.5 Rules and Regulations Governing Public Takeover Bids

10.8.5.1 Public Takeover Bids

Public takeover bids for the Company's Shares and other securities giving access to voting rights (such as the Warrants and the Bonds) are subject to supervision by the FSMA. Any public takeover bid must be extended to all of the Company's voting securities, as well as all other securities giving access to voting rights. Prior to making a bid, a bidder must publish a prospectus, to be approved by the FSMA prior to publication.

Public takeover bids on a Belgian company listed on a Belgian regulated market are governed by the Belgian Law of 1 April 2007 on public takeover bids (W*et op de openbare overnamebiedingen / Loi relative aux offres publiques d'acquisition*) (the "**Takeover Law**"), as implemented by the Belgian Royal Decree of 27 April 2007 on public takeover bids (*Koninklijk Besluit op de openbare overnamebiedingen / Arrêté Royal relatif aux offres publiques d'acquisition*) (the "**Takeover Decree**") and the Belgian Royal Decree of 27 April 2007 on public squeeze-outs (*Koninklijk Besluit op de openbare uitkoopbiedingen / Arrêté Royal relatif aux offres publiques de reprise*) (the "**Public Squeeze-Out Decree**").

Pursuant to these regulations, all shareholders and warrantholders (and holders of other voting securities or securities granting access to voting rights newly issued by the Company) must have equal rights to contribute their securities in any public takeover bid. Furthermore, whenever a person (as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting for their account, directly or indirectly) acquires more than 30% of the voting securities of a company that are (at least in part) admitted to trading on a regulated market, such person must, regardless of the price paid, make a mandatory public takeover bid on all voting securities and securities granting access to voting securities issued by the Company. In general and except for certain exceptions, the mere fact of exceeding the relevant threshold as a result of an acquisition will give rise to a mandatory bid, irrespective of whether or not the price paid in the relevant transaction exceeds the then current market price.

In such an event, the public takeover bid must be launched at a price equal to the higher of the two following amounts: (i) the highest price paid by the offeror or persons acting in concert with it for the acquisition of the relevant securities during the last 12 calendar months and (ii) the average trading price during the last 30 days before the obligation to launch a public takeover bid arose. No mandatory public takeover bid is required, amongst other things, when the acquisition is the result of a subscription for a capital increase with application of the preferential subscription rights of the Shareholders, as decided by the General Shareholders' Meeting.

Where the voluntary public takeover bid is launched by a controlling shareholder, the price must be supported by a fairness opinion issued by an independent expert. The Board of Directors of the target company is required to publish its opinion concerning the offer as well as its comments on the offer document. The acceptance period for the public takeover bid must be at least two weeks and not more than ten weeks.

As a result of the Offering, and depending on the shareholder participation Offering, WPEF VI Holdco III BE B.V.'s shareholding in the Company may cross the threshold of 30% of the voting securities in the Company. The Offering has been approved by the Company's General Shareholders' Meeting on 4 May 2016 and has been structured as a capital increase with statutory preferential subscription rights. In view hereof, if WPEF VI Holdco III BE B.V. were to increase is participation in the Company to above 30% in the context of the Offering, it will not be obliged to carry out a mandatory tender offer. The Company believes however, that shareholder value is best preserved by conducting the Offering with the ability for all Shareholders to participate in order to strengthen the Company's operational and financial flexibility.

In addition, there are several provisions of the Belgian Companies Code and certain other provisions of Belgian law, such as the obligation to disclose large shareholdings (see "*Information on the Group—Shareholder Structure—Rules and Regulations Governing Transparency Declarations*" (*Paragraph 10.8.2* of *Part 10*)) and merger control regulations, that may apply to the Company and/or authorisations granted to the Company which may make a public takeover bid,

merger, change in management or other change in control, more difficult. These provisions or decisions could discourage potential takeover attempts that other Shareholders may consider to be in their best interest and could adversely affect the market price of the Shares. These provisions may also have the effect of depriving the Shareholders of the opportunity to sell their Shares at a premium.

From the date of the FSMA's notification to the Company of a public takeover bid on the financial instruments of the Company, the authorisation of the Board of Directors to increase the Company's share capital in cash or in kind, with limitation or cancellation of the preferential subscription right, is suspended.

The Company is a party to the following significant agreements which, upon a change of control of the Company or following a public takeover bid can either be terminated by the other parties thereto, or give the other parties thereto (or beneficial holders with respect to bonds) a right to an accelerated repayment of outstanding debt obligations of the Company under such agreements:

- Note Purchase Agreement, as described in more detail in *"Information on the Group—Material Contracts—Note Purchase Agreement" (Paragraph 10.9.3 of Part 10);*
- Revolving Loan Facility Agreement, as described in more detail in *"Information on the Group—Material Contracts—Revolving Loan Facility Agreement" (Paragraph 10.9.2 of Part 10);* and
- Eurobonds, as described in more detail in *"Information on the Group—Material Contracts—Eurobonds" (Paragraph 10.9.4 of Part 10)*;

These change of control clauses were specifically approved by the General Shareholders' Meeting in accordance with article 556 of the Belgian Companies Code.

10.8.5.2 Squeeze-out and Sell-out

Pursuant to article 513 of the Belgian Companies Code, a person or legal entity, acting alone or in concert, who owns 95% of the voting securities in the Company having made a public call on savings, can acquire all of the outstanding voting securities or securities granting access to such voting securities in the Company following a squeeze-out offer. The securities that are not voluntarily tendered in response to such offer are deemed to be automatically transferred to the offeror at the end of the procedure. At the end of the procedure, the Company is no longer deemed to be a company having made a public call on savings, unless bonds issued by the Company, if any, are still spread across the public. The consideration paid for the securities must be in cash and must represent the fair value of the securities with a view to safeguarding the interests of the transferring shareholders.

When the squeeze-out offer is made with a view to a merger through absorption of the Company by a limited liability company (*naamloze vennootschap / société anonyme*) that holds at least 90% of the shares and other securities with voting rights, the threshold to carry out a squeeze-out offer is reduced from 95% to 90% of the securities with voting rights.

The Takeover Law and the Takeover Decree provide for certain rules on the squeeze-out by majority shareholders of the minority shareholders and on the sell-out right of the minority shareholders. If, as a result of a (reopened) public takeover bid, a bidder (together with any person acting in concert with the bidder) holds 95% or more of the voting capital and 95% of the voting securities of the target company, and provided that, in case of a voluntary public takeover bid, the bidder acquired securities representing at least 90% of the voting capital to which the public takeover bid relates, then the bidder can proceed with a simplified squeeze-out in accordance with article 42 of the Takeover Decree, provided that all conditions for such simplified squeeze-out are met, to acquire the securities not yet acquired by the bidder (or any other person then deemed to act in concert with the bidder).

Also, if, as a result of such a (reopened) public takeover bid, a bidder (together with any person acting in concert with the bidder) holds 95% or more of the voting capital and 95% or more of the voting securities of the target company, and provided that the bidder acquired securities representing at least 90% of the voting capital to which the public takeover bid relates, each security holder has the right to require the bidder take over its securities against the offer price in accordance with article 44 of the Takeover Decree (the so-called "sell-out right").

10.9 Material Contracts

Other than the contracts referred to in *"Information on the Group—Related Party transactions" (Paragraph 10.10* of *Part 10)*, the Group has entered into the material contracts set forth in *"Information on the Group—Material Contracts" (Paragraph 10.9 of Part 10)*.

10.9.1 Summary of debt instruments

Debt instrument	Date	Maturity	Interest	Covenants
Credit facility (the Revolving Loan Facility)	03/07/2012	22/12/2019, subject to an extension option available to Group, whereby the Revolving Loan Facility can be extended until 15/04/2021.	EURIBOR/LIBOR plus a margin (variable as from testing period ending on 30/06/2016 and dependent on applicable leverage ratio at that time)	• leverage ratio, measured as consolidated total net debt to consolidated EBITDA • interest cover ratio, measured as consolidated EBITDA to consolidated net interest expense • Covenant levels of both financial covenants are initially set to provide additional headroom for the Group compared to the original levels (a maximum leverage ratio of 3.25x and a minimum interest cover ratio of 4.0x), and decrease upon every six-month testing period, starting with the first testing period ending on 31/12/ 2016, until the testing period ending on 30/06/2018. For any testing period ending after 30/06/2018, the levels of the financial covenants revert to those set out in the original Revolving Loan Facility Agreement (a maximum leverage ratio of 3.25x and a minimum interest cover ratio of 4.0x).
Senior unsecured notes (the Note Purchase Agreement)			Base interest of	• leverage ratio, measured as consolidated total net debt to consolidated EBITDA; and • interest cover ratio, measured as consolidated EBITDA to consolidated net interest expense. • Covenant levels of both financial covenants are initially set to provide additional headroom for the Group compared to the original levels (a maximum leverage ratio of 3.25x and a minimum interest cover ratio of 4.0x), and decrease upon every six-month testing period, starting with the first testing period ending on 31/12/2016, until the testing period ending on 30/06/2018. For any testing period ending after 30/06/2018, the levels of the financial covenants revert to those set out in the original Note Purchase Agreement (a maximum leverage ratio of 3.25x and a minimum interest cover ratio of 4.0x).
• Series A Senior Notes	15/04/2014	15/04/ 2017	4.15%	
• Series B Senior Notes	15/04/2014	15/04/2017	3.55%	
• Series C Senior Notes	15/04/2014	15/04/2019	4.04%	
• Series D Senior Notes	15/04/2014	15/04/2019	floating rate	
• Series E Senior Notes	15/04/2014	15/04/2019	5.07%	
• Series F Senior Notes	15/04/2014	15/04/2021	5.78% Until 31/12/2018, for each series of the senior secured notes, there is as a cash uplift rate and a PIK uplift rate, the amount of such uplift rates is dependent on the leverage ratio at that time	
Eurobonds	02/07/2012	02/07/2017	4.75%	The Group undertakes not to establish any security interest, unless such security

Debt instrument	Date	Maturity	Interest	Covenants
				interest is granted in equal rank with respect to the Eurobonds. The Group undertakes that at any time, the sum of the EBITDA of the guarantors (each calculated on an unconsolidated basis and excluding any intra-group transactions) shall not be less than 70% of the Consolidated EBITDA of the Group.

10.9.2 Revolving Loan Facility Agreement

The Company has entered into a revolving multicurrency credit facility agreement originally dated 3 July 2012 (as amended and restated on 16 December 2014 pursuant to an amendment and restatement agreement, subsequently amended on 30 December 2015 by the Loan Facility December 2015 Waiver and Amendment and on 5 May 2016 by the Loan Facility Long Term Waiver) with total commitments of €220.0 million between, amongst others, the Company and Arseus Capital NV as original borrowers, the Company, Arseus Capital NV and certain other companies as original guarantors, BNP Paribas Fortis SA/NV, HSBC Bank PLC, ING Bank N.V. and KBC Bank NV as bookrunning mandated lead arrangers, Commerzbank Aktiengesellschaft, filiale Luxembourg and Fifth Third Bank as mandated lead arrangers and ING Bank N.V. as agent (the "**Revolving Loan Facility Agreement**").

The Revolving Loan Facility Agreement is unsecured, but the Company and various subsidiaries of the Company have provided guarantees under the Revolving Loan Facility Agreement. The Revolving Loan Facility Agreement contains representations, covenants and events of default which are customary for this type of agreement. The Revolving Loan Facility Agreement allows dividend payments, but pursuant to the latest amendment to the Revolving Facility Agreement, any dividend distribution made on or prior to 31 December 2017 will be permitted only if (adjusted on a pro forma basis to take into account such distribution) the Group's consolidated total net debt to consolidated EBITDA ratio is no greater than 3.25x, and when such payment is made no default has occurred or would occur immediately after making such payments. The distribution restriction of 3.25x does not apply to payments of distribution on share capital made to the Group or a wholly-owned subsidiary of the Group.

The Revolving Loan Facility Agreement provides for the following financial covenants which are tested semi-annually:

- a leverage ratio, measured as consolidated total net debt to consolidated EBITDA; and
- a interest cover ratio, measured as consolidated EBITDA to consolidated net interest expense.

Pursuant to the Loan Facility Long Term Waiver, the levels of both financial covenants are initially set to provide additional headroom for the Group compared to the original levels, and decrease upon every six-month testing period, starting with the first testing period ending on 31 December 2016, until the testing period ending on 30 June 2018. For any testing period ending after 30 June 2018, the levels of both financial covenants revert to those set out in the original Revolving Facility Agreement (a maximum leverage ratio of 3.25x and a minimum interest cover ratio of 4.0x).

Pursuant to the Loan Facility Long Term Waiver, there is also a forecast liquidity information undertaking included in the Revolving Loan Facility Agreement. Starting as from 31 December 2016, the Group will be required to provide certain information in respect of its results and financial condition to its lenders on a periodic basis.

The Revolving Loan Facility Agreement contains an accordion option, whereby the total commitments can be increased by not more than €130.0 million and not less than €25.0 million.

The final maturity date of the Revolving Loan Facility Agreement is currently set at 22 December 2019. Pursuant to the Loan Facility Long Term Waiver, the Group can, subject to certain limited conditions as set out therein, request to extend the current termination date to 15 April 2021. The Group has already received signed extension confirmation letters from lenders representing at least €180.0 million of the total commitments under the Revolving Loan Facility Agreement, confirming their agreement to extend the maturity date of their respective revolving facility loans, subject only to the compliance with the restrictive conditions set out in the Loan Facility Long Term Waiver.

If a change of control over the Company takes place, the lenders have the ability to require a cancellation and repayment of the revolving facility prior to its maturity date.

Interest under the Revolving Loan Facility Agreement is fixed until the relevant period ending 30 June 2016, whereby the level of the interest is variable depending on the leverage ratio. The decrease in the margin levels will take effect five business days after the delivery of the relevant compliance certificate evidencing the leverage ratio for such period. However for the relevant period ending 30 June 2016, the margin decrease will take effect as from 20 May 2016. The interest is payable at the end of each interest period, which can be one, two, three or six months, or such other period as agreed between the Group and the lenders. However the uplift margin (meaning the margin exceeding 1.25% per annum) accruing from 20 May 2016 until 30 June 2018, is payable on 30 June 2018 (or earlier, on the date on which all amounts outstanding under the Revolving Loan Facility Agreement are (p)repaid and the commitments thereunder are cancelled in full). The uplift margin will also be capitalised. Interest payable under the Revolving Loan Facility Agreement is equal to EURIBOR/LIBOR plus a margin and mandatory costs, if any. For any loans drawn in dollars or sterling, an additional 0.15% per annum will be charged.

10.9.3 Note Purchase Agreement

The Company has issued notes under a note purchase agreement originally dated 15 April 2014, as amended on 30 December 2015 by the Note December 2015 Waiver and Amendment and on 5 May 2016 by the Note Long Term Waiver between the Company and each of the Purchasers (as defined therein) listed in schedule A thereto in relation to $45.0 million 4.15% Series A Senior Notes due 15 April 2017, €22.5 million 3.55% Series B Senior Notes due 15 April 2017, €15.0 million 4.04% Series C Senior Notes due 15 April 2019, €5.0 million Floating Rate Series D Senior Notes due 15 April 2019, $20.0 million 5.07% Series E Senior Notes due 15 April 2019 and $60.0 million 5.78% Series F Senior Notes due 15 April 2021 (the "**Note Purchase Agreement**").

The Note Purchase Agreement is unsecured, but various subsidiaries of the Company (being the same guarantors as under the Revolving Loan Facility Agreement) have entered into subsidiary guaranty agreement to guarantee the performance by the Company of its obligations under the Note Purchase Agreement.

The Note Purchase Agreement contains representations, covenants and events of default which are customary for this type of agreement. Pursuant to the latest amendment to the Note Purchase Agreement dated 5 May 2016, several more restrictive covenants have been introduced.

Pursuant to the Note Long Term Waiver, any dividend distribution made on or prior to 31 December 2017 will be permitted only if (adjusted on a pro forma basis to take into account such distribution) the Group's consolidated total net debt to consolidated EBITDA ratio is no greater than 3.25x, and when such payment is made no default has occurred or would occur immediately after making such payments. The distribution restriction of 3.25x does not apply to payments of distribution on share capital made to the Group or a wholly-owned subsidiary of the Group.

Until the normalisation date (which is the date following the delivery of a certificate which evidences for two subsequent quarters, a leverage below or at 3.25x), certain further restrictions on acquisitions and on disposals apply.

The Note Purchase Agreement provides for the following financial covenants which are tested semi-annually:

- a leverage ratio, measured as consolidated total net debt to consolidated EBITDA; and
- a interest cover ratio, measured as consolidated EBITDA to consolidated net interest expense.

Pursuant to the Note Long Term Waiver, the levels of both financial covenants are initially set to provide additional headroom for the Group compared to the original levels, and decrease upon every six-month testing period, starting with the first testing period ending on 31 December 2016, until the testing period ending on 30 June 2018. For any testing period ending after 30 June 2018, the levels of both financial covenants revert to those set out in the original Note Purchase Agreement (a maximum leverage ratio of 3.25x and a minimum interest cover ratio of 4.0x).

Pursuant to the Note Long Term Waiver, there is also a forecast liquidity information undertaking included in the Note Purchase Agreement. Starting as from 31 December 2016, the Group will be required to provide certain information in respect of its results and financial condition to its lenders on a periodic basis.

Each of the series of notes issued under the Note Purchase Agreement has its own maturity date and interest rate provisions.

If a change of control over the Company takes place, the note holders have the right to ask prepayment of the notes. The Note Purchase Agreement also provides a limited number of other mandatory prepayment events, as well as a voluntary prepayment, whereby the Company, subject to compliance with a notice period and the payment of a make-whole amount, can prepay the notes.

10.9.4 Eurobonds

On 2 July 2012, the Group has issued €225 million of 4.75% fixed rate bonds under dematerialised form which are due 2 July 2017 (the "**Eurobonds**").

The Eurobonds have been listed on Euronext Brussels and have been admitted to trading on Euronext Brussels.

The Eurobonds are unsecured, but certain subsidiaries of the Company (being the same guarantors as under the Revolving Loan Facility Agreement and the Note Purchase Agreement) have entered into guarantee declarations, whereby they have guaranteed the obligations of the Company under the Eurobonds.

The restrictive covenants of the Eurobonds are limited to a negative pledge covenant, whereby the Company undertakes (among others) not to (and ensures that no other member of the Group does) establish any security interest to secure any financial indebtedness of the Company or another member of the Group, unless such security interest is given in equal and granted in equal rank with respect to the Eurobonds. In addition, the bondholders benefit from a cross default clause.

If a change of control over the Company takes place, the bond holders have the right to ask redemption of the bonds, prior to the stated maturity date. The terms and conditions applicable to the Eurobonds also contain an early redemption option for the Company, in case of changes in tax law, which would trigger certain additional payments in relation to the payment of interest on the Eurobonds. The terms and conditions applicable to the Eurobonds do not contain a voluntary repayment option or call option.

The Eurobonds bear interest as from the issue date (2 July 2012) at the rate of 4.75% per annum, which is payable annually on 2 July of each year.

10.9.5 DEG Acquisition

Fagron Empreendimentos e Participações Ltda. entered into a quota purchase and sale agreement and other covenants on 14 December 2010 pursuant to which it purchased all of the quotas of DEG Importação de Produtos Químicos Ltda. (i.e. a total of 150,000 quotas) for a total cash consideration of R$ 82.5 million (i.e. R$ 550.00 per quota).

Under the terms of the quota purchase and sale agreement, Fagron Empreendimentos e Participações Ltda. agreed to provide certain (fundamental) representations and warranties and customary undertakings. The quota sellers agreed to provide Fagron Empreendimentos e Participações Ltda. with a number of representations and warranties (and certain customary undertakings and indemnities), with a maximum potential liability of approximately R$ 30 million. The indemnification obligations by the quota sellers have expired two years after the closing of the transaction, except for the indemnities with respect to tax and social security matters which will expire six years after closing.

10.9.6 Pharma Nostra acquisition

Fagron Empreendimentos e Participações Ltda. entered into a quota purchase and sale agreement and other covenants on 8 July 2011 (as amended) pursuant to which it purchased all of the issued and outstanding quotas of Pharma Nostra Commercial Ltda. (i.e. a total of 1.2 million quotas) for a total cash consideration of €51,472,464.83.

Under the terms of the quota purchase and sale agreement, Fagron Empreendimentos e Participações Ltda. agreed to provide certain (fundamental) representations and warranties and customary undertakings. The quota sellers agreed to provide Fagron Empreendimentos e Participações Ltda. with a number of representations and warranties (and certain customary undertakings and indemnities), Any indemnification obligation of Fagron Empreendimentos e Participações Ltda. or the quota sellers under the agreement is limited to a maximum of €13,310,000.00. Any indemnification obligations (have) expire(d) thirty-six months after the closing of the transaction envisaged in the agreement, except for (i) the tax, social contribution and labour representations and warranties which expire after a period of seventy-two months after this closing and (ii) certain other liabilities of the sellers which are not limited by any expiration period. Under the quota purchase and sale agreement, the Group would be indemnified by the sellers should ICMS tax liability relating to Produzir arise, see "*Business Overview —Legal or administrative investigations" (Paragraph 6.18* of *Part 6*).

10.9.7 JCB Laboratories acquisition

Fagron Holding USA, LLC, entered into a membership interest purchase agreement on 25 November 2013 pursuant to which Fagron Holding USA, LLC, purchased all of the issued and outstanding membership interests in JCB Laboratories, LLC for a maximum total cash consideration of US$ 30 million.

Under the terms of the membership interest purchase agreement, Fagron Holding USA, LLC, agreed to provide the sellers with certain (fundamental) representations and warranties. The sellers agreed to provide Fagron Holding USA, LLC, with a number of representations and warranties. Both Fagron Holding USA, LLC, and the sellers agreed to customary undertakings and indemnities. Their respective aggregate indemnification obligations are limited to a maximum of US$ 10 million. However, the aggregate indemnification obligations of the sellers with respect to any fraud claims, tax matters or fundamental representations are not subject to such cap.

The indemnification obligations of both Fagron Holding USA, LLC, and the aforementioned sellers expire thirty-six months after the closing of the transaction envisaged in the agreement, except for indemnification obligation with respect to (i) any tax matters, which shall expire on the thirty first day after expiration of the applicable statute of limitations, and (ii) any fraud claims, which expire after expiration of the applicable statute of limitations. The sellers filed a suit against the Group alleging that the agreed EBITDA target for 2015 had been met based on the definition in the membership interest purchase agreement, therefore the sellers are entitled to the full earnout payments of $6 million for 2015. The Group contested this allegation and has filed its answer and counterclaim on 11 May 2016, and received a response on this counterclaim on 1 June 2016, see "*Business Overview —Legal or administrative investigations*" *(Paragraph 6.18* of *Part 6*).

10.9.8 Panoramix acquisition

Arseus B.V. and Fagron Group B.V. entered into a share purchase agreement on 31 January 2014 pursuant to which Arseus B.V. and Fagron Group B.V. acquired 100% of the issued and outstanding shares in Panoramix Holding B.V. Panoramix Holding B.V. in turn held all the issued and outstanding shares of Pharmaline B.V. Arseus B.V. acquired one share in Panoramix Holding B.V. and Fagron Group B.V. acquired the remaining part of the shares for a cash consideration of €41,191,519. Under the terms of the share purchase agreement, the sellers agreed to provide Fagron Group B.V. with certain customary indemnities and representations and warranties, with a general maximum liability of 5% of the consideration.

10.9.9 AnazaoHealth acquisition

Fagron Holding USA LLC entered into a share purchase agreement on 30 April 2015 pursuant to which Fagron Holding USA LLC acquired 100% of the issued and outstanding shares in AnazaoHealth (whereby an earnout payment remains outstanding). Pursuant to this earnout payment obligation (which is based on AnazaoHealth's 2015 results), the previous shareholders of AnazaoHealth are entitled to receive a total additional number of 224,133 shares of the Company, which are to be granted each time for 25% each six months starting from 30 September 2016 (see "*Information on the Group—Share Capital and Shares—Share Capital and Shares*" (*Paragraph 10.4.1* of *Section 10*). AnazaoHealth in turn held all the issued and outstanding shares of Coast Quality Pharmacy LLC and Ducere LLC. Under the terms of the share purchase agreement Fagron Holding USA LLC agreed to provide the sellers with certain customary indemnifications, including a tax indemnification, representations and warranties. Fagron Holding USA LLC agreed to indemnify and hold harmless the sellers from and against any and all losses suffered or incurred by any seller after the closing as a result of or arising out of the inaccuracy, misrepresentation or breach of any representation or warranty, the failure of Fagron Holding USA LLC to perform any its obligations under the share purchase agreement or certain tax requirements. The indemnity obligations of Fagron Holding USA LLC are limited to the total amount of the consideration.

10.9.10 ABC Chemicals acquisition

Fagron Group B.V. entered into a share purchase agreement on 22 July 2015 pursuant to which Fagron Group B.V. acquired 100% of the issued and outstanding shares in Euphaco NV. Euphaco NV in turn held all the issued and outstanding shares of ABC Chemicals S.A. and Belgophar BVBA. Fagron Group B.V. acquired all of the shares in Euphaco NV for a cash consideration of €6,185,000. Under the terms of the share purchase agreement Fagron Group B.V. has agreed to repay certain loans granted to Euphaco NV for an aggregate amount of €3,259,511.1 by closing. Additionally, Fagron Group B.V. also agreed to pay the termination fees in relation to the termination of management agreements for an aggregate amount of €435,600 by closing. Under the terms of the share purchase agreement Fagron Group B.V. has made certain customary representations and warranties to the sellers and agreed to indemnify the sellers pro rata their respective shareholding in Euphaco NV for any possible damages arising from a breach of these representations and warranties. Under the terms of the share purchase agreement the sellers agreed

to provide Fagron Group B.V. with certain customary indemnities and representations and warranties, with a general maximum liability of 15% of the consideration.

10.10 Related Party Transactions

In 2014, the Group entered into a lease agreement with Jake Jackson, who was at the time a member of the Group's executive committee, in which a building of Freedom Pharmaceuticals was leased to the Jackson family for 15 years. Mr. Jackson resigned from the executive committee in February 2016, but the lease agreement remains in place.

On 1 March 2016, the Company and WPEF VI Holdco III BE B.V. entered into a subscription agreement, pursuant to which WPEF VI Holdco III BE B.V. has agreed to subscribe in the Offering by (i) exercising its Preferential Subscription Rights and to accordingly subscribe to New Shares and (ii) to purchase all Scrips at a price of one eurocent (€0.01) per Scrip if the price determined in the Scrips Private Placement does not exceed one eurocent (€0.01) per Scrip and exercise all Scrips, except for any Scrips related to the Preferential Subscription Rights that are not exercised by Alychlo NV, Carmignac Portfolio SICAV, Carmignac Gestion S.A., Midlin N.V. and Bart Versluys. (see *"Information on the Offering—Intention of existing Shareholders, the Board of Directors, Management or Others—Intentions of the existing Shareholders"* and *"Information on the Offering" Terms and Conditions of the Offering—Scrips Private Placement"—Procedure of the Offering* (*Paragraphs 14.7.1* and *14.2.6.2* of *Part 14*)).

PART 11
WORKING CAPITAL, CAPITALISATION AND INDEBTEDNESS

11.1 Working Capital

On the date of this Prospectus, the Company is of the opinion that, taking into account the available cash and available credit facilities, it has sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of the Prospectus.

11.2 Capitalisation and Indebtedness as at 31 March 2016

The table below sets out the Group's consolidated capitalisation and indebtedness as at 31 March 2016. The capitalisation information and the indebtedness information has been sourced from the Group's accounting records as at 31 March 2016, which is the latest practicable date prior to the publication of this Prospectus.

Investors should read this Section together with *"Selected Historical Financial Information" (Part 7)* and *"Operating and Financial Review" (Part 8)*, and the unaudited condensed interim financial statements of the Company as at and for the three months ended 31 March 2016 and 2015 and the Financial Statements incorporated by reference or included elsewhere in this Prospectus.

(€ million)	Capitalisation and Indebtedness		
	As at 31/03/2016	**As at 31/12/2015**	**As at 31/12/2014**
Total current debt	572.4	594.9(1)	5.7
Guaranteed	570.2	592.0	-
Secured	1.7	2.4	5.0 (2)
Unguaranteed/Unsecured	0.5	0.5	0.7
Total non-current debt	4.2	4.4	551.5
Guaranteed	-	-	548.6
Secured	1.6	1.6	1.6(3)
Unguaranteed/Unsecured	2.7	2.8	1.2
Shareholder's equity	(55.0)(4)	(67.5)	154.6
Capital	345.8	345.8	319.7
Treasury shares	(18.8)	(18.8)	(20.2)
Other reserves	(230.1)	(239.9)	(223.8)
Retained earnings	(151.9)	(154.5)	79.0
Hedging and translation reserves	-	-	-
Total capitalisation	521.6	531.8	711.8

Notes:
(1) As at 31 December 2015, the full amounts of the Eurobonds, the senior unsecured notes and the Revolving Loan Facility (of which €199 million was drawn at that date) had been classified as current financial debt, as a result of the covenant breaches then in effect.
(2) Represents a secured loan in Brazil.
(3) Represents mortgages within HL Technology and Fagron Services.
(4) The amount of shareholders' equity set forth in the capitalisation and indebtedness table does not yet reflect the results of the First Tranche Capital Increase.

(€ million)	Net Indebtedness		
	As at 31/03/2016	**As at 31/12/2015**	**As at 31/12/ 2014**
A. Cash	39.2	73.9	99.2
B. Cash equivalents	0.8	1.2	9.0
C. Trading securities	0.4	0.4	0.4
D. Liquidity (A)+(B)+(C)	40.4	75.5	108.6
E. Hedging assets	-	-	-
F. Current bank debt(1)	195.1	202.1	5.7
G. Current portion of non-current debt	-	-	-

(€ million)	Net Indebtedness		
	As at 31/03/2016	**As at 31/12/2015**	**As at 31/12/ 2014**
H. Other current financial debt(2)	152.3	167.8	-
I. Bonds issued(3)	225.0	225.0	-
J. Current Financial Debt (F)+(G)+(H)+(I)	572.4	594.9	5.7
K. Net Current Financial Indebtedness (J)-(E)-(D)	532.0	519.4	(102.8)
L. Non-current bank loans	4.2	4.4	181.0
M. Bonds issued	-	-	225.0
N. Other non-current loans	-	-	145.5
O. Non-current Financial Indebtedness (L)+(M)+(N)	4.2	4.4	551.5
P. Net Financial Indebtedness (K)+(O)	536.3	523.8	448.7

Notes:
(1) As at 31 December 2015, the full drawn amount of €199 million under the Revolving Loan Facility was classified as current financial debt as a result of the covenant breaches then in effect.
(2) As at 31 December 2015, the full amount of the senior unsecured notes under the Note Purchase Agreement was classified as current financial debt as a result of the covenant breaches then in effect.
(3) As at 31 December 2015, the full amount of the Eurobonds was classified as current financial debt as a result of the covenant breaches then in effect.

