SPECIAL REPORT BY THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

on the use and purpose of the authorized capital

prepared in accordance with article 604 of the Belgian Companies Code

21 February 2018

I. INTRODUCTION

The Board of Directors of UCB SA/NV (the “Board”) hereby presents its special report in accordance with article 604 of the Belgian Companies Code (“BCC”) in relation to the proposal to renew the powers of the Board to increase UCB SA/NV’s share capital within the framework of the authorized capital. This proposal will be submitted to the extraordinary general shareholders’ meeting of UCB SA/NV (the “Company”) to be held on 26 April 2018 (or subsequently on 14 May 2018 if the attendance quorum would not be met at the first meeting). The Board has set out in this report the circumstances in which the Board will be able to use its powers under the authorized capital, and the purposes that it shall pursue.

II. CURRENT AUTHORIZED CAPITAL

On the date of this report, the share capital of the Company amounts to €583,516,974, represented by 194,505,658 fully paid up ordinary shares without nominal value.

According to article 6 of the Articles of Association, the Board is authorized, subject to the conditions set forth in the report prepared in accordance with article 604 BCC on 25 February 2016 and submitted to the extraordinary general shareholders’ meeting of 28 April 2016, to increase the share capital in one or more times, amongst others by the issuance of shares, convertible bonds or warrants:

i. with up to 5% of the share capital at the time of the decision of the Board to make use of this authorization, in the event of a capital increase with cancellation or limitation of the preferential subscription rights of the shareholders (whether or not for the benefit of one or more specific persons who are not employees of the company or of its subsidiaries),

ii. with up to 10% of the share capital at the time of the decision of the Board to make use of this authorization, in the event of a capital increase without cancellation or limitation of the preferential subscription rights of the existing shareholders.
The specific circumstances and the purposes for which the authorized capital may be used, were set out in the special report established by the Board on 25 February 2016 in accordance with article 604 BBC.

This authorization was granted for a period of two (2) years as from the date of the publication in the appendices to the Belgian Official Gazette of the resolution of the extraordinary shareholders meeting held on 28 April 2016, i.e. until 24 May 2018.

III. PROPOSAL TO RENEW THE AUTHORIZED CAPITAL

The Board now proposes the shareholders of UCB SA/NV to renew the powers of the Board under the authorized capital, to increase UCB SA/NV’s share capital, amongst others by the issuance of shares, convertible bonds or warrants, in one or more transactions, within the limits of article 603, section 1 BCC,

i. with up to 5% of the share capital at the time of the decision of the Board to make use of the authorization, in the event of a capital increase with cancellation or limitation of the preferential subscription rights of the existing shareholders (whether or not for the benefit of one or more specific persons who are not employees of UCB SA/NV or of its subsidiaries),

ii. with up to 10% of the share capital at the time of the decision of the Board to make use of the authorization, in the event of a capital increase without cancellation or limitation of the preferential subscription rights of the existing shareholders,

for a period of two (2) years as of the publication in the appendices to the Belgian Official Gazette of the decision of the general shareholders’ meeting granting such renewal.

For example, if at the time the Board resolves to make use of the authorized capital, UCB SA/NV’s share capital amounts to € 600 million, the Board may increase UCB’s share capital (including by way of the issuance of convertible bonds or warrants) with up to € 30 million (i.e. 5% of the then existing share capital) if it resolves to cancel or limit the preferential subscription rights of the existing shareholders (whether or not for the benefit of one or more specific persons who are not employees of UCB SA/NV or of its subsidiaries). However, if the Board does not resolve to cancel or limit the preferential subscription rights of the existing shareholders (whether or not for the benefit of one or more specific persons who are not employees of UCB SA/NV or of its subsidiaries), it can increase UCB SA/NV’s share capital with up to € 60 million (i.e. 10% of the then existing share capital).

