

**BOARD OF DIRECTORS' REPORT OF "LABORATORIO REIG JOFRE, S.A.", IN  
RELATION TO THE CAPITAL INCREASE BY MONETARY CONTRIBUTIONS  
EXCLUDING THE SHAREHOLDERS' PRE-EMPTIVE RIGHTS AND INCOMPLETE  
SUBSCRIPTION FORECASTS, UNDER THE AUTHORIZATION OF THE GENERAL  
SHAREHOLDERS MEETING HELD ON 22 JUNE 2016.**

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## **1. PURPOSE OF THE REPORT.**

The Board of Directors of the company "LABORATORIO REIG JOFRE, S.A.". (hereinafter, the "**Company**"), pursuant to the authorization granted by the General Shareholders' Meeting of the Company held on 22 June 2016 under the section sixth of the Meeting's agenda and in relation to the faculty to increase the share capital on one or several occasions by monetary contributions and exclusion of the shareholders' pre-emptive right (hereinafter, the "**Capital Increase**"), has prepared this report (hereinafter, the "**Report**") to justify and detail the valuation of the Company's shares, the detailed justification of the proposal to suppress the shareholders' pre-emptive right, the detailed justification of the type of share issue and the indication of the addressees to whom the new shares are to be attributed, all in accordance with the provisions of section 308 of the Royal Legislative Decree 1/2010, of 2 July, approving the revised text of Spanish Companies Act (hereinafter, the "**Spanish Companies Act**" or "**LSC**", indistinctly).

Specifically, the Capital Increase detailed herein includes the proposal to exclude the shareholders' pre-emptive rights, in accordance with the following legal provisions: (i) sections 286 and 297 of the Spanish Companies Act, regarding the report to be prepared by the directors in relation to the Capital Increase agreement and the subsequent amendment of the Articles of Association; and (ii) sections 308, 504 and 506 of the Spanish Companies Act regarding the exclusion of shareholders' pre-emptive rights within the framework of a capital increase, requiring that (y) the interest of the company so requires it; and (z) the nominal value of the shares to be issued, in addition to, where applicable, the amount of the share premium corresponds to the fair value resulting from the report of an auditor other than the auditor of the company's accounts, appointed for this purpose by the Commercial Registry.

The Report also includes the complete text of the proposed Capital Increase resolution that the Board of Directors intends to adopt.

This Report, together with the report to be issued by an auditor other than that of the Company, appointed for this purpose by the Commercial Registry, in accordance with the provisions of sections 308.2.a) and 506.4 of the Spanish Companies Act, will be notified to the first General Shareholders Meeting held after the execution of the Capital Increase resolution referred to in this Report and, in addition, will be made available to shareholders on the corporate website ([www.reigjofre.com](http://www.reigjofre.com)) in compliance with Recommendation 5 of the 2015 Good Governance Code of Listed Companies.

This Report is issued on the basis of the advice and information received from SOLVENTIS A.V., S.A. as the coordinating and collaborating entity of the Capital Increase (hereinafter, the "**Collaborating Entity**").

## **2. AUTHORIZATION OF THE GENERAL SHAREHOLDERS MEETING IN FAVOUR OF THE BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL.**

The Company's General Shareholders' Meeting, held on 22 June 2016, resolved, under section sixth of the agenda, to authorize the Board of Directors to increase the share capital, with the exclusion of the shareholders' pre-emptive rights. The literal wording of said agreement is as follows (hereinafter, the "**Authorization**"):

***“Sixth- Authorization in favour the Board of Directors to increase the Company's share capital up to a maximum of 40% of the subscribed share capital, on one or several occasions, and at any time, within a maximum period of 5 years, by means of monetary contributions, with express power to agree, where appropriate, the exclusion of the shareholders' pre-emptive rights up to a limit of 20% of the share capital.***

*To delegate in favour the Board of Directors, in accordance with the provisions of section 297.1.b) of the Spanish Companies Act, the faculty to increase, on one or several occasions, the Company's share capital by a maximum amount of up to 40% of the share capital on the date of this authorization, taking into consideration for these purposes the execution of the share capital decrease agreed, where appropriate, in the preceding section fifth of the Meeting's Agenda, i.e. up to the amount of 12,642,844.00 Euros.*

*The increase or increases in the share capital that may be agreed must be carried out within a maximum period of five years from today.*

*Said capital increase or increases may be carried out, with or without a share premium, either by increasing the nominal value of the existing shares in accordance with the requirements established by law, or by issuing new ordinary or privileged shares, with or without voting rights, or redeemable shares, or any other shares admitted in law or in several forms at the same time. The exchange value of the new shares or the capital increase shall be in cash.*