PART 12
INFORMATION ON THE PRIVATE PLACEMENT SHARES AND THE NEW SHARES

12.1 Type and Class of the New Shares

The Private Placement Shares and the New Shares are ordinary shares in the capital of the Company.

12.2 Applicable Law and Jurisdiction

The Private Placement Shares and the New Shares are governed by Belgian law.

In the event of litigation initiated in Belgium, the Belgian courts that will have jurisdiction will, in principle, be those where the registered office of the Company is located if the Company is defendant in such litigation, and will be designated according to the nature of the litigation, unless otherwise provided by Belgian rules, applicable treaties or jurisdiction or arbitration clauses.

12.3 Form of the Private Placement Shares and the New Shares

12.3.1 Private Placement Shares

The Private Placement Shares have been issued in registered form. Shareholders may at any time ask the Company for their Shares in registered form to be converted into dematerialised shares, at such Shareholders' expense, in accordance with the Articles of Association. The Private Placement Shares are expected, subject to a request thereto by the holders of the Private Placement Shares (if any), to be dematerialised concurrently with the delivery of the New Shares, by Euroclear on or about 7 July 2016.

12.3.2 New Shares

The investors are requested to indicate whether they want to receive their New Shares (i) in a dematerialised form or (ii) in a registered form.

For those Shareholders who opt for dematerialised New Shares, the New Shares will be deposited on issue, through Euroclear, on the Shareholder's securities account.

For those Shareholders who opt for registered New Shares, the New Shares will be registered in the Company's shareholders' register on issue.

Shareholders may at any time ask the Company for their Shares in dematerialised form to be converted into registered shares, or vice versa, at such Shareholders' expense, in accordance with the Articles of Association.

12.4 Currency of the Offering

The currency of the Offering is the euro.

12.5 Rights Attached to the Private Placement Shares and the New Shares

From their issue date, the Private Placement Shares and the New Shares will be subject to all provisions of the Articles of Association. The Private Placement Shares and New Shares shall be of the same class and have the same rights as the existing Shares.

The rights attached to the Shares are described in "*Information on the Group—Share Capital and Shares*" (*Paragraph 10.4* of *Part 10*).

12.6 Dividend Entitlement

12.6.1 Private Placement Shares

The Private Placement Shares will be entitled to any distribution in relation to the financial year that started on 1 January 2016 and following.

12.6.2 New Shares

The New Shares will be entitled to any distribution in relation to the financial year that started on 1 January 2016 and following.

12.7 Restrictions Attached to the Private Placement Shares or the New Shares

There are no provisions restricting the free transferability of the Private Placement Shares or the New Shares in the Articles of Association.

However, please see "*Information on the Prospectus and Cautionary Statements—Restrictions on the Offering*" (*Paragraph 4.16* of *Part 4*) and "*Information on the Offering—Plan of distribution and allocation of the New Shares*" (*Paragraph 14.3* of *Part 14*) regarding the restrictions applicable to the Offering.

12.8 Belgian Taxation

The following is a summary of the principal Belgian tax consequences for investors relating to the acquisition, the ownership and disposal of the Shares. This summary is based on the Issuer's understanding of the applicable laws, treaties and regulatory interpretations as in effect in Belgium on the date of this Prospectus, all of which are subject to change, including changes that could have a retroactive effect.

This summary does not purport to address all tax consequences associated with the acquisition, ownership and disposal of the Shares, and does not take into account the specific circumstances of any particular investor or the tax laws of any country other than Belgium. Moreover, it does not address specific rules, such as Belgian federal or regional estate and gift tax, nor the tax treatment of investors who are subject to special rules, such as financial institutions, insurance companies, collective investment undertakings, dealers in securities or currencies or persons who hold the shares as a position in a straddle, share-repurchase transactions, conversion transactions, a synthetic security or other integrated financial transaction. This summary does not address the local taxes that may be due in connection with an investment in Shares, other than Belgian local surcharges which generally vary from 0% to 10% of the investor's income tax liability.

For the purposes of this summary, a resident investor is:

- an individual subject to Belgian personal income tax, i.e. an individual having its domicile or seat of wealth in Belgium or assimilated individuals for purposes of Belgian tax law;
- a company (as defined by Belgian tax law) subject to Belgian corporate income tax, i.e. a company having its registered seat, principal establishment, administrative seat or effective place of management in Belgium; or
- a legal entity subject to the Belgian tax on legal entities, i.e. a legal entity other than a company subject to Belgian corporate income tax having its registered seat, principal establishment, administrative seat or effective place of management in Belgium.

A non-resident investor is any individual, company or legal entity that does not fall in any of the three previous classes.

This summary does not address the tax regime applicable to Shares held by Belgian tax residents through a fixed basis or a permanent establishment situated outside Belgium.

Investors should consult their own advisers regarding the tax consequences of an investment in the Shares in light of their particular situation, including the effect of any state, local or other national laws, treaties and regulatory interpretations thereof.

12.8.1 Dividends

For Belgian income tax purposes, the gross amount of all benefits paid on or attributed to the Shares is generally treated as a dividend distribution. By way of exception, the repayment of capital carried out in accordance with the Belgian Companies Code is not treated as a dividend distribution to the extent that such repayment is imputed to fiscal capital. Generally, fiscal capital includes paid-up statutory capital and, subject to certain conditions, paid-up share premiums and the amounts subscribed to at the time of the issuance of profit participating certificates.

Belgian withholding tax of 27% is normally levied on dividends, subject to such relief as may be available under applicable domestic or tax treaty provisions.

In the case of a redemption of the Shares, the redemption distribution (after deduction of the part of the fiscal capital represented by the redeemed Shares) will be treated as a dividend subject to a Belgian withholding tax of 27%, subject to such relief as may be available under applicable domestic or tax treaty provisions. No withholding tax will be triggered if this redemption is carried out on a stock exchange and meets certain conditions.

In case of liquidation of the Issuer, any amounts distributed in excess of the fiscal capital will be treated as a dividend in principle subject to the 27% withholding tax, subject to such relief as may be available under applicable domestic provisions.

12.8.1.1 Resident individuals

For resident individuals who acquire and hold the Shares as a private investment, the Belgian withholding tax fully discharges their personal income tax liability. This means that they do not have to declare the dividends in their personal income tax return and that the Belgian withholding tax constitutes a final tax. Nevertheless, these resident individuals may elect to declare (the gross amount of) the dividends in their personal income tax return. Dividends that are declared this way will in principle be taxed at a flat rate of 27% (or at the relevant progressive personal income tax rate(s) taking into account the taxpayer's other declared income, whichever is more beneficial) and no local surcharges will be due. In addition, if the dividends are declared, the Belgian withholding tax levied at source may be credited against the personal income tax due and is reimbursable to the extent it exceeds the personal income tax due, provided that the dividend distribution does not result in a reduction in value of, or a capital loss on, the Shares. This condition does not apply if the investor demonstrates that he has held the Shares in full legal ownership during an uninterrupted period of 12 months prior to the payment or attribution of the dividends. For resident individuals who acquire and hold the Shares for professional purposes, the Belgian withholding tax does not fully discharge their income tax liability. Dividends received must be declared by the investor and will, in such a case, be taxable at the investor's progressive personal income tax rates (of up to 50%, plus local surcharges). The Belgian withholding tax levied at source may be credited against the personal income tax due and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (i) the investor must have held full legal ownership of the Issuer's Shares at the time of payment or attribution of the dividends and (ii) the dividend distribution may not result in a reduction in value of, or a capital loss on, the Issuer's Shares. The latter condition is not applicable if the investor demonstrates that he has held full legal ownership of the Issuer's Shares during an uninterrupted period of 12 months prior to the payment or attribution of the dividends.

12.8.1.2 Resident companies

Corporate income tax

For resident companies, the gross dividend income (including the withholding tax levied) must be declared in the corporate income tax return and will generally be taxable at the standard corporate income tax rate of 33.99% (unless the reduced corporate income tax rates for small and medium sized enterprises apply).

However, resident companies can generally (although subject to certain limitations) deduct up to 95% of the gross dividends received from its taxable income (the "**Dividend Received Deduction**"), provided that at the time of attribution or payment of the dividends: (i) the Belgian resident company holds the Issuer's Shares representing at least 10% of the share capital of the Issuer or a participation in the Issuer with an acquisition value of at least €2,500,000, (ii) the Issuer's Shares have been held or will be held in full ownership for an uninterrupted period of at least one year and (iii) the conditions relating to the taxation of the underlying distributed income, as described in article 203 of the Belgian Income Tax Code (the "**BITC**") (the "**Article 203 BITC Taxation Conditions**") are met (together, the "**Conditions for the application of the Dividend Received Deduction regime**"). The Conditions for the application of the Dividend Received Deduction regime depend on a factual analysis and, for this reason, the availability of this regime should be verified upon each dividend distribution.

Any Belgian dividend withholding tax levied at source may, in principle, be credited against the corporate income tax due and is reimbursable to the extent that it exceeds the investor's corporate income tax due, subject to two conditions: (i) the investor must have held the full legal ownership of the Shares at the time of payment or attribution of the dividends and (ii) the dividend distribution may not result in a reduction in value of, or a capital loss on, the Issuer's Shares. The latter condition is not applicable (A) if the investor demonstrates that it has held the Issuer's Shares in full legal ownership during an uninterrupted period of 12 months prior to the payment or attribution of the dividends or (B) if, during that period, the Issuer's Shares never belonged to a taxpayer other than a resident company or a non-resident company that held the Issuer's Shares in an uninterrupted manner through a permanent establishment in Belgium.

Withholding tax

Dividends distributed to a resident company will be exempt from Belgian withholding tax provided that the Belgian resident company holds, upon payment or attribution of the dividends, at least 10% of the Issuer's share capital and such minimum participation is held or will be held during an uninterrupted period of at least one year.

In order to benefit from this exemption, the investor must provide the Issuer or its paying agent with a certificate confirming its qualifying status and the fact that it meets the two required conditions. If the investor holds a minimum participation for less than one year, at the time the dividends are paid on or attributed, the Issuer will levy the withholding tax but will not transfer it to the Belgian Treasury provided that the investor certifies its qualifying status, the date from which it has held such minimum participation, its commitment to hold the minimum

participation for an uninterrupted period of at least one year and its commitment to immediately notify to the Issuer or its paying agent a reduction of its shareholding below such threshold prior to the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the levied dividend withholding tax will be passed on to the investor.

12.8.1.3 Organisations for Financing Pensions

For organisations for financing of pensions ("**OFPs**"), i.e. Belgian pension funds incorporated under the form of an OFP (*organismen voor de financiering van pensioenen / organismes de financement de pensions*) within the meaning of article 8 of the Belgian Law of 27 October 2006, dividend income is generally tax exempt. Subject to certain limitations, any Belgian withholding tax levied at source may be credited against the final income tax due and is reimbursable to the extent that it exceeds the investor's income tax due.

12.8.1.4 Resident legal entities

For resident legal entities, the Belgian withholding tax levied at source generally constitutes their final tax liability.

12.8.1.5 Non-residents

Withholding tax

For non-resident individuals, corporations or other legal entities the withholding tax levied at source will be the only tax on dividends in Belgium, unless the non-resident holds Issuer's Shares in connection with a business conducted in Belgium through a fixed base in Belgium or a permanent establishment in Belgium.

If the Issuer's Shares are acquired or held by a non-resident in connection with a business conducted in Belgium through a fixed base in Belgium or a permanent establishment in Belgium, the investor must report any dividends received in its Belgian income tax return and the dividends will be taxable at the applicable non-resident individual or corporate income tax rate, as appropriate. Withholding tax levied at source may then be credited against non-resident personal or corporate income tax and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (i) the investor must have held full legal ownership of the Shares at the time of payment or attribution of the dividends and (ii) the dividend distribution may not result in a reduction in value of, or a capital loss on, the Issuer's Shares. The latter condition is not applicable if (i) the non-resident individual or the non-resident company demonstrates that the Issuer's Shares were held in full legal ownership for an uninterrupted period of 12 months prior to the payment or attribution of the dividends or (ii) with regard to non-resident companies only, if, during the said period, the Issuer's Shares have not belonged to a taxpayer other than a resident company or a non-resident company that held the Issuer's Shares in an uninterrupted manner through a permanent establishment in Belgium.

Non-resident companies whose Issuer's Shares are invested in a permanent establishment may deduct up to 95% of the gross dividends included in their taxable profits if, at the date dividends are paid or attributed, the Conditions for the application of the Dividend Received Deduction regime are met. Application of the Dividend Received Deduction regime depends, however, on a factual analysis to be made upon each distribution and its availability should be verified upon each distribution.

Belgian dividend withholding tax relief for non-residents

Dividends distributed to non-resident companies established in a Member State of the EU or in a country with which Belgium has concluded a double tax treaty that includes a qualifying exchange of information clause and qualifying as a parent company, will be exempt from Belgian withholding tax provided that Issuer's Shares held by the non-resident company, upon payment or attribution of the dividends, amount to at least 10% of the Issuer's share capital and such minimum participation is held or will be held during an uninterrupted period of at least one year. A company qualifies as a parent company provided that (i) for companies established in a Member State of the EU, it has a legal form as listed in the annex to the EU Parent-Subsidiary Directive of 23 July 1990 (90/435/EC), as amended by Directive 2003/123/EC of December 22, 2003, or, for companies established in a country with which Belgium has concluded a qualifying double tax treaty it has a legal form similar to the ones listed in such annex, (ii) it is considered to be a tax resident according to the tax laws of the country where it is established and the double tax treaties concluded between such country and third countries and (iii) it is subject to corporate income tax or a similar tax without benefiting from a tax regime that derogates from the ordinary tax regime.

In order to benefit from this exemption, the investor must provide the Issuer or its paying agent with a certificate confirming its qualifying status and the fact that it meets the three abovementioned conditions. If the investor holds a minimum participation for less than one year, at the time the dividends are paid on or attributed to the Issuer's Shares, the Issuer or the Belgian paying agent will levy the withholding tax but will not transfer it to the Belgian

Treasury provided that the investor certifies its qualifying status, the date from which the investor has held such minimum participation, its commitment to hold the minimum participation for an uninterrupted period of at least one year and its commitment to immediately notify the Issuer of a reduction of its shareholding below such threshold prior to the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the levied dividend withholding tax will be passed on to the investor.

Under Belgian tax law, withholding tax is also not due on dividends paid to a non-resident pension fund which satisfies the following conditions: (i) to be a legal entity with fiscal residence outside of Belgium, (ii) whose corporate purpose consists solely in managing and investing funds collected in order to serve legal or complementary pension schemes, (iii) whose activity is limited to the investment of funds collected in the exercise of its statutory mission, without any profit making aim, (iv) which is exempt from income tax in its country of residence and (v) provided that it is not contractually obligated to remit or transfer the dividends received to any ultimate beneficiary of such dividends for whom it would manage the Shares (unless that ultimate beneficiary meets some conditions), nor obligated to pay a manufactured dividend with respect to the Shares under a securities borrowing transaction. The exemption will only apply if the non-resident pension fund provides a certificate confirming that it is the full legal owner or usufruct holder of the Issuer's Shares and that the above conditions are satisfied.

If there is no exemption available under Belgian domestic law, the Belgian withholding tax can potentially be reduced for non-resident investors pursuant to the bilateral tax treaty concluded between Belgium and the state of residence of the investor. Belgium has concluded tax treaties with over 95 countries, reducing the dividend withholding tax rate to 20%, 15%, 10%, 5% or 0% for residents of such countries, subject to conditions relating, among others, to the size of the shareholding and certain identification formalities. Such reduction may be obtained either directly at source or through a refund of taxes withheld in excess of the applicable tax treaty rate.

Prospective investors should consult their own tax advisers as to whether they qualify for a reduction of, or exemption from, Belgian withholding tax upon payment or attribution of dividends, and as to the procedural requirements for obtaining such a reduction or exemption.

12.8.2 Capital Gains and Losses on Shares

12.8.2.1 Resident individuals

For resident individuals acquiring and holding the Issuer's Shares as a private investment, capital gains realised upon the transfer of the Shares are generally not subject to Belgian income tax. However, resident individuals may be subject to a 33% income tax (to be increased with local surcharges) if the capital gain on the Shares is deemed to be speculative or realised outside the scope of the normal management of their private estate. Moreover, capital gains realised by Belgian resident individuals on the disposal of the Issuer's Shares for consideration, outside the exercise of a professional activity, to a legal person that has its registered office, its principal establishment, or place of management outside the European Economic Area, are in principle taxable at a rate of 16.5% (plus local surcharges) if, at any time during the five years preceding the sale, the Belgian resident individual has owned directly or indirectly, alone or with his/her spouse or with certain relatives, a substantial shareholding in the Issuer (i.e., a shareholding of more than 25% in the Issuer). Capital losses arising from such transactions are, however, not tax deductible.

In addition, resident individuals acquiring and holding the Issuer's Shares as a private investment, will be subject to a speculation tax (*speculatiebelasting/ taxe de spéculation*) at a rate of 33% on the capital gains realised upon the transfer of the Issuer's Shares if the Issuer's shares have been held for a period of less than six months before the date of the transfer (taking into account the fact that the last acquired Issuer's shares will be deemed to be sold first under the *last in first out* method). The taxable base of the speculation tax equals the positive difference between (i) the price received by the investor at the occasion of the transfer of the Shares reduced with the Belgian Tax on Stock Exchange Transactions (as defined below) borne by that investor for that transaction and (ii) the price paid by the investor for acquiring the Shares increased with the Belgian Tax on Stock Exchange Transactions (as defined below), if any (see eg exemption for primary market transactions below), borne by that investor for that transaction. The investors are required to declare such capital gain in their personal income tax return, unless the speculation tax has been levied by way of withholding by the intervening Belgian financial intermediary.

For resident individuals holding the Issuer's Shares for professional purposes, capital gains realised upon transfer of the Shares shall be taxable at the normal progressive personal income tax rates (which are currently in the range of 25% to 50%, plus local surcharges), except for Issuer's Shares held for more than five years, which are taxable at a separate rate of 16.5% (plus local surcharges). Capital losses on the Issuer's Shares incurred by resident individuals holding the Shares for professional purposes are in principle tax deductible.

Capital gains realised by resident individuals upon redemption of the Issuer's Shares or upon liquidation of the Issuer will in principle be taxed as dividend income (see above).

12.8.2.2 Resident companies

Resident companies (not being small or medium sized enterprises within the meaning of article 15 of the Belgian Companies Code, "**SMEs**") are subject to Belgian capital gains taxation at a separate rate of 0.412% on gains realised upon the disposal of Issuer's Shares provided that the Issuer's Shares have been held in full legal ownership for an uninterrupted period of at least one year. The 0.412% separate capital gains tax rate cannot be off-set by any tax assets (such as e.g., tax losses) or any tax credits.

Resident corporations qualifying as SMEs are normally not subject to Belgian capital gains taxation on gains realised upon the disposal of Issuer's Shares provided that the Issuer's Shares have been held in full legal ownership for an uninterrupted period of at least one year.

If the one-year minimum holding period condition is not met (but the article 203 BITC Taxation Conditions are met), the capital gains realised upon the disposal of Issuer's Shares by resident companies (both non-SMEs and SMEs) will be taxable at a separate corporate income tax rate of 25.75%.

Capital losses on Shares incurred by resident companies (both non-SMEs and SMEs) are as a general rule not tax deductible.

Capital gains realised upon redemption of the Shares or upon liquidation of the Issuer will in principle be taxed as dividend income (see above).

If the Issuer's Shares form part of the trading portfolio (*handelsportefeuille / portefeuille commercial*) of companies which are subject to the Royal Decree of 23 September 1992 on the annual accounts of credit institutions, investment firms and management companies of collective investment institutions (*jaarrekening van de kredietinstellingen, de beleggingsondernemingen en de beheervennootschappen van instellingen voor collectieve belegging / comptes annuels des établissements de crédit, des entreprises d'investissement et des sociétés de gestion d'organismes de placement collectif*), the capital gains realised upon the disposal of Shares will be subject to corporate income tax at the standard rates, and capital losses will be tax deductible.

12.8.2.3 Organisation for Financing Pensions

OFPs are, in principle, not subject to Belgian capital gains taxation realised upon the disposal of the Issuer's Shares, and capital losses are not tax deductible.

12.8.2.4 Other resident legal entities

Capital gains realised upon transfer of the Issuer's Shares by resident legal entities are generally not subject to income tax, except in case of a sale of Issuer's Shares which are directly or indirectly part of a stake representing more than 25% of the share capital in the Issuer which may, under certain conditions, give rise to a 16.5% tax (plus local surcharges). Capital losses on the Issuer's Shares incurred by Belgian resident legal entities are not tax deductible.

Capital gains realised by Belgian resident legal entities upon the redemption of the Issuer's Shares or upon the liquidation of the Issuer will in principle be taxed as dividends.

12.8.2.5 Non-residents

Non-resident individuals

Capital gains realised on the Issuer's Shares by a non-resident individual that has not acquired the Shares in connection with a business conducted in Belgium through a fixed base in Belgium are in principle not subject to taxation, unless the gain is deemed to be realised outside the scope of the normal management of the individual's private estate (article 90, 1° of the BITC or article 90, 9°, first indent of the BITC). In such case, if the gain is taxable under article 90, 1° of the BITC and article 228, §2, 9°, a) of the ITC, it is subject to a final professional withholding tax of 30.28% (to the extent that article 248 of the BITC is applicable). If the gain is taxable under Article 90, 9°, first indent of the BITC and article 228, § 2, 9°, h) of the BITC, it must be reported in a non-resident tax return for the income year during which the gain has been realised, in which case the capital gain will be taxable at the rate of 35.31% (33% plus local surcharges of currently 7%). Moreover, non-resident individuals may be subject to the 16.5% income tax described above (resulting in a tax rate of 17.66%, i.e. 16.5% plus local surcharges of currently 7%) if they held a participation of more than 25% in the capital of the Issuer (see "*Information on the Private Placement Shares and the New Shares—Belgian Taxation—Capital Gains and Losses on Shares—Resident individuals*" (*Paragraph 12.8.2.1* of *Part 12*)). In addition, non-resident individuals acquiring and holding the Issuer's Shares as a private investment,

will be subject to a speculation tax at a rate of 33% on the capital gains realised upon the transfer of the Shares if the Issuer's shares have been held for a period of less than six months before the date of the transfer (taking into account the fact that the last acquired Issuer's shares will be deemed to be sold first under the *last in first out* method). These investors are required to declare this income in their Belgian non-resident income tax return, unless the speculation tax has been levied by way of withholding by the intervening Belgian financial intermediary. However, Belgium has concluded tax treaties with more than 95 countries which generally provide for a full exemption from Belgian capital gains taxation on such gains realised by residents of those countries. Capital losses are generally not tax deductible.

Capital gains will be taxable at the ordinary progressive income tax rates and capital losses will be tax deductible, if those gains or losses are realised on Issuer's Shares by a non-resident individual that holds the Issuer's Shares in connection with a business conducted in Belgium through a fixed base in Belgium.

Capital gains realised by Belgian non-resident individuals upon the redemption of Issuer's Shares or upon the liquidation of the Issuer will generally be taxable as a dividend (see above).

Non-resident companies

Non-resident companies that have not acquired the Issuer's Shares in connection with a business conducted in Belgium through a Belgian establishment are generally not subject to taxation in Belgium on capital gains on those Shares.

Non-resident companies that hold the Shares in connection with a business conducted in Belgium through a Belgian establishment will generally be taxable in the same way as resident companies (see "*Information on the Private Placement Shares and the New Shares—Belgian Taxation—Capital Gains and Losses on Shares—Resident companies*" (*Paragraph 12.8.2.2* of *Part 12*)).

Capital gains realised by non-resident companies upon redemption of the Shares or upon liquidation of the Issuer will in principle be taxed as dividend income (see above).

12.8.3 Tax on Stock Exchange Transactions

The purchase and sale or any other acquisition or transfer for consideration of existing Issuer's shares (secondary market) in Belgium through a professional intermediary is subject to the tax on stock exchange transactions (*taks op de beursverrichtingen / taxe sur les opérations de bourse*) currently at a rate of 0.27%, capped at €800 per taxable transaction. A separate tax is due from each party to the transaction, both collected by the professional intermediary.

Upon the issue of the Shares (primary market), no tax on stock exchange transactions is due.

Furthermore, no tax on stock exchange transactions is due on transactions entered into by the following parties, provided they are acting for their own account:

- professional intermediaries described in Articles 2, 9° and 10° of the Belgian Law of 2 August 2002 on the supervision of the financial sector and financial services;
- insurance companies described in article 2, §1 of the Belgian Act of 9 July 1975 on the supervision of insurance companies;
- pension institutions described in article 2, 1° of the Belgian Act of 27 October 2006 on the supervision of pension institutions;
- collective investment undertakings; and
- non-residents (provided that they deliver a certificate to the professional intermediary in Belgium confirming their non-resident status).

12.8.4 Sale of Preferential Subscription Rights prior to the Closing of the Rights Subscription Period or the Sale of Scrips

Payments relating to the sale of Preferential Subscription Rights or the sale of Scrips should not be subject to Belgian withholding tax.

Payments relating to the sale of Preferential Subscription Rights or the sale of Scrips should, in principle, not be taxable in the hands of resident or non-resident individuals who hold the Preferential Subscription Rights or Scrips as a private investment, except if the sale of the Preferential Subscription Rights or Scrips is deemed to be speculative or to fall outside the scope of the normal management of their private estate, in which case any gains

realised will be subject to a 33% tax (plus local surcharges) for resident investors or a 30.28% professional withholding tax for non-resident investors (unless the non-resident investor would be entitled to an exemption from such capital gains tax on the basis of the applicable double tax treaty). In addition, individuals acquiring and holding the Preferential Subscription Rights as a private investment, will be subject to a speculation tax at a rate of 33% on the gains realised upon the transfer of the Preferential Subscription Rights if those Rights have been acquired for consideration and have been held for a period of less than six months before the date of the transfer (taking into account the fact that the last acquired Preferential Subscription Rights will be deemed to be sold first under the *last in first out* method). These investors are required to declare this income in their Belgian tax return, unless the speculation tax has been levied by way of withholding by the intervening Belgian financial intermediary. The initial attribution of Preferential Subscription Rights to the investors should generally not be considered as an acquisition (for consideration) for purposes of the speculation tax.

Resident individuals who hold the Preferential Subscription Rights or Scrips for professional purposes, or non-resident individuals who hold the Preferential Subscription Rights or Scrips for a business conducted in Belgium through a fixed place of business, will generally be taxed at the progressive income tax rates (increased by local surcharges) on the gains realised upon the sale of the Preferential Subscription Rights or Scrips.

For resident companies, any gain realised upon the sale of the Preferential Subscription Rights or Scrips will be taxable at the ordinary corporate income tax rate and losses should generally be tax deductible.

For non-resident companies holding the Preferential Subscription Rights or Scrips through a fixed base or permanent establishment in Belgium, gains realised upon the sale of the Preferential Subscription Rights or Scrips will be taxable at the ordinary non-resident income tax rates and losses should generally be tax deductible.

For legal entities subject to Belgian tax on legal entities, gains realised upon transfer of the Preferential Subscription Rights or Scrips are generally not subject to income tax and losses are generally not tax deductible.

The rules regarding the tax on stock exchange transactions set out under "*Information on the Private Placement Shares and the New Shares—Belgian Taxation—Tax on Stock Exchange Transactions*" (*Paragraph 12.8.3* of *Part 12*) equally apply to the sale and acquisition of Preferential Subscription Rights or Scrips.

12.8.5 Any sale, purchase or exchange of the shares may become subject to the Financial Transaction Tax

On 14 February 2013, the European Commission published a proposal (the Commission's Proposal) for a Directive for a common financial transaction tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will no longer participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Company's shares (including secondary market transactions) in certain circumstances. The issuance and subscription of the Company's shares should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Company's shares where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Company's shares are advised to seek their own professional advice in relation to the FTT.

12.9 Netherlands Taxation

12.9.1 General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, redemption and disposal of Shares, but does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant. For purposes of Netherlands tax law, a holder of Shares may include an individual or entity who does not have the legal title of these Shares, but to whom nevertheless the Shares or the income thereof is attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the Shares or the income thereof. This summary is intended as general information only for holders of

Shares who are residents or deemed residents of the Netherlands for Netherlands tax purposes. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of the acquisition, holding, redemption and disposal of Shares.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and it does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands corporate and individual income tax consequences for:

(i) investment institutions (*fiscale beleggingsinstellingen*);

(ii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other Netherlands tax resident entities that are not subject to or exempt from Netherlands corporate income tax;

(iii) corporate holders of Shares which qualify for the participation exemption (*deelnemingsvrijstelling*). Generally speaking, a shareholding is considered to qualify as a participation for the participation exemption if it represents an interest of 5% or more of the nominal paid-up share capital;

(iv) holders of Shares holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Shares of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5% or more of the total issued capital of the Issuer or of 5% or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;

(v) persons to whom the Shares and the income from the Shares are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) or the Netherlands Gift and Inheritance Tax Act 1956 (*Successiewet 1956*);

(vi) entities which are a resident of Aruba, Curacao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba and the Shares are attributable to such permanent establishment or permanent representative;

(vii) holders of Shares which are not considered the beneficial owner (*uiteindelijk gerechtigde*) of these Shares or the benefits derived from or realised in respect of these Shares; and

(viii) individuals to whom Shares or the income there from are attributable to employment activities which are taxed as employment income in the Netherlands.

For the purpose of the Netherlands tax consequences described herein, it is assumed that the Issuer is neither a resident of the Netherlands nor deemed to be a resident of the Netherlands for Netherlands tax purposes.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

12.9.2 Netherlands Withholding Tax

All payments made by the Issuer under the Shares may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

12.9.3 Netherlands Corporate and Individual Income Tax

If a holder of Shares is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands corporate income tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Shares are attributable, income derived from the Shares and gains realised upon the redemption, settlement or disposal of the Shares are generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands individual income tax purposes, income derived from the Shares and gains realised upon the redemption, settlement or disposal of the Shares are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands Income Tax Act 2001, if:

(i) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Shares are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Shares are attributable; or

(ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities with respect to the Shares that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition *(i)* nor condition *(ii) above* applies, an individual that holds the Shares must determine taxable income with regard to the Shares on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4%[1] of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a certain threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Shares will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments is taxed at a rate of 30%.

12.9.4 Netherlands Gift and Inheritance Tax

Netherlands gift or inheritance taxes will not be levied on the occasion of the transfer of the Shares by way of gift by, or on the death of, a holder of the Shares, unless:

(i) the holder of the Shares is, or is deemed to be, resident in the Netherlands for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

12.9.5 Netherlands Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Shares or in respect of a cash payment made under the Shares, or in respect of a transfer of Shares.

12.9.6 Other Netherlands Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty, capital tax or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Shares.

[1] As at 1 January 2017 the 4% rate will be replaced by variable progressive rates ranging from 2.9% to 5.5%. The applicable rates will be updated annually on the basis of historic market yields.

PART 13
REASONS FOR THE OFFERING AND USE OF PROCEEDS

Since its separation from Omega Pharma NV and subsequent listing on Euronext Brussels and Amsterdam, acquisitions have been an important part of the Group's growth strategy. Notable recent transactions include the purchase of Freedom Pharmaceuticals and JCB Laboratories in 2013, the acquisition of Bellevue Pharmacy and Panoramix BV in 2014 and the acquisition of AnazaoHealth and ABC Chemicals in 2015 - see "*The Group's History*" (*Paragraph 6.2 of Part 6*). This buy and build strategy and the related expansion and investment have led to a significant increase in the Company's debt. The current indebtedness of the Group mainly consists of the Eurobonds, the multicurrency credit facility and the senior unsecured notes - see "*Operating and Financial Review—Liquidity and capital resources—Borrowings*" (*Paragraph 8.8.4 of Part 8*).

As a result of changes to the reimbursement regimes for non-sterile compounding in the US implemented in 2015, Bellevue Pharmacy experienced sharp declines in its sales of non-sterile compounded medication in 2015 (resulting as of January 2016 in a classification as discontinued operations and a stop of production in March 2016 (see "*Business Overview—Ceased business*" (*Paragraph 6.19 of Part 6*)). The changes to the reimbursement regimes further resulted in the Group's pharmacy customers in the US significantly reducing their purchases of APIs, primarily impacting Freedom Pharmaceuticals. For more details, see "*Business Overview—Reimbursements—US—Private reimbursements*" (*Paragraph 6.14.2.2 of Part 6*) and "*Operating and Financial Review—Factors Affecting Results of Operations—Reimbursement levels*" (*Paragraph 8.2.1 of Part 8*). As a result of the decrease in profitability of both Freedom Pharmaceuticals and Bellevue Pharmacy, an impairment charge was recognized in 2015 for respectively €27.1 million and €178.2 million (see "*Results of Operations - Comparison of years ended 31 December 2015 and 31 December 2014 - Operating expenses*" (*Paragraph 8.7.2.2 of Part 8*)).

In the context of these changes, Fagron announced on 2 October 2015 ahead of its third quarter trading update a negative revision on its outlook for 2015. At the same time, Fagron announced that it had received non-binding offers for a possible public takeover offer on Fagron. This negative outlook was confirmed in the third quarter trading update dated 9 October 2015. Following receipt of the non-binding offers for a takeover bid, Fagron engaged with several potential bidders to explore a sale of the company. Simultaneously with these discussions, Fagron started also exploring the possibility of a public and/or private capital increase to address a potential covenant breach (as detailed below) under its financing arrangements. As the visibility on a binding offer for a sale of the company remained low, the Board of Directors decided during a board meeting of 12 December 2015 to no longer give priority to a takeover bid and to instead give priority to its discussions with its financing banks and a possible public and/or private capital raise. In light of these recent events, Mr Ger Van Jeveren stepped down as CEO of Fagron and the Board of Directors appointed Hans Stols as successor.

On 5 February 2016, Fagron announced in its 2015 results release that it was in exclusive negotiations with a cornerstone investor concerning Fagron's financing. Fagron announced on 2 March 2016 that it had reached a conditional agreement with WPEF VI Holdco III BE B.V. and five individual investors regarding a private capital increase combined with a public capital increase for an aggregate amount of €220 million, subject to approval by Fagron's general meeting of shareholders (which was granted pursuant to a decision of the General Shareholders' Meeting dated 4 May 2016). In accordance with this agreement, the capital increase of the Company was to be effected in two tranches, being the First Tranche Capital Increase and a second tranche, in the form of the Offering. The First Tranche Capital Increase was implemented on 20 May 2016 (see "*Information on the Group—Shareholder Structure—First Tranche Capital Increase*" (*Paragraph 10.8.1 of Part 10*)). It was further agreed that the second tranche of the capital increase would be effected by means of a public capital increase, through a rights issue, for an amount equal to the difference between €220 million and the amount of the First Tranche of the Capital Increase. The Offering thus constitutes this second tranche of the capital increase. For further information on the commitments of WPEF VI Holdco III BE B.V. and the five individual investors, see "*Information on the Offering—Intention of existing Shareholders, the Board of Directors, Management or Others —Intentions of the existing Shareholders*" and "*Information on the Offering - Terms and Conditions of the Offering—Scrips Private Placement—Procedure of the Offering*" (*Paragraphs 14.7.1 and 14.2.6.2 of Part 14*)).

The changes to the reimbursement regimes in the US, combined with a weakening of the Brazilian real and the Group's decision to phase out non-strategic and low margin products (see also "*Results of operation - Comparison of the three months ended 31 March 2016 and 31 March 2015 – Operating income*" (*Paragraph 8.7.1 of Part 8*) has significantly adversely affected the Group's results. The combined impact of these negative elements led to a potential breach of certain financial covenants under certain financing agreements of the Company, including the net debt / REBITDA covenant which was to be tested at 31 December 2015. The Company consequently started negotiations with its

credit providers of the financing arrangements regarding a stabilisation of the credit structure. On each of 30 December 2015 and on 31 March 2016, in advance of the covenant testing dates under the Revolving Loan Facility Agreement and the Note Purchase Agreement, the Group was granted waivers by its lenders and noteholders, in respect of compliance with the financial covenants under the Revolving Loan Facility Agreement and the Note Purchase Agreement. On 5 May 2016, the Group received the Long Term Waivers under its Revolving Loan Facility Agreement and Note Purchase Agreement which permanently waived the potential breach of the covenants (which would have arisen without the entry into the Long Term Waivers) and reset the financial covenants to give the Group additional headroom compared to the original levels of the financial covenants. The additional headroom to the levels of the financial covenants will decrease upon every six-month testing period, starting with the first testing period ending on 31 December 2016, until the testing period ending on 30 June 2018. For any testing period ending after 30 June 2018, the levels of both financial covenants revert to those set out in the original Revolving Facility Agreement and Note Purchase Agreement (see also "*Operating and Financial Review—Liquidity and capital resources—Borrowings*" (*Paragraph 8.8.4 of Part 8*) for further details). The Long Term Waivers are conditional on the Company raising an aggregate gross amount of minimum €218.0 million through the First Tranche Capital Increase and the Offering by 31 July 2016.

The Offering is consequently being effected to allow the Company to comply with its contractual obligations vis-à-vis WPEF VI Holdco III BE B.V. and the five individual investors and to satisfy the conditions set out in the Long Term Waivers.

If the Offering is fully subscribed, the total gross proceeds of the Offering are estimated to be approximately €88.3 million. Taking into account the gross proceeds of the First Tranche Capital Increase, the total gross proceeds are estimated to be approximately 218.0 million. The total net proceeds of the First Tranche Capital Increase and the Offering are estimated at approximately €216.8 million. The Long Term Waivers require that the capital increase (consisting of the First Tranche Capital Increase and the Offering) is effected for a gross minimum amount of €218.0 million. If such amount is not raised, the Group will need to re-enter into discussions with its financiers in order to determine the impact of this on the financial covenant calculations.

The Long Term Waivers contain restrictions to the use of the net proceeds of the First Tranche Capital Increase and the Offering, stipulating that the proceeds should be retained by the Company, or a guarantor under the Revolving Loan Facility Agreement or the Note Purchase Agreement in one or more blocked accounts, held with one or more financial institutions which are not a lender under the Revolving Loan Facility Agreement or any other facility available to the members of the Group. The net proceeds of the First Tranche Capital Increase and the Offering can only be used by the Group to repay, at their stated maturity date, (i) the $45.0 million 4.15% Series A Notes due 15 April 2017, (ii) the €22.5 million 3.55% Series B Notes due 15 April 2017 and (iii) the €225.0 million Eurobonds (due 2 July 2017), The net proceeds of the First Tranche Capital Increase and the Offering cannot be used for any other purpose and any breach of this restriction will cause an immediate event of default under the Revolving Loan Facility Agreement and the Note Purchase Agreement. The net proceeds of the Offering will consequently solely be used to decrease the current financial indebtedness of the Company, but are as such not sufficient to reimburse all such outstanding indebtedness (the debt maturing in 2017 amounts to approximately 288.4 million). The Company expects to repay the remaining maturing indebtedness and the additional interests charged for non-compliance with its covenants from the net cash flow realised from its ongoing operations.

PART 14
INFORMATION ON THE OFFERING

14.1 Decisions of the Company with regard to the Offering

On 4 May 2016, the extraordinary General Shareholders' Meeting of the Company decided to increase the Company's share capital with preferential subscription right for the existing Shareholders, subject to the entry by the Company into the Underwriting Agreement.

The Board of Directors determined the Issue Price, as well as the effective number of New Shares to be offered, the Ratio and the start and end date of the Rights Subscription Period, as set forth in this Prospectus.

The Company shall not exercise the Preferential Subscription Rights in respect of the 327,760 treasury Shares it currently holds, but intends to sell these Rights in the context of the Offering.

14.2 Terms and conditions of the Offering

14.2.1 Maximum amount of the Offering

The Company has resolved to increase its share capital by an amount of up to €88,265,360.40, with preferential subscription rights granted to the existing Shareholders, in accordance with articles 581, 582, 584 to 590, 592 and 593 of the Belgian Companies Code. The Company reserves the right to proceed with a capital increase for a lower amount, it being understood that no minimum amount is established.

14.2.2 Maximum number of New Shares

If the Offering is fully subscribed, 17,105,690 New Shares will be offered for subscription by exercise of the Preferential Subscription Rights in accordance with the Ratio.

14.2.3 Allocation of the Preferential Subscription Rights

Each Share, including, for the avoidance of doubt, the Private Placement Shares, will entitle its holder on the Record Date to receive one Preferential Subscription Right.

The holders of dematerialised Shares booked on a securities account on the Record Date will automatically receive the number of Preferential Subscription Rights they are entitled to by book-entry into their securities account, subject to the restrictions in this Prospectus and subject to applicable securities laws. Their financial intermediary will, in principle, inform them on the procedures that must be followed to exercise or trade their Preferential Subscription Rights.

The holders of registered Shares recorded in the Company's share register on the Record Date, will, subject to the restrictions set out in this Prospectus and applicable securities laws, receive at the address indicated in said share register, a letter from the Company informing them on the aggregate number of Preferential Subscription Rights to which they are entitled in respect of their registered Shares, and of the procedures that they must follow in order to exercise or trade their Preferential Subscription Rights (see "*Information on the Offering—Terms and conditions of the Offering—Procedure of the Offering*" (*Paragraph 14.2.6* of *Part 14*)), subject to the restrictions in this Prospectus and subject to applicable securities laws.

14.2.4 Issue Price and Ratio

The Issue Price has been fixed at €5.16 per New Share, which is below the closing price of €7.31 per Share quoted on Euronext Brussels and Euronext Amsterdam on 14 June 2016. Based on the closing price, the theoretical ex-right price (**TERP**) is €6.798, the theoretical value of one Preferential Subscription Right is €0.512, and the discount of the Issue Price to TERP is 24.10%.

The TERP can be regarded as the theoretical price of the Shares following completion of the Offering, and is determined (on a per Share basis) on the basis of the following formula:

$$\text{TERP} = \frac{(\text{S} \times \text{P}) + (\text{Sn} \times \text{Pn})}{\text{S} + \text{Sn}}$$

whereby the factor "S" represents the number of outstanding Shares prior to the launch of the Offering, i.e. 54,738,214 Shares, "P" represents the closing price of the Shares as quoted on Euronext Brussels and Euronext Amsterdam prior to the launch of the Offering and separation of the Preferential Subscription Rights, i.e. €7.31 per

Share on 14 June 2016, "Sn" represents the number of New Shares, i.e. 17,105,690 New Shares, and "Pn" represents the Subscription Price of the New Shares, i.e. €5.16 per Share.

Based on the formula to determine the TERP, the theoretical value ("TV") of one Preferential Subscription Right can be determined on the basis of the following formula:

$$TV = (TERP - Pn) \times Sn/S$$

whereby the factors "S", "Sn" and "Pn" have the meaning given to them in the TERP formula above.

The Issue Price is below the par value (i.e., €8.41) of the existing Shares.

The holders of Preferential Subscription Rights may subscribe for New Shares in the proportion of 16 Preferential Subscription Rights for 5 New Shares.

14.2.5 Rules for subscription

Holders of Preferential Subscription Rights may only exercise and subscribe for New Shares in accordance with the Ratio during the Rights Subscription Period, to the extent permissible under the restrictions in this Prospectus and subject to applicable securities laws.

There is no minimum or maximum number of New Shares that an investor may subscribe for, in accordance with the Ratio, pursuant to the Rights Offering. Investors, however, must be aware that all New Shares subscribed for will be fully allocated to them. The subscriptions made are binding and irrevocable, except as described in "*Information on the Offering—Terms and conditions of the Offering—Supplement to the Prospectus*" (*Paragraph 14.2.7* of *Part 14*).

Holders of dematerialised Preferential Subscription Rights wishing to exercise and subscribe for New Shares should instruct their financial intermediary accordingly. The financial intermediary is responsible for obtaining the subscription request and for duly transmitting the subscription request to the Underwriters. Holders of registered shares wishing to exercise and subscribe for New Shares should comply with the instructions delivered to them in the letter received from the Company (if any, subject to the restrictions set out in this Prospectus and applicable securities laws) (see "*Information on the Offering—Terms and conditions of the Offering—Allocation of the Preferential Subscription Rights*" (*Paragraph 14.2.3* of *Part 14*)).

See "*Information on the Offering—Placing and Underwriting—Counters*" (*Paragraph 14.4.2* of *Part 14*) for any costs with respect to any subscription requests.

Investors purchasing Scrips shall irrevocably commit to exercise the Scrips, and hence, will subscribe for the corresponding number of New Shares at the Issue Price in accordance with the Ratio.

14.2.6 Procedure of the Offering

14.2.6.1 Rights Offering

The Rights Offering will be open during the Rights Subscription Period from 17 June 2016 until and including 1 July 2016, i.e. the closing date of the Rights Offering. Subject to restrictions under this Prospectus and subject to applicable securities laws (see "*Information on the Prospectus and Cautionary Statements—Restrictions on the Offering*" (*Paragraph 4.16* of *Part 4*) and "*Information on the Offering—Plan of distribution and allocation of the New Shares*" (*Paragraph 14.3* of *Part 14*)), existing Shareholders and investors may subscribe for New Shares in accordance with the Ratio or trade their Preferential Subscription Rights.

Depending on the financial intermediary, investors may be required to provide their subscription request on or before a certain date during the Subscription Period. Investors should consult with their financial intermediary to determine as to when they should provide their subscription request at the latest. Investors wishing to sell part or all of their dematerialised Preferential Subscription Rights, should instruct their financial intermediary accordingly. Holders of registered shares wishing to sell their Preferential Subscription Rights should comply with the instructions delivered to them in the letter received from the Company (if any, subject to the restrictions set out in this Prospectus and applicable securities laws)(see "*Information on the Offering—Terms and conditions of the Offering—Allocation of the Preferential Subscription Rights*" (*Paragraph 14.2.3* of *Part 14*)). After the Rights Subscription Period, the Preferential Subscription Rights may no longer be exercised or traded and as a result subscription requests received after the deadline will become void.

During the Rights Subscription Period, investors who do not hold the exact number of Preferential Subscription Rights to subscribe for a round number of New Shares, may elect either to (i) purchase the missing Preferential Subscription Rights in order to subscribe for an additional New Share or (ii) sell their Preferential Subscription

Rights, or (iii) elect not to take any action but await for payment of the Net Scrips Proceeds (see definition below in "*Information on the Offering—Terms and conditions of the Offering—Procedure of the Offering—Scrips Private Placement*" (*Paragraph 14.2.6.2* of *Part 14*)), if any.

The results of the Rights Offering will be announced by a press release on or about 5 July 2016.

14.2.6.2 Scrips Private Placement

At the closing of the Rights Offering, the unexercised Preferential Subscription Rights will automatically be converted into an equal number of Scrips and the offer of the Scrips will be addressed solely to qualified investors in the EEA and in Switzerland in accordance with a private placement concluded outside the United States pursuant to Regulation S under the Securities Act.

If all Preferential Subscription Rights are exercised during the Rights Subscription Period, the Scrips Private Placement will not take place.

The Scrips Private Placement will be organised by way of an accelerated bookbuilding procedure for the benefit of holders of unexercised Preferential Subscription Rights in order to determine a single market price per Scrip. The modalities of the Scrips Private Placement, such as criteria for admissibility of investors and the criteria for allocation in case of oversubscription, will be determined by the Company in consultation with the Underwriters. The Issuer shall offer with priority all the Scrips to WPEF VI Holdco III BE B.V. and WPEF VI Holdco III BE B.V. shall have a right of first refusal, to the exclusion of any third party, to purchase all or part of the Scrips at the price determined in the Scrips Private Placement and WPEF VI Holdco III BE B.V. shall be obliged to purchase the Scrips at a price of maximum one eurocent (€0.01) per Scrip if the price determined in the Scrips Private Placement does not exceed one eurocent (€0.01) per Scrip (see "*Information on the Offering—Intentions of existing Shareholders, the Board of Directors, Management or Others—Intentions of the existing Shareholders*" (*Paragraph 14.7.1* of *Part 14*)).

The Net Scrips Proceeds (rounded down to a whole Eurocent per unexercised Preferential Subscription Right) will be distributed proportionally between all holders of unexercised Preferential Subscription Rights. The Net Scrips Proceeds will be announced in the Belgian Financial Press and will be paid to the holders of such unexercised Preferential Subscription Rights upon presentation of coupon no. 9. Shareholders should consult their financial intermediary if they have any questions concerning the payment of the Net Scrips Proceeds, except for registered Shareholders who should consult the Company. There is, however, no assurance that any Scrips will be sold during the Scrips Private Placement, or that there will be any Net Scrips Proceeds (see also the "*Risk Factors—Risks Relating to the Offering—Failure to exercise Preferential Subscription Rights during the Rights Subscription Period will result in such Preferential Subscription Rights becoming null and void*" (*Paragraph 3.2.9* of *Part 3*)). Neither the Company nor the Underwriters nor any other person procuring a sale of the Scrips will be responsible for any lack of Net Scrips Proceeds arising from the sale of the Scrips in the Scrips Private Placement. If the Net Scrips Proceeds are less than one eurocent (€0.01) per unexercised Preferential Subscription Right, the holders of such unexercised Preferential Subscription Rights are not entitled to receive any payment and, instead, the Net Scrips Proceeds will be transferred to the Company. All reasonable expenses, charges and other expenditures which the Company has to incur for the Scrips Private Placement will be deducted from the proceeds of the sale of the Scrips. In case insufficient proceeds are raised to cover the costs of the Scrips Private Placement, the uncovered costs will be borne by the Company.

The results of the Scrips Private Placement will be announced by a press release on or about 5 July 2016.

14.2.7 Supplement to the Prospectus

Every significant new factor, material mistake or any inaccuracy relating to the information included in the Prospectus, which is capable of affecting the assessment of the New Shares or the Private Placement Shares, and which arises or is noted between the time when the Prospectus is approved and the time when trading of the New Shares or trading of the Private Placement Shares on Euronext Brussels and Euronext Amsterdam begins, shall be made available by the Company in a supplement to the Prospectus. Such supplement shall be approved by the FSMA and notified to the AFM for passporting and shall be published by the Company in accordance with at least the same communication methods as were applied when the Prospectus was published. The summary, and any translations thereof, shall also be supplemented, if necessary, to take into account the new information included in the supplement.

Investors who have already agreed to subscribe for the New Shares in the Rights Offering or the Scrips Private Placement before the supplement is published shall have the right, exercisable within the time limit set forth in the supplement, which shall not be shorter than two business days after publication of the supplement, to withdraw their subscriptions in accordance with article 34, § 3 of the Prospectus Law. If such withdrawal takes place prior to

the end of the Scrips Private Placement, the subscriber who has exercised its Preferential Subscription Rights shall be entitled to the Net Scrips Proceeds. If such withdrawal takes place after the end of the Scrips Private Placement, the subscriber who has exercised its Preferential Subscription Rights shall not be entitled to the Net Scrips Proceeds. Moreover, the subscribers will not be compensated in any other way, including the purchase price (and any related cost or taxes) paid in order to acquire any Preferential Subscription Rights on the secondary market.

14.2.8 Suspension or revocation of the Offering

The Company has reserved the right (i) not to proceed with the Offering if the market circumstances prevent the Offering from taking place under satisfactory circumstances or (ii) to proceed with the Offering in a reduced amount in the event the Offering is not fully subscribed. No minimum has been set for the Offering. In case the Underwriting Agreement is not entered into, one of the conditions precedent to the decision by the extraordinary General Shareholders' Meeting will not be fulfilled, and to the extent that the Company has not waived this condition precedent, the capital increase will not take place.

The Company reserves the right to revoke or suspend the Offering, after the beginning of the Rights Subscription Period. If the Company suspends or revokes the Offering, a press release will be published and, to the extent such event would legally require the Company to publish a supplement to the Prospectus, such supplement will be published.

As a result of the decision to revoke the Offering, the subscriptions for New Shares will automatically be withdrawn and the Preferential Subscription Rights (and Scrips, as the case may be) will become void and worthless. Investors will not be compensated, including for the purchase price (and any related costs or taxes) paid in order to acquire any Preferential Subscription Rights on the secondary market. Investors who have acquired any such Preferential Subscription Rights in the secondary market will thus suffer a loss, as trades relating to Preferential Subscription Rights will not be unwound once the Offering is revoked.

14.2.9 Publication of the results of the Offering

The results of the Offering, including the amount and the number of New Shares subscribed for and the Net Scrips Proceeds, will be published in the Belgian Financial Press before the market opening on or about 6 July 2016.

14.2.10 Payment of funds and terms of delivery of the New Shares

The payment for the New Shares subscribed for with Preferential Subscription Rights is expected to take place on 7 July 2016 and will be done by debiting the subscriber's account or for the registered Shareholders through a wire instruction.

The payment for the New Shares subscribed for in the Scrips Private Placement will be made by delivery against payment.

Delivery of the New Shares will take place on or around 7 July 2016. The New Shares will be delivered in the form of dematerialised securities (booked in the securities account of the subscriber), or as registered securities recorded in the Company's share register at the choice of the subscriber indicated at the time of subscription.

14.2.11 Reduction of the subscriptions and refunding excess amounts

The Company does not have the possibility to reduce subscriptions. Therefore, there is no procedure organised to refund any excess amounts paid by subscribers. The Company may however reduce the total amount of the Rights Offering.

14.2.12 Expected timetable of the Offering

Detachment of coupon no. 9 (representing the Preferential Subscription Rights) after closing of the markets	T	16 June 2016
Publication of the terms and conditions of the Offering in the Belgian Financial Press	T+1	17 June 2016
Availability to the public of the Prospectus	T+1	17 June 2016
Admission to trading of the Preferential Subscription Rights on Euronext Brussels & Euronext Amsterdam	T+1	17 June 2016
Opening date of the Rights Subscription Period	T+1	17 June 2016
Trading of the Preferential Subscription Rights on Euronext Brussels & Euronext Amsterdam	as of T+1	as of 17 June 2016

Closing date of the Rights Subscription Period	T+15	1 July 2016
End of trading of the Preferential Subscription Rights on Euronext Brussels & Euronext Amsterdam	T+15	1 July 2016
Announcement via press release of the result of Rights Offering	T+19	5 July 2016
Scrips Private Placement	T+19	5 July 2016
Allocation of the Scrips and the subscription with Scrips	T+19	5 July 2016
Announcement via press release of the results of the Rights Offering, the Scrips Private Placement and the Net Scrips Proceeds (if any) due to holders of coupons no. 9	T+19	5 July 2016
Publication of the results of the Offering and the Net Scrips Proceeds (if any) due to holders of coupons nr. 9 in the Belgian Financial Press	T+20	6 July 2016
Payment date of the Issue Price by the subscribers	T+21	7 July 2016
Realisation of the capital increase	T+21	7 July 2016
Delivery of the New Shares to the subscribers	T+21	7 July 2016
Admission to trading of the New Shares and the Private Placement Shares on Euronext Brussels & Euronext Amsterdam	T+21	7 July 2016

The Company may amend the dates and times of the capital increase and periods indicated in the above timetable and throughout the Prospectus. In such event, the Company will notify Euronext and inform the investors through a publication in the Belgian Financial Press and on the Company's website (www.fagron.com). In addition, to the extent required by law, the Company will publish a supplement to the Prospectus in accordance with "*Information on the Offering—Terms and conditions of the Offering—Supplement to the Prospectus*" (*Paragraph 14.2.7* of *Part 14*).

14.3 Plan of distribution and allocation of the New Shares

14.3.1 Categories of potential investors

The Rights Offering is carried out with Preferential Subscription Rights for existing Shareholders. The allocation of Preferential Subscription Rights is described in "*Information on the Offering—Terms and conditions of the Offering—Allocation of the Preferential Subscription Rights*" (*Paragraph 14.2.3* of *Part 14*). The Preferential Subscription Rights will be tradable during the Rights Subscription Period (see "*Information on the Offering—Admission to trading and listing—Preferential Subscription Rights*" (*Paragraph 14.5.1* of *Part 14*)). The unexercised Preferential Subscription Rights at the closing of the Rights Offering will automatically be converted in an equal number of Scrips and will be offered in the Scrips Private Placement taking place in an accelerated bookbuilt private placement for the benefit of holders of unexercised Preferential Subscription Rights to qualified investors in Belgium and by way of an exempt private placement in other Member States of the EEA and in Switzerland.

Both the initial holders of the Preferential Subscription Rights and any subsequent purchaser of the Preferential Subscription Rights, as well as any purchasers of Scrips in the Scrips Private Placement, may subscribe for the New Shares, subject to the restrictions in this Prospectus and subject to applicable securities laws.

14.3.2 Jurisdictions in which the Rights Offering will be open

The Rights Offering will only be open to the public in Belgium and the Netherlands. The holders of Preferential Subscription Rights may only exercise the Preferential Subscription Rights and subscribe for New Shares, to the extent they can lawfully do so under any applicable securities laws. The Company has taken all necessary actions to ensure that the Preferential Subscription Rights may lawfully be exercised, and New Shares may be subscribed for upon exercise of the Preferential Subscription Rights in accordance with the Ratio, by the public in Belgium and the Netherlands. The Company has not taken any action to permit any Rights Offering in any other jurisdictions other than Belgium and the Netherlands.

The distribution of this Prospectus, the acceptance, sale, purchase or exercise of Preferential Subscription Rights, the purchase and the exercise of Scrips and the subscription for and the acquisition of New Shares may, under the laws of certain jurisdictions other than Belgium and the Netherlands, be governed by applicable securities laws. Persons in the possession of this Prospectus, or considering the acceptance, sale, purchase or exercise of Preferential Subscription Rights or the subscription for, or acquisition of, New Shares, must read see "*Information on the Prospectus and Cautionary Statements—Restrictions on the Offering*" (*Paragraph 4.16* of *Part 4*) and must inquire about the applicable securities laws and the possible restrictions resulting from them and comply with those restrictions. Financial intermediaries cannot permit the acceptance, sale or exercise of Preferential Subscription Rights or the subscription

for, or acquisition of, New Shares, for clients whose addresses are in a jurisdiction where such restrictions apply. No person receiving this Prospectus may distribute it in, or send it to, such jurisdictions, except in conformity with applicable securities laws. The Company expressly disclaims for any non-compliance by investors disregarding these aforementioned restrictions.

14.3.3 Jurisdictions in which the Scrips Private Placement may take place

The Scrips and the New Shares to be issued upon the exercise of the Scrips are being offered only in an accelerated bookbuilt private placement for the benefit of holders of unexercised Preferential Subscription Rights to qualified investors in the EEA or in accordance with another exemption from the obligation to publish a prospectus further to Article 3.2 of the Prospectus Directive, as implemented in Member States of the EEA and in Switzerland. The Scrips and the New Shares to be issued upon exercise of the Scrips are not being offered into any other persons or in any other jurisdiction.

14.3.4 US

None of the New Shares, the Preferential Subscription Rights or the Scrips or this document have been or will be registered under the Securities Act and may not be offered or sold in the US except to persons in offshore transactions in reliance on Regulation S under the Securities Act or otherwise, at the discretion of the Issuer, pursuant to another exemption from the registration requirements of the Securities act. In addition, until the expiration of 40 days after the commencement of the Offering, an offer or sale of the New Shares, the Preferential Subscription Rights or the Scrips within the US by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act.

14.3.5 Allocation of the New Shares

Investors will be allocated the New Shares subscribed for, in accordance with the terms and subject to the conditions in this Prospectus, in full. The results of the Offering will be publicly disclosed as set forth in "*Information on the Offering—Terms and conditions of the Offering—Publication of the results of the Offering*" (*Paragraph 14.2.9* of *Part 14*).

14.4 Placing and underwriting

14.4.1 Underwriting agreement

The Underwriters and the Company expect, but do not have any obligation, to enter into a soft underwriting agreement (the "**Underwriting Agreement**"), which is expected to take place immediately after the closing of the Scrips Private Placement and prior to delivery of the New Shares.

The Underwriting Agreement is expected to provide, subject to the conditions and events stipulated therein, that each Underwriter will, severally and not jointly or jointly and severally, underwrite and procure payment for those New Shares (the "**Underwritten Shares**") as will be agreed in the Underwriting Agreement and excluding (i) the New Shares that WPEF VI Holdco III BE B.V., Alychlo NV, Carmignac Gestion S.A., Carmignac Portfolio SICAV, Midlin N.V. and Bart Versluys have committed to take up pursuant to their irrevocable undertaking to exercise their Preferential Subscription Rights and (ii) any New Shares that WPEF VI Holdco III BE B.V. will take up through the purchase and exercise of all or part of the Scrips. Each Underwriter shall underwrite the Underwritten Shares in the proportion set out opposite its name in the table below at the Issue Price, with a view to immediately place these with the final subscribers.

Underwriters	**Portion of Underwritten Shares**
BNP Paribas Fortis SA/NV	1/3
KBC Securities NV/SA	1/3
ING Belgium SA/NV	1/3

None of the Underwriters shall have any obligation to underwrite prior to the execution of the Underwriting Agreement (and thereafter only in accordance with the terms and subject to the conditions set forth therein). In case the Underwriting Agreement is not entered into, one of the conditions precedent to the decision by the extraordinary General Shareholders' Meeting will not be fulfilled, and to the extent that the Company has not waived this condition precedent, the capital increase will not take place (see "*Information on the Offering – Terms and conditions of the Offering–Suspension or revocation of the Offering*" above). Any subscriptions procured by the Underwriters

may lapse and the Underwriters shall be under no obligation to pass on any subscriptions so procured to the Company.