Please note that the total amount by which the Board would be authorized to increase UCB’s share capital by a combination of the authorizations set forth in (i) and (ii) above, is limited to 10% of the share capital at the time the Board makes use of this authorization.

For example, if the Board were to first decide to make a capital increase of 5% with a limitation or cancellation of the preferential subscription right of the existing shareholders and thereafter to make a second capital increase without limitation or cancellation of the preferential rights of the
existing shareholders, such second capital increase could only be made for no more than 5% - i.e. 10% in total.

Any such capital increase may take any form including, but not limited to, contributions in cash or in kind, with or without share premium, and the incorporation of reserves and/or share premiums and/or profits carried forward, to the maximum extent permitted by the law.

Any decision to use the authorized capital by the Board will require a 75% majority within the Board.

The Board will be entitled to limit or cancel the preferential subscription rights of the existing shareholders (including for the benefit of one or more specific persons who are not employees of UCB SA/NV or of its subsidiaries), within the limits as set out above and as allowed under Belgian company law.

If the Board resolves to limit or cancel the preferential subscription rights of the existing shareholders, it will prepare a special report setting out the justification of its decision, as well as the financial consequences thereof, and, if applicable, provide the identity of any specific persons benefiting from the limitation or cancellation. The statutory auditor will also prepare a report in that respect.

Should the general shareholders’ meeting of UCB SA/NV approve this proposal of the Board, then article 6 of UCB SA/NV’s Articles of Association will be amended as follows to reflect the proposed renewal of two (2) years:

“Article 6

The capital of the company can be increased one or more times by a decision of a General Meeting of shareholders constituted under the conditions required to modify the Articles of Association.

The Board of Directors is authorized to increase the company’s share capital amongst other by way of the issuance of shares, convertible bonds or warrants, in one or more transactions, within the limits set by law,

i. with up to 5% of the share capital at the time of the decision of the Board of Directors to make use of this authorization, in the event of a capital increase with cancellation or limitation of the preferential subscription rights of the shareholders (whether or not for the benefit of one or more specific persons who are not employees of the company or of its subsidiaries),

ii. with up to 10% of the share capital at the time of the decision of the Board of Directors to make use of this authorization, in the event of a capital increase without cancellation or limitation of the preferential subscription rights of the existing shareholders.

In any event, the total amount by which the Board of Directors may increase the company’s share capital by a combination of the authorizations set forth in (i) and (ii) above, is limited to 10% of the share capital at the time of the decision of the Board of Directors to make use of this authorization.

The Board of Directors is moreover expressly authorized to make use of this authorization, within the limits as set out under (i) and (ii) of the second paragraph above, for the following operations:
1. a capital increase or the issuance of convertible bonds or warrants with cancellation or limitation of the preferential subscription rights of the existing shareholders;
2. a capital increase or the issuance of convertible bonds with cancellation or limitation of the preferential subscription rights of the existing shareholders for the benefit of one or more specific persons who are not employees of the company or of its subsidiaries;
3. a capital increase by incorporation of reserves.

Any such capital increase may take any and all forms, including, but not limited to, contributions in cash or in kind, with or without share premium, the incorporation of reserves and/or share premiums and/or profits carried forward, to the maximum extent permitted by the law.

Any decision of the Board of Directors to use this authorization requires a 75% majority within the Board of Directors.

This authorization is granted for a period of two (2) years as from the date of the publication in the appendices to the Belgian Official Gazette of the resolution of the extraordinary shareholders meeting held on 26 April 2018.

The Board of Directors is empowered, with full power of substitution, to amend the Articles of Association to reflect the capital increases resulting from the exercise of its powers pursuant to this section.”.

IV. CIRCUMSTANCES AND PURPOSES FOR WHICH THE AUTHORIZED CAPITAL MAY BE USED

The authorized capital offers the Board the possibility to preserve the interests of the Company and to react in an adequate manner, amongst other in circumstances which may require flexibility and/or speed of action.

