

UCB

Société Anonyme / Naamloze Vennootschap

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RPM/RPR Brussels, 0403.053.608

Annual report of the Board of Directors for the financial year ended 31 December 2020

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 2020.

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 2020 for an overview of the activities and consolidated results of the UCB Group.

1. Major events during the financial year 2020

1.1 Capital increase of UCB Finance N.V.

On 29 May 2020, the board of directors of UCB Finance N.V., the Dutch affiliate of UCB SA/NV, approved a capital contribution in its US affiliate UCB Holdings Inc. for an amount of \$ 800 million.

To enable UCB Finance N.V. to meet its commitment, UCB SA/NV as main shareholder of UCB Finance N.V. decided on the same day to approve a capital contribution of € 716 million (i.e. \$ 800 million equivalent in euro) in UCB Finance N.V. by means of a share premium contribution with no issuance of new shares.

1.2 Capital Increase of UCB Pharma SA/NV

On 18 December 2020, the shareholders meeting of UCB Pharma SA/NV decided to approve a capital increase in kind through a contribution of a note for an amount of € 5 751 million (composed of a principal amount of € 5 749 million and accrued interests of €2 million) by UCB SA/NV, with issuance of 691 046 183 new shares.

This note was initially issued on 20 November 2020 by UCB Pharma SA/NV and held by UCB Finance N.V., following the share purchase agreement between UCB Finance N.V. and UCB Pharma SA/NV whereby UCB Pharma SA/NV acquired all participations held by UCB Finance N.V. in UCB subsidiaries against a note of € 5 749 million.

Following the capital increase, the total amount of investment in UCB Pharma SA/NV by UCB SA/NV amounts to € 7 551 million.

1.3 Liquidation of UCB Finance N.V.

As part of our continuous efforts to streamline the legal entity structure of the Group and following the reform of the Belgian law in 2018, as a result of which Belgium now also offers a 100% exemption for dividend and capital gains, there was no longer an advantage in keeping a Dutch sub-holding under UCB SA/NV. However, there is still a need for a sub-holding in terms of managing possible potential future impairments in major subsidiaries with a significant inherent risk to avoid volatility at the level of UCB SA/NV.

The shareholders meeting of UCB Finance N.V. approved on 7 December 2020 the following resolutions:

- the initiation of the liquidation of UCB Finance N.V.; and
- the distribution of the note of € 5 751 million to UCB SA/NV as an advance liquidation proceed (including € 2 148 million as reimbursement of the participating interest of UCB SA/NV in UCB Finance N.V.). The liquidation will be formally closed in 2021.

Following these operations, UCB SA/NV recognized a net non-recurring financial income of € 3 602 millions in 2020.

1.4 Capital increase of UCB Pharma Logistics LLC (Russia)

During 2020, UCB SA/NV participated into a capital increase in its subsidiary UCB Pharma Logistics LLC in Russia for a total amount of RUB 800 million or € 9 million.

1.5 Redemption of retail bond

On 27 March 2020, UCB SA/NV redeemed a retail bond initially issued on 27 March 2013 at its principal amount of € 250 million.

The bond was initially issued at a fixed interest rate of 3.75%.

1.6 Issuance of a new private loan

On 1 October 2020, UCB SA/NV completed the issuance of a € 150 million private placement note with a maturity date on 1 October 2027 at a fixed interest rate of 1.00%.

1.7 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 2020 as shareholder of UCB Ventures SA/NV, to further pay up the capital for an additional amount of € 18 million. After this payment, the total paid-up capital in UCB Ventures SA/NV amounts to € 60 million.

1.8 Early termination of hedging and assignment agreements with UCB Fipar SA/NV and transfer of UCB shares held by UCB Fipar SA/NV

For the period 2014-2019, UCB SA/NV has offered to UCB Fipar SA/NV to hedge and service the relating UCB Share Award Plans, UCB Performance Share Plans and UCB Stock Option Plans and UCB Fipar SA/NV has received compensations for assuming these obligations under those plans.