The Underwriters' commitment to subscribe and deliver the Underwritten Shares is expected to be subject to the fulfilment of certain conditions on or prior to the completion of the capital increase, including:

- the receipt of certain documents, including legal opinions from the Company's counsel and the Underwriters' counsel, closing certificates, comfort letters from the Company's statutory auditor and evidence of the approval of the Prospectus by the FSMA and passporting with the AFM;
- no change having occurred, since the entering into the Underwriting Agreement, that could have (i) any material adverse effect in or affecting the value, state or condition (financial or otherwise) of the shareholders' equity or the properties, assets, rights, business, management, prospects, earnings, net worth or results of operations of the Company and its subsidiaries; or (ii) any adverse effect which negatively and significantly affects, or could reasonably be expected so to affect, the market for, or the value of, the Shares; or (iii) any material adverse effect on the ability of the Company to perform its obligations under the Underwriting Agreement or to consummate the transactions contemplated in the Prospectus, it being understood that a material adverse effect shall be deemed to have occurred in all cases where isolated events would not have such an effect, but where the aggregate of two or more of such events would have in the aggregate such effect;
- no breach of the representations and warranties by the Company in the Underwriting Agreement;
- WPEF VI Holdco III BE B.V., Alychlo NV, Carmignac Gestion S.A., Carmignac Portfolio SICAV, Midlin N.V. and Bart Versluys having complied with their commitments to exercise their Preferential Subscription Rights and to accordingly subscribe to New Shares, and, as the case may be, WPEF VI Holdco III BE B.V. having complied with its commitment to purchase the Scrips at a price of maximum one eurocent (€0.01) per Scrip if the price determined in the Scrips Private Placement does not exceed one eurocent (€0.01) per Scrip,

provided, however, that the Underwriters may, at their discretion, waive satisfaction of any of these conditions.

In addition, the Underwriting Agreement is expected to provided that each Underwriter may terminate the Underwriting Agreement prior to the payment for the Underwritten Shares, in certain conditions set out in the Underwriting Agreement, including upon the occurrence of certain events since the time of execution of the Underwriting Agreement. These events include (among others):

- there has occurred any change in the financial markets in the United States, in the United Kingdom, in the Netherlands, in Belgium or in any member state of the European Union or any change in national or international monetary, political, financial or economic conditions, in each case as would, in the judgement of the Underwriter, be likely to materially prejudice the success of the Offering and distribution of the New Shares or dealings in the New Shares in the secondary market or the effect of which is such as to make it impracticable or inadvisable to market the New Shares or to enforce contracts for the issue of the New Shares;
- there has occurred any outbreak of hostilities or escalation thereof, incident of terrorism or other calamity or crisis, in each case the effect of which is such as to make it, in the judgement of the Underwriter, impracticable or inadvisable to market the New Shares or to enforce contracts for the issue of the New Shares;
- trading in any securities of the Company has been suspended or materially limited by Euronext Brussels or Euronext Amsterdam (for reasons other than the announcement of the Offering) or on any other exchange or over-the-counter market, or trading generally on the regulated markets of the New York Stock Exchange, the London Stock Exchange, Euronext Brussels or Euronext Amsterdam has been suspended or limited, or a material disruption has occurred in the securities settlement or clearance services in the United States, the United Kingdom, Belgium or the Netherlands; or
- a general banking moratorium has been declared by national regulatory authorities in Belgium, the Netherlands, the United Kingdom or the United States.

In case of termination of the Underwriting Agreement, the Underwriters will be released from their obligation to subscribe for the Underwritten Shares. Investors will be informed thereof by a publication in the Belgian financial press and, to the extend legally required, the Company will publish a supplement to the Prospectus.

Finally, the Company is expected to agree in the Underwriting Agreement to pay certain costs and expenses incurred by the Underwriters in connection with the Offering, to make certain representations, warranties and undertakings to the Underwriters and to indemnify the Underwriters against certain liabilities in connection with the Offering.

14.4.2 Counters

Subscription requests may be submitted directly and free of charge during the Rights Subscription Period at the counters of the Underwriters, or any other financial intermediary in Belgium which shall then transmit such requests to the Underwriters (see "*Information on the Offering—Terms and conditions of the Offering—Rules for subscription*" (*Paragraph 14.2.5* of *Part 14*)). Holders of Preferential Subscription Rights are advised to inform themselves about any costs that may be charged to them by other financial intermediaries. The Underwriters shall not be responsible for the actions of other financial intermediaries in relation to the timely transmission of the subscription requests.

14.5 Admission to trading and listing

14.5.1 Preferential Subscription Rights

Coupon no. 9, representing the Preferential Subscription Right, will be detached on 16 June 2016 after market closing on Euronext Brussels and Euronext Amsterdam. The application for the listing and admission to trading of the Preferential Subscription Rights on Euronext Brussels and Euronext Amsterdam has been approved on 16 June 2016. As a result, the Preferential Subscription Rights will be tradable on Euronext Brussels and Euronext Amsterdam under ISIN code: BE0970150539 and trading symbol FAGR9 during the Rights Subscription Period. As from 17 June 2016, the Shares will trade ex-Preferential Subscription Rights on Euronext Brussels and Euronext Amsterdam. Any sale of Shares prior to market closing on Euronext Brussels and Euronext Amsterdam and settled after will be settled cum Preferential Subscription Rights. Any Shares sold after the closing on Euronext Brussels and Euronext Amsterdam will be sold and settled ex Preferential Subscription Rights.

14.5.2 Scrips

No application for the listing and admission to trading of the Scrips will be made.

14.5.3 Private Placement Shares and New Shares

An application for the listing and admission to trading of the Private Placement Shares and the New Shares on Euronext Brussels and Euronext Amsterdam has been submitted on 15 June 2016. The admission is expected to take place on 7 July 2016. The Private Placement Shares and the New Shares will be listed and traded under ISIN code BE0003874915 and trading symbol FAGR.

14.6 Paying agent

The Company's paying agent is KBC Bank NV/SA, having its registered office at Havenlaan 2, 1080 Brussels, Belgium.

14.7 Intentions of existing Shareholders, the Board of Directors, Management or Others

14.7.1 Intentions of the existing Shareholders

The Company has decided that it will sell all Preferential Subscription Rights in respect of the 327,760 treasury Shares it currently holds.

WPEF VI Holdco III BE B.V. (see "*Shareholder Structure—First Tranche Capital Increase*" (Paragraph *10.8.1* of *Part 10*) has irrevocably committed to exercise its Preferential Subscription Rights and to accordingly subscribe to New Shares and to purchase all Scrips at a price of one eurocent (€0.01) per Scrip if the price determined in the Scrips Private Placement does not exceed one eurocent (€0.01) per Scrip and exercise all Scrips, except for any Scrips related to the Preferential Subscription Rights that are not exercised by Alychlo NV, Carmignac Portfolio SICAV, Carmignac Gestion S.A., Midlin N.V. and Bart Versluys. The Issuer shall offer with priority all the Scrips to WPEF VI Holdco III BE B.V. and WPEF VI Holdco III BE B.V. further has a right of first refusal in respect of the Scrips Private Placement (see "*Information on the Offering—Terms and conditions of the Offering—Procedure of the Offering—Scrips Private Placement*" (Paragraph *14.2.6.2* of *Part 14*)).

Alychlo NV (see "*Shareholder Structure—First Tranche Capital Increase*" (Paragraph *10.8.1* of *Part 10*) has irrevocably committed to exercise its Preferential Subscription Rights and to accordingly subscribe to New Shares, it being understood that Alychlo NV shall in no event be required to subscribe to a New Share resulting in the aggregate number of shares of the Company held by Alychlo NV, by (any (other) entity directly or indirectly controlled by) Mr Marc Coucke, by (any entity directly or indirectly controlled by) Ms Freya Loncin, by (any entity directly or indirectly controlled by) Mr Michael Schenck and by (any entity directly or indirectly controlled by) Mr Bart Versluys,

increased with the treasury shares held by the Company, reaching thirty per cent. (30%) of the outstanding shares of the Company on the date on which the closing of Offering is acknowledged in a notarial deed.

Carmignac Portfolio SICAV and Carmignac Gestion S.A. (see "*Shareholder Structure—First Tranche Capital Increase*" (Paragraph *10.8.1* of *Part 10*) have irrevocably committed to exercise the Preferential Subscription Rights held by their sub-funds Carmignac Euro Entrepreneurs and Carmignac Portfolio Euro Entrepreneurs and to accordingly subscribe to New Shares.

Midlin N.V. (see "Shareholder Structure—First Tranche Capital Increase" (*Paragraph 10.8.1* of *Part 10*) has irrevocably committed to exercise its Preferential Subscription Rights and to accordingly subscribe to New Shares (it being understood that such exercise shall in no event exceed €2,000,004.14).

Bart Versluys (see "*Shareholder Structure—First Tranche Capital Increase*" (*Paragraph 10.8.1* of *Part 10*) has irrevocably committed to exercise its Preferential Subscription Rights and to accordingly subscribe to New Shares, it being understood that Bart Versluys shall in no event be required to subscribe to a New Share resulting in the aggregate number of shares of the Company held by (any entity directly or indirectly controlled by) Ms Freya Loncin, by (any entity directly or indirectly controlled by) Mr Michael Schenck and by (any entity directly or indirectly controlled by) Mr Marc Coucke, increased with the treasury shares held by the Issuer, reaching thirty per cent. (30%) of the outstanding shares of the Company on the date on which the closing of the Offering is acknowledged in a notarial deed.

The Company has not received indications of any other existing Shareholder. See "*Information on the Group—Shareholder Structure*" (*Paragraph 10.8* of *Part 10*) for the disclosure of the participation of the aforementioned Shareholders in the Company (as applicable).

14.7.2 Intentions of the Board of Directors, Management or Other Persons

The Company has not received indications whether members of the Board of Directors or the Management Committee have the intention to subscribe in the Offering, or whether any person intends to subscribe for more than five per cent of the Offering, other than from WPEF VI Holdco III BE B.V.. On 1 March 2016, the Company and WPEF VI Holdco III BE B.V. entered into a subscription agreement, pursuant to which WPEF VI Holdco III BE B.V. has agreed to subscribe in the Offering by (i) exercising its Preferential Subscription Rights and to accordingly subscribe to New Shares and (ii) to purchase all Scrips at a price of one eurocent (€0.01) per Scrip if the price determined in the Scrips Private Placement does not exceed one eurocent (€0.01) per Scrip and exercise all Scrips, except for any Scrips related to the Preferential Subscription Rights that are not exercised by Alychlo NV, Carmignac Portfolio SICAV, Carmignac Gestion S.A., Midlin N.V. and Bart Versluys. (see *"Information on the Offering—Intention of existing Shareholders, the Board of Directors, Management or Others—Intentions of the existing Shareholders"* and *"Information on the Offering" Terms and Conditions of the Offering—Scrips Private Placement"—Procedure of the Offering* (*Paragraphs 14.7.1* and *14.2.6.2* of *Part 14*))

14.8 Expenses and Net Proceeds of the Offering

The Company estimates that the expenses in relation to the Offering will be approximately €2,500,000 and include, among other items, the fees due to the FSMA Euronext, the costs of printing and translating the Prospectus, the remuneration of the Underwriters, legal and administrative costs and publication costs. The remuneration of the Underwriters has been determined at approximately €717,000. The Company shall bear those expenses.

The total gross proceeds of the Offering, if fully subscribed, are estimated to be approximately €88.3 million. The net proceeds of the Offering may, therefore, be estimated at a maximum of approximately €85.8 million.

14.9 Dilution

The existing Shareholders will not be subject to dilution if they exercise all of their Preferential Subscription Rights. However, to the extent an existing Shareholder is granted a number of Preferential Subscription Rights that does not entitle him to a round number of New Shares in accordance with the Ratio, such Shareholder may slightly dilute if it does not purchase the missing Preferential Subscription Right(s) on the secondary market and exercises such Preferential Subscription Right(s) accordingly. The dilution in percentage terms of the existing Shareholders who do not exercise any of their Preferential Subscription Rights, may be calculated as follows:

$$\frac{(S - s)}{S}$$

S = total number of Shares after the capital increase pursuant to the Offering, i.e. maximum 71,843,904.

s = total number of Shares before the capital increase pursuant to the Offering, i.e. 54,738,214.

The participation of an existing Shareholder, holding 1% of the share capital prior to the First Tranche Capital Increase and who was not able to participate in the First Tranche Capital Increase, decreased to 0.59% as a result of the First Tranche Capital Increase. Assuming that an existing Shareholder holding 1% of the Company's share capital prior to the Offering does not subscribe for the New Shares, such Shareholder's participation in the Company's share capital would decrease to 0.76% as a result of the Offering.

As further explained in "*Information on the Offering—Scrips Private Placement*" (*Paragraph 14.2.6.2* of *Part 14*), after the Rights Subscription Period has expired, any Preferential Subscription Rights that are not exercised during the Rights Subscription Period will be converted in an equal number of Scrips which will be offered in the Scrips Private Placement. The Net Scrips Proceeds will be divided proportionately between all holders of Preferential Subscription Rights that did not exercise such Preferential Subscription Rights by the last day of the Rights Subscription Period, unless the Net Scrips Proceeds divided by the number of unexercised Preferential Subscription Rights is less than one eurocent (€0.01). There is, however, no assurance that there will be any Net Scrips Proceeds sold during the Scrips Private Placement.

14.10 Interest of natural and legal persons involved in the Offering

There is no natural or legal person involved in the Offering and having an interest that is material to the Offering, other than the Underwriters and WPEF VI Holdco III BE B.V.

In addition, the Underwriters provide financial services to the Company in connection with the Offering.

Affiliates of the Underwriters have entered into the Revolving Loan Facility Agreement (as amended by the Long Term Waivers) and the Note Purchase Agreement (as amended by the Long Term Waivers) with the Company (see "*Information on the Group—Placing and Underwriting—Underwriting agreement*" (*Paragraph 14.4.1* of *Part 14*)).

Furthermore, each of the Underwriters has provided, and may in the future provide, various financial services to the Company. None of these agreements and services are deemed material.

PART 15
INFORMATION INCORPORATED BY REFERENCE

Certain elements of the 2014 and 2013 Financial Statements (including the annual reports of the Board of Directors and Statutory Auditor's reports) have been incorporated by reference in this Prospectus. The information so incorporated by reference in this Prospectus shall form an integral part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein, shall be updated or completed for the purpose of this Prospectus to the extent that a statement contained in this Prospectus updates or completes such earlier statement (whether expressly, by implication or otherwise). Any statement so updated or completed shall not, except as so updated or completed, constitute a part of this Prospectus.

The table below sets out the relevant pages of the Company's annual report for the year ended 31 December 2014, which are incorporated by reference in this Prospectus:

Consolidated income statement	page 62
Consolidated statement of comprehensive income	page 63
Consolidated statement of financial position	page 64
Consolidated statement of changes in equity	page 65
Consolidated statement of cash flows	page 66
Notes to the consolidated financial statements	pages 67-113
Statutory Auditor's Report	pages 114-115

The table below sets out the relevant pages of the Group's annual report for the year ended 31 December 2013, which are incorporated by reference in this Prospectus:

Consolidated income statement	page 84
Consolidated statement of comprehensive income	page 85
Consolidated statement of financial position	page 86
Consolidated statement of changes in equity	page 87
Consolidated statement of cash flows	page 88
Notes to the consolidated financial statements for the year ending 31 December 2013	pages 89-141
Statutory Auditor's Report	pages 142-143

Any information not listed in the tables above but included in the document incorporated by reference is given for information purpose only. The documents incorporated by reference are available on the website of the Group (www.fagron.com).

PART 16
LEGAL MATTERS

Certain legal matters in connection with this Offering have been passed upon for the Company, with respect to the laws of Belgium and The Netherlands, by Allen & Overy LLP. Certain legal matters in connection with this Offering have been passed upon for the Underwriters by Clifford Chance LLP, with respect to the laws of Belgium and the Netherlands.

ANNEX 1.
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2015

Consolidated income statement

(x 1,000 euros)	Note	2015	2014
Operating income		**481,664**	**450,409**
Turnover	6	472,996	447,056
Other operating income	7	8,668	3,353
Operating expenses		**632,002**	**356,073**
Trade goods		164,166	158,843
Services and other goods		88,957	76,067
Employee benefits expenses	8	125,385	101,642
Depreciation and amortization	9	23,620	19,025
Impairment	9	225,563	
Other operating expenses	10	4,311	496
Operating profit		**(150,338)**	**94,336**
Financial income	11	2,013	731
Financial expenses	11	(47,004)	(25,215)
Profit before income tax		**(195,329)**	**69,852**
Taxes	12	6,954	26,663
Profit for the year from continuing operations		**(202,283)**	**43,190**
Profit (loss) for the year from discontinued operations (attributable to equity owners of the company)	13	270	(27,033)
Profit (loss) for the year		**(202,012)**	**16,156**
Profit (loss) attributable to:			
Equity holders of the company (net result)		(202,328)	16,226
Non-controlling interests		315	(70)
Earnings per share from continuing and discontinued operations: attributable to owners of the parent during the year			
Profit (loss) for the year per share (in euros)	14	**(6.46)**	**0.53**
From continuing operations	14	(6.47)	1.41
From discontinued operations	14	0.01	(0.88)
Diluted profit for the year per share (in euros)	14	**(6.44)**	**0.52**
From continuing operations	14	(6.45)	1.39
From discontinued operations	14	0.01	(0.87)

Consolidated statement of comprehensive income

(x 1,000 euros)	Note	2015	2014
Profit for the year		**(202,012)**	**16,156**
Other comprehensive income:			
Items that will not be reclassified to profit or loss	24		
• Remeasurements of post-employment benefit obligations		791	(1,906)
• Tax relating to items that not will be reclassified		264	(635)
Items that may be subsequently reclassified to profit or loss			
• Currency translation differences		(26,335)	5,973
Other comprehensive income for the year net of tax		**(25,280)**	**3,432**
Total comprehensive income for the year		**(227,292)**	**19,588**
Attributable to:			
Equity holders of the company		(227,672)	19,686
Non-controlling interests		380	(98)
Total comprehensive income for the year		**(227,292)**	**19,588**
Total comprehensive income for the year attributable to equity holders of the company:			
From continuing operations		(220,717)	46,719
From discontinued operations	13	270	(27,033)
Total comprehensive income for the equity holders		**(220,447)**	**19,686**

The unrealized exchange rate differences of 26 million euros are mainly due to the weakening of the Brazilian real against the euro.

Consolidated statement of financial position

(x 1,000 euros)	Note	2015	2014
Non-current assets		**501,535**	**662,649**
Intangible assets	15	410,601	575,252
Property, plant and equipment	16	71,133	59,969
Financial assets	17	5,859	5,064
Deferred tax assets	18	13,942	22,363
Current assets		**187,846**	**228,114**
Inventories	19	67,251	65,181
Trade receivables	20	34,090	36,337
Other receivables	20	11,031	18,043
Cash and cash equivalents	20	75,474	108,552
Assets held for sale	21		**82,989**
Total assets		**689,381**	**973,752**
Equity	22	**(64,772)**	**156,948**
Shareholders' equity (parent)		(67,473)	154,630
Non-controlling interests		2,700	2,317
Non-current liabilities		**27,064**	**575,472**
Provisions	23	15,987	8,891
Pension obligations	24	5,146	6,053
Deferred tax liabilities	18	1,519	6,162
Borrowings	25	4,411	551,504
Financial instruments	25		2,862
Current liabilities		**727,090**	**220,938**
Borrowings	25	594,908	5,710
Trade payables	26	63,043	57,440
Taxes, remuneration and social security	18	25,282	38,668
Other current payables	27	41,859	119,120
Financial instruments	25	1,996	
Liabilities directly associated with assets classified as held for sale	21		**20,394**
Total liabilities		**754,154**	**816,804**
Total equity and liabilities		**689,381**	**973,752**

Consolidated statement of changes in equity

(x 1,000 euros)	Note	Share capital & share premium	Other reserves	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2014		**318,927**	**(230,499)**	**(21,842)**	**84,966**	**151,553**	**3,615**	**155,168**
Profit for the year					16,226	16,226	(70)	16,156
Other comprehensive income for the year			3,460			3,460	(28)	3,432
Total comprehensive income for the year			**3,460**		**16,226**	**19,686**	**(98)**	**19,588**
Capital increase		733				733		733
Treasury shares				5,350		5,350		5,350
Result on treasury shares				(3,743)		(3,743)		(3,743)
Dividends					(22,209)	(22,209)		(22,209)
Share-based payments			2,060			2,060		2,060
Change in non-controlling interests			1,198			1,198	(1,198)	
Balance at 31 December 2014		**319,660**	**(223,781)**	**(20,235)**	**78,983**	**154,628**	**2,319**	**156,948**
Profit for the year					(202,328)	(202,328)	315	(202,013)
Other comprehensive income for the year			(25,344)			(25,344)	64	(25,280)
Total comprehensive income for the year			**(25,344)**		**(202,328)**	**(227,672)**	**379**	**(227,293)**
Capital increase	22	26,101				26,101		26,101
Treasury shares	22			4,792		4,792		4,792
Result on treasury shares	22			(3,380)		(3,380)		(3,380)
Dividends	22				(31,156)	(31,156)		(31,156)
Share-based payments	22		9,216			9,216		9,216
Change in non-controlling interests	22							
Balance at 31 December 2015		**345,760**	**(239,909)**	**(18,823)**	**(154,501)**	**(67,473)**	**2,700**	**(64,772)**

Consolidated cash flow statement

(x 1,000 euros)	2015	2014
Operating activities		
Profit before income tax	(195,329)	46,299
Paid taxes	(19,413)	(11,370)
Adjustments for financial items	44,991	26,730
Total adjustments for non-cash items	241,241	44,267
Total changes in working capital	1,820	(4,229)
Total cash flow from operating activities	**73,311**	**101,696**
Investment activities		
Capital expenditure	(22,052)	(20,656)
Investments in existing shareholdings (subsequent payments) and in new holdings	(96,674)	(196,171)
Proceeds from disposal of assets	72,450	23,042
Total cash flow from investment activities	**(46,276)**	**(193,785)**
Financing activities		
Capital increase	106	733
Sale (purchase) of treasury shares	1,412	1,339
Dividends paid	(31,366)	(22,199)
New borrowings	100,289	355,488
Reimbursement of borrowings	(100,917)	(245,703)
Interest received	2,013	842
Interest paid	(32,998)	(25,510)
Total cash flow from financing activities	**(61,460)**	**64,990**
Total net cash flow for the period	(34,426)	(27,099)
Cash and cash equivalents – start of the period	108,552	135,412
Gains or losses on exchange on liquid assets	(1,349)	(238)
Cash and cash equivalents – end of the period	75,474	108,552
Change in cash and cash equivalents	**(34,426)**	**(27,099)**
Cash flows from discontinued operations		
Cash flow from operating activities		11,172
Cash flow from investment activities		(13,322)
Cash flow from financing activities		3,660
Total net cash flow from discontinued operations		**1,510**

Corilus was sold on 13 March 2015. No cash flow was generated from this discontinued operation in 2015.

The item 'adjustments for financial items' relates to interest paid and received and to other financial expenses and income not being cash flows, such as the revaluation of the financial instruments. The item 'total adjustments for non-cash flow items' relates in particular to depreciation, amortization, impairment and changes in provisions. The item 'total changes in working capital' concerns changes in the inventories, trade receivables and payables, other receivables and debts, and all other balance sheet elements that are part of the working capital.

The aforementioned changes are adjusted as appropriate for non-cash flow items as presented above, for conversion differences and for changes in the consolidation scope.

Notes to the consolidated financial statements

1 General information

Fagron is a scientific pharmaceutical R&D business focused on optimizing and innovating personalized pharmaceutical care. Fagron provides Fagron Specialty Pharma Services, Fagron Trademarks and Fagron Essentials to pharmacies, clinics and hospitals in 32 countries worldwide.

The Belgian company Fagron NV is located at Textielstraat 24, 8790 Waregem, Belgium. The company's registration number is BE 0890 535 026. The operational activities of Fagron are driven by the Dutch company Fagron BV. The company's head office is located in Rotterdam.

Fagron NV shares are listed on Euronext Brussels and Euronext Amsterdam.

These consolidated financial statements were approved for publication by the Board of Directors on 7 April 2016.

2 Financial reporting principles

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

The consolidated financial statements of Fagron 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 stated at fair value.

Accounting policies and continuity

The consolidated financial statements for Fagron NV and its subsidiaries have been prepared on the going concern basis, which assumes that the company will continue to be able to meet its liabilities as they fall due in the foreseeable future. Due to the change in the reimbursement system in the USA, the EBITDA of the group has dropped. This change in reimbursement system impacted the results of Fagron North America, specifically Freedom Pharmaceuticals and Bellevue Pharmacy which led to an impairment. The net result for 2015 equals -202 million euros which results in a negative equity at 31 December 2015 of -65 million euros. Notwithstanding the positive operational cash flow and the operational profit on non-recurring items and the impairment loss, the company as of 31 December 2015 was unable to comply with certain covenant tests as recognized in the loan facilities.

The loan facilities that contain cross default clauses, replicating the same covenants, are: the bond loan of 225 million euros, the multi-currency credit facility of 220 million euros and the privately placed loans originally dated 15 April 2014, which included 45.0 million US dollars 4.15% Series A Senior Notes due 15 April 2017, 22.5 million euros 3.55% Series B Senior Notes due 15 April 2017, 15.0 million euros 4.04% Series C Senior Notes due 15 April 2019, 5.0 million euros Floating Rate Series D Senior Notes due 15 April 2019, 20.0 million US dollars 5.07% Series E Senior Notes due 15 April 2019 and 60.0 million US dollars 5.78% Series F Senior Notes due 15 April 2021.

On 30 December 2015, anticipating the covenant testing date for the credit facilities, a waiver was granted by the lenders in respect of the financial covenants of the multi-currency credit facility and the privately placed loans. The waiver postpones until 31 March 2016 the covenant test in respect of the financial covenants with an original due date of 31 December 2015. Therefore the company will not be in default on 31 December 2015, which means no cross default will be triggered in respect of the bond loan. The waiver had been valid until 31 March 2016 and this has been extended until the end of June. If no further extension is provided by the credit providers, the company will break through its financial covenants on 30 June 2016. Whilst agreement on the refinancing has not been reached as yet, and there is no clear consensus regarding solutions, the lenders have confirmed they will remain committed to the process and the Board of Directors believe that an agreement can be reached that is acceptable for Fagron. As a consequence of the aforementioned, the bond loan of 225 million euros, the multi-currency credit facility of 199 million euros and the privately placed loans of 167 million euros were accounted for within the current debts as at the balance sheet of 31 December 2015.

The company has been exploring several options to reduce its net debt position and to comply with its financial covenants. Fagron has since successfully completed negotiations with a cornerstone investor and five individual investors about a private capital increase combined with a public capital increase of a total of 220 million euros, subject to the approval of the Extraordinary General Meeting of Shareholders of Fagron.

The proposed capital increase will be in two tranches. The first tranche of the capital increase will be executed via a private issue by a cornerstone investor (WPEF VI Holdco III BE B.V.) and five individual investors (Alychlo NV, Carmignac, Midlin N.V., Bart Versluys and Hans Stols) amounting to in the region of 131 million euros. The second tranche of the capital increase will be executed via a public capital increase by means of a preferential rights issue for an amount corresponding with the difference between 220 million euros and the amount of the first tranche of the capital increase.

The subscription price for the first tranche will correspond with the average closing price for the company's shares on Euronext Brussels for the 30 calendar days immediately preceding the date of the shareholders' meeting in which the capital increase is approved, unless this average rises to above 5.50 euro per share. If WPEF invests in the first tranche, the subscription price for the public capital increase (second tranche) will correspond with 90% of the subscription price for the first tranche. Should the first tranche of the capital increase be unsuccessful, Fagron has plans to increase the capital by means of a public capital increase for the entire amount, for which the subscription price has yet to be determined.

As the combination and timing of the options referred to above are not entirely under Fagron's control, the directors wish to signal the existence of a material uncertainty which may cast doubt on the company's ability to continue as a going concern. Although no decision has yet been made on the different options outlined above, the directors are confident that one of the options will be executed successfully.

Based on the above options, the directors anticipate that Fagron will have adequate resources at its disposal to continue in operational activities into the foreseeable future. For this reason, the company continues to adopt the going concern basis in preparing the financial information. The financial information contains no adjustments that would have followed were the going concern basis of preparation unsuitable.

IFRS developments

The following new standards, amendments to standards and interpretations have been issued, approved by the EU and are mandatory for the first time for the financial year beginning 1 January 2015.

Mandatory and applied		Impact
IFRIC 21 Levies	IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. This IFRIC sets out which event leads to a liability and when a liability needs to be recognized.	Fagron has established that the application of this standard will not have a material impact on the consolidated financial statements.
Annual improvements to IFRS standards (2011-2013 cycle)	These improvements resulted in an amendement of IFRS 1 (when a modified version of a standard is not mandatory but available for early application, an entity that applies IFRS for the first time may choose between the old and the new version of the standard under IFRS 1), IFRS 3 (the standard does not apply when accounting for the establishment of joint agreements as defined in IFRS 11), the exception for portfolios in IFRS 13 and clarifying the relationship between IFRS 3 'Business Combinations' and IAS 40 'Investment Property'.	Fagron has established that the application of this standard will not have a material impact 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 mandatory for the first time for the financial year beginning 1 January 2015.

Issued and approved by the EU, but not yet mandatory		Anticipated impact
Amendment to IAS 19 Defined benefit plans *Annual report 2016*	The amendment clarifies the accounting of employee contributions set out in the formal terms of a defined benefit plan.	Fagron has established that the application of this standard will not have a material impact on the consolidated financial statements.
Annual improvements to IFRS standards (2010-2012 cycle) *Annual report 2016*	These improvements resulted in minor amendments to the following standards: • IFRS 2 'Conditions governing unconditional commitment' • IFRS 3 'Accounting of conditional remunerations' • IFRS 8 'Aggregation of operational segments' • IFRS 8 'Reconciliation of the recognized segments' assets with the total entity's assets' • IFRS 13 'Short-term receivables and debts' • IAS 7 'Capitalized' interest payments' • IAS 16/38 'Revaluation method- variable (pro rata) review of accumulated depreciation' and • IAS 24 'Key management personnel'	Fagron has established that the application of these minor amendments will not have a material impact on the consolidated financial statements.
Annual improvements to IFRS standards (2012-2014 cycle) *Annual report 2016*	These improvements resulted in an amendment to IFRS 5, 'Fixed assets held for sale and discontinued operations', IAS 19, 'Employee benefits', IFRS 7, 'Financial instruments: disclosures' and IAS 34, 'Interim financial reporting'.	Fagron has established that the application of these minor amendments will not have a material impact on the consolidated financial statements.
Amendments to IAS 1 Presentation of financial statements *Annual report 2016*	The amendments to IAS 1 are part of the initiative of the IASB to improve the presentation of financial statements and the disclosures therein.	Fagron will review the effects of these amendments and consider adoption when appropriate.
Amendment to IAS 16 Fixed assets and IAS 38 Intangible fixed assets *Annual report 2016*	In this amendment, the IASB clarified that a revenue-based method for calculating depreciations is considered unsuitable since revenues that are generated by an activity that comprises the use of an asset will generally reflect factors other than the consumption of economic benefits embodied in the asset. The IASB also clarified that revenues in general are not appropriate when assessing the consumption of the economic benefits of an intangible fixed asset.	Fagron has established that the application of these standards will not have a material impact on the consolidated financial statements.

The following new standards, amendments to standards and interpretations have been issued but not yet approved by the EU, and are not mandatory for the first time for the financial year beginning 1 January 2015.

Issued, not yet approved by the EU and not yet mandatory		Anticipated impact
IFRS 9 Financial Instruments *Annual report 2018*	The standard addresses the classification, measurement and derecognition of financial assets and liabilities.	Fagron will review the effects of these amendments and consider adoption when appropriate.
Amendments to IFRS 9 Financial instruments *Annual report 2018*	The amendment incorporates a new general hedge accounting model which will allow reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. These amendments also have an impact on IAS 39 and introduce new disclosure requirements for hedge accounting (also impacting IFRS 7) regardless of whether hedge accounting is used under IFRS 9 or IAS 39.	Fagron will review the effects these amendments and consider adoption when appropriate.
IFRS 15 Revenues from contracts with customers *Annual report 2018*	The standard concerns recognizing revenues from contracts with customers. The standard will improve the financial reporting of revenues and deliver a better global comparison of the revenues accounted to in the financial statements.	Fagron has established that the application of this standard will not have a material impact on the consolidated financial statements.
IFRS 16 Leases *Annual Report 2019*	The standard specifies how leases are to be recognized, measured and disclosed. According to the new standard, the lessee must include all leases on the balance sheet, with the exception of short-term leases (term of 12 months or less) and lease contracts with a low value.	Fagron will determine what impact these changes have and incorporate them if applicable.

Other new standards, amendments of standards and interpretations which were published but are not yet mandatory for this financial year starting 1 January 2015, are not applicable for Fagron.

Consolidation criteria

The consolidated financial statements include the accounts of Fagron and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Fagron. They are no longer consolidated as from the date Fagron no longer has control.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized in accordance with IAS 39 in the income statement. Contingent considerations that are classified as equity are not re-measured, and its subsequent settlement 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 exchange. Identifiable assets acquired and liabilities and contingencies assumed in a business combination are initially set 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 acquiring costs 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 forms a goodwill and is recognized as an asset.

Intercompany 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 translation

Items included in the financial statements of all entities of Fagron are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The consolidated financial statements are presented in euros, the presentation currency of Fagron. To consolidate Fagron and each of its subsidiaries, the respective financial statements are converted as follows:

- Assets and liabilities at the year-end rate;
- Income statement at the average exchange rate for the year;
- Components of the equity at historical exchange rate.

Exchange rate differences arising from the conversion of the net investment in foreign subsidiaries at year-end exchange rate are recognized as shareholders' equity elements under 'Cumulative conversion differences'.

Transactions in foreign currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates that apply on the transaction date. Profits and losses from exchange rate differences resulting from settling these transactions and from the conversion of monetary assets and liabilities in foreign currencies at exchange rates valid at year-end are recognized in the income statement.

Exchange rates of key currencies

	Balance sheet		Income statement	
	2015	2014	**2015**	2014
US dollar	1.089	1.214	1.109	1.328
Brazilian real	4.312	3.221	3.700	3.122
Polish zloty	4.264	4.273	4.183	4.185
Swiss franc	1.084	1.202	1.068	1.215

Intangible fixed assets (15)

Intangible fixed assets are valued at cost price less accumulated amortization and impairment charges. All Intangible fixed assets are tested for impairment whenever there is an indication that the intangible asset may be impaired.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of Fagron in the net identifiable assets of the acquired subsidiary on the acquisition date. Goodwill on acquisitions of subsidiaries is recognized under Intangible fixed assets. Goodwill is tested at least annually for impairment and consistently when a trigger event occurs. Goodwill is recognized at cost price less accumulated impairment losses. Impairment losses on goodwill are never reversed. Gains and losses on the disposal of an entity include the book value of goodwill relating to the entity sold.

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 generally amortized on a straight-line basis over a period of 5 to 7 years. When a part of the acquisition price of a business combination relates to trade names, brand names, formulas or customer records this will be considered an intangible asset.

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 if, among other things, the following criteria are met:

- Technical feasibility of the project;
- Intention to complete and to use or sell the asset;
- Ability to use or sell the asset;
- Probability that the asset will generate future economic benefits;
- Adequate resources to complete the asset;
- Ability to measure the cost reliability.

Development costs are amortized using the straight-line method over the period of their expected benefit, currently not exceeding 5 years. Amortization starts as of the moment that these assets are ready for use.

In-house development

Unique products developed in-house, including software controlled by Fagron that 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 depreciations and exceptional losses of value. 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 tested annually for impairment. Assets that are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less the sale costs and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Property, plant and equipment (16)

Tangible fixed assets are valued at the acquisition value or production costs plus directly attributable costs if applicable. Depreciation is pro rata calculated based on the useful life of the asset in accordance with the subsequent amortization parameters. The useful life of equipment and machinery is 3 to 20 years and for buildings range from 25 to 33 years. Land is not depreciated.

In general all assets are depreciated on a straight-line, based on the estimated economic life. Any residual value taken into account when calculating the depreciations is reviewed annually. Assets acquired under finance leasing arrangements are depreciated over their economic life, which may exceed the lease term if it is reasonably certain that ownership will be obtained at the end of the lease term.

Financial assets (17)

Fagron classifies its non-derivative financial assets into the following categories: loans and receivables, and financial assets available for sale. Management determines the investment classifications of its (non-derivative) financial assets at initial recognition, and re-evaluates them at each reporting date. The Group does not have any financial assets in the category held until maturity or any (non-derivative) financial assets designated at fair value for which any changes in value have to be included in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not intended to be traded. Loans and receivables are included in current assets, except for those maturing more than 12 months after the balance sheet date. Loans and receivables are measured at amortized costs using the effective interest method.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through the income statement. Financial assets available for sale are initially valued at fair value except where such fair value cannot be reliably determined, in which case they are valued at cost. Unrealized gains and losses arising from changes in the fair value are recognized in unrealized results. If the relevant assets are sold or impaired, the accrued adjustments are recognized at fair value in the income statement.

Any events or changes in circumstances indicating a decrease in the recoverable amount are monitored closely. Impairment losses are recognized in the income statement as and when required.

Taxes, remuneration and social security (18)
Taxes on profits as recognized in the income statement include current income tax and deferred taxes. Current income taxes include the expected tax liabilities on the taxable income of Fagron 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 carrying amounts and the tax basis. This method is applied to all temporary differences arising from investments in subsidiaries and associates, except for differences whereby the timing of reversing the temporary difference is controlled by Fagron and whereby 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 asset 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 fiscal book value resulting from any acquisitions. Deferred taxes are recognized to the ratio as the tax losses carried forward are likely to be utilized in the foreseeable future. Deferred income tax receivables are fully written off when it ceases to be likely 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 using the FIFO method or using the net realizable value (NRV) at the balance sheet date, whichever is lower. Work in progress and finished products are valued at production costs. In addition to 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 fair value. A provision for impairment loss relating to trade receivables is created when there is objective evidence that Fagron will not be able to collect all amounts. Subsequently trade receivables are valued at amortized costs. Significant financial difficulties of the debtor, the probability of the debtor becoming insolvent or undergoing financial restructuring, and non or overdue payments are regarded as indicators for recognizing an impairment loss for the trade receivable in question.

If trade receivables are transferred to a third party (through factoring), the trade receivables are taken off the balance sheet provided that (1) there is no longer a right to receive cash flows and (2) Fagron has substantially transferred all risks and rewards. The factoring balance at 31 December 2015 came to 19.8 million euros.

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 to the carrying amounts are made when at balance sheet date realization value is lower than the book value.

Assets held for sale and related liabilities (21)
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction or through continuing use.

To be classified as held for sale, the following criteria of IFRS 5 should be met:
- Management must be committed to the sale;
- An active program to locate a buyer is initiated;
- The assets (or disposal groups) are available for immediate sale, taking into account the usual conditions for sale;
- The sale is highly probable, within 12 months of classification as held for sale;
- The asset is being offered for sale at a reasonable price: the price is in line with the fair value;
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

When Fagron is committed to a sale plan that results in Fagron relinquishing control over a subsidiary, providing the criteria described above are met, all of the assets and liabilities of that subsidiary are classified as assets held for sale and liabilities directly associated with assets held for sale regardless of whether Fagron will retain a non-controlling interest after the sale.

Assets classified as held for sale and liabilities directly associated with assets held for sale (or groups of assets for disposal) are measured at the lower of their previous carrying amount and fair value less costs to sell.

Share capital (22)

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue 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 (23)

Provisions exist for restructuring costs, legal claims, risk of losses or costs potentially arising from personal securities or collateral constituted as guarantees for creditors or commitments to third parties, from obligations to buy or sell non-current assets, from the fulfilment of completed or received orders, technical guarantees associated with turnover or services already completed by Fagron, unresolved disputes, fines and penalties related to taxes, or compensation for dismissal. Fagron recognizes a provision if:

- A present legal or constructive obligation has arisen as a result of past events (the obligating event);
- It is more likely than not that an outflow of resources will be necessary to fulfil the obligation; and
- The amount can be estimated reliably.

Provisions for restructuring costs comprise lease termination penalties and employee termination payments. Provisions are not 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 the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Employee benefit expenses

Share-based payments (22)

Fagron operates an equity-based compensation plan, which is paid in shares. The total amount to be recognized as costs over the vesting period is determined by reference to the fair value of the warrants or options granted, excluding the impact of any non-market unconditional commitments (for example, profitability and turnover growth targets). Non-market unconditional commitments are included in the assumptions about the number of warrants or options expected to become exercisable. At each balance sheet date, Fagron revises its estimates of the number of warrants or options 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, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the warrants are exercised. The modalities of the existing plans were not changed this year.

Pension obligations (24)

The companies of Fagron operate various pension schemes. The pension schemes are funded through payments to insurance companies, determined by periodic actuarial calculations. Fagron has both defined benefit and defined contribution plans.
The liability recognized on the balance sheet in respect of defined benefit plans is the present value of the future defined benefit obligations less the fair value of the plan assets. The defined benefit 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 recognized immediately, in the period in which they arise, being added or deducted to or from the equity via the unrealized result.

For defined contribution plans, Fagron pays contributions to insurance companies. Once the contributions have been paid, Fagron ceases to have any liabilities. Contributions to defined contribution plans are recognized as costs in the income statement at the moment they are made.

Borrowings (25)
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings 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.

Lease contracts – Operating leases (25)
Lease contracts in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are made on a straight-line basis over the life of the operating lease.

Lease contracts – Financial leases (25)
Lease contracts regarding property, plant and equipment whereby Fagron retains virtually all risks and rewards of ownership are classified as financial leases. Financial leases are capitalized at the inception of the lease contract at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between liability and financing costs, so as to achieve a constant amount on the outstanding financing balance.

The corresponding rental obligations, net of financing costs, are recognized as fixed (payable after 1 year) and short-term (payable within the year) borrowings. The interest component of the financing costs is recognized in the income statement over the lease period, so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period.

The tangible fixed assets acquired under financial leases are depreciated over the useful life of the asset, which may exceed the lease term if it is reasonably certain that ownership will be obtained at the end of the lease term.

Derivative financial instruments (25)
Fagron utilizes derivative financial instruments to limit risks relating to unfavorable fluctuations in interest rates. No derivatives are employed for trade purposes.

Derivative financial instruments are recognized at fair value on the balance sheet. Fair values are derived from market prices. As the derivative contracts of Fagron do not fulfil the criteria as set in IAS39 to be regarded as hedging instruments, changes in fair value of derivatives are recognized in the income statement.

Revenue recognition
Revenue from the sale of goods is recognized at the moment that delivery of the products has been made to the customer, the customer has accepted the products and the related receivables are likely to be collectable. Revenue of services is recognized in the accounting period in which the services have been provided. Revenue from the sale of software is recognized as revenue at the time of delivery. The revenues from software service contracts are recognized over the term of the contract.

Segment reporting
IFRS 8 defines an operating segment as:
- a component of an entity that engages in business activities from which it may earn revenues and incur expenses;
- in whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Fagron determines and presents operating segments on the information that is internally provided to the Executive Committee, the body that was Chief Operating Decision Maker during 2015. An operating segment is a group of assets and activities engaged in providing products or services that are the basis of the internal reporting to Fagron's Executive Committee. As a result of the sale of the Healthcare division in 2014 and Corilus in 2015, Fagron redefined its operating segments as of 1 January 2015.

The financial information of the current Fagron segments that is provided to the Executive Committee is split up in Fagron Specialty Pharma Services, Fagron Trademarks, Fagron Essentials and HL Technology. These are the segments within Fagron as per 2015.

Earnings per Share (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 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 should be divided by the sum of the weighted average number of outstanding ordinary shares used in the basic EPS calculation and the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

3 Risk management

Adequate and reliable financial reporting is essential for both the internal management reports and the external reporting. Group-wide reporting guidelines have been drawn up within Fagron to this end, based on IFRS and internal information needs.

Risk management is an important core responsibility of Fagron in order to secure the long-term business objectives and the value creation of the company. 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 fiscal regulation, Fagron makes use of the possibilities offered by the fiscal legislation and regulation without taking any unnecessary risks in doing so. Fagron has the support of external fiscal advisers in this regard.

In addition to strategic and operational risks, Fagron is also subject to various financial risks. To sustain its day-to-day operations, Fagron has the following credit facilities at its disposal.

Bonds
On 2 July 2012, Fagron NV issued bonds for an amount of 225 million euros. The nominal value of the bonds is 1,000 euros. The bonds are listed on Euronext Brussels under ISIN code BE0002180462 on 2 July 2012. The issue price of the bonds was 101.875%. The bonds have a maturity of five years and offer a fixed annual gross interest of 4.75%. The bonds are redeemable at 100% of the nominal value on 2 July 2017. As main covenant Fagron must ensure that total EBITDA, calculated as result before interest, taxes, depreciation, amortization and impairment, of the guarantors is at least 70 per cent of the consolidated Group EBITDA. The companies that act as guarantors for the Fagron loans are listed in Note 25.

Multi-currency facility
On 16 December 2014, Fagron NV amended and extended the existing credit facility with an originating amount of 150 million euros and maturity date in July 2017. This new multi-currency facility of 220 million euros, which will mature in December 2019 and including two additional one year extension options, is arranged through a consortium of existing and new international banks. The new syndicate consists of ING (Coordinator), BNP Paribas, HSBC, KBC Bank, Fifth Third Bank and Commerzbank. The main covenant of this credit facility is a net financial debt/recurring EBITDA ratio with a maximum of 3.25. As at the closing date of 2015, an amount of 199 million euros had been withdrawn (2014: 178 million euros).

Privately placed loans (senior unsecured notes)
Fagron NV issued a series of privately placed loans pursuant to a loan agreement originally dated 15 April 2014 and amended by a waiver and amendment agreement on 30 December 2015, which includes 45.0 million US dollars 4.15% Series A Senior Notes due 15 April 2017, 22.5 million euros 3.55% Series B Senior Notes due 15 April 2017, 15.0 million euros 4.04% Series C Senior Notes due 15 April 2019, 5.0 million euros Floating Rate Series D Senior Notes due 15 April 2019, 20.0 million US dollars 5.07% Series E Senior Notes due 15 April 2019 and 60.0 million US dollars 5.78% Series F Senior Notes due 15 April 2021.

The loan agreement dated 15 April 2014 provides for the following financial covenants: a leverage ratio measured as net financial debt to recurring EBITDA-ratio with a maximum 3.25 and a minimum interest coverage ratio of 4.0, measured by dividing the recurring EBITDA by the consolidated net interest expenses.

Waiver

On 30 December 2015, anticipating the covenant testing date of the credit facilities, Fagron has been granted a waiver by the lenders in respect of the financial covenants on the multi-currency credit facility and the privately placed loans. The waiver postpones the covenant testing, in respect of the financial covenants, from the original testing date on 31 December 2015 to 31 March 2016. Hereby ensuring that there will be no event of default on the financial covenants at 31 December 2015 and therefore no cross default will be triggered in respect of the bond loan as well. As a result, the company's bond loan of 225 million euros, the multi-currency credit facility of 119 million euros and the privately placed loans of 167 million euros are reclassified within current debts on the balance sheet as at 31 December 2015. In 2016, during the period of the waiver, the interest costs will increase. More details on the granted waiver, the possible solutions and the option to continue as a going concern are presented in *note 2 Accounting Policies*.

Capital management

The group's objectives in relation to capital management are:

- to safeguard the company's equity in order to guarantee its continuity, and
- to maintain the best possible capital structure so as to reduce capital costs.

The amount to be paid on dividends can be adjusted by the Group (see note 22) in order to retain or adjust the capital structure. It may also issue new shares or dispose of assets in order to reduce indebtedness.

In keeping with the conditions governing the largest credit facilities, the group is obliged to comply with the following financial covenants:

a) a maximum net financial debt/recurrent EBITDA-ratio of 3.25 and
b) a minimum interest coverage ratio of 4.0, measured by dividing the recurrent EBITDA with the consolidated net interest expenses.

On 30 December 2015, in anticipation of the covenant test date for the credit facilities, a waiver was provided by the loan providers in relation to the financial covenants of the multi-currency credit facility and the private loans. The waiver allows for the covenant testing of the financial covenants with an original date of 31 December 2015 to be extended to 31 March 2016. Further details on the waiver and on the possible solutions and the option to continue using the continuity principles are provided in note 2 Accounting Policies.

Policy in relation to capital management is being reviewed at present following the recent changes in the Executive Committee and the Board of Directors and in view of the current situation concerning the refinancing of the group.

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 cash flows of the companies are centralized as much as possible by means of domestic and cross border cash pooling.

Credit risk

Credit risk involves the risk that a debtor or other counterparty is unable to fulfill its payment obligations to Fagron, resulting in a loss for Fagron. Fagron has an active credit policy and strict procedures to manage and limit credit risks. No individual customers make up a substantial part of either turnover or outstanding receivables. Fagron has an active policy to reduce operational working capital. From this perspective the group aims to reduce the accounts receivable balance.

Interest risk

Fagron regularly assesses the maintained mix of financial debts with fixed and variable interest rates. At this moment, financing is partly based on a credit facility in euros with a variable interest rate of one to six months. A higher Euribor rate of 10 base points would have adversely affected the variable interest charges by approximately 131 thousand euros before tax (2014: 113 thousand euros). The interest risk of the variable interest rate for 70 million euros of financing is hedged with financial derivatives. This hedging was taken into account in calculating the impact of an increase in the Euribor rate by 10 base points.

Exchange rate risk

The exchange rate risk is the risk on results due to fluctuations in the exchange rates. Fagron reports its financial results in euros and is, because of the international distribution of its activities, subject to the potential impact of currencies on its profits. Exchange rate risk is the result on the one hand of several entities of Fagron operating in a functional currency other than euros and on the other hand of the circumstance that purchasing and retail prices of Fagron have foreign currencies as reference. The risk involved in entities of Fagron operating in a functional currency other than the euro concerns entities operating in US dollars, Brazilian reals, Polish zloty, Czech crowns, Swiss francs, British pounds, Danish crowns, Colombian pesos, Chinese yuan, South African rand, Australian dollars and Argentinian pesos. In 2015, these entities collectively represent approximately 57.1% of the consolidated turnover. Currency risk due to translation of assets and liabilities of foreign subsidiaries into euros is not hedged.

Some of the Group's revenue is realized in currencies other than the euro, such as in Brazil, the United States, Poland and Switzerland. The table below sets out the hypothetical supplementary effect of the euro strengthening or weakening by 10% against the US dollar, the Brazilian real, the Polish zloty and the Swiss franc for the year 2015 and its subsequent effect on profit before tax, impairment loss and equity capital. The impairment loss of 225.6 million euros in 2015 resulted in a negative equity for the United States, and the consequent hypothetical supplementary impact has a loss reducing effect.

	Profit before tax and impairment loss		Equity	
(x 1,000 euros)	Strength-ening	Weak-ening	Strength-ening	Weak-ening
US dollar	(616)	753	12,123	(14,817)
Brazilian real	(858)	1,048	(8,230)	10,059
Polish zloty	(747)	913	(3,003)	3,671
Swiss franc	109	(133)	(603)	737

The company also incurs indirect currency risk as a large part of its purchases in Brazil are actually transactions in US dollars. This means that the Group's products become relatively more expensive to the consumer 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.

Fair value risk

Fagron utilizes financial derivatives to hedge its interest risks. Fagron hedged the variable interest rate for 70 million euros of financing. In accordance with IFRS, all financial derivatives are recognized either as assets or as liabilities. In accordance with IAS 39, financial derivatives are recognized at fair value. Changes in fair value are recognized by Fagron directly in the income statement because these are financial derivatives that do not qualify as cash flow hedging instruments. At the end of 2015, the cumulative revaluation of financial derivatives amounted to -2.0 million euros (2014: -2.9 million euros) whereby this is treated as a non-cash item.

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 carrying amounts of assets and liabilities within the next financial year are discussed below.

Going concern

As a consequence of the described Accounting Policies under note 2, the directors believe that Fagron will have significant funds in the future to continue its operations. On this basis, the Executive Committee uses the going concern assumption in preparing this financial information. *For more information see note 2.*

Estimated impairment loss of goodwill and intangible fixed assets
Fagron performs annual goodwill impairment tests in accordance with the Accounting Policies specified in note 15. The recoverable amount of cash flow-generating units is determined on the basis of value-in-use calculations. These calculations require the application of estimates. As a consequence of the in changes in the reimbursement system in the United States referred to in note 2, Fagron has recognized an impairment loss of 224.9 million euros. This contributes to the book value of goodwill as per 31 December 2015 of 373.6 million euros (2014: 522.1 million euros).

Estimated deferred tax assets
Deferred tax assets are mainly accounted for by differences in depreciation rates, tax deductible losses and goodwill acquired in business acquisitions. The tax deductible losses are tested twice a year for impairment. If these losses may not be used within a reasonable time, they will be written off. A deferred tax asset is recognized when the book value of goodwill is less than the tax base and it is expected that taxable profits will arise against which the temporary differences can be utilized.

Estimated future cash outflows to determine the carrying amount of the loans
As a result of the reclassification of the loans to current liabilities, changes arise in the expected future cash flows related to these loans. This revaluation difference is recognized in the income statement.

Pension obligations
The present value of the pension obligations depends on a number of actuarially determined factors based on a number of assumptions. The assumptions applied to determine net costs (net income) for pensions include expected rates for salary increases, price inflation, pension increases and the discount rate. Any changes in these assumptions will impact the book value of pension obligations. The gross defined benefit obligation is calculated periodically by independent actuaries.

The book value of pension obligations as at 31 December 2015 was 5.1 million euros (2014: 6.1 million euros).

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. Estimates and judgments 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.

Estimated contingent liabilities
If a contingent payment is agreed in a business takeover, the liability is valued at fair value based on expected future cash flows. This fair value is determined annually based on the terms agreed between the parties and the status of those conditions at the end of the reporting period.

Uncertain tax positions
The company is subject to tax on profits in different jurisdictions. Significant judgments must be made in determining the income tax provision. 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.

5 Segment information

Fagron's divisional structure is tailored to the various activities of Fagron; effective decision-making and individual responsibility are also accounted for. Because of the announced change in the reporting structure, the Fagron segment was to be reported in three segments as from 2015. The four new segments are Fagron Specialty Pharma Services, Fagron Trademarks, Fagron Essentials and HL Technology. This is in accordance with IFRS 8, which states that the operational segments must be determined on the basis of the components that the Executive Committee applies to assess the performance 'other 'of the operational activities and on which the decisions are based. The corresponding figures have been adjusted in accordance with the new segments.

Fagron is organized into four main operational segments:

1. **Fagron Specialty Pharma Services** (FSPS) refers to all personalized medication that is compounded in the 23 sterile and non-sterile compounding facilities Fagron has in Europe, United States, South America (Colombia) and South Africa.

2. **Fagron Trademarks** (FTM) refers to the innovative concepts, vehicles and formulations for Specialty Pharma developed by Fagron's own R&D team, often in close collaboration with prescribers, pharmacies and universities.

3. **Fagron Essentials** (FE) refers to all pharmaceutical raw materials, equipment and supplies a pharmacist needs to prepare medication in its own pharmacy.

4. **HL Technology** develops and produces innovative precision components and orthopedic tools for dental and medical professionals.

The segment results for continuing operations for the reporting period ending 31 December 2015 are as follows:

2015

(x 1,000 euros)	FSPS	FTM	FE	HL Tech-nology	Total
Turnover	187,894	50,343	225,212	9,547	**472,996**
Intersegment turnover			6,889		**6,889**
Total turnover	**187,894**	**50,343**	**232,101**	**9,547**	**479,885**
Operating result per segment	(160,420)	13,184	7,671	(10,773)	**(150,338)**
Financial result					**(44,991)**
Profit before taxes					**(195,329)**
Taxes on profits					**(6,954)**
Net result					**(202,283)**

The segment results for continuing operations for the reporting period ending 31 December 2014 are as follows:

2014

(x 1,000 euros)	FSPS	FTM	FE	HL Tech-nology	Total
Turnover	147,780	45,652	245,047	8,577	**447,056**
Intersegment turnover			5,095		**5,095**
Turnover	**147,780**	**45,652**	**250,142**	**8,577**	**452,151**
Operating result per segment	33,298	12,481	49,488	(931)	**94,336**
Financial result					**(24,483)**
Profit before taxes					**69,852**
Taxes on profits					**(26,663)**
Net result					**43,190**

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

2015

(x 1,000 euros)	FSPS	FTM	FE	HL Tech-nology	Total
Depreciation, amortization and impairment	197,823	1,506	35,413	11,938	**246,679**
Write-down on inventories	201	117	918		**1,236**
Write-down on receivables	873	56	310	28	**1,267**

2014

(x 1,000 euros)	FSPS	FTM	FE	HL Tech-nology	Total
Depreciation, amortization and impairment	7,785	1,329	5,575	1,653	**16,343**
Write-down on inventories	(84)	35	1,295		**1,246**
Write-down on receivables	893	55	488		**1,436**

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

2015

(x 1,000 euros)	FSPS	FTM	FE	HL Tech-nology	Held for sale	Total
Assets	172,069	52,823	456,077	8,413		**689,381**
Liabilities	316,200	77,517	358,655	1,783		**754,154**
Capital expenditure	16,485	1,888	7,619	166		**26,159**

2014

(x 1,000 euros)	FSPS	FTM	FE	HL Tech-nology	Held for sale	Total
Assets	336,779	57,920	483,745	21,059	74,249	**973,752**
Liabilities	275,781	76,273	444,198	2,500	18,051	**816,804**
Capital expenditure	2,204	1,235	8,495	557		**12,492**

Segment assets consist primarily of property, plant and equipment, intangible fixed assets, inventories, receivables and cash from operations.

Turnover of Fagron for continuing operations by geographical segments is as follows:

(x 1,000 euros)	2015	2014
United States	138,079	127,924
The Netherlands	117,945	114,813
Brazil	79,072	81,914
Belgium	31,858	26,341
Poland	19,113	16,201
Germany	15,734	15,475
France	14,952	14,272
Italy	10,642	10,851
Spain	9,627	9,733
Switzerland	9,547	8,577
Czech Republic	8,983	7,921
Denmark	6,819	7,046
United Kingdom	2,761	2,909
Colombia	2,712	975
Greece	2,290	858
South Africa	1,973	751
Australia	888	495
Total	**472,996**	**447,056**

Fagron has a broad customer base in which no customer accounts for more than 10% of turnover.

Concerning the geographical segments, Fagron applies the following allocation for fixed assets excluding deferred tax assets, for continuing operations:

(x 1,000 euros)	2015	2014
United States	173,593	299,028
The Netherlands	125,096	125,091
Brazil	70,678	93,583
Belgium	27,245	17,312
Other	90,997	105,272
Total	**487,609**	**640,286**

6 Turnover

(x 1,000 euros)	2015	2014
Sale of goods	472,996	447,056
Turnover	**472,996**	**447,056**

7 Other operating income

(x 1,000 euros)	2015	2014
Gain on disposal of fixed assets	318	476
Other operating income	8,350	2,877
Total other operating income	**8,668**	**3,353**

The change in the item 'Other operating income' relates mainly to a release of an earn-out regarding JCB Laboratories and the sale of the headquarter office in Belgium. These deals are regarded on a one off basis and thus form no part of the REBITDA.[1]

8 Employee benefit expenses

(x 1,000 euros)	2015	2014
Wages and salaries	81,185	67,043
Social security costs	16,855	15,156
Pension costs - defined benefit plans	687	642
Pension costs - defined contribution plans	1,444	1,237
Other post-employment benefit contributions	6,070	257
Other employee expenses	19,145	17,307
Total employee benefit expenses	**125,385**	**101,642**

Full-time equivalents continuing operations

Full-time equivalents (rounded at one unit)	2015	2014
Brazil	495	534
United States	474	384
The Netherlands	417	443
France	131	142
Poland	120	112
Czech Republic	114	100
Belgium	101	121
Colombia	72	25
Switzerland	61	67
Germany	40	54
Spain	38	42
Italy	36	36
Greece	32	32
South Africa	23	17
Denmark	11	10
China	9	7
United Kingdom	7	13
Australia	4	4
Total	**2,184**	**2,143**

[1] REBITDA is EBITDA before non-recurrent result.

At 31 December 2015, Fagron's workforce (fully consolidated companies), for continuing operations, comprised 2,334 (2014: 2,277) employees or 2,183.9 (2014: 2,142.7) full-time equivalents. The geographical distribution of the number of full-time equivalents is as follows:

Full-time equivalents (rounded to one unit)	2015	2014
Europe	1,107	1,172
North America	474	384
South America	567	559
Rest of the world	36	28
Total	**2,184**	**2,143**

9 Depreciation, amortization and impairment

(x 1,000 euros)	2015	2014
Depreciation and amortization	21,116	16,343
Impairment	225,563	
Write-down on inventories	1,236	1,246
Write-down on receivables	1,267	1,436
Total depreciation, amortization and impairment	**249,183**	**19,025**

Depreciation and amortization increased from 16.3 million euros in 2014 to 22.1 million euros in 2015, mainly as a consequence of increased depreciation on intangible fixed assets related to the acquisition of Bellevue in April 2014 and the acquisition of AnazaoHealth in April 2015.

Fagron recognized an impairment of 225.6 million euros in 2015, mainly as a result of the changed reimbursement system for non-sterile compounding in the United States and the consequence of this change on the profitability of Bellevue Pharmacy, as well as Freedom Pharmaceuticals. Further details involving the impairment are stated in note 15.

10 Other operating expenses

(x 1,000 euros)	2015	2014
Increase (decrease) in provisions for current liabilities	306	(700)
Increase (decrease) in provisions for pension liabilities	99	(630)
Taxes and levies (excluding income tax)	839	669
Other operating expenses	3,067	1,157
Total other operating expenses	**4,311**	**496**

In 2015, the line 'Other operating expenses' includes 1.1 million euros relating to acquisition costs, 0.8 million euros relating to losses on realized receivables and 0.5 million euros relating to results on fixed assets sold.

11 Financial result

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

(x 1,000 euros)	2015	2014
Financial income	1,147	731
Revaluation of financial derivatives	866	
Total financial income	**2,013**	**731**
Financial expenses	(19,328)	(3,305)
Interest expenses	(24,758)	(20,672)
Currency exchange differences	(2,917)	(839)
Revaluation of financial derivatives		(399)
Total financial expenses	**(47,004)**	**(25,215)**
Total financial result	**(44,991)**	**(24,483)**

The positive revaluation of financial derivatives of 0.9 million euros relates to the change in the market value of the interest rate hedges that are not a cash flow and do not qualify for hedge accounting in accordance with IAS 39. The interest hedging instruments are valued on the basis of discounted cash flows. This instrument hedges the interest risk on 70 million euros of the total financing.

The financial result, excluding the revaluation of the financial derivatives, amounts to -45.9 million euros, an increase of 90.4% compared to 2014 (-24.1 million euros). This increase is mainly due to costs related to the waiver (1.9 million euros), increased interest expenses as a result of a higher outstanding debt (1.3 million euros), exchange rate differences mainly as a result of a negative impact of the Brazilian Real (2.1 million euros), additional financing costs in relation to the privately placed loans (10.5 million euros), and costs incurred in relation to the multi-currency credit facility and privately placed loans (2.0 million euros). The latter two have been accelerated in the income statement recognition as a result of changes in the expected cash flows related to the loans.

12 Income tax expenses

Tax on profits from continuing operations are as follows:

(x 1,000 euros)	2015	2014
Current tax expenses	7,885	17,989
Deferred taxes	(931)	8,673
Tax on profits	**6,954**	**26,663**
Effective tax rate	(3.56%)	38.17%
Profit before income tax from continuing operations	**(195,329)**	**69,852**
Tax calculated at weighted Fagron NV's statutory tax rate	(66,392)	23,743
Effect of rate differences compared with foreign jurisdictions	(3,521)	(687)
Income not subject to taxes	(2,615)	(688)
Expenses not deductible for tax purposes	1,598	955
Tax on profit previous years	340	828
Effect of goodwill impairment (225.6 million euros)	76,669	
Other	875	2,511
Tax on profits	**6,954**	**26,663**

The increase in the item 'Income not subject to taxes' mainly concerns a release of an earn-out in relation to JCB Laboratories.

The increase in the item 'Expenses not deductible for tax purposes' mainly relates to non-deductible interest costs and financing costs.

The item 'Other' in 2015 relates to changes in nominal tax rates. In 2014 this relates to dividends.

13 Discontinued operations

In 2014, Fagron completed the divestment program in respect of its divisions Healthcare Specialities and Healthcare Solutions. The sale of Corilus represented the last part of the divestment program concerning the dental, medical and ICT activities announced in 2013.

Fagron sold the ICT division Corilus to AAC Capital on 13 March 2015 for a total consideration of 74 million euros. Management recognized no impairment, given that the sale value was higher than the carrying amount of the assets held for sale minus related liabilities. Further details on the sold assets and liabilities and on the calculation of the result on the sale are explained in notes 21 and 31.

The combined results of the discontinued operations included in the profit for the year and cash flows are set out below.

Result for the year from discontinued operations

(x 1,000 euros)	2015	2014
Operating income		**90,217**
Turnover		88,573
Other operating income		1,644
Expenses		**86,303**
Profit before tax		**3,914**
Attributable income tax expenses		(3,480)
Profit (loss) on sale of discontinued operations including sale costs	270	(27,467)
Profit (loss) for the year from discontinued operations (attributable to equity holders of the company)	**270**	**(27,033)**

Cash flows from discontinued operations

(x 1,000 euros)	2015	2014
Total cash flow from operating activities		11,172
Total cash flow from investment activities		(13,322)
Total cash flow from financing activities		3,660
Total net cash flow from discontinued operations		**1,510**

14 Earnings per share

(in euros)	2015	2014
Basic earnings (loss) per share	**(6.46)**	**0.53**
• from continuing operations	(6.47)	1.41
• from discontinued operations	0.01	(0.88)
Diluted earnings (loss) per share	**(6.44)**	**0.52**
• from continuing operations	(6.45)	1.39
• from discontinued operations	0.01	(0.87)

The earnings used in the calculations are as follows:

(x 1,000 euros)	2015	2014
Profit (loss) attributable to equity holders of the company	**(202,328)**	**16,226**
• from continuing operations	(202,598)	43,259
• from discontinued operations	270	(27,033)

The diluted earnings are equal to the 'basic' earnings.

The weighted average number of shares used in the calculations are as follows:

(number of shares x 1,000)	2015	2014
Weighted average number of ordinary shares	31,304	30,759
Effect of warrants and stock options	122	359
Weighted average number of ordinary shares (diluted)	31,425	31,118

No ordinary share transactions were executed after the balance sheet date which have impacted on earnings per share. The effect on the number of warrants and stock options that are anti-dilutive for the period but which could dilute basic earnings per share in the future is 932,500. These are warrants with an exercise price higher than the average stock price of Fagron in 2015.

15 Intangible fixed assets

(x 1,000 euros)	Goodwill	Develop-ment	Conces-sions & patents	Brands	Software	Other	Total
Net book value as at 1 January 2014	**371,630**	**23,108**	**1,411**	**1,335**	**3,103**		**400,587**
Investments		8,818	80	12	1,592		10,502
Acquisitions	168,021		6	41,027	5,071	295	214,419
Disposals		(114)			100		(14)
Amortization		(4,327)	(126)	(4,895)	(2,176)		(11,523)
Impairment							
Classified as assets held for sale	(46,912)	(24,478)	(293)	(1,047)	(16)		(72,746)
Other movements	(113)	(45)	(5)	(30)	376		183
Exchange differences	29,441	34	1	4,160	208		33,844
Net book value as at 31 December 2014	**522,069**	**2,996**	**1,073**	**40,560**	**8,259**	**295**	**575,252**
Gross carrying amount[1]	522,069	13,248	1,613	46,095	22,951	317	606,293
Accumulated amortization[2]		(10,252)	(540)	(5,535)	(14,692)	(22)	(31,040)
Net book value	**522,069**	**2,996**	**1,073**	**40,560**	**8,259**	**295**	**575,252**
Net book value as at 1 January 2015	**522,069**	**2,996**	**1,073**	**40,560**	**8,259**	**295**	**575,252**
Investments		702	16	36	2,369		3,123
Acquisitions	46,392		543	13,463			60,397
Disposals		(307)		341	266	(295)	6
Amortization		(984)	(165)	(8,549)	(2,460)		(12,158)
Impairment	(200,239)	(160)		(24,420)	(44)		(224,863)
Classified as assets held for sale							
Other movements							
Exchange differences	5,387	53	(75)	3,732	(253)		8,844
Net book value as at 31 December 2015	**373,608**	**2,302**	**1,392**	**25,163**	**8,136**		**410,601**
Gross carrying amount	373,608	6,206	2,064	64,659	19,190	24	465,750
Accumulated amortization		(3,905)	(671)	(39,495)	(11,054)	(24)	(55,149)
Net book value	**373,608**	**2,302**	**1,392**	**25,163**	**8,136**		**410,601**

[1] Excluding gross value of assets sold and assets transferred to assets reclassified as held for sale.

[2] Excluding gross value of assets sold and assets transferred to assets reclassified as held for sale.

The intangible fixed assets have not been pledged as security for obligations.

The category 'Development' consists mainly of unique software developed in-house in full control of Fagron. Part of the development costs are expensed and not capitalized, in accordance with IAS38. These are mainly related to employee costs.

Impairment

Goodwill is tested at least annually for impairment and consistently when a trigger event occurs.

In May 2015 the Group was confronted with a change in the reimbursement system for non-sterile preparations in the United States. The impact of this change affected the profitability of the cash-generating units Freedom Pharmaceuticals and Bellevue Pharmacy.

Especially the change in reimbursement system resulted in a downward revision of projected cash flows in such way that the recoverable amount of some cash-generating units is lower than its carrying amount. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation. The impairment test resulted in an impairment for

goodwill of 200.2 million euros and 24.6 million euros for the other intangible fixed assets. The impairment charge is included in the section impairment loss in the consolidated income statement.

The following table provides an overview of the impairment, plus the discount rate used in the calculation.

(x million euros)	Segment	Recoverable value	Impairment loss	Discount rate	Pre-tax discount rate
Bellevue Pharmacy	FSPS	3.5	178.2	10.3%	17.6%
Freedom Pharmaceuticals	ESS & TM	59.5	27.0	10.3%	15.7%
HL Technology	HL T	7.4	9.6	9.4%	11.8%

The losses at Bellevue Pharmacy and Freedom Pharmaceuticals are caused due to the decline in results in the United States for Bellevue Pharmacy and Freedom Pharmaceuticals as a result of the change in the reimbursement system (205.3 million euros). The impairment loss of 9.6 million euros at HL Technology is due to the decreasing results and cash flow in the light of developments in the market in which HL Technology operates.

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. Where a group of cash-generating units are operational in several segments, they are not regarded as comprising a segment. Goodwill is recognized at cost price less accumulated impairment losses.

The net book value of goodwill was attributed as follows to the cash-generating units:

(x million euros)	December 2015	December 2014
Fagron Europe Trademarks & Essentials	105.3	96.2
Fagron Netherlands Speciality Pharma	66.3	66.3
Fagron Brazil Trademarks & Essentials	61.0	81.6
Freedom Pharmaceuticals	53.5	72.7
AnazaoHealth	31.3	
Fagron United States Trademarks & Essentials	25.6	23.0
JCB Laboratories	17.7	15.9
Bellevue Pharmacy		140.9
Fagron France Specialty Pharma/Rest of World/HL Technology	12.9	25.5
Total	**373.6**	**522.1**

The decline in goodwill is due to the impairment loss in 2015, as described above.

Goodwill impairment tests on continuing operations

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. The realizable value of the cash-generating units is determined on the basis of the 'value in use' calculations.

The key judgments, estimates and assumptions that are commonly used are as follows:

- The first year of the model is based on detailed financial budgets approved by Management and the Board of Directors.
- The year-one budget figures are extrapolated for the years two to five, taking into account an internal growth rate. These figures take into account economic assumptions and historical experience of market share, revenue and expenses, capital expenditures and working capital.
- For the following years, an estimate of the perpetual growth is used. For the main cash-generating units, the following long term growth rates are used: 2% for Fagron Europe Specialty Pharma, Essentials and Trademarks, 2% for Fagron US Specialty Pharma, Essentials and Trademarks, and 7% for Fagron Brazil Essentials and Trademarks.

- Projections made for Brazil and the United States are done in their functional currency unit and are discounted at the weighted average capital cost of the unit. For the main cash-generating units the following weighted average cost of capital is used: 9.4% for Fagron Europe Specialty Pharma, Essentials and Trademarks, 10.3% for Fagron US Specialty Pharma, Essentials and Trademarks and 17.5% for Fagron Brazil and Essentials trademarks.

Of the main cash-generating units, Fagron Brazil Essentials and Trademarks has the smallest relative difference between the net book value of the asset and its enterprise value. The difference is estimated at 25 million euros. The following changes in assumptions could individually decrease the enterprise value to its net book value.

	Increase in maintenance capex as % of sales	Increase in discount rate (basis points)	Decrease in long-term growth (basis points)	Decrease in gross margin (basis points)
Fagron Brazil Essentials and Trademarks	1,526	353	558	552

The outcome of the impairment test for Fagron Europe Essentials and Trademarks, Fagron Netherlands Specialty Pharma and Fagron United States Specialty Pharma and Essentials and Trademarks with the exception of Bellevue Pharmacy and Freedom Pharmaceuticals shows that a reasonable change in the applied assumptions will not lead to an impairment.

The value of each cash-generating unit, according to the above mentioned calculations is compared with the net book value of the assets of the cash-generating unit. For all cash-generating units, the enterprise value exceeds the net book value, except for Bellevue Pharmacy, Freedom Pharmaceuticals, France Specialty Pharma and HL Technology for which the net book value equals the enterprise value.

Goodwill impairment tests on discontinued operations

As per 31 December 2015 no operations are classified as held for sale, see note 13. Therefore no impairment test can be performed.

16 Property, plant and equipment

(x 1,000 euros)	Land and buildings	Machinery and installations	Furniture and vehicles	Leasing and other similar rights	Other tangible assets	Assets under construction	Total
Net book value as at 1 January 2014	**29,321**	**7,758**	**4,285**	**2,011**	**2,077**	**2,002**	**47,454**
Investments	1,905	1,844	2,013	63	705	2,755	9,285
Acquisitions	6,288	3,622	1,851		2,061		13,822
Disposals	(181)	(5)	(93)		(176)		(454)
Depreciation	(2,033)	(2,861)	(1,756)	(697)	(1,658)		(9,006)
Classified as assets held for sale	(101)	(137)	(420)	(80)	(94)		(831)
Other movements	2,089	(55)	130		727	(3,753)	(862)
Exchange differences	(20)	92	220	32	119	118	561
Net book value as at 31 December 2014	**37,269**	**10,257**	**6,231**	**1,330**	**3,760**	**1,123**	**59,969**
Gross carrying amount	45,707	29,317	16,734	5,797	9,267	1,123	107,945
Accumulated depreciation	(8,439)	(19,060)	(10,503)	(4,468)	(5,507)		(47,976)
Net book value	**37,269**	**10,257**	**6,231**	**1,330**	**3,760**	**1,123**	**59,969**
Net book value as at 1 January 2015	**37,269**	**10,257**	**6,231**	**1,330**	**3,760**	**1,123**	**59,969**
Investments	2,622	7,745	2,142		1,412	10,158	24,079
Acquisitions	256	724	228	145	732	30	2,114
Disposals	(738)	(23)	(363)	(7)	(1,871)	(995)	(3,996)
Depreciation	(2,706)	(2,698)	(1,951)	(686)	(587)	(330)	(8,959)
Impairment	(318)	(135)	(1)	(192)	(54)		(699)
Classified as assets held for sale							
Other movements							
Exchange differences	(1,266)	(175)	(167)	130	111	(8)	(1,375)
Net book value as at 31 December 2015	**35,119**	**15,694**	**6,119**	**719**	**3,504**	**9,978**	**71,133**
Gross carrying amount	46,786	38,251	16,438	6,513	11,774	9,978	129,740
Accumulated amortization	(11,668)	(22,556)	(10,319)	(5,794)	(8,270)		(58,607)
Net book value	**35,119**	**15,694**	**6,119**	**719**	**3,504**	**9,978**	**71,133**

The Group's liability regarding financial leasing is guaranteed as the lessor holds the legal ownership of the leased assets. The other tangible fixed assets have no restrictions on the title of ownership. Nor have these assets been pledged as security for obligations, with the exception of a building owned by HL Technology on which a mortgage rests, *see note 34: Additional notes.*

17 Financial assets

(x 1,000 euros)	Financial assets available for sale	Loans and receivables	Total
Net book value as at 1 January 2014	**867**	**14,901**	**15,767**
Investments	731	2,509	3,240
Transfers and disposals		(13,875)	(13,875)
Discontinued operations	(2)	12	10
Classified as assets held for sale		(29)	(29)
Reimbursements		(49)	(49)
Other movements			
Net book value as at 31 December 2014	**1,595**	**3,469**	**5,064**
Investments		1,479	1,479
Transfers and disposals	(55)	(197)	(252)
Reimbursements			
Other movements		(432)	(432)
Net book value as at 31 December 2015	**1,540**	**4,319**	**5,859**

The assets available for sale mainly consist of a minority interest participation of 1.3 million euros. This asset is stated at cost due to the unavailability of reliable information on its fair value.

An analysis of the assets above showed that none of these assets needs to be impaired in 2015 and 2014.

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

18 Taxes, remuneration and social security

a) Current taxes, remuneration and social security

(x 1,000 euros)	2015	2014
Current income tax liabilities/(receivables) for the current year	(964)	10,962
Other current tax and VAT payable	10,934	8,827
Remuneration and social security payable	15,312	18,879
Current taxes, remuneration and social security	**25,282**	**38,668**

b) Deferred tax assets

(x 1,000 euros)	Differences in depreciation rates	Employee benefits	Provisions	Tax losses	Other	Total
Balance at 1 January 2014	**19,542**	**1,078**	**1,402**	**7,599**	**(1,330)**	**28,292**
Result	(1,539)	(128)	30	(2,986)	(6,339)	**(10,963)**
Change in scope of consolidation	5,228		292			**5,520**
Impairment				(486)		**(486)**
Balance at 31 December 2014	**23,231**	**950**	**1,724**	**4,127**	**(7,670)**	**22,362**
Result	64,441	271	(1,569)	12,700	3,301	**79,144**
Change in scope of consolidation	(719)					**(719)**
Impairment	(79,038)			(7,808)		**(86,846)**
Balance at 31 December 2015	**7,915**	**1,221**	**155**	**9,019**	**(4,369)**	**13,942**

The category 'Other' mainly concerns netting with deferred tax liabilities.

In 2015 goodwill has been impaired at the level of Bellevue Pharmacy and Freedom Pharmaceuticals for an aggregated amount of 205.3 million euros. For tax purposes, the goodwill can be amortized as a result of which the related deferred tax asset further increased. It is expected that limited future taxable profits are derived, as a result of which the deferred tax asset has been impaired for 79.0 million euros.

An impairment test on tax losses is performed twice per year. If it becomes clear that the losses cannot be assigned 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 to fifth year. Extending the result projections for one year will result in the deferred taxes increasing by one million euros.

Based on the impairment test on tax losses, an amount of 7.8 million euros has been written down. This relates to the envisaged rationalization of the corporate holding structure, but also to non-recognizing the current year tax losses of, amongst others, the US entities, Fagron NV, and the French entities. By year-end 2015, the tax losses came to 88.7 million euros, of which 32.5 million euros have been assessed, resulting in a deferred tax claim of 9.0 million euros.

c) Deferred tax liabilities

(x 1,000 euros)	Differences in depreciation rates	Other	Total
Balance at 1 January 2014	**4,654**	**(203)**	**4,451**
Result	4,211	(6,484)	**(2,273)**
Change in scope of consolidation	4,801		**4,801**
Discontinued operations		(817)	**(817)**
Balance at 31 December 2014	**13,666**	**(7,504)**	**6,162**
Result	(5,518)	875	**(4,643)**
Change in scope of consolidation			
Discontinued operations			
Balance at 31 December 2015	**8,148**	**(6,629)**	**1,519**

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

19 Inventories

(x 1,000 euros)	2015	2014
Raw materials	23,708	19,681
Work in progress	3,757	3,617
Finished goods	9,394	8,700
Trade goods	30,392	33,184
Inventories	**67,251**	**65,181**

The increase in inventories is mainly due to the acquired companies in Belgium and the US, *see note 30*. The inventories are not encumbered with collateral.

20 Trade receivables, other receivables, cash and cash equivalents

a) Trade receivables and other receivables

(x 1,000 euros)	2015	2014
Trade receivables	36,223	39,124
Provision for impairment of receivables	(2,133)	(2,787)
Total trade receivables	**34,090**	**36,337**
Other receivables	**11,031**	**18,043**

There is no concentration of credit risk with respect to trade receivables as the majority of Fagron's customers are internationally dispersed. If there are indications that trade receivables will be uncollectible, a provision has been made. Other receivables consist mainly of taxes to be refunded for the period and value added tax.

The decline in 'Other receivables' concerns capitalized financing costs in the amount of 2.0 million euros in connection with credit facilities re-classified from long-term to short-term in the result.

Fagron applies a strict credit policy towards 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.

			Of which due at year-end			
(x 1,000 euros)	Carrying amount	Of which not over-due at year-end	Less than 30 days	Between 31 and 90 days	Between 91 and 150 days	More than 150 days
Trade receivables at 31 December 2015	34,090	23,236	6,320	3,207	346	981
Trade receivables at 31 December 2014	36,337	27,522	4,791	2,784	758	482

(x 1,000 euros)	Provision for impairment of receivables
Balance at 1 January 2014	**(1,951)**
Additions	
• Via business combinations	(215)
• Other	(1,734)
Amounts used	897
Discontinued operations	247
Classified as held for sale	(31)
Balance at 31 December 2014	**(2,787)**
Additions	
• Via business combinations	(378)
• Other	(833)
Amounts used	1,814
Other	51
Amount at 31 December 2015	**(2,133)**

b) Cash and cash equivalents

(x 1,000 euros)	2015	2014
Investments with a maturity of less than three months	1,544	9,359
Cash at bank and in hand	73,930	99,193
Cash and cash equivalents	**75,474**	**108,552**

The decrease in cash and cash equivalents is mainly due to subsequent payments related to acquisitions and investments. The decrease in investments with a maturity of less than three months is due to fewer investments of cash in Poland.

The majority of liquid assets comprise 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.

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 Assets held for sale and related liabilities

(x 1,000 euros)	2015	2014
Assets held for sale		82,989
Liabilities directly associated with assets classified as held for sale		20,394

The assets held for sale as per 31 December 2014 related to Corilus activities which Fagron sold in March 2015, *see note 13*. No new assets were held for sale. Therefore the assets held for sale and liabilities directly associated with assets held for sale come to nil.

22 Equity

Authorized capital

By resolution adopted by the Extraordinary General Meeting of 7 September 2007, the Board of Directors was granted the power to increase the capital in one or more instalments by a maximum amount of 319,810,475.00 euros by means and on terms to be decided by the Board of Directors, such within a period of five years as of the publication date of said resolution in the Annexes of the Belgian Bulletin of Acts, Orders and Decrees.

The Extraordinary General Meeting decided on 14 May 2012 to renew the Board of Director's authorization to increase the authorized share capital, such within the limits of the existing authorization as set out in Article 5bis of the Articles of Association, in one or more rounds by a maximum amount of 320,023,050.35 euros, such within a period of five years from the date of announcing such a decision in the Annexes of the Belgian Bulletin of Acts, Orders and Decrees. This proxy to increase the capital may be exercised only subject to the approval of at least three fourths (3/4) of the directors present or lawfully represented.

As at 31 December 2015, the Board of Directors remains authorized to increase the capital by a maximum amount of 320,023,050.35 euros.

If the capital is increased within the limits of the authorized capital, the Board of Directors has the power to request payment of a share premium. If the Board of Directors adopts this decision, then this share premium will be deposited into a blocked account, the balance of which may only be reduced or transferred on the basis of a resolution adopted by a General Meeting of Shareholders in accordance with the clauses governing an amendment of the Articles of Association.

This power of the Board of Directors will apply to capital increases that are subscribed to in cash or in kind, or that result from capitalization of reserves with or without the issue of new shares. The Board of Directors is permitted to issue convertible bonds or warrants within the limits of the authorized 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. During 2015, 54,000 own shares were purchased (2014: 59,539). The decrease of own shares with 249,719 is due to the exercise of stock options (289,625), the acquisition of own shares (54,000) and the transfer of shares (14,094) relating to the variable remuneration of Fagron employees in 2015. As at 31 December 2015, Fagron NV owned a total of 327,760 own shares (2014: 577,479). In accordance with IFRS, these shares are deducted from equity and do not affect the income statement. In the context of Warrant Plan 1, 12,301 new shares were issued during 2015. In 2014, 73,002 new shares were issued. As at 31 December 2015, the total number of shares issued is 32,111,827 (2014: 31,431,360). The total number of shares outstanding as at 31 December 2015 is 31,784,067 (2014: 30,853,881).

	2015		2014	
Number of ordinary shares and the equity value thereof	Number of shares x 1,000	x 1,000 euros	Number of shares x 1,000	x 1,000 euros
Issued shares as per 1 January	31,431	319,660	31,358	318,927
Issue of shares under Warrant Plan	12	106	73	733
Issue of shares related to acquisition payments in shares	668	25,995		
Issued shares as per 31 December	32,112	345,760	31,431	319,660
Treasury shares as per 31 December	**328**	**18,823**	**577**	**20,235**
Shares outstanding as per 31 December	31,784	326,937	30,854	299,425

All ordinary shares are fully paid. The ordinary shares have no face value; the par value is 1/32,111,827th of capital as of 31 December 2015 (2014: 1/31,431,360th). Each ordinary share carries one vote and a right to dividends.

Share-based payments

On 6 September 2007, the Board of Directors approved two warrant plans for the benefit of the employees, directors and consultants of the company and/or subsidiaries (Warrant Plan 1 and Warrant Plan 2).

The warrants granted under Warrant Plan 1 (for employees) have a lifetime of eight years as of the date on which they are granted.

For employees (Warrant Plan 1) the warrants are exercisable in annual instalments of 25%, in May of the fourth, fifth, sixth and seventh calendar year after the calendar year in which the Warrants are offered.

Pursuant to a decision taken by the Board of Directors dated 11 May 2009, held in the presence of the civil-law notary Mr Dirk van Haesebrouck, the period during which the warrants granted to beneficiaries prior to 31 August 2008 in the context of Warrant Plan 1 are exercisable was extended by five years to 17 December 2020, in accordance with the Amendment Act (Herstelwet).

The warrants granted under Warrant Plan 2 (for directors and consultants) have a lifetime of five years as of the date on which they are granted. The warrants granted under Warrant Plan 2 were fully exercised as per 31 December 2015.

On 3 June 2014, the company's Board of Directors approved the Warrant Plan 2014 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 2 September 2014 in presence of notary Luc De Ferm. In total 2,140,000 warrants were issued. In 2015 50,000 warrants were granted at an exercise price of 38.06 euros.

The condition for vesting warrants 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 warrants are determined at the warrants' fair value on grant date and is spread over the vesting period of the warrants. The costs are recognized at the item 'Other Employee expenses' for the amount of 2.0 million euros for the financial year 2015 (2014: 2.1 million euros). The warrants are equity settled share based payment transactions.

On 5 June 2015, 12,301 (16 June 2014: 73,002) new shares were issued as a result of exercising warrants under the Warrant Plan 2014. The number of Fagron shares with voting rights is 32,111,827 (2014: 31,431,360). The total number of voting rights (denominator) is 32,111,827 (2014: 31,431,360). The authorized capital amounts to 329,066,195 euros (2014: 322,111,646 euros).

The movements in the number of outstanding warrants under Warrant Plan 1, Warrant Plan 2 and Warrant Plan 2014 and their related weighted average exercise prices are as follows:

	Average exercise price in euros	Number of warrants
Outstanding as at 1 January 2014	**9.70**	**94,064**
Exercised	10.25	(63,238)
Exercised	8.14	(6,888)
Exercised	7.77	(2,751)
Exercised	8.11	(125)
Forfeited	10.25	(2,759)
Forfeited	8.14	(1,000)
Forfeited	7.77	(375)
Granted	39.37	932,500
Outstanding as at 31 December 2014	**38.82**	**949,428**
Exercised	10.25	(3,150)
Exercised	8.14	(6,462)
Exercised	7.77	(2,564)
Exercised	8.11	(125)
Forfeited	39.37	(364,500)
Granted	38.06	50,000
Outstanding as at 31 December 2015	**39.04**	**622,627**

The related weighted average exercise price per share at year-end amounted to 39.04 euros in 2015 (2014: 38.82 euros).

As at 31 December 2015, the total number of warrants not yet exercised which could prompt the issue of the same number of shares of the company, amounted to 622,627. Their average exercise price amounts to 39.04 euros. Outstanding warrants at year-end have the following expiry dates and exercise prices:

Expiry date	Average exercise price in euros	Number of warrants
2016 – May	10.25	1,750
2016 – May	7.77	2,752
2016 – May	8.11	125
2017 – March	39.37	279,000
2017 – March	38.06	25,000
2018 – March	39.37	144,500
2018 – March	38.06	12,500
2019 – March	39.37	142,000
2019 - March	38.06	12,500
2020 – March	39.37	2,500
	39.04	**622,627**

Stock Option Plan

On 7 December 2009, the Board of Directors approved the Fagron NV Stock Option Plan (Stock Option Plan) for employees, directors and consultants of the company and/or subsidiaries, which approval was subsequently ratified by the Extraordinary General Meeting of 27 January 2010.

The options granted under the Stock Option Plan were granted free of charge and, in line with the plan, have a term of six years from the date of offer. Options not exercised at the end of the six-year term, on 16 January 2016 therefore, are void by operation of law.

In accordance with the provisions of Section 43, paragraph 4, 1° of the Act of 26 March 1999 concerning the Belgian Action Plan for Employment 1998 (the Stock Options Act), the exercise price shall be determined on the basis of the share's average closing price during the thirty days preceding the date of the offer of the options, and was therefore calculated at 8.5214 euros per option.
The options shall be exercisable during the third, fourth, fifth and sixth calendar year following the calendar year in which the options were offered, each time for 25%. The exercise of the options at the exercise price shall take place unconditionally and may only take place in the month of April of each calendar year and may take place for the first time in April 2012 in the proportions specified below:

Exercise maximum	Time
25 % of the options granted	April 2012
50 % of the options granted	April 2013
75 % of the options granted	April 2014
100 % of the options granted	April 2015

On 27 October 2011, the company's Board of Directors approved the Stock Option Plan 2011 for consultants and employees of Fagron NV and/or its subsidiaries, such under the suspensive condition of approval by the General Meeting. The Stock Option Plan 2011 was approved by the Annual General Meeting of 14 May 2012. In 2012, the procedure of Article 523 of the Belgian Companies Code was applied.

In June 2012, 250,000 stock options were granted at an exercise price of 13.73 euros. The options are settled via equity instruments. In 2014, 4,650 stock options were granted at an exercise price of 32.82 euros. In 2015, no stock options were granted.

During the financial year 2014 and 2015 the following number of options were exercised, granted and forfeited, including their corresponding average exercise price:

	Average exercise price in euros	Number of stock options
Outstanding as at 1 January 2014	**10.20**	**840,750**
Exercised	10.25	(48,625)
Exercised	8.52	(282,500)
Exercised	13.73	(22,500)
Granted	32.82	4,650
Outstanding as at 31 December 2014	**11.21**	**491,775**
Exercised	10.25	(13,625)
Exercised	8.52	(246,000)
Exercised	13.73	(27,500)
Forfeited	13.73	(5,000)
Outstanding as at 31 December 2015	**14.17**	**199,650**

Outstanding stock options at year-end have the following theoretical expiry dates and exercise prices:

Theoretical expiry date	Average exercise price in euros	Number of stock options
2016 – April	13.73	133,750
2017 – April	13.73	61,250
2018 – April	32.82	2,325
2019 – April	32.82	1,163
2020 – April	32.82	1,162
	14.17	**199,650**

Fair value

The fair value of the warrants and stock options was determined using the 'Black & Scholes' valuation model at grant date. The main data used in the model were the share price at grant date, the above-mentioned exercise price, the standard deviation of Fagron share price returns during option life and expected dividend, the option life specified above, and the annual risk-free interest rate.

The calculated fair value of the warrants is 6.895 euros. The calculated fair value of the stock options is 4.146 euros. The main data used to determine the fair value of the granted stock options during 2014 were the abovementioned exercise price, the standard deviation of expected share price returns of 25.6% with an expected dividend of 4.3%; the average expected option life of 3.5 years, and the annual risk-free interest rate of 1.0%. The main data used for the in 2014 granted warrants were the above mentioned exercise price, the standard deviation of expected share price returns of 28.24% with an expected dividend of 1.73%, an average expected warrant life of 3.8 years, and the annual risk-free interest rate of 0.47%. The same data are applied for the warrants granted in 2015.

In 2015, 50,000 new warrants were granted. No new stock options were granted. The costs of the warrants and stock options amounted in 2015 to 2.0 million euros (2014: 2.1 million euros).

Dividend

A dividend of 31.2 million euros was made payable in 2015 (2014: 22.2 million euros). This equates to a gross dividend of 1.00 euros per share (2014: 0.72 euros per share).

At the Annual General Meeting of 9 May 2016, a proposal will be made not to pay any dividend for 2015.

A further explanation of the equity is included in the Corporate Governance Statement.

Other reserves

(x 1,000 euros)	Consolidated reserves	Foreign currency translation reserve	Transactions with non-controlling interests	Remeasurement post-employment benefits	Share based payments	Total
Balance at 1 January 2014	**(195,967)**	**(33,923)**	**(1,575)**	**(61)**	**1,026**	**(230,499)**
Other comprehensive result		6,001		(2,541)		3,460
Share based payments					2,060	2,060
Change in non-controlling interest			1,198			1,198
Balance at 31 December 2014	**(195,967)**	**(27,922)**	**(377)**	**(2,602)**	**3,086**	**(223,781)**
Other comprehensive result		(26,399)		1,055		(25,344)
Share based payments					9,216	9,216
Change in non-controlling interest						
Balance at 31 December 2015	**(195,967)**	**(54,321)**	**(377)**	**(1,547)**	**12,302**	**(239,909)**

The change in non-controlling interests in 2014 is related to the purchase of 49% of the shares of Unit Dose Pack BV without paying any consideration.

23 Provisions

(x 1,000 euros)	Taxes	Disputes	Other	Total
Balance at 1 January 2014	**48**	**628**	**8,522**	**9,197**
Additions:				
• Through business combinations	2		50	52
• Other		15	43	58
Amounts used		(801)		(801)
Discontinued operations		35	(51)	(16)
Classified as assets held for sale		582	51	633
Related to disposed subsidiaries		(467)		(467)
Others		46		46
Transfers	(3)	25	166	188
Balance at 31 December 2014	**47**	**63**	**8,780**	**8,891**
Additions:				
• Through business combinations			9,174	9,174
• Other	294	123	900	1,317
Amounts used	(48)	(45)	(2,969)	(3,062)
Discontinued operations				
Classified as assets held for sale				
Related to disposed subsidiaries				
Others	(41)	(299)	7	(333)
Transfers		1,393	(1,393)	
Balance at 31 December 2015	**252**	**1,236**	**14,499**	**15,987**

In 2013 a provision was formed for unused accommodation. In 2015, the company made use of the provision, because the building lease of the unused accommodation was terminated in 2015.

In the acquisition balance sheet of Bellevue Pharmacy, a provision is made of 10 million US dollars for costs arising from an investigation initiated by the US government regarding pricing of compounded products in the period prior to acquisition of Pharmacy Services Inc. The survey of the US government covers the entire sector. The provision covers attorney fees and the possible settlement with the government. At year-end 2015, the provision amounts to 8.5 million euros. It is expected that this provision will be used between 2016 and 2018. Other provisions at year-end 2015 mainly relates to subsequent payments relating to settlements of the sale of companies, deferred taxes, employee benefits and social costs resulting from sales transactions. It is expected that these subsequent payments will take place in 2016.

24 Pension obligations

Pension obligations and costs

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

(x 1,000 euros)	2015	2014
Defined benefit obligations	4,358	5,305
Other defined benefit obligations	788	748
Pension obligations	**5,146**	**6,053**

The category 'Defined benefit obligations' include Fagron's Dutch defined benefit plans held by Fagron Services BV and Spruyt hillen BV. The 'Other defined benefit obligations' include multiple insignificant defined benefit plans, which are not further disclosed.

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

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

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)	2015	2014
Present value of defined benefit obligations	18,988	20,367
Fair value of plan assets	(14,630)	(15,062)
Present value of net defined benefit obligations	**4,358**	**5,305**
Net liability arising from defined benefit obligation	**4,358**	**5,305**

Movements in the present value of the defined benefit obligations and the fair value of the plan assets were as follows:

(x 1,000 euros)	Present value defined benefit obligations	Fair value of plan assets	Total
Balance at 1 January 2014	**16,458**	**(13,071)**	**3,387**
Service costs	(1,329)		**(1,329)**
Interest expense (income)	586	(519)	**67**
Remeasurements:			
• Return on plan assets (excluding interest income)		(2,215)	**(2,215)**
• (Gains)/losses arising from changes in demographic assumptions	110		**110**
• (Gains)/losses arising from changes in financial assumptions	5,989		**5,989**
• (Gains)/losses arising from experience adjustments	(1,261)		**(1,261)**
Employer contributions		557	**557**
Benefit payments from plan	(186)	186	
Balance at 31 December 2014	**20,367**	**(15,062)**	**5,305**
Service costs			
Interest expense (income)	446	(338)	**108**
Remeasurements:			
• Return on plan assets (excluding interest income)		605	**605**
• (Gains)/losses arising from changes in demographic assumptions			
• (Gains)/losses arising from changes in financial assumptions	(1,660)		**(1,660)**
• (Gains)/losses arising from experience adjustments			
Employer contributions			
Benefit payments from plan	(165)	165	
Balance at 31 December 2015	**18,988**	**(14,630)**	**4,358**

The assets comprise qualifying insurance policies and are not part of the in-house financial instruments of Fagron. The pension insurer invested the assets fully in Aegon Strategic Allocation Fund 80/20. This fund has a market quotation.

Actuarial assumptions

The principal actuarial assumptions used for the actuarial valuations are:

	31 December 2015	31 December 2014
Discount rate	2.60%	2.20%
Expected rate of salary increase	N/A	N/A
Expected rate of price inflation	N/A	N/A
Future rate of pension increases actives	2.00%	2.00%

The life expectancy is based on the 'Prognosetafel AG2014'.

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)	31 December 2015	31 December 2014
Service costs		(1,329)
Net interest costs	108	67
Administrative expenses and taxes		82
Defined benefit plan costs recognized in profit or loss	**108**	**(1,180)**
Remeasurement on the present value of the defined benefit liability:		
• Return on plan assets (excluding interest income)	605	(2,297)
• (Gains)/losses arising from changes in demographic assumptions		110
• (Gains)/losses arising from changes in financial assumptions	(1,660)	5,989
• (Gains)/losses arising from experience adjustments		(1,261)
Defined benefit costs recognized in other comprehensive income	**(1,055)**	**2,541**
Total defined benefit costs	**(947)**	**1,361**

From the end of 2014 there have been no new entrants to the defined benefit plan; further accruing only takes place in a defined contribution plan. New employees are offered a defined contribution plan. This explains the past service costs of zero in 2015.

The expected defined benefit costs for 2016 are 0.1 million euros and only concerns interest costs.

Sensitivity analysis

The sensitivity analysis shows the sensitivity of the defined benefit obligation as at 31 December 2015 and the 'Pension costs attributed for the year of service' compared to the principal actuarial assumptions.

The following table sets out the defined benefit obligation as at 31 December 2015 for each principal actuarial assumption compared to the corresponding amounts if the actuarial assumption of the various scenarios are applied. The increase in salary and price inflation is not included in the sensitivity analysis because the pension is non-contributory.

	Base scenario	Increase base scenario	Decrease base scenario
Weighted average discount rate	**2.60%**	**3.10%**	**2.10%**
Defined benefit obligation	18,988	17,084	21,097
Pension increase	**2.00%**	**2.50%**	**1.50%**
Defined benefit obligation	18,988	19,796	18,244
Life expectancy	**+/- 0 year**	**+ 1 year**	**-/- 1 year**
Defined benefit obligation	18,988	19,390	18,577

Pension plans in Belgium

Fagron has 9 pension plans in place in Belgium which are legally structured as Defined Contributions plans. Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called 'Vandenbroucke Law'), all Belgian Defined Contribution plans have to be considered under IFRS as Defined Benefit plans. The Vandenbroucke Law stated that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. This law was amended in 2015 as follows:

- The employer must continue to guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions made until 31 December 2015;
- As from 2016 the employer must guarantee a minimum return ranging between 1.75% and 3.75% for all contributions, depending on the development of the average interest on OLO 10 years over a period of 24 months. The current guaranteed minimum return is 1.75%.

Because of this minimum guaranteed return for defined contributions plans in Belgium, the employer is exposed to a financial risk. The employer has a legal obligation to pay further pension contributions to the pension 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 a 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 offered by 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 as defined benefit plans.

Management made an estimate of the potential additional liabilities as at 31 December 2015. Based on this estimation, it has been established that there are no substantive obligations. The 2015 employer's contributions for these Belgium pension plans amounts to 0.1 million euros (2014: 0.6 million euros). The employees' contributions 2015 is nil (2014: nil), the employees' contributions were stopped in 2014. The total amount of the plan assets as per 31 December 2015 amounts to 0.8 million euros (2014: 3.2 million euros).

25 Financial debts and financial instruments

(x 1,000 euros)	2015	2014
Non-current		
Financial lease liabilities	260	435
Bank borrowings	3,845	550,966
Other borrowings	307	103
Total non-current	**4,411**	**551,504**
Current		
Financial lease liabilities	238	361
Bank borrowings	594,670	5,318
Other borrowings		31
Total current	**594,908**	**5,710**
Total financial debt	**599,320**	**557,214**

(x 1,000 euros)	2015 Financial leases	2015 Bank borrowings	2014 Financial leases	2014 Bank borrowings
Non-current borrowings by term				
More than 1 year but less than 5 years	260	2,162	435	550,620
More than 5 years		1,990		450
Total non-current borrowings	**260**	**4,152**	**435**	**551,069**

a. Bank borrowings and financial instruments

The book value of the bank borrowings is expressed in euros. The effective interest rate at balance sheet date on 31 December 2015 was 3.51% (2014: 3.50%).

On 2 July 2012, Fagron NV issued bonds for an amount of 225 million euros. The nominal value of the bonds is 1,000 euros. The bonds have a maturity of five years and offer a fixed annual gross interest of 4.75%. The bonds are redeemable at 100% of the nominal value on 2 July 2017. The total EBITDA, calculated as result before interest, taxes, depreciation and amortization, of the guarantors is at least 70 per cent of the consolidated Group EBITDA.

On 15 April 2014, Fagron NV issued a series private loans comprising of 45.0 million US dollars 4.15% Series A Senior Notes due 15 April 2017, 22.5 million euros 3.55% Series B Senior Notes due 15 April 2017, 15.0 million euros 4.04% Series C Senior Notes due 15 April 2019, 5.0 million euros Floating Rate Series D Senior Notes due 15 April 2019, 20.0 million US dollars 5.07% Series E Senior Notes due 15 April 2019 and 60.0 million US dollars 5.78% Series F Senior Notes due 15 April 2021.

Fagron NV has also amended and extended the existing multi-currency facility on 16 December 2014. This new multi-currency facility of 220 million euros, which will mature in December 2019 and includes two additional one year extension options, was arranged through a syndicate of existing and new international banks. The new syndicate consists of ING (Coordinator), BNP Paribas, HSBC, KBC Bank, Fifth Third Bank and Commerzbank. The main covenant of this credit facility is a net financial debt/recurring EBITDA ratio with a maximum of 3.25. As at the closing date of 2015, an amount of 199 million euros had been withdrawn (2014: 178 million euros). The interest payable related to the multi-currency facility agreement is a variable interest rate ranging from one to six months.

On 30 December 2015, anticipating the covenant testing date for the credit facility, the company was granted a waiver by the lenders in respect of the financial covenants of the multi-currency credit facility and the privately placed loans. The waiver postpones the covenant testing, in respect of the financial covenants, from the original testing date on 31 December 2015 to 31 March 2016, hereby ensuring that there will be no event of default on the financial covenants at 31 December 2015 and therefore no cross default will be triggered in respect of the bond loan. The waivers are valid until the end of June 2016. The company will be in breach of its financial covenants on 30 June 2016 if a further amendment of the waiver is not granted by the lenders. As a consequence of the above, the bond loan of 225 million euros, the multi-currency credit facility of 199 million euros and the privately placed loans of 167 million euros are included within the current debts on the balance sheet at 31 December 2015. Interest expenses will rise in 2016 during the waiver period. More information on the granted waiver, possible solutions and the option to maintain the going concern principles are set out in note 2: Accounting Policies.

The interest risk relating to 70 million euros of these loans has been hedged with financial derivatives. The valuation of this instrument is in accordance with a Level 2 method. This implies that the valuation is 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 are 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. The interest hedging instruments are valued on the basis of discounted cash flows. The parameters used for these models are those applicable as at year-end and are therefore classified as Level 2. The valuation is calculated using the discounted cash flows of the nominal value and interest flows.

The fair value of these financial derivatives at year-end 2015 was -2.0 million euros (2014: -2.9 million euros). The full movement in fair value, 0.9 million euros profit (2014: 0.4 million euros loss), was charged to the result of 2015. Fagron has no other financial derivatives.

All financial instruments are measured at amortized cost except for derivative financial instruments and contingent considerations for acquisitions, which are valued at fair value. The amortized cost of the privately placed loans, the bond loan and the multi-currency credit facility, takes into account revised expected cash flows as a result of the expected overrun of the covenants as described above. The change of 12.5 million euros in the amortized cost was charged to the result of 2015. In the most positive scenario for expected cash flows, the carrying amount could be 10.0 million euros lower. In a worst case scenario for expected cash flows, the carrying amount could be 7.5 million euros higher. The fair value of the financial instruments valued at the amortized cost price approximates the carrying amount, with the exception of the bond loans. The fair value of the bond is approximately 197 million euros.

As do the borrowing companies, Fagron NV and Fagron Capital NV, the following companies serve as guarantors for the bank loan and bond loan concluded by Fagron:

Company name of guarantors
Fagron Nederland BV
SM Empreendimentos Farmaceuticos Ltda
Spruyt hillen BV
Pharma Cosmetic K.M. Adamowicz Sp. Z.o.o.
ACA Pharma NV
Fagron GmbH & Co KG
Arseus België NV
Fagron België NV
GMP Apotheek Mierlo-Hout BV
B&B Pharmaceuticals Inc.
Fagron Inc.
Freedom Pharmaceuticals Inc.
Pharmacy Services Inc. (part of Bellevue Pharmacy)

b. Financial leases

Property, plant and equipment include the following amounts where Fagron is a lessee under a financial lease.

(x 1,000 euros)	2015	2014
Cost-capitalized financial leases	6,513	5,797
Accumulated depreciation	(5,794)	(4,468)
Net amount of assets in leasing	**719**	**1,330**

The Group's liability regarding financial leasing is guaranteed as the lessor holds the legal property title of the leased assets.

The net amount of the financial leases concerns the following investments:

(x 1,000 euros)	2015	2014
Machinery and installations	704	1,284
Furniture and vehicles	15	46
Net amount of assets in leasing	**719**	**1,330**

Financial lease liabilities – minimum lease payments:

(x 1,000 euros)	2015	2014
Within 1 year	260	377
More than 1 year but less than 5 years	325	483
Total	**585**	**860**
Future charges on financial leases	88	64
Present values of financial lease liabilities	**498**	**796**

c. Operating leases

Operating lease liabilities – minimum lease payments:

(x 1,000 euros)	2015	2014
Within 1 year	4,026	5,933
More than 1 year but less than 5 years	7,451	10,727
More than 5 years	3,337	4,906
Total	**14,814**	**21,567**

There are no leases that individually represent an important part of the total. The fair values of the bank borrowings and financial leasing liabilities are calculated based on the present value of the future payments associated with the debt.

26 Trade payables

(x 1,000 euros)	2015	2014
Trade payables	58,250	57,440
Investment payables	4,793	
Total trade payables	**63,043**	**57,440**

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

27 Other current payables

(x 1,000 euros)	2015	2014
Prepayments	124	101
Other payables	26,532	108,235
Accrued expenses	15,204	10,783
Other current payables	**41,859**	**119,120**

(x 1,000 euros)	Total	Due as per 2016	Due as per 2017	Due as per 2018
Prepayments	**124**	124		
Other payables	**26,532**	12,113	8,278	6,140
Accrued expenses	**15,204**	15,204		
Other current payables	**41,859**	**27,441**	**8,278**	**6,140**

The 'Other payables' includes an amount of 21.7 million euros (2014: 87.6 million euros) related to amounts to be paid to existing participations (subsequent payments). The 'Accrued expenses' includes an amount of 7.4 million euros (2014: 7.6 million euros) related to interest payments on the bond loan. Other items of these expenses relate to various accruals, for which the majority relates to payable customers bonuses, the costs related to the refinancing and the severance payment to the former CEO.

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

28 Contingencies

Fagron is involved in a number of claims, disputes and legal proceedings within the normal conduct of its business. Management believes that these claims, disputes and legal proceedings will not, on aggregate, have a materially adverse impact on Fagron' financial position. The term 'material' in this context is defined as a financial risk exceeding 0.750 million euros.

29 Related parties

The overall remuneration package for members of the Executive Committee and the CEO individually, as well as the non-executive directors, for the 2015 and 2014 financial years was as follows:

(x 1,000 euros)	Fixed remuneration component[3]	Variable remuneration component	Other remuneration components[4]
2014 financial year			
Ger van Jeveren, CEO	600	720	31
Executive Committee, including the CEO	1,609	1,150	31
Non-executive members of the Board of Directors	123		
2015 financial year			
Ger van Jeveren, CEO until 14 December 2015	569		35
Hans Stols, CEO as from 14 December 2015	30		2
Executive Committee, including the CEO	2,481	222	109
Non-executive members of the Board of Directors	162		
Severance pay, Ger van Jeveren			1,785

[3] Costs incurred by Fagron, i.e. the gross amount including any social security contributions.

[4] Includes costs regarding pensions, insurances and the cash value of the other benefits in kind.

The variable remuneration component for the 2015 financial year is the bonus effectively paid out in 2016. The Remuneration Committee prepares proposals annually for the remuneration policy and/or other benefits for members of the Executive Committee and the CEO.

In 2015 no new stock options were granted.

In 2015 Mr Van Jeveren exercised 125,000 stock options, while other members of the Executive Committee exercised 74,125 stock options. The members of the Executive Committee, in the composition in effect on 31 December 2015, together hold 397,875 stock options.

30 Business combinations

Fagron completed a number of acquisitions in the 2015 financial year. Full control was acquired of all group companies. As the acquired activities were immediately – in their entirety or to a significant degree – integrated in existing entities of Fagron, their respective contributions to the profit of Fagron have not been reported separately.

Fair value of the acquired assets and liabilities Pharmacy Services Inc (Bellevue Pharmacy)

In April 2014, US company Bellevue Pharmacy was acquired. Fagron has further strengthened its worldwide market leadership with this acquisition of compounding facilities. Through this acquisition, Fagron gained the number one position in the US compounding market. The acquisition involved a payment of approximately 142.1 million euros (part of which comprised shares), representing an increase in goodwill of 124.7 million euros. Expectation was that the goodwill will be fully tax deductible. The fair value of the acquired assets and liabilities was determined as detailed below.

(x 1,000 euros)	
Intangible fixed assets	31,861
Property, plant and equipment	2,853
Deferred tax assets	2,681
Inventories	1,428
Trade receivables	3,726
Other receivables	125
Cash and cash equivalents	6,290
Total assets	48,965
Financial debts	4,352
Trade payables	819
Other current payables	26,359
Net acquired assets	17,435
Goodwill	124,656
Total acquisition amount	**142,091**

Fair value of the acquired assets and liabilities Panoramix BV

In January 2014, Panoramix BV was acquired. The acquisition involved a payment of approximately 49.3 million euros, representing an increase in goodwill of 40.8 million euros. The fair value of the acquired assets and liabilities was determined as detailed below.

(x 1,000 euros)	
Intangible fixed assets	1,987
Property, plant and equipment	6,022
Other non current assets	3
Deferred taxes	292
Inventories	1,853
Trade receivables	2,314
Other receivables	2,225
Cash and cash equivalents	(287)
Total assets	14,408
Financial debts	1,806
Trade payables	869
Other current payables	3,195
Net acquired assets	8,538
Goodwill	40,792
Total acquisition amount	**49,330**

Fair value of the acquired assets and liabilities AnazaoHealth Inc.

In April 2015, AnazaoHealth Inc. was acquired. AnazaoHealth Inc. is a sterile compounding pharmacy in the United States, specialized in nuclear, pain and intrathecal compounding. The acquisition involved a payment of approximately 36.6 million euros (8.1 million with shares) representing an increase in goodwill of 30.2 million euros. It was expected that the goodwill would be fully deductible. The provisional fair value of the acquired assets and liabilities was determined as detailed below.

(x 1,000 euros)	
Intangible fixed assets	11,994
Property, plant and equipment	1,561
Inventories	1,101
Trade receivables	2,775
Other receivables	980
Cash and cash equivalents	250
Total assets	18,662
Financial debts	1,224
Trade payables	976
Other current payables	10,068
Net acquired assets	6,394
Goodwill	30,168
Total acquisition amount	**36,562**

Fair value of the acquired assets and liabilities ABC Chemicals SA

In July 2015, ABC Chemicals SA was acquired in Belgium. The acquisition involved a payment of approximately 6.2 million euros, representing an increase in goodwill of 11.5 million euros. The provisional fair value of the acquired assets and liabilities was determined as detailed below.

(x 1,000 euros)	
Intangible fixed assets	19
Property, plant and equipment	104
Inventories	1,559
Trade receivables	582
Other receivables	708
Cash and cash equivalents	638
Total assets	3,610
Financial debts	6,806
Trade payables	640
Other current payables	1,463
Net acquired assets	(5,299)
Goodwill	11,484
Total acquisition amount	**6,185**

Fair value of the acquired assets and liabilities other acquisitions

Furthermore, some smaller companies and operations were acquired during 2015. The total net assets acquired, before allocation of the acquisition price, amounted to 4.9 million euros.

(x 1,000 euros)	
Intangible fixed assets	1,993
Property, plant and equipment	449
Other non current assets	6
Inventories	210
Trade receivables	322
Other receivables	45
Cash and cash equivalents	18
Total assets	3,043
Financial debts	207
Trade payables	214
Other current payables	388
Net acquired assets	2,234
Goodwill	2,702
Total acquisition amount	**4,936**

The fair value of a number of acquired assets and liabilities, acquired in 2015, was determined on a provisional basis. The fair value as stated is provisional because the integration process of the acquired entities and their activities is still ongoing. The provisional fair value of intangible fixed assets, property, plant and equipment, deferred tax and working capital can change when the final fair value of the assets and liabilities acquired is established.

The final determination of the fair value of the assets and liabilities from previous minor acquisitions, acquired in 2014, resulted in an adjustment of 2.3 million euros (increase of goodwill).

The total increase in goodwill by acquisitions amounts to 46.4 million euros. To a large extent, the goodwill relates to future profit potential due to operational benefits to be gained, including synergy and scale benefits and efficiency improvements, as well as commercial benefits in the form of access to new markets and realizing market leadership in both new and existing markets.

At year-end, the Group had an amount of approximately 3.3 million euros in contingencies. These fees payable to former shareholders were determined on the basis of business plans at the time of acquisition.

(x 1,000 euros)	Total	Due in 2016	Due in 2017
Contingencies	**3,264**	1,137	2,127

The contingencies relate to Greece, South Africa and South America.

The contingencies vary between 0 euros and a maximum of 3.3 million euros. The considerations are measured at the fair value at the moment of acquisition. This is estimated based on the maximum compensation if the conditions are met.

31 Discontinued operations

Consideration received

(x 1,000 euros)	2015	2014
Consideration received in cash and cash equivalents	74,001	30,831
Subsequent payments	(4,374)	2,251
Total consideration received	**69,627**	**33,232**

Fagron successfully finalized the sale of Duo-Med, Owandy Radiology, Eurotec Germany, Eurotec France and Arseus Medical. Duo-Med was sold to ABN Amro Participaties, Owandy Radiology to Villa Sistemi Medicali based in Milan and Arseus Medical was acquired by entrepreneurs Cedric De Quinnemar and Jan Ponnet. A sum of 30.8 million euros was received in these transactions, excluding earn-outs and vendor loans. The earn-outs are valued at fair value. The fair value is estimated at 0 euros.

In March 2015, Fagron sold the ICT division, Corilus, to AAC Capital. With the sale of Corilus, Fagron completed the last part of the divestment program of the dental, medical and ICT operations, as announced in 2013. For this transaction Fagron received an amount of 74.0 million euros.

Analysis of the assets and liabilities disposed of:

(x 1,000 euros)	2015	2014
Current assets	**11,300**	**44,805**
Inventories	1,440	11,849
Trade receivables	4,783	18,112
Other receivables	3,525	7,054
Cash and cash equivalents	1,552	7,789
Non-current assets	**73,636**	**22,789**
Goodwill	72,746	16,104
Other intangible fixed assets		472
Property, plant and equipment	831	3,960
Deferred tax assets		1,786
Other non-current assets	59	466
Current liabilities	**14,453**	**26,771**
Trade payables	7,201	15,359
Taxes, remuneration and social security	6,173	6,048
Other current payables	1,078	5,326
Non-current liabilities	**1,127**	**7,779**
Provisions		6,497
Pension obligations	61	726
Borrowings	109	557
Deferred tax liabilities	957	
Net assets disposed of	**69,357**	**33,232**

Gain (loss) on disposal

(x 1,000 euros)	2015	2014
Consideration received	69,627	33,232
Net assets disposed of	69,357	(33,232)
Gain (loss) on disposal	**270**	

32 Information on the Statutory Auditor, his remuneration and related services

The company's Statutory Auditor is PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, represented by its permanent representative, Mr Peter Van den Eynde.

(x 1,000 euros)	2015	2014
Audit fee for the Group audit		
Fagron Group	595	501
Audit fee for PricewaterhouseCoopers Bedrijfsrevisoren	237	188
Audit fee for parties linked to PricewaterhouseCoopers Bedrijfsrevisoren	359	313
Additional services rendered by the Statutory Auditor to Fagron		
Other audit assignments	25	162
Other non-auditing assignments	1	
Additional services rendered by parties linked to the Statutory Auditor		
Tax advisory services	130	165
Other non-auditing assignments	374	572

The item 'other non-auditing assignments' mainly relates to due diligence work, consulting and the preparation of special reports.

33 Significant events after the balance sheet date

Waterland

In the first quarter of 2016, Fagron successfully completed negotiations with a cornerstone investor (WPEF VI Holdco III BE B.V., a holding company whose shares are held (in)directly by Waterland Private Equity Fund VI CV and Baltisse NV) and five individual investors over a private capital increase in combination with a public capital increase amounting to a total of 220 million euros, subject to the approval of the General Meeting of Shareholders of Fagron. These investors made covenants with Fagron to subscribe, under certain conditions, for the first tranche of the capital increase in the approximate amount of 131 million euros and to exercise their pre-emptive rights in the second tranche of the capital increase. WPEF moreover committed itself, subject to certain conditions, to buy and to exercise all of the non-exercised rights in the second tranche.

Waiver

On 31 March 2015, anticipating the covenant testing date for the credit facilities, a waiver was granted by the lenders in respect of the financial covenants of the multi-currency credit facility and the privately placed loans. The waiver postpones to 30 June 2016 the covenant test in respect of the financial covenants with an original due date of 31 December 2015.

Bellevue Pharmacy

In May 2015, Fagron was confronted with a change in the reimbursement system for non-sterile preparations in the United States. The impact of this change impacted on the profitability of Bellevue Pharmacy. As a result of this, an impairment loss of 181.6 million euros was recorded for Bellevue Pharmacy in 2015. Due to the lossmaking results in the first quarter of 2016, the management has decided to close down the Bellevue Pharmacy operations.

34 Additional notes

1. **Off-balance sheet rights and liabilities – collateral:**
   HL Technology SA provided a mortgage registration in the amount of 1.0 million euros (1.1 million Swiss francs) related to its financing.

2. **Fagron NV signed a liability statement on behalf of a number of Dutch subsidiaries, specifically:**
   Fagron Nederland BV
   Arseus Dental BV
   Arseus Beheer BV
   Dutch BioFarmaceutics BV
   Fagron Brazil Holding BV
   Fagron BV
   Fagron Group BV
   Fagron Services BV
   Panoramix BV
   Pharmaline BV
   Pharma Assist BV
   Spruyt hillen BV
   GMP Apotheek Mierlo-Hout BV
   Twipe BV

3. **Fagron NV signed a liability statement on behalf of a number of a German subsidiary, specifically:**
   Fagron GmbH & Co KG
   Fagron GmbH & Co KG in Barsbüttel (Germany) is exempt from the obligation to set up its annual accounts and statements according to §264b of the German commercial code, and to audit and publish these in line with the applicable regulations for businesses.

35 List of the consolidated companies

Name	Address	Ownership
ABC Chemicals SA	Parc Industriel 19, 1440 Wauthier-Braine (Belgium)	100.0%
ABC Dental & Pharmaceutical Consultancy NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
ACA Pharma NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Alternate Sistemas E Informatica Ltda	Anchieta 285, 13.201-804 Jundiai (Brazil)	100.0%
AnazaoHealth Inc.	5710 Hoover Boulevard, 33634 Tampa, Florida (United States)	100.0%
ApodanNordic PharmaPackaging A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen (Denmark)	100.0%
APPEG SA	Rue de la Sambre 6, 6032 Charleroi (Belgium)	100.0%
Arseus Beheer BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Arseus België NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Arseus Capital NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Arseus Dental BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Arseus Dental Solutions SAS	Boulevard Ornano Zac Axe Pleyel 30, 93200 St-Denis (France)	100.0%
B&B Pharmaceuticals Inc.	17200 East Ohio Drive, 80017 Aurora Colorado (United States)	100.0%
Belgophar NV	Hillestraat 12, 8800 Roeselare (Belgium)	100.0%
Coast Quality Pharmacy LLC	5700 Hoover Boulevard 5710, 33634 Tampa (United States)	100.0%
DPI Inc.	5967 S. Garnett Rd., 74146 Tulsa, Oklahoma (United States)	100.0%
Ducere LLC	5710 Hoover Boulevard, 33634 Tampa, Florida (United States)	100.0%
Dynaceuticals Ltd	Kudu Street 606, White Thorn Office Park, Unit 2, 1737 Johannesburg (South Africa)	100.0%
Euphaco NV	Hillestraat 12, 8800 Roeselare (Belgium)	100.0%
Fagron a.s.	1098/31M, 779 00 Olomouc (Czech Republic)	73.1%
Fagron Academy LLC	1111 Brickell Avenue, Suite 1550, 33131 Miami, Florida (United States)	100.0%
Fagron België NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
Fagron Brazil Holding BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Fagron BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Fagron Colombia SAS	Calle 95 47A-28 Bogota (Colombia)	100.0%
Fagron Compounding Services LLC	1111 Brickell Avenue, Suite 1550,33131 Miami, Florida (United States)	100.0%
Fagron Compounding Services NV	Woestijnstraat 53, 2880 Bornem (Belgium)	100.0%
Fagron Compounding Services SAS	37 Rue Hélène Muller, 94320 Thiais (France)	100.0%
Fagron Compounding Supplies Australia Pty Ltd	Atkinson Road 2/16, Taren Point, 2229 Sidney (Australia)	100.0%
Fagron GmbH & Co KG	Von-Bronsart-Straße 12, 22885 Barsbüttel (Germany)	100.0%
Fagron Group BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Fagron Hellas A.B.E.E.	12Th Klm Trikala Larisa N.R. (Greece)	100.0%
Fagron Holding USA LLC	1209 Orange street, 19801 Wilmington, Dellaware (United States)	100.0%
Fagron Iberica SAU	Carrer de Josep Tapiolas 150, 08226 Terrassa (Spain)	100.0%
Fagron Inc.	2400 Pilot Knobroad, 55120 St. Paul, Minnesota (United States)	100.0%
Fagron Italia SrL	Via Lazzari 4-6, 40057 Quarto Inferiore (Italy)	100.0%
Fagron Lékárna Holding s.r.o.	1098/31M, 779 00 Olomouc (Czech Republic)	100.0%
Fagron Ltd	2315 Ocean Tower, 550 Yan An East Road, 200001 Shanghai, (China)	100.0%
Fagron Nederland BV	Venkelbaan 101, 2908 KE Capelle aan den IJssel (The Netherlands)	100.0%
Fagron Nordic A/S	Kigkurren 8M 2. Sal, 2300 Copenhagen (Denmark)	100.0%
Fagron NV	Textielstraat 24, 8790 Waregem (Belgium)	100.0%
Fagron Poland Sp. z o.o	Albatrosów 1, 30-176 Krakau (Poland)	100.0%
Fagron Sarl	Intendente Neyer 924, B1643 Béccar (Argentina)	100.0%
Fagron SAS	37 Rue Hélène Muller, 94320 Thiais (France)	100.0%
Fagron Services BV	Molenwerf 13, 1911 DB Uitgeest (The Netherlands)	100.0%
Fagron Services BVBA	Industrieweg 2, 2850 Boom (Belgium)	100.0%
Fagron South Africa Ltd	Erica Way 8, Somerset West Business Park, 7130 Cape Town (South- Africa)	100.0%

Name	Address	Ownership
Fagron UK Ltd	4B Coquet Street, NE1 2QB Newcastle upon Tyne (United Kingdom)	100.0%
Flores e Ervas Comercio Farmaceutico Ltda	Estrada Vicente Bellini, No 175 13.427-225 Piracicaba City (Brazil)	100.0%
Freedom Pharmaceuticals Inc.	801 W. New Orleans Street, 74011 Broken Arrow, Oklahoma (United States)	100.0%
GJD NV	Venecoweg 20A, 9810 Nazareth (Belgium)	100.0%
GMP Apotheek Mierlo-Hout BV	Steenovenweg 15, 5708 HN Helmond (The Netherlands)	100.0%
HL Technology SA	Rue Jardiniere 153, 2300 La Chaux-de-Fonds (Switzerland)	100.0%
JCB Laboratories LLC	3510 N. Ridge RD. STE.900, 67205 Wichita, Kansas (United States)	100.0%
Jupiter Health Holding LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Liberty Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Link Medical LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Mar-Kem Ltd	Main Road 20, Knysna, 6570 George (South Africa)	100.0%
Mercury Innovations LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Midwest Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Northern Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Panoramix BV	Münsterstraat 4, 7575 ED Oldenzaal (The Netherlands)	100.0%
Pharma Assist BV	Dieselstraat 3, 7903 AR Hoogeveen (The Netherlands)	100.0%
Pharma Cosmetic K.M. Adamowicz Sp. z.o.o.	Ul. Pasternik 26, 31-354 Krakau (Poland)	100.0%
Pharmacy Services Inc.	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Pharmaline BV	Münsterstraat 4, 7575 ED Oldenzaal (The Netherlands)	100.0%
PPH Galfarm Sp. z.o.o.	Ul.Przemysłowa, 12 30-701 Krakau (Poland)	100.0%
PSI Services Inc.	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Rausa Kem Pharmacy Ltd	Clarendon Street 61, Parow Valley, 7500 Cape Town (South Africa)	100.0%
Skinmaster Ltda	Calle 163A, 198-88, Bogota (Colombia)	100.0%
Slovgal s.r.o	Štúrova 19, 058 01 Poprad (Slovakia)	100.0%
SM Empreendimentos Farmaceuticos Ltda	Rua Jurupari, 803 – Jardim Oriental, 04348-070 Sao Paulo (Brazil)	100.0%
Southern Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Spruyt hillen BV	Tinbergenlaan 1, 3401 MT IJsselstein (The Netherlands)	100.0%
Texas Southern Rx LLC	Millwell Drive 212, Maryland Heights, 63043 Missouri (United States)	100.0%
Twipe BV	Lichtenauerlaan 182, 3062 ME Rotterdam (The Netherlands)	100.0%
Unit Dose Pack BV	Eijkenakker 12, 5571 SL Bergeijk (The Netherlands)	100.0%
Zenith Pharmaceuticals Cyprus Ltd	Doma Building Arch Makarios III Avenue 227, 3105 Limassol (Cyprus)	100.0%

ANNEX 2.
AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2015

Statutory Auditor's Report

Statutory Auditor's Report to the General Shareholders' Meeting on the consolidated accounts for the financial year ended 31 December 2015

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated income statement as at 31 December 2015 the consolidated statement of financial position, the consolidated statement of changes in equity and consolidated statement of cash flows as at 31 December 2015 and the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated financial statements – Unqualified opinion with explanatory notes

We have audited the consolidated financial statements of Fagron NV ("the Company") and its subsidiaries (jointly: "the Group"), prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements that apply in Belgium. The consolidated statement total assets amounts to KEUR 689,381 and the consolidated income statement shows a loss for the financial year in the amount of KEUR 202.328, attributable to the equity holders.

Board of Directors' responsibility for the preparation of the consolidated financial statements
The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

Statutory Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal financial control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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.
An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Group's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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 we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Unqualified opinion
In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2015 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Emphasis of matter
Without departing from our opinion as referred to above, we draw attention to note 2 'Accounting policies and continuity' on pages 83 and 84 of the annual report, where detailed reference is made to the existence of uncertainty of material importance which may give rise to significant doubts regarding the Group's ability to maintain its continuity and in which the Board of Directors has cited the valuation rules in the assumption of continuity.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify in all material respects, compliance with certain statutory and regulatory requirements. On this basis, we provide the following additional statements which does not impact our opinion on the consolidated financial statements:
The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Antwerp, 8 April 2016

The Auditor
PwC Bedrijfsrevisoren bcvba
Represented by:

Peter Van den Eynde
Bedrijfsrevisor/Reviseur d'entreprises

ANNEX 3.
INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2016

1. Interim management report

A detailed report on the turnover of the first quarter of 2016 can be found in the Fagron press release of 12 April 2016.

2. Condensed consolidated income statement

(x 1,000 euros)	Note	March 2016	March 2015
Operating income		**103,724**	**102,817**
Turnover		103,563	102,615
Other operating income		161	202
Operating expenses		**89,154**	**83,553**
Trade goods		37,663	37,381
Services and other goods		20,437	17,552
Employee benefit expenses		22,816	23,764
Depreciation and amortization		3,674	4,473
Other operating expenses		4,563	382
Operating profit		**14,570**	**19,264**
Financial income	8	10,433	329
Financial expenses	8	(14,781)	(8,390)
Profit before income tax		**10,222**	**11,203**
Taxes		3,452	3,943
Profit for the period from continuing operations		**6,771**	**7,260**
Profit (loss) for the period from discontinued operations (attributable to equity owners of the company)	17	(3,880)	3,724
Profit for the period		**2,890**	**10,984**
Profit attributable to:			
Equity holders of the company (net result)		2,600	10,854
Non-controlling interest		290	130
Earnings (loss) per share attributable to owners of the parent during the period			
Profit (loss) for the period per share (in euros)	9	**0.08**	**0.35**
From continuing operations	9	0.20	0.23
From discontinued operations	9	(0.12)	0.12
Diluted profit (loss) for the period per share (in	9	**0.08**	**0.35**
From continuing operations	9	0.20	0.23
From discontinued operations	9	(0.12)	0.12

3. Condensed consolidated statement of comprehensive income

(x 1,000 euros)	March 2016	March 2015
Profit for the period	**2,890**	**10,984**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	10,649	1,673
Other comprehensive income from the period	**10,649**	**1,673**
Total comprehensive income for the period	**13,539**	**12,658**
Attributable to:		
Equity holders of the company	13,252	12,511
Non-controlling interest	287	146
Total comprehensive income for the period attributable to equity holders of the company:		
From continuing operations	17,132	8,787
From discontinued operations	(3,880)	3,724

The unrealized exchange rate differences of 10.6 million euros are mainly due to the weakening of the Brazilian real and the US dollar against the euro.

4. Condensed consolidated statement of financial position

(x 1,000 euros)	Note	March 2016	December 2015
Non-current assets		**487,108**	**501,535**
Intangible assets		399,201	410,601
Property, plant and equipment		69,032	71,133
Financial assets		6,100	5,859
Deferred tax assets		12,776	13,942
Current assets		**163,010**	**187,846**
Inventories		70,068	67,251
Trade receivables		39,050	34,090
Other receivables		13,542	11,031
Cash and cash equivalents		40,350	75,474
Total assets		**650,118**	**689,381**
Equity		**(52,060)**	**(64,772)**
Shareholders' equity (parent)		(55,048)	(67,473)
Non-controlling interests		2,987	2,700
Non-current liabilities		**32,065**	**27,064**
Provisions	13	20,219	15,987
Pension obligations		5,192	5,146
Deferred tax liabilities		2,410	1,519
Borrowings	12	4,245	4,411
Current liabilities		**670,113**	**727,090**
Borrowings	12	572,393	594,908
Trade payables	14	42,936	63,043
Taxes, remuneration and social security		20,852	25,282
Other current payables	14	32,178	41,859
Financial instruments	12	1,753	1,996
Total liabilities		**702,178**	**754,154**
Total equity and liabilities		**650,118**	**689,381**

5. Condensed consolidated statement of changes in equity

(x 1,000 euros)	Share capital & share premium	Other reserves	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2015	**319,660**	**(223,781)**	**(20,235)**	**78,983**	**154,628**	**2,319**	**156,948**
Profit for the period				10,854	10,854	130	10,984
Other comprehensive income for the period		1,657			1,657	16	1,673
Total comprehensive income for the period		**1,657**		**10,854**	**12,511**	**146**	**12,658**
Capital increase							
Sale of treasury shares			(1,777)		(1,777)		(1,777)
Result on treasury shares							
Share-based payment		491			491		491
Balance at 31 March 2015	**319,660**	**(221,632)**	**(22,012)**	**89,837**	**165,854**	**2,465**	**168,320**
Profit for the period				(213,182)	(213,182)	185	(212,997)
Other comprehensive income for the period		(27,001)			(27,001)	48	(26,953)
Total comprehensive income for the period		**(27,001)**		**(213,182)**	**(240,183)**	**233**	**(239,950)**
Capital increase	26,101				26,101		26,101
Sale of treasury shares			6,569		6,569		6,569
Result on treasury shares			(3,380)		(3,380)		(3,380)
Dividends				(31,156)	(31,156)		(31,156)
Share-based payment		8,725			8,725		8,725

Balance at 1 January 2016	**345,760**	**(239,909)**	**(18,823)**	**(154,501)**	**(67,473)**	**2,700**	**(64,772)**
Profit for the period				2,600	2,600	290	2,890
Other comprehensive income for the period		10,652			10,652	(3)	10,649
Total comprehensive income for the period		**10,652**		**2,600**	**13,252**	**287**	**13,539**
Capital increase							
Sale of treasury shares							
Result on treasury shares							
Share-based payment		(827)			(827)		(827)
Balance at 31 March 2016	**345,760**	**(230,084)**	**(18,823)**	**(151,901)**	**(55,048)**	**2,987**	**(52,060)**

6. Condensed consolidated statement of cash flows

(x 1,000 euros)	March 2016	March 2015
Operating activities		
Profit before income taxes from continuing operations	10,222	11,203
Profit before income taxes from discontinued operations	(2,923)	2,173
Paid taxes	(3,768)	(14,044)
Adjustments for financial items	4,341	8,100
Total adjustments for non-cash items	5,011	6,898
Total changes in working capital	(34,104)	(34,922)
Total cash flow from operating activities	**(21,221)**	**(20,592)**
Investment activities		
Capital expenditures	(4,724)	(6,104)
Investments in existing shareholdings (subsequent payments) and in new holdings	(689)	(34,396)
Proceeds from disposal of assets		71,277
Total cash flow from investing activities	**(5,413)**	**30,777**
Financing activities		
Sale of treasury shares		(1,777)
New borrowings	35	14,209
Reimbursement of borrowings	(982)	(74,853)
Interest received	417	329
Interest paid	(7,454)	(4,857)
Total cash flow from financing activities	**(7,984)**	**(66,950)**
Total net cash flow for the period	**(34,617)**	**(56,764)**
Cash and cash equivalents – start of the period	75,474	108,552
Gains or losses on exchange on liquid assets	507	(4,403)
Cash and cash equivalents – end of the period	40,350	56,191
Change in cash and cash equivalents	**(34,617)**	**(56,764)**
Cash flows from discontinued operations		
Cash flow from operating activities	(5,209)	1,037
Cash flow from investing activities	(219)	(50)
Cash flow from financing activities	7	(39)
Total net cash flow from discontinued operations	**(5,421)**	**948**

7. Notes to the interim financial information

1. General information

Fagron is a scientific pharmaceutical R&D business focused on optimizing and innovating pharmaceutical care. Fagron provides Fagron Specialty Pharma Services, Fagron Trademarks and Fagron Essentials to pharmacies, clinics and hospitals in 32 countries worldwide.

The Belgian company Fagron NV is located at Textielstraat 24, 8790 Waregem, Belgium. The company's registration number is BE 0890 535 026. The operational activities of Fagron are driven by the Dutch company Fagron BV. The company's head office is located in Rotterdam.

Fagron NV shares are listed on Euronext Brussels and Euronext Amsterdam.

These consolidated financial statements were approved for publication by the Board of Directors on 9 May 2016.

2. Summary of the most important basis for the condensed consolidated interim financial information

This condensed consolidated interim financial information for the first quarter of 2016, including the comparative figures for 2015, has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information must be read in conjunction with the annual financial statements for the year 2015 (including the principles for financial reporting) which is available at www.fagron.com.

The consolidated financial statements for Fagron NV and its subsidiaries for full year 2015 have been prepared on the going concern basis, which assumes that the company will continue to be able to meet its liabilities as they fall due in the foreseeable future. Based on the situation at the end of that year, the directors expressed the existence of a material uncertainty which could cast doubt on the company's ability to continue as a going concern. On 5 May 2016, the Group received a long term waiver under its Revolving Loan Facility Agreement and Note Purchase Agreement and on 20 May 2016, the Group received the first tranche of the capital increase. The second tranche of the capital increase has also been fully underwritten by WPEF, which means that there is currently no uncertainty relating to the going concern basis of the company.

3. Summary of the most important accounting policies

The accounting policies used to prepare the consolidated interim financial statements for the first quarter of 2016 are consistent with those applied in the Fagron consolidated financial statements for the year ended 31 December 2015.

The accounting policies were consistently applied for all periods presented.

A summary of the most important accounting policies can be found in the 2015 annual report. The annual report can be consulted through the following web link: www.fagron.com.

This condensed consolidated interim financial information has been prepared in accordance with IFRS standards and IFRIC interpretations that apply, as for the financial year ending 31 December 2016 and which have been endorsed by the European Union.

4. Seasonality

Revenue and operating result of the Group are limited impacted by seasonal influences.

8. Net finance costs

(x 1,000 euros)	March 2016	March 2015
Financial income	10,433	329
Financial expenses	(14,781)	(8,390)
Net finance costs	**(4,348)**	**(8,061)**

The net finance costs have decreased due to a change in estimated cash flows of the financial debts in the first three months of 2016 compared to the end of 2015. Due to the received waiver on 5 May 2016 a long term solution is in place and this resulted in an adjustment of 10.0 million euros of the financial debt.

The decrease in net finance costs were partially compensated by higher interest expenses due to a combination of a higher average net debt and an increased interest rate (-1.8 million euros), refinancing costs including consultancy costs relating to the refinancing (-3.9 million euros) and currency exchange differences (-0.6 million euros).

The revaluation of the financial derivatives constitutes of a result of 0.2 million euros in the first quarter of 2016 and 0.1 million euros in the first quarter of 2015.

9. Earnings per share

	March 2016	March 2015
Basic earnings (loss) per share	**0.08**	**0.35**
- from continuing operations	0.20	0.23
- from discontinued operations	(0.12)	0.12
Diluted earnings (loss) per share	**0.08**	**0.35**
- from continuing operations	0.20	0.23
- from discontinued operations	(0.12)	0.12

The earnings used in the calculations are as follows:

(x 1,000 euros)	March 2016	March 2015
Profit (loss) attributable to equity holders of the	**2,600**	**10,854**
- from continuing operations	6,481	7,130
- from discontinued operations	(3,880)	3,724

The weighted average number of ordinary shares used in the calculations are as follows:

(number of shares x 1,000)	March 2016	March 2015
Weighted average number of ordinary shares	**31,784**	**30,821**
Effect of warrants and stock options		350
Weighted average number of ordinary shares	**31,784**	**31,170**

On 31 March 2016 the capital represented 31,784,067 shares. No new shares have been issued in the first quarter of 2016.

10. Non-recurring items

A non-recurring item is an event or transaction that is considered abnormal, not related to ordinary company activities, and unlikely to recur in the foreseeable future. This can be a gain or a loss. The total non-recurring items, from continued operations, included in the EBITDA amount to 4.0 million euros costs (March 2015: 1.2 million euros costs). The 2016 non-recurring items include primarily costs for a provision for an onerous contract related to a facility in the US, a provision for a tax assessment in Brazil and a profit related to the release of the provision for equity based compensation plans. The 2015 non-recurring items include primarily dismissal costs and other smaller costs.

(x 1,000 euros)	March 2016	March 2015
Operating profit	**14,570**	**19,264**
Depreciation and amortization	3,674	4,473
EBITDA	**18,245**	**23,737**
Provision for onerous contract	3,889	
Provision for tax assessment in Brazil	790	
Other non-recurring items	(664)	1,234
Total non-recurring items	**4,015**	**1,234**
REBITDA	**22,260**	**24,972**

11. Segment information

Fagron's divisional structure is tailored to the various activities of Fagron and also supports effective decision-making and individual responsibility. This is in accordance with IFRS 8, which states that the operational segments must be determined on the basis of the components that the Executive Committee applies to assess the performance of the operational activities and on which the decisions are based. Since 2015 Fagron reports according to the following segments: Fagron Specialty Pharma Services, Fagron Trademarks, Fagron Essentials and HL Technology.

1. **Fagron Specialty Pharma Services** refers to all personalized medication that is prepared in the sterile and non-sterile facilities in Europe, the United States, Colombia and South Africa.

2. **Fagron Trademarks** encompasses the innovative concepts, vehicles and formulations developed by Fagron's R&D team, often in close collaboration with prescribers, pharmacies and universities.

3. **Fagron Essentials** refers to all pharmaceutical raw materials, equipment and consumables that pharmacists require in order to be able to prepare medication in the pharmacy.

4. **HL Technology** develops and produces innovative precision components and orthopedic tools for dental and medical professionals.

The segment results for continuing operations for the reporting period ending 31 March 2016 are as follows:

(x 1,000 euros)	Fagron Specialty Pharma Services	Fagron Trademarks	Fagron Essentials	Fagron Total	HL Technology	Total
Total turnover	37,809	11,814	52,774	102,397	1,978	104,375
Turnover between segments			812	812		812
Turnover	**37,809**	**11,814**	**51,962**	**101,585**	**1,978**	**103,563**
Operating profit	6,162	3,755	4,950	14,867	(297)	**14,570**
Financial result						**(4,348)**
Profit before income tax						**10,222**
Taxes						**3,452**
Profit for the period						**6,771**

The segment results for continued operations for the reporting period ending 31 March 2015 are as follows:

(x 1,000 euros)	Fagron Specialty Pharma Services	Fagron Trademarks	Fagron Essentials	Fagron Total	HL Technology	Total
Total turnover	27,631	11,594	61,337	100,561	2,848	103,409
Turnover between segments			794	794		794
Turnover	**27,631**	**11,594**	**60,543**	**99,767**	**2,848**	**102,615**
Operating profit	4,968	3,214	11,992	20,174	(910)	**19,264**
Financial result						**(8,061)**
Profit before income tax						**11,203**
Taxes						**3,943**
Profit for the period						**7,260**

On 31 March 2016, the assets and liabilities, as well as the capital expenditure (investments) are as follows:

(x 1,000 euros)	Fagron Specialty Pharma Services	Fagron Trademarks	Fagron Essentials	HL Technology	Total
Total assets	139,948	55,927	445,078	9,165	**650,118**
Total liabilities	274,809	80,885	344,717	1,766	**702,178**
Capex	2,003	145	1,397		**3,545**

The capital expenditure in the first three months of 2016 mainly relates to the construction of new sterile facilities in the United States, The Netherlands and South Africa and the automation of the warehouse in Belgium. The Group is currently engaged in various small capital improvement projects. The capex excludes the change in investment payables for 1.2 million euros, mainly related to the investments mentioned above. The Group currently has a commitment of 5.4 million euros regarding the sterile manufacturing facility in Hoogeveen.

On 31 December 2015, the assets and liabilities, as well as the capital expenditure (investments) are as follows:

(x 1,000 euros)	Fagron Specialty Pharma Services	Fagron Trademarks	Fagron Essentials	HL Technology	Total
Total assets	172,069	52,823	456,077	8,413	**689,381**
Total liabilities	316,200	77,517	358,655	1,783	**754,154**
Capex	16,485	1,888	7,619	166	**26,159**

The capital expenditure in 2015 mainly relates to the construction of new sterile facilities in the United States, The Netherlands and South Africa, the automation of the warehouse in Belgium and facility and office improvements. The capex excludes the change in investment payables for 4.1 million euros, mainly related to the investments mentioned above.

12. Borrowings

The classification of the borrowings in the condensed consolidated statement of financial position does not yet reflect the long term waiver of 5 May 2016. The outstanding borrowings are therefore still classified as current liabilities.

The interest risk relating to 70 million euros of the loans has been hedged with financial derivatives. The valuation of this instrument is in accordance with a Level 2 method. This implies that the valuation is 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 are 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. The interest hedging instruments are valued on the basis of discounted cash flows. The parameters used for these models are those applicable as at quarter-end and are therefore classified as Level 2. The valuation is calculated using the discounted cash flows of the nominal value and interest flows.

The fair value of these financial derivatives at the end of March 2016 was -1.8 million euros (March 2015: -2.7 million euros). The full movement in fair value, 0.2 million euros profit (March 2015: 0.1 million euros profit), was charged to the result. Fagron has no other financial derivatives.

13. Provisions

The increase in provisions in the first three months of 2016 are due to the creation of a provision for an onerous contract related to a facility in the US (3.9 million euros) and a provision for a tax assessment in Brazil (0.8 million euros).

In the acquisition balance sheet of Bellevue Pharmacy, a provision is made of 10 million US dollars for costs arising from an investigation initiated by the US government regarding pricing of compounded products in the period prior to acquisition of Pharmacy Services Inc. The survey of the US government covers the entire sector. The provision covers attorney fees and the possible settlement with the government. At quarter-end 2016, the provision amounts to 8.8 million euros.

Additionally, a claim by Henry Schein regarding a dispute on the sale of multiple companies in 2013 was settled in April 2016 for 5.1 million euros, for which a provision existed. A provision for 0.6 million euros remains for other small disputes related to discontinued operations.

The Group has a number of other small, immaterial provisions mostly relating to product liability claims and employment matters in the ordinary course of business.

14. Payables

The decrease in trade payables in the first quarter of 2016 compared to the end of December 2015 can be explained due to more efficient working capital management during semester closings. The decrease in other current payables is primarily related to a decrease of the SARS liability (for further information, see chapter 17).

15. Related parties

The members of the Executive Committee, the CEO and the non-executive directors are considered as related parties. The remuneration policy is described in the Corporate Governance Statement which is part of the 2015 annual report. The remuneration is determined on a yearly basis, therefore no further details are provided in these interim financial statements.

Fagron rents a building in Tulsa, Oklahoma (United States) from the family of Jake Jackson (former President of Fagron North America).

16. Business combinations

In the first quarter of 2016 Fagron did not acquire new companies. Furthermore, there were no changes in goodwill from acquisitions during the first three months of the year.

Contingent considerations

At the first quarter closing the Group had 2.381 million euros in contingencies. These fees payable to former shareholders were determined on the basis of business plans at the time of acquisition.

(x 1,000 euros)	2015
Balance at 1 January 2016	**3,264**
Used during the period	883
Balance at 31 March 2016	**2,381**

The contingent considerations relate to Greece, South Africa and South America.
The contingent considerations vary between 0 euros and a maximum of 2.4 million euros. The considerations are measured at the fair value at the moment of acquisition. This is estimated based on the maximum compensation if the conditions are met.

17. Discontinued operations

At the beginning of the year, the Group announced that it has decided to close Bellevue Pharmacy. The changed reimbursement system in the United States had a major impact on the turnover and profitability of Bellevue Pharmacy. After the impairment on Bellevue Pharmacy at the end of 2015 and the losses in the first quarter of 2016, the Group decided to close Bellevue Pharmacy.

Result for the year from discontinued operations:

(x 1,000 euros)	March 2016	March 2015
Operating income	**4,223**	**15,185**
Turnover	4,210	15,185
Other operating income	13	
Expenses	**7,146**	**13,012**
Profit before income tax	**(2,923)**	**2,173**
Attributable income tax expenses	82	(842)
Profit (loss) on remeasurement to fair value, settlement costs and costs to sell	(1,040)	2,393
Profit (loss) for the year from discontinued operations (attributable to Equity holders of the company)	**(3,880)**	**3,724**

Profit (loss) on remeasurement to fair value, settlement costs and costs to sell in 2016 include a release of the SARS liability (-11.0 million euros), the impairment of tangible assets and intangible assets (8.8 million euros), costs related to the closing of the company (3.2 million euros). The necessary provisions for closure have been made.

The SARS liability relates to an appreciate rights incentive plan for the benefit of certain senior executives at Bellevue Pharmacy. The plan was created and entered into on 1 January 2013, prior to its acquisition by the Group and the amount was part of the acquisition value. In May 2016 an agreement was reach between the Group and the former Bellevue Pharmacy employees, resulting in a release of part of the SARS liability.
The expected proceeds of sale less costs to sell of the tangible and intangible assets of Bellevue Pharmacy are less than zero, therefore these assets have been impaired to zero.

18. Subsequent events

Waiver

On 5 May 2016, the Group received a long term waiver under its Revolving Loan Facility Agreement and Note Purchase Agreement which permanently waived its existing defaults and adjusts the financial covenants to give the Group additional headroom. The levels of the financial covenants will decrease upon every six-month testing period, starting with the first testing period ending on 31 December 2016, until the testing period ending on 30 June 2018. For any testing period ending after 30 June 2018, the levels of both financial covenants revert to those set out in the original Revolving Facility Agreement and Note Purchase Agreement.

First tranche of capital increase

Fagron announced on 20 May 2016 that the capital increase with cancellation of the preferential subscription rights of the existing shareholders (first tranche of the capital increase) of approximately 131 million has been completed successfully. In the first tranche of the capital increase, Fagron placed 22,626,387 new shares to WPEF VI Holdco III BE B.V., Alychlo NV, Carmignac Gestion S.A., Carmignac Portfolio SICAV, Midlin NV, Bart Versluys and Johannes Stols. The subscription price was €5.7916 per share.

Changes in the Executive Committee

During the annual shareholdings meeting of 9 May 2016, Jan Peeters announces that he has decided to resign and is stepping down as director and CFO of Fagron with immediate effect. The Board of Directors has unanimously decided to appoint Karin de Jong, employed by Fagron since May 2008, as CFO. In addition, the Board of Directors has appointed Rita Hoke as member of the Executive Committee and as President of Fagron North America.

Changes in the Board of Directors

Six new members joined the Board of Directors: Frank Vlayen, Matthias Geyssens, Nathalie Clybouw, Filiep Balcaen, Freya Loncin and Michael Schenck.

19. Effective tax rate

Recognised income tax expenses are based on management's best estimate of the weighted average annual income tax rate of 33.8%, which is expected for the full financial year 2016 (Q1 2015: 35.2%).

Statutory Auditor's Report

Statutory auditor's report on review of condensed consolidated financial information for the period ended 31 March 2016.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Fagron NV and its subsidiaries as of 31 March 2016 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the 3-month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Antwerp, 10 June, 2016

The statutory auditor
PwC Reviseurs d'Entreprises sccrl / Bedrijfsrevisoren bcvba
Represented by

Peter Van den Eynde
Statutory auditor

ANNEX 4.
STATUTORY AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE PERIOD ENDED 31 MARCH 2016

To the Board of Directors
Fagron NV

FREE TRANSLATION

Statutory auditor's report on review of condensed consolidated financial information for the period ended 31 March 2016

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Fagron NV and its subsidiaries as of 31 March 2016 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the 3-month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review.

Scope of Review

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Antwerp, June 10, 2016

The statutory auditor
PwC Reviseurs d'Entreprises sccrl / Bedrijfsrevisoren bcvba
Represented by

Peter Van den Eynde
Bedrijfsrevisor

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