The procedures applicable to a listed company for convening and holding an extraordinary shareholders’ meeting are relatively lengthy, complex and time-consuming. In certain circumstances, complying with such procedures could be incompatible with the need for the Company to react swiftly to fluctuations on the capital markets, to seize opportunities or to face adverse events which could cause prejudice to its interests (with the exception of a public takeover bid - see below). Market conditions could indeed rapidly and significantly evolve during the period of more than one month that is required to convene an extraordinary shareholders’ meeting to the prejudice of the interests of the Company.

Also, and in certain circumstances, the need to convene an extraordinary shareholders’ meeting could lead to a premature announcement of a transaction which could jeopardize the favourable outcome of the negotiations relating to such transaction and therefore the execution thereof. This could be the case, for example, if the Company wished to admit one or more institutional, strategic or other shareholders to its capital structure or wished to finance, pay (e.g. as consideration for any public takeover bid) or support (e.g. by way of “equity kicker”) any transaction (e.g. an acquisition - whether private or public - of securities or assets in one or more companies), or to make any capital expenditure, investment, or to enter into any partnership or strategic alliance, by way of issuing securities (either partially or entirely).
The Board may also use the authorized capital in the framework of the remuneration policy of the Company, including for the issuance of shares, stock options or warrants to employees, executives or senior executives of the Company as well for any other person having performed any work for the Company or its subsidiaries.

Finally, the Board may consider using the authorized capital to remunerate shareholders in a particular manner, such as by paying a stock dividend.

It is to be noted that, as a matter of Belgian company law, the Board cannot, within the framework of the authorized capital, decide to:

- increase the capital *mainly* by way of contribution in kind exclusively reserved for a person holding more than 10% of the voting rights of UCB SA/NV¹ (art. 606, 1° BCC);
- issue shares without nominal value and with a par value below the par value of the existing shares of the same category (art. 606, 2° BCC); or
- issue warrants that are *mainly* reserved for one or more specific persons who are not employees of UCB SA/NV or its subsidiaries (art. 606, 3° BCC).

Furthermore, and again as a matter of Belgian company law, from the receipt of the notification by the Belgian Financial Services and Markets Authority that it has been informed of a public takeover bid on the Company’s financial instruments and until the end of such takeover bid, the Board cannot use its power under the authorized capital: (i) to increase the capital through contributions in kind or in cash with cancellation or limitation of the preferential subscription rights of the shareholders, or (ii) to issue securities granting voting rights (whether or not representing the share capital), or securities giving right to subscribe to or acquire such securities, if they are not offered by preference to the existing shareholders in proportion of their shareholding (art. 607, section 1 BCC²).

Even though the general shareholders’ meeting may expressly authorize the Board to increase the share capital in such circumstances, under certain conditions determined by law and for a maximum period of 3 years, such authorisation is not being requested by the Board to the next shareholders meeting, so that it, in any event, it will not be able to make use of the authorized capital within the framework of a takeover bid².

The Board is of the opinion that the differentiated approach depending on the preferential subscription rights of the existing shareholders and the requirement for a qualified majority within the Board for any decision relating thereto, are providing for an appropriate balance in the use of the authorized capital.

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¹ Taking into account (i) the voting rights held by such a person on its own behalf; (ii) the voting rights held by an agent in his own name, but for the account of such a person; (iii) the securities carrying voting rights held by persons affiliated with such a person (this includes all persons and legal entities which are part of the same horizontal or vertical group); and (iv) the voting rights held by persons acting in concert with such a person.

² However, the undertakings which have been validly entered into before the receipt of a takeover bid, can in principle be further executed (art. 607, section 2, 1° BCC).
The above-mentioned terms and conditions governing the use of the authorized capital and the above-mentioned purposes for the use of the authorized capital, all should be interpreted in the most extensive possible way.

Brussels, 21 February 2018.

On behalf of the Board,

Jean-Christophe Tellier  
Director

Evelyn du Monceau  
Chair of the Board