Following the entry into force of the new Belgian Code of Companies and Associations (“BCCA”) and the corresponding Royal Decree on 1 January 2020, UCB SA/NV and UCB Fipar SA/NV agreed early 2020 to no longer assign new stock options and share award plans from UCB SA/NV to UCB Fipar SA/NV and to early terminate the outstanding hedging and assignment agreements, at arm’s length conditions.

To compensate the early termination of the existing Stock Option Plan hedging and assignment agreements, UCB Fipar SA/NV paid to UCB SA/NV a fee for the 2 413 984 outstanding stock options under the plans from 2014 to 2019 amounting to € 60 million, for assuming the obligations under these plans.

As UCB Fipar SA/NV no longer needed to hold UCB shares to cover its obligations under the hedging and assignment agreements, on 22 May 2020 UCB SA/NV purchased 4 101 306 UCB shares previously held by UCB Fipar SA/NV for an amount of € 335 million.

1.9 Transactions in UCB securities

During 2020, UCB SA/NV acquired 5 301 306 UCB shares (including the UCB shares acquired from UCB Fipar SA/NV under section 1.8) and disposed of 1 570 764 UCB shares.

As a result, on 31 December 2020, UCB SA/NV retained a total of 5 480 222 UCB shares representing 2.82% of the capital and a par value of € 16 million. The amount reported in the balance sheet under the section “own shares” represents € 453 million.

1.10 Liquidation of UCB Trading (Malaysia) Sdn. Bhd.

On 21 October 2020, UCB Trading (Malaysia) Sdn. Bhd. finished his liquidation process. The affiliate will be dissolved in 2021.

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

1.11 Sale of the Dermira shares

On 10 January 2020, Dermira Inc. announced a definitive agreement with Eli Lilly to acquire all Dermira shares in a public tender offer for \$18.75 per share in an all-cash transaction. At the moment of the offer, UCB SA/NV owned 1.841.234 shares initially acquired for \$ 20 million.

This operation generated a realized gain on shares amounting to € 16 million recognized under the non-recurring financial incomes in the income statement of 2020.

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

On 31 December 2020, an impairment testing has been performed on the shareholdings of UCB SA/NV. This test resulted in the recognition of impairment charges amounting to € 3 million related to its affiliate UCB Manufacturing Ireland Ltd.

Additionally, the impairment testing also revealed that the impairment charge of € 11 million recognized in 2019 on UCB Ventures SA/NV was no longer relevant. Hence, this impairment charge has been fully reversed in 2020.

Both the new impairment charges as well as the reversal of the impairment charges have been recognized in the financial results in the income statement of 2020.

2. Change in accounting policies

There were no changes in the accounting policies in 2020.

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 2020.

4. Major events after the balance sheet date

On 4 January 2021, UCB SA/NV redeemed an institutional bond initially issued on 4 October 2013 at its principal amount of € 350 million.

The bond was initially issued at an interest rate of 4.125%.

5. Conflicts of interest met during the financial year

There were no transactions or contractual relationships in 2020 between UCB SA/NV, including its affiliated companies, and a member of the Board of Directors giving rise to conflicts of interest (application of article 7:96 of the Belgian Code of Companies and Associations), except as reported in the Corporate Governance Statement included in the UCB Group Integrated Annual Report 2020.

6. Financial information

Results at 31 December 2020

The operations of UCB SA/NV generated in 2020 a net profit of € 3 790 million after tax compared to € 242 million in 2019.

The evolution in the net profit (increase of € 3 548 million) is mainly due to:

- the increase in other operating incomes for € 30 million mainly due to the increase of the service agreements recharges with the other affiliates;
- the increase of the remuneration, social security and pensions costs for € 8 million mainly due to the increase of salary costs amounting to € 11 million and the decrease of the variable remuneration;
- 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 € 5 million following the compensation received from UCB Fipar SA/NV which reduced the risk exposure of UCB SA/NV (please refer to section 1.8);
- the increase in the net financial result of € 3 513 million as a result of :
 - the decrease of the net recurring financial incomes for a total amount of € 114 million, mainly due to the absence of dividend from UCB Finance N.V. in 2020 compared to € 220 million in 2019 in addition to the decrease of the interests income for a total amount of € 13 million and respectively the decrease of the interests expense for a total amount of € 4 million, driven by fluctuations of the Euribor rate and the redemption of some bonds (please refer to section 1.5 and section 4);
 - the increase of the net non-recurring financial income due to the net advance liquidation proceeds of € 3 602 million from UCB Finance N.V. (please refer to section 1.3) in addition to the realized gain on the Dermira shares for € 16 million (please refer to section 1.11) and the reversal of the impairment charges initially recognized in 2019 for € 11 million related to the subsidiary UCB Ventures SA/NV slightly compensated by the recognition of additional impairment charges in 2020 on the Irish affiliate UCB Manufacturing Ireland Ltd. for € 3 million (please refer to section 1.12);
- the increase of the non-recurring operations income for € 12 million related to the intra-group transfer from UCB Pharma SA/NV in the framework of the recently introduced tax consolidation regime.

Result appropriation

After taking into account the profits carried forward of € 2 million, the profit available for distribution amounts to € 3 792 million. The Board of Directors proposes the following allocation:

- distribution to the shareholders of a gross dividend of € 1.27 per share;
- transfer to the available reserves of € 3 500 million; and
- carry forward the balance.

The Board of Directors thus propose to pay, against delivery of coupon no. 24, a gross dividend of € 1.27 per share (giving right to a dividend net of Belgian 30% withholding tax of € 0.889). 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) on the dividend approval date, as the UCB shares held by UCB SA/NV (own shares) are not entitled to a dividend. Per 31 December 2020, 189 025 436 UCB shares are entitled to a dividend, representing a total distribution of € 240 million. The Board of Directors will communicate

at the General Meeting the total number of UCB shares entitled to the 2020 dividend and will submit the aggregate amount to be distributed to the shareholders for approval. The annual accounts of 2020 will be adapted accordingly.

Subject to the approval of the proposed dividend distribution by the General Meeting, coupon no. 24 will be payable as from 4 May 2021.

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 2020.

Balance Sheet items at 31 December 2020

On the balance sheet of UCB SA/NV at 31 December 2020, the total assets and liabilities amount to € 11 390 million, as compared to € 6 867 million at 31 December 2019.

The variation on the balance sheet is mainly driven by:

- the increase of participating interests in affiliates of € 4 353 million as a result of the capital increase in kind of UCB Pharma SA/NV for € 5 751 million (please refer to section 1.2), the capital call of UCB Ventures SA/NV for € 18 million (please refer to section 1.7), the capital increase of UCB Pharma Logistic LLC in Russia for € 9 million (please refer to section 1.4) and the reversal of impairment charges on shares for € 11 million (please refer to section 1.12) compensated by the liquidation of UCB Finance N.V. with a decrease of the investment for € 2 148 million (including the capital increase of € 716 million made earlier this year) (please refer to section 1.1);
- the decrease of the enterprises linked by participating interests for € 15 million following the divestment of the Dermira shares (please refer to section 1.11);
- the increase of the long-term intra-group receivable for € 447 million due to the reclassification of the receivable with Celltech for £ 400 million from the short term intercompany receivable position to the long term intercompany receivable position following the extension of the loan facility;
- the increase of the investments in own shares for a total amount of € 356 million as a result of the acquisition of 5 301 306 UCB shares and disposal 1 570 764 UCB shares in 2020 (please refer to section 1.9).
- the decrease of the deferred charges for € 33 million mainly due to the deferral of the premium paid in 2016 for the assignment of the intra-group receivables for € 18 million in addition to recognition of the legal fees related to internal projects that were deferred from 2019 for € 4 million in addition to the decrease of the accrued interests income for € 9 million;
- 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 € 9 million following the compensation received from UCB Fipar SA/NV which reduced the risk exposure of UCB SA/NV (please refer to section 1.8);

- the reclassification of the bond amounting to € 350 million with maturity date in January 2021 from the long-term debt position to the short-term debt payable within the year position compensated by the redