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UCB

Société Anonyme / Naamloze Vennootschap

Allée de la Recherche, 60

B-1070 Anderlecht

RPM/RPR Brussels, 0403.053.608

Annual report of the Board of Directors for the financial year ended 31 December 2019

Dear Madam, Dear Sir,

In accordance with the legal requirements and those laid down in UCB SA/NV's Articles of Association, we are pleased to present you our report on the activities of our Company during the last financial year and submit to you, for your approval, the statutory annual accounts of UCB SA/NV for the financial year ended 31 December 2019.

UCB SA/NV is the parent company of the UCB Group and serves as a holding company, managing the activities of the UCB Group and its subsidiaries worldwide.

Please refer to the UCB Group Integrated Annual Report 2019 for an overview of the activities and consolidated results of the UCB Group.

1. Major events during the financial year 2019

1.1 Capital Increase of UCB Pharma SA/NV

On 29 April 2019, the shareholders meeting of UCB Pharma SA/NV decided, amongst other things, to approve a capital increase in kind through a partial loan contribution of € 305 million (composed of € 256 million of nominal value and € 49 million of fair market value adjustment) by UCB SA/NV, with issuance of 36 661 383 new shares.

The loan was initially concluded between UCB Lux S.A. and UCB Manufacturing, Inc. for a value of € 1 150 million, and was in place between UCB SA/NV and UCB Biopharma SRL/BV following the assignment, assumption and release agreement between UCB Manufacturing Inc. and UCB Biopharma SPRL/BVBA (currently UCB Biopharma SRL/BV) dated 1 July 2014 and the assignment of the loan from UCB Lux S.A. to UCB SA/NV in 2016.

1.2 Redemption of institutional private placement bonds

On 28 November and 17 December 2019, UCB SA/NV redeemed two institutional private bonds initially issued on 28 November 2013 and 10 December 2013, at their principal amounts of € 55 million and € 20 million respectively.

The bonds were initially issued in 2013 at an interest rate of 3.292% and 3.284% respectively.

1.3 Pay up capital of subsidiaries

In order to enable UCB Ventures SA/NV to fulfil its financial obligations in relation to its investments, UCB SA/NV has been requested during 2019 as shareholder of UCB Ventures SA/NV, to further pay up the capital for an additional amount of € 15 million. After this payment, the total paid-up capital in UCB Ventures SA/NV amounts to € 42 million.

1.4 Transfer of obligations under 2019 Stock Option Plan from UCB SA/NV to UCB Fipar SA/NV

Similar to previous years, the obligations of UCB SA/NV under the 2019 UCB Stock Option Plan have been transferred to UCB Fipar SA/NV. UCB Fipar SA/NV has received a compensation of € 7 million for assuming the obligations under this plan.

1.5 Transactions in UCB securities

During 2019, UCB SA/NV acquired 39 327 UCB shares and disposed of 392 003 UCB shares.

As a result, on 31 December 2019, UCB SA/NV retained a total of 1 749 680 UCB shares representing 0.90% of the capital and a par value of € 5 million. The amount reported in the balance sheet under the section "own shares" represents € 98 million.

1.6 Liquidation of UCB Trading (SG) Pte Ltd.

On 11 November 2019, UCB Trading (SG) Pte Ltd. finished his liquidation process. The affiliate will be dissolved on 11 February 2020.

The liquidation has not significantly affected the result of UCB SA/NV.

1.7 Early repayment of the loan towards the European Investment bank ("EIB")

On 23 April 2019, UCB SA/NV used its right to early repay at nominal value the € 100 million loan granted by the European Investment Bank to UCB Lux S.A. on 15 April 2013, as assigned to UCB SA/NV, amended and restated on 20 October 2016. The loan had a final maturity date in April 2020.

Following that repayment, UCB SA/NV still has one outstanding debt towards the European Investment Bank, composed of one loan of \$ 100 million being repaid through quarterly tranches of \$ 5 million until November 2021. At the end of December, the outstanding payable amounts to \$ 40 million.