*Likewise, the Board of Directors is authorized to fix the terms and conditions of the share capital increase(s) and the characteristics of the shares in all aspects not specifically mentioned herein, as well as to freely offer the new shares not subscribed within the period or periods for exercising the shareholders' pre-emptive rights. The Board of Directors may also establish that, in the event of incomplete subscription, the share capital shall be increased only by the amount of the subscriptions effectively disbursed and redraft the corresponding article of the Articles of Association relating to share capital and the number of shares.*

*By virtue of this authorization, the Board of Directors is also empowered to request the admission to trading on official secondary markets of the shares issued by virtue of this authorization, and to carry out the necessary procedures and actions to obtain said admission to trading before the competent bodies of the different securities markets.*

*The Board of Directors is expressly empowered to exclude, in whole or in part, shareholders' pre-emptive rights up to a maximum nominal amount, as a whole, equal to 20% of the share capital in relation to all or any share issues agreed upon on the basis of this authorization, in accordance with the provisions of section 506 of the Spanish Companies Act.*

*In any event, if the Board decides to suppress the shareholders' pre-emptive rights in relation to any or all of the aforementioned capital increases, at the same time as adopting the corresponding resolution to increase share capital, it shall issue a report detailing the specific reasons of corporate interest justifying said measure, which shall be the subject of a correlative report issued by an independent expert other than the auditor of the company's annual accounts. These reports shall be made available to the shareholders and*

*communicated at the first General Shareholders Meeting to be held after the resolution of the relevant capital increase is passed.*

*The Board of Directors is also authorized to delegate in favour of the Director or Directors it deems appropriate the powers conferred by virtue of this resolution in accordance with the provisions of section 249.bis l) of the Spanish Companies Act.*

*Likewise, it is agreed to grant the Board of Directors powers, as broad and sufficient as might be required by law, so that, jointly and severally, any of its directors may carry out whatever actions are necessary, and to grant and formalize whatever documents and contracts, public or private, are necessary or convenient for the full effectiveness of the foregoing resolutions in any of their aspects and contents and, in particular, to remedy, clarify, interpret, complete, specify the resolutions adopted; Likewise, to correct any defects, omissions or errors that may be found in the verbal or written qualification of the Commercial Registry, all in the broadest possible terms.*

*It is hereby stated that the corresponding directors' report has been made available to the shareholders in support of the proposed delegation to increase the share capital. “*

Likewise, the full content of the Authorization can be found on the Company's corporate website ([www.reigjofre.com](http://www.reigjofre.com)).

### **3. MAIN TERMS AND CONDITIONS OF THE CAPITAL INCREASE.**

In order to comply with the legal requirements set forth in the Spanish Companies Act and by virtue of the Authorization, the Board of Directors of the Company plans to adopt the Capital Increase under the following main terms:

- **Maximum amount:** 25,000,000 euros (including nominal value plus share premium).
- **Type of issue:** the new shares will be issued for a nominal value of 0.50 euros plus a share premium which will be determined according to the demand prospection carried out within the framework of the Private Allocation (as this concept is defined below). However, the Board of Directors has opted to establish a minimum issue rate equivalent to 2.32 euros (hereinafter, the "**Minimum Issue Rate**") and a maximum issue rate of 2.60 euros (hereinafter, the "**Maximum Issue Rate**"), as detailed in section 6.b) below.
- **Maximum number of new shares to be issued:** 10,775,862 shares if the Minimum Issuance Rate is finally used or 9,615,384 shares if the Maximum Issuance Rate is finally used.
- **Nature of the shares to be issued:** the new shares to be issued will be ordinary shares, equal to those currently in circulation, and will be represented by book entries, the accounting record of which is attributed to the company Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de valores, S.A.U. (Iberclear) and its participating entities.
- **Rights of the shares to be issued:** the new shares issued will confer on their holders the same political and economic rights as the ordinary shares of the Company currently in circulation,

as from the date of their registration in the corresponding accounting records attributed to the company Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear) and its participating entities.

- Exclusion of the shareholders' pre-emptive rights: making use of the Authorization and within the maximum limit of 20% authorized by the aforementioned General Shareholders' Meeting, in accordance with the provisions of section 506 of the Spanish Companies Act, the Board of Directors expects to exclude the shareholders' pre-emptive rights, all to the extent that this exclusion is necessary in view of the requirements of the corporate interest in order to be able to carry out the Capital Increase through the allocation method described below.

- Allocation Modality: the new shares will be allocated through a demand prospecting procedure and private allocation by the Collaborating Entity, which will evaluate the subscription requests received from investors (hereinafter, the "**Private Allocation**").

- Subscription and disbursement: the Capital Increase will be directed exclusively to the type of investors described in paragraph a) of section 35.2 of Legislative Royal Decree 4/2015, of 23 October, approving the revised text of the Securities Market Act (hereinafter, "**LMV**").

The subscription and disbursement of the new shares will take place after confirmation by the investors of their subscription proposals, either directly by said investors or, where appropriate, indirectly by the allocation entities (acting in the name and on behalf of the aforementioned investors, to subsequently transfer them in their favour or, where appropriate, acting on their own behalf in execution of an underwritten commitment). The new shares that are issued shall be fully paid up through monetary contributions.

- Incomplete subscription: in accordance with the Authorization and in accordance with section 311 of the Spanish Companies Act, the possibility of incomplete subscription of the Capital Increase is expressly provided for. As a consequence of the foregoing, in the event of an incomplete subscription, the share capital will only be increased by the amount of the subscriptions effectively made.

- Request for admission to official trading: the Board of Directors will request the admission to official trading of the new shares issued by virtue of the Capital Increase on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and their incorporation into the Stock Exchange Interconnection System (Continuous Market), as the Company's shares currently in circulation.

It should be noted that this will be the first time that the Board of Directors has made use of the Authorization to increase the Company's share capital. Likewise, it is expressly stated that the Capital Increase will be executed within the limits established in the Authorization, this is, (i) the Capital Increase will be increased by an amount that will always and in any case be within the maximum limit of 40% of the share capital at the date of the Authorization, that is, the amount of 12,642,844.00 euros; (ii) the Capital Increase will be established at a maximum amount equivalent to 20% of the share capital, totally excluding the shareholders' pre-emptive rights, in accordance with what is expressly provided for in the Authorization.

Therefore, after the execution of the Capital Increase, the Board of Directors may make further use of the Authorization until, if it deems appropriate, the maximum amount provided for in the Authorization is extinguished or the maximum term for which the Authorization was approved is reached.

#### **4. JUSTIFICATION OF THE CAPITAL INCREASE AND MECHANISM USED.**

The current global situation of the markets and the context of the capital market in Spain make it necessary for any company, and especially those whose shares are admitted to trading, to be able to adopt in the shortest possible time the decisions they deem appropriate or necessary in each case according to their particular interests, also reducing the costs arising from such actions.

Being the Board of Directors the most immediate decision-making body holding the management and representation of the Company, it must be provided with the necessary flexibility to be able to adopt the appropriate measures at any time without having to call the General Shareholders' Meeting, especially considering the delay and costs arising from the legal requirements for calling and holding such meetings, which would cause the taking of such measures and could result in significant harm to the Company. In addition, it is essential that the Board of Directors has the necessary powers delegated to take advantage of the opportunities presented in the market to proceed with the capital increase.

Likewise, the Board of Directors, in accordance with the information received from the Collaborating Entity, considers that the most appropriate mechanism for achieving the objectives sought is to execute the Capital Increase through the procedure of Private Allocation among different investors, since said procedure will allow the necessary fund raising of own resources in a short period of time, substantially reducing the time of exposure to the risks associated with the volatility of the markets, among other advantages. The Board of Directors also considers that the current market circumstances are favorable for carrying out a transaction of this nature.

In relation to the foregoing, the purpose of the proposed Capital Increase is to attract the necessary resources to strengthen the balance sheet, improving the structure of shareholders' equity and, thereby, to strengthen the organic and inorganic growth of the Company to continue with its expansion project in line with the development and diversification strategy.

#### **5. MODALITY OF THE ALLOCATION.**

The Board of Directors of the Company, in view of the information provided by the Collaborating Entity, considers that the most effective way to achieve the objective sought and to take advantage, in turn, of the current situation of the markets is to execute the issue of the new shares through Private Allocation, a modality that has already been put into practice in the Spanish market by various listed companies in recent years.

To this end, an agreement will be signed with the Collaborating Entity, by virtue of which and after the approval of the Capital Increase agreement by the Board of Directors, the Collaborating Entity, in its capacity as allocating entity, will carry out a private allocation of the new shares to be issued in such a way that the Capital Increase does not require the obligation to make a public subscription offer before the competent authorities, in accordance with the provisions of section 35.2 of the LMV.

In accordance with consolidated market practices, the accelerated capital increase requires the exclusion of the shareholders' pre-emptive rights, as it is incompatible in terms of timing and procedures with a rapid allocation aimed at a specific group of investors such as that envisaged. For the purposes of excluding the shareholders' pre-emptive rights and in accordance with the applicable legislation, a detailed justification of the proposal, specifying the value of the shares and the consideration to be paid for the new shares (issue price), with an indication of the persons to whom they are to be attributed, is included in section 6 below of this Report.

During this period of Private Allocation, the Collaborating Entity will carry out a process of prospecting the existing demand for the Company's shares, which will make it possible to know the price that the market is willing to pay for them. The Board of Directors, in accordance with international and national financial practice, understands that the price resulting from such procedure (which will be carried out transparently and between equally independent and well-informed parties) will reflect the fair value of the Company's shares, as is required under sections 504 and 506 of the Spanish Companies Act by excluding the shareholders' pre-emptive right. Notwithstanding the foregoing, the Board of Directors has established limits on the type of issue as a precaution of the price that may result from said process (as defined in section 6.b) below), in order to guarantee that the offer remains within these limits (the market price that investors are willing to pay).

Once this procedure has been completed, the Board of Directors will proceed to execute the Capital Increase, redrafting article 5 of the Articles of Association, indicating the exact amount in which the capital has been increased as a result of the Private Allocation.

For greater agility, the members of the Board of Directors, Mr. Ignasi Biosca Reig and Mr. Alejandro Garcia Reig, are expected to be granted with all the powers necessary to determine the conditions of the Capital Increase following the prospection of the demand, including, but not limited to, the final issue price of the shares. In addition, it is expected to delegate to them the necessary faculties so that they can fix the terms and conditions of the procedure for allocating the shares, agreeing on the starting date of the procedure, its duration and any other circumstances necessary for its complete execution.

## **6. EXCLUSION OF PRE-EMPTIVE SUBSCRIPTION RIGHTS.**

The Capital Increase which is the subject of this Report provides for the exclusion of the shareholders' pre-emptive rights, to the extent that this exclusion is necessary in order to be able to effectively execute the Capital Increase by the procedure described above.

In accordance with the applicable regime, for the exclusion of the shareholders' pre-emptive rights in the issue of new shares, the directors are required to draw up a report specifying the value of the Company's shares and justifying in detail the proposal and the consideration to be paid for the new shares, with an indication of the persons to whom they are to be attributed. To this end, the following details are provided:

### **a) Justification of the corporate interest**



The exclusion of shareholders' pre-emptive rights requires that the Company's corporate interest so requires it. In this regard, the Board of Directors of the Company considers that this exclusion of the shareholders' pre-emptive rights complies with the substantive requirements established by Law and, in particular, as (i) it allows a convenient operation to be carried out from the point of view of the corporate interest; (ii) the procedure is suitable to achieve the desired purpose with the Capital Increase; and (iii) there is proportionality between the means chosen and the objective pursued.

(i) Convenience of the Capital Increase from the perspective of the social interest of the Company

The Company considers that a moderate increase in the Company's equity reaffirms its commitment to maintain a solid financial structure and provide capacity for possible future improvement.

In addition, the Company considers that current environment presents new investment opportunities which, together with the high competitiveness of the "pharma" sector, make it advisable for the Company to maintain a solid position of own resources and an adequate proportion with respect to external resources, all in order to be able to undertake new investments and take advantage of the current market situation, as well as to favour opportunities for organic growth in the main markets in which it is present.

The current positive situation of the pharmaceutical market, together with an increase in capital such as that which is the object of this Report, would allow the Company, among others, to continue executing its investment strategy through the acquisition of assets with a high potential for creating value, as well as making repositioning and improvement investments in order to maximize the quality, occupation and value of the assets which already form part of its portfolio, all with the aim of continuing the Company's strategy of actively managing its assets.

The Board of Directors of the Company considers that it is in the Company's best interest to proceed exceptionally and urgently with a capital increase on the terms described in this Report, i.e. with the exclusion of the shareholders' pre-emptive rights, given that such Capital Increase needs to be carried out quickly and effectively. The reasons for the exceptional and urgent nature of this alternative, which are set out in this Report will enable the Company to strengthen its balance sheet, improve its own resources structure and maintain a solid financial structure, with the aim of continuing to take advantage of the investment and business opportunities that arise in the market.

(ii) Suitability of a capital increase through a private allocation of shares

The Board of Directors of the Company, on the basis of the advice and information provided by the Collaborating Entity, considers that the most effective way to achieve the objective sought and to take advantage of the current market situation and the interest of the international and/or national investment community in the Company's shares is to implement the issue of the new shares through a private allocation.

In this sense, this technique is the most appropriate in terms of the issuing price of the new shares, the cost of attracting resources and the execution risk for capital increases of an absolute volume such as that which is now being considered. To this end, it is important to point out that this type

of transaction is commonly used by large issuers in international and domestic capital markets and has been used on many occasions by various Spanish listed companies, mainly due to its flexibility, efficiency and speed.

In accordance with established market practice, the accelerated capital increase requires the exclusion of the shareholders' pre-emptive rights because it is incompatible in terms of timing and formalities with a rapid allocation and aimed at a specific group of investors such as that envisaged.

The Board of Directors has analyzed other alternative methods of raising capital for the Company, such as (i) a monetary capital increase with shareholders' pre-emptive rights; and (ii) a monetary capital increase excluding shareholders' pre-emptive rights to make a public share subscription offer.

In this regard, the main advantages of the proposed structure are as follows:

- Speed of execution: Any strategy for raising alternative capital resources to the one proposed here would significantly delay the process, which would lead to a significant delay in raising the necessary funds.

In the case of a monetary capital increase with shareholders' pre-emptive rights, it must be possible to exercise these rights for a period that may not legally be less than 15 days from the publication of the announcement of the subscription offer of the new issue in the Official Gazette of the Commercial Registry.

Likewise, in the case of a monetary capital increase excluding the shareholders' pre-emptive rights to make a public share subscription offer, a period close to two weeks is required from the announcement until the fixing of the issue price, in both cases after preparation and registration of the corresponding informative prospectus of the transaction.

These periods contrast with those required to complete the subscription and payment of shares in a private allocation, which allows it to be carried out quickly and flexibly with regard to its launch, thus considerably increasing the Company's room for maneuver and its capacity to react in order to take advantage of the market moment and carry out the operation under the best conditions available to the Company.

Therefore, none of the strategies for raising alternative capital resources to those proposed in this Report would be adequate to carry out the Capital Increase in such a short period of time.

- Less exposure to market volatility: Any capital raising strategy alternative to the one proposed here would significantly delay the process, which would expose the transaction over an extended period of time to market volatility.

In the event of a monetary capital increase with shareholders' pre-emptive rights, the value of the shares should be fixed at the beginning of the process, thus exposing the Company to the evolution of the markets during the rights trading period.

Likewise, in the case of a monetary capital increase excluding the shareholders' pre-emptive rights to make a public offering of shares, once again the duration of the process could entail a considerable market risk which, depending on the evolution, could impede the Company from obtaining of the necessary resources.

In this sense, in recent months the equity markets have experienced certain levels of volatility, which, together with the current political and economic framework, forms a scenario that makes advisable to resort to mechanisms that reduce the uncertainty and volatility associated with the markets. At present, a reasonable degree of stability is maintained, despite recent events and diligent behaviour makes advisable to maximise the operations that can be executed at this time.

According to the advice received by the Collaborating Entity, this volatility, as a general rule, makes it unwise to raise own funds that will expose the Company for an extended period of time to a negative evolution of the share price.

Therefore, none of the strategies for raising capital resources which are alternative to the one proposed in the Report would allow the Company to achieve its objectives efficiently, considering the volatility inherent in the financial markets and the execution time required to carry out any of these alternatives.

- Cost savings: The costs of a private allocation are generally lower than those of a monetary capital increase with shareholders' pre-emptive rights and those of a monetary capital increase excluding the shareholders' pre-emptive rights to make a public share subscription offer, since most of the advertising and marketing costs are eliminated and, in general, the commissions of the allocation entities are reduced.
- Strengthening the balance sheet: the Capital Increase is an opportunity for the Company to strengthen its capital structure, potentially improving the costs of external financing, providing the Company with flexible financial resources increasing its own resources and strengthening its balance sheet.

Therefore, the strategies for raising capital resources which are alternative to the one proposed here would, in principle, entail a higher cost for the Company.

In addition, the proposed Capital Increase represents an opportunity to increase the Company's shareholder base, adding new prestigious investors to it, thereby improving the liquidity of the security and increasing interest in the Company.

Likewise, through the Private Allocation process, the Company will be able to participate in the share allocation process in order to consolidate a shareholder base aligned with the interests of the Company, which is non-speculative and with a vocation of permanence in the medium and long term.

Therefore, the Board of Directors considers that the structure of the Private Allocation is the most appropriate alternative to guarantee the success of the operation in an efficient manner.

### (iii) Proportionality of the exclusion of the shareholders' pre-emptive rights

In the opinion of the Board of Directors, the exclusion complies with the due proportionality that must exist between the advantages obtained for the Company and the inconveniences that could eventually be caused to those shareholders whose expectations are diminished due to the political dilution that necessarily entails any issue of shares without shareholders' pre-emptive rights. This statement is justified by (i) the advantages that Private Allocation has over other alternatives for raising capital, as described in the previous section; and (ii) the fact that when shares are issued at their fair value (as explained below) does not imply, a priori, an economic dilution or economic harm to the current shareholder.

In view of the foregoing, the Board of Directors of the Company considers that the exclusion of the shareholders' pre-emptive rights in the Capital Increase is justified by reasons of corporate interest, insofar as the advantages that the Private Allocation has for the Company in terms of price, structuring and result for the transaction, compensate and justify, in the interest of the Company, the suppression of the shareholders' pre-emptive rights.

#### **b) Issue price**

Article 506.4 of the Spanish Companies Act, in relation to article 308.2.a) of the Spanish Companies Act, makes the resolution to increase capital, excluding the shareholders' pre-emptive rights by the Board of Directors, subject to the fact that the nominal value of the shares to be issued plus, where applicable, the amount of the share premium, corresponds to the fair value resulting from the report of the auditor, other than the auditor of the Company's accounts, appointed for this purpose by the Mercantile Registry. In this regard, article 504 of the Spanish Companies Act establishes that, in listed companies, such as the Company, the fair value shall be understood as the market value which, unless otherwise justified, shall be the value established by reference to the stock market price.

Taking into account the foregoing, it is proposed that the price of the issue of the new shares (nominal value plus share premium) is the price resulting from the prospecting of the demand (bookbuilding) carried out within the framework of the Private Allocation that the Collaborating Entity carries out of the new shares that are issued by virtue of the Capital Increase. The Board of Directors considers that the fair value corresponds to that resulting from the process described since, through this process, the intensity of demand is measured in the most qualified segment of investors (capable of very quickly evaluating the offer and determining the amount and price at which they are willing to acquire the shares) and, therefore, expresses adequately and faithfully what the market is willing to pay for the Company's new shares.

Therefore, the form of fixing the issue rate (nominal value plus share premium) proposed for the Capital Increase allows it to respond to the fair value of the Company's shares, as stipulated in section 4 of article 506 of the Companies Act.

For this purpose, and as an additional precaution, the Board of Directors has opted to establish the following issue rates (nominal plus premium) which will serve as limits within which the new shares may be issued: (i) the Minimum Issuance Rate (equivalent to 2.32 euros per share, as mentioned above); and (ii) the Maximum Issuance Rate (equivalent to 2.60 euros per share, as mentioned above). The issue rate at which the new shares will finally be issued will be determined by the persons expressly empowered by the Board of Directors in accordance with the prospection of the demand made within the framework of the Private Allocation.

The aforementioned issue rates correspond to the result of the negotiation carried out by the Company with the Collaborating Entity, all of them acting freely as well-informed and independent parties to each other, on the price per share at which the Collaborating Entity, prior to prospecting the demand among different investors and taking into account the market conditions existing at the time of issuing this Report, consider that there may be interest among investors to cover the Capital Increase. The issue rates mentioned above have been set in line with the criteria that are common in recent experience in capital increases of similar characteristics to this one in terms of absolute value and the historical daily trading volume of the security, and also they are in line with that applied by other Spanish and international companies to determine the issue rate.

In addition, the issue of the shares as indicated in the preceding paragraph is fully justifiable from the perspective of supply and demand that governs the functioning of the securities markets. In this sense, the price of a share, i.e. its share price, is determined by the cross between supply and demand and represents the value at which market participants are willing to buy and sell a non-significant number of shares of an entity. Well, the allocation of a significant package of shares (such as the one expected to be issued with the Capital Increase to which this Report refers) implies that the offer of shares in the market is much greater than that which existed before it (leading to a shift in the offer curve), which determines a tendency towards a reduction in the price of the share, which can be greater depending on the relative volume of new shares that are put into circulation.

Without prejudice to the foregoing and as indicated above, pursuant to the provisions of the Spanish Companies Act, an auditor other than the Company's auditor appointed for this purpose by the Commercial Registry must issue a report on the fair value of the shares, on the theoretical value of the shareholders' pre-emptive rights whose exercise is proposed to be suppressed and on the reasonableness of the data contained in this Report.

### **(c) Addressees of the issue**

As detailed above, the Collaborating Entity, as allocation entities, will carry out a private allocation of the new shares aimed exclusively to the type of investors described in section a) of article 35.2 of the LMV.

In this sense, the issue will be addressed exclusively to qualified investors.

## **7. INDEPENDENT EXPERT.**

For the exclusion of shareholders' pre-emptive rights, the Spanish Companies Act requires an independent expert, other than the auditor of the Company's accounts appointed for this purpose by the Commercial Registry, to draw up a report, under his responsibility, on the fair value of the Company's shares, on the theoretical value of the shareholders' pre-emptive rights the exercise of which it is proposed to suppress or limit, and on the reasonableness of the data contained in this Report.

In this regard, the Commercial Registry of Barcelona has designated the firm "BDO AUDITORES S.L.P." as an independent expert, whose report, together with this one, will be made available to the shareholders and communicated in the first General Meeting held after the Capital Increase agreement referred to in this Report.

## **8. PROPOSAL OF CAPITAL INCREASE AGREEMENT EXCLUDING THE SHAREHOLDERS' PRE-EMPTIVE RIGHTS.**

The full text of the Capital Increase agreement that the Board of Directors of the Company intends to adopt is included below:

"Increase of share capital for a maximum nominal amount of 5,387,931.00 euros, through the creation of a maximum of 10,775,862 new shares of the Company of fifty euro cents (0,50€) nominal value each, which will be subscribed and paid in full with a charge to monetary contributions, with exclusion of the shareholders' pre-emptive rights and with inclusion of an incomplete subscription provision.

Pursuant to the authorisation granted by the Company's Ordinary and Extraordinary General Shareholders' Meeting held on 22<sup>nd</sup> June 2016 under item Six of its Agenda in accordance with the provisions of article 297.1.b) of the Spanish Companies Act, the Board of Directors may increase the share capital once or several times and at any time within a period of five years from the date of the aforementioned Meeting by issuing and placing new shares - with or without a share premium - the equivalent value of which consists of cash contributions, up to a maximum amount of 40% of the amount of share capital existing at the time of authorisation.

Likewise, the Board of Directors was expressly empowered to exclude, in whole or in part, the shareholders' pre-emptive rights up to a maximum nominal amount, as a whole, equal to 20% of the share capital in relation to all or any of the issues agreed upon on the basis of this authorisation, in accordance with the provisions of article 506 of the Spanish Companies Act, also expressly including the power to subscribe incompletely.

In relation to the foregoing, the Board of Directors of the Company agrees to carry out an increase in the Company's share capital in accordance with the following terms and conditions (the "**Capital Increase**"):

#### **1) Increase in share capital**

*It is agreed to increase the Company's share capital by a maximum nominal amount of 5,387,931.00 euros, by issuing and placing up to a maximum of 10,775,862 new ordinary shares with a nominal value of 0.50 euros each, of the same class and series of the existing ones, consisting the equivalent value of the new shares to be issued of cash contributions.*

*The members of the Board of Directors Mr. Ignasi Biosca Reig and Mr. Alejandro Garcia Reig are expressly delegated, in accordance with the powers of substitution granted by the General Shareholders' Meeting of the Company that agreed on the delegation, so that any of them, with their sole signature, may determine the definitive amount of the Capital Increase and the maximum number of shares once the prospection of the demand carried out within the framework of the private allocation is completed.*

#### **2) Issue rate**

*The issue rate of the new shares to be issued will correspond to the price resulting from the private allocation of said shares among different investors to be carried out by the entities designated by the Company for this purpose.*

*The Board of Directors has opted to establish the following issue rates (nominal plus share premium) which will serve as limits within which the new shares may be issued: (i) a minimum issue rate equivalent to 2.32 euros per share (hereinafter, the "**Minimum Issue Rate**"); and (ii) a maximum issue rate equivalent to 2.60 euros per share (hereinafter, the "**Maximum Issue Rate**"). The issue rate at which the new shares will finally be issued will be determined by the*

persons expressly authorised by the Board of Directors in accordance with the prospecting of the demand made within the framework of the private allocation.

### **3) Nature of the shares to be issued**

The shares to be issued will be ordinary shares, equal to those currently in circulation, and will be represented by book entries, the accounting record of which is attributed to Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de valores, S.A.U. (Securities Registration, Clearing and Settlement Systems Management Company)–(Iberclear) and its participating entities.

### **4) Rights of the shares to be issued**

The new issued shares will confer on their holders the same political and economic rights as the ordinary shares of the Company currently in circulation, from the date of their registration in the corresponding accounting records attributed to the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Securities Registration, Clearing and Settlement Systems Management Company)–(Iberclear) and its participating entities.

### **5) Exclusion of the shareholders' pre-emptive rights**

Making use of the power expressly granted by the Ordinary General Shareholders' Meeting held on 22<sup>nd</sup> June 2016, and in accordance with the provisions of article 506 of the Companies Act, the shareholders' pre-emptive rights of the Company's shareholders over all the shares issued in the Capital Increase is eliminated, in accordance with the requirements of the corporate interest and to allow the allocation of the shares issued among the different investors, as described in the following section.

In relation to the foregoing, it is expressly stated that the Capital Increase will be executed within the limits established in the Authorisation, namely (i) the Capital Increase will be executed in an amount that will always and in all cases be within the maximum limit of 40% of the share capital at the date of the Authorisation, that is, the amount of 12,642,844.00 euros; (ii) the Capital Increase will be established at a maximum amount equivalent to 20% of the share capital, with total exclusion of the shareholders' pre-emptive rights, in accordance with what is expressly foreseen in the Authorisation.

### **6) Subscription and disbursement**

The Capital Increase will be addressed exclusively to the types of investors described in paragraph a) of article 35.2 of the LMV. In this sense, the issue shall be addressed exclusively to qualified investors.

### **7) Incomplete subscription**

In accordance with the delegation granted by the Ordinary General Shareholders' Meeting held on 22<sup>nd</sup> June 2016 and in accordance with the provisions of article 311 of the Spanish Companies Act, in the event of incomplete subscription, the share capital will be increased only by the amount of the subscriptions effectively made.

### **8) Execution of the Capital Increase and amendment of the Articles of Association**

*The directors expressly authorised by the Board of Directors of the Company, i.e. Mr. Ignasi Biosca Reig and Mr. Alejandro Garcia Reig, any of them and with their sole signature, will declare the subscribed and paid-up Capital Increase, totally or partially closed, and will therefore modify the wording of the corresponding article of the Articles of Association to adapt it to the new figure of share capital and number of resulting shares*

#### **9) Application for admission to official trading**

*The directors expressly authorised by the Board of Directors of the Company, i.e. Mr. Ignasi Biosca Reig and Mr. Alejandro Garcia Reig, any of them and with their sole signature, will request the admission to official trading of the new shares issued by virtue of the Capital Increase on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and their incorporation into the Stock Exchange Interconnection System (Continuous Market), as well as the shares of the Company currently in circulation.*

#### **10) Delegation of powers**

*Without prejudice to any other existing power of attorney, Mr. Ignasi Biosca Reig and Mr. Alejandro Garcia Reig are expressly empowered, so that any of them, indistinctly, may carry out as many acts and grant as many public and private documents as are necessary or convenient for the execution of the Capital Increase. In particular, and by way of illustration only, any of these directors may carry out the following actions:*

- i) Decide on the specific date on which this Capital Increase, as well as the private offer of the shares issued under its cover, must be carried out;*
- ii) To cancel the Capital Increase and, therefore, the private offer to subscribe the new shares, in the event of a substantial change in market conditions or for any other relevant reason at any time prior to the payment of the issue price of said shares;*
- iii) Establish the conditions for the Capital Increase in all matters not provided for in this agreement and in accordance with its terms and conditions and, specifically, determine the amount of the share premium and, therefore, the rate of issue of the new shares, as well as the number of shares that are effectively offered for subscription;*
- iv) Declare the Capital Increase closed and executed once the new shares have been subscribed and paid up and, in the event of incomplete subscription, determine the final amount of the Capital Increase and the number of subscribed shares, granting as many public and private documents as may be appropriate for the total or partial execution of said Capital Increase;*
- v) Establish, determine and establish the rate of issue of the new shares, within the limits expressly established by the Board of Directors in section 2 above;*
- vi) Amend article 5 of the Articles of Association relating to share capital, adapting it to the new figure resulting from the number of shares subscribed, as well as in general modify any other provisions of the Articles of Association that require it, adapting them to the new resulting capital figure and to the total number of shares in circulation;*
- vii) Carry out the acts, file the applications, subscribe the documents and carry out the actions required for the full effectiveness and compliance with the Capital Increase Agreement, as well as appear before a Notary Public and grant the corresponding deed of capital increase and amend article 5 of the Company's Articles of Association and, if applicable, to correct and clarify*



*this agreement in the terms necessary to achieve its full registration in the Commercial Registry or request its partial registration,- and*

*viii) Carry out any action, declaration or paperwork before the Comisión Nacional del Mercado de Valores (National Securities Market Commission), the Sociedades Rectoras de las Bolsas de Valores (Governing Bodies of the Stock Exchanges), the Sociedad de Bolsas (Stock Exchange Company), Iberclear and any other public or private entity or registry to obtain the authorisation, verification and subsequent execution of the Capital Increase and the corresponding admission to official trading of the new shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and their incorporation into the Sistema de Interconexión Bursátil (Stock Exchange Interconnection System)–(Continuous Market).*

*ix) To remedy, clarify, interpret, specify or supplement the resolutions adopted by this Board of Directors, or those produced in any deeds or documents granted in execution thereof and, in particular, any defects, omissions or errors of substance or form that prevent the issuance of the report of the auditor appointed by the Commercial Registry or access to the resolutions and their consequences to the Commercial Registry, the Official Registries of the CNMV or any others.*

*x) In general, to carry out as many actions as may be necessary or convenient for the successful outcome of the Capital Increase covered by this resolution.”*

This report was prepared by the Board of Directors of "LABORATORIO REIG JOFRE, S.A." at a meeting held on 30<sup>th</sup> May 2019.

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The Chairman  
REIG JOFRE INVESTMENTS, S.L.  
Ms. Isabel Reig López

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The Secretary Non-Director  
Mr Adolf Rousaud Viñas

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