1.8 Risk of impairment on the shares held by UCB SA/NV – Impairment test on participations

On 31 December 2019, an impairment testing has been performed on the shareholdings of UCB SA/NV. This test resulted in the recognition of impairment charges amounting to € 11 million related to its affiliate UCB Ventures SA/NV.

The new impairment charges have been recognized in the financial results in the income statement of 2019.

2. Change in accounting policies

There were no changes in the accounting policies in 2019.

3. Internal controls in place regarding the establishment of the annual accounts

The Audit Committee, on behalf of the Board of Directors of UCB SA/NV, assessed the adequacy and effectiveness of the internal control system in detecting fraud, irregularities or infringement of laws, rules and regulations or material control failures on a regular basis. Internal control mechanisms are further described in the UCB Group Integrated Annual Report 2019.

4. Major events after the balance sheet date

No major events occurred after the balance sheet date.

5. Conflicts of interest met during the financial year

There were no transactions or contractual relationships in 2019 between UCB SA/NV, including its affiliated companies, and a member of the Board of Directors giving rise to conflicts of interest, except as reported in section 3.12 (Application of article 523 of the Belgian Companies Code) of the Corporate Governance Statement included in the UCB Group Integrated Annual Report 2019.

6. Financial information

Results at 31 December 2019

The operations of UCB SA/NV generated in 2019 a net profit of € 242 million after tax compared to € 22 million in 2018.

The evolution in the net profit (increase of € 220 million) is mainly due to:

- the increase in dividends received from its subsidiaries for a total amount of € 132 million, mainly due to the dividend from UCB Finance N.V. for a total amount of € 220 million compared to € 95 million in 2018;
- the decrease in other operating income for € 5 million related to service agreements with the other affiliates;
- the decrease of the salaries and benefits expenses for € 16 million mainly due to the decrease of the expenditures for managing the stock options plans for € 10 million as a result of the lower number of outstanding stock options under the historical plans with low strike prices in addition to the lower premium recharged by UCB Fipar SA/NV (please refer to section 1.4);
- the decrease in the provision, to cover the risk of share price changes of long-term incentives granted to the Executive Committee and certain categories of employees, for a total amount of € 1 million;
- the decrease of the interests income for a total amount of € 4 million and respectively the decrease of the interests expense for a total amount of € 9 million, both driven by fluctuations of the Euribor rate;
- the decrease of the impairment charges of € 89 million mainly due to the recognition of additional impairment charges in 2018 amounting to € 99 million while in 2019 the impairment testing on the shareholdings of UCB SA/NV only resulted in the recognition of impairment



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charges of € 11 million related to its subsidiary UCB Ventures SA/NV (please refer to section 1.8).

Result appropriation

The total net profit of € 242 million is available for distribution. The Board of Directors proposes the following allocation:

- distribution to the shareholders of a gross dividend of € 1.24 per share; and
- carry forward the balance.

The Board of Directors thus propose to pay, against delivery of coupon no. 23, a gross dividend of € 1.24 per share (giving right to a dividend net of Belgian 30% withholding tax of € 0.868). The aggregate amount to be distributed to the shareholders may fluctuate depending on the number of UCB shares held by UCB SA/NV (own shares) and its direct subsidiaries on the dividend approval date, as the UCB shares held by UCB SA/NV (own shares) and its direct subsidiaries are not entitled to a dividend. Per 31 December 2019, 192 755 978 UCB shares are entitled to a dividend, representing a total distribution of € 239 million. The Board of Directors will communicate at the General Meeting the total number of UCB shares entitled to the 2019 dividend and will submit the aggregate amount to be distributed to the shareholders for approval. The annual accounts of 2019 will be adapted accordingly.

Subject to the approval of the proposed dividend distribution by the General Meeting, coupon no. 23 will be payable as from 6 May 2020.

In accordance with the law, we request you to grant discharge to the Directors and the Statutory Auditor for the performance of their duties during the financial year ended 31 December 2019.

Balance Sheet items at 31 December 2019

On the balance sheet of UCB SA/NV at 31 December 2019, the total assets and liabilities amount to € 6 867 million, as compared to € 7 047 million at 31 December 2018.

The variation on the balance sheet is mainly driven by:

- the increase of participating interests in affiliates of € 309 million as a result of the capital increase in kind of UCB Pharma SA/NV for € 305 million (please refer to section 1.1) and the capital call of UCB Ventures SA/NV for € 15 million (please refer to section 1.3) decreased by the recognition of impairment charges on shares for € 11 million (please refer to section 1.8);
- the decrease of the long term intra-group receivable for € 701 million due to the reduction of receivable with UCB Biopharma SRL/BV for € 256 million that was contributed to UCB Pharma SA/NV as contribution in kind (please refer to section 1.1), in addition to the reclassification of



the receivable with Celltech for £ 400 million from the long term intercompany receivable position to the short term intercompany receivable position;

- the decrease of the investments in own shares for a total amount of € 15 million as a result of the disposal of 392 003 UCB shares (please refer to section 1.5);
- the decrease of the cash position of € 101 million used amongst others to fulfil our redemption commitments toward the maturity of our bonds for € 75 million (please refer to section 1.2);
- the decrease of the deferred charges for € 53 million mainly due to the deferral of the premium paid in 2016 for the assignment of the intra-group receivables for € 19 million in addition to the incorporation of € 36 million of the premium into the capital contribution in kind in UCB Pharma SA/NV as part of the fair market value adjustment (please refer to section 1.1). As per end of December 2019, a total amount of € 113 million is still outstanding and will be deferred to further exercises;
- the increase in the provision, to cover the risk of share price changes of long-term incentives granted to the Executive Committee and certain categories of employees, for a total amount of € 3 million mainly due to the transfer of obligations under the 2019 Stock Option Plan from UCB SA/NV to UCB Fipar SA/NV (please refer to section 1.4);
- the reclassification of the bond amounting to € 250 million with maturity date in 2020 from the long term debt position to the short term debt payable within the year position;
- the decrease of the other long term financial debt position of € 117 million due to the reclassification of the portion of the loan with the European Investment Bank (“EIB”) maturing in 2020, for a total value of € 17 million, from the long term financial debt position to the short term financial debt position in addition to the early repayment of the EIB loan for a total amount of € 100 million (please refer to section 1.7).

7. Changes to the composition of the Board

Please refer to the Corporate Governance Statement in the UCB Group Integrated Annual Report 2019 for the changes in the Board composition in 2019 as well as the proposals for changes to the composition for 2020.

8. Financial instruments, risks of credit, risks of liquidity and risks of treasury

Please refer to the UCB Group Integrated Annual Report 2019, “Notes to the Consolidated Financial Statements”, Point 4 “Financial Risks Management”.



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9. Change of control

Please refer to section 3.11.9 of the of the Corporate Governance Statement included in the UCB Group Integrated Annual Report 2019 for a complete overview of all agreements including change of control provisions approved in 2019.

10. Activities in the area of research and development

The activities of UCB SA/NV are holding activities. There are no research and development activities at the level of UCB SA/NV.

11. Branches of UCB SA/NV

UCB SA/NV has no branches.

12. Corporate Governance Statement

The Corporate Governance Statement (including the Remuneration Report) is included in the UCB Group integrated Annual Report 2019.

13. Non-financial information

The Belgian legislation on non-financial information legislation requires the company to report on five corporate social responsibility areas: environmental, social and employee matters, human rights, anticorruption and bribery and diversity & inclusion. All this information is included in the UCB Group Integrated Annual Report 2019.

Brussels, 19 February 2020.

Jean-Christophe Tellier
Chief Executive Officer and Director

Evelyn du Monceau
Chair of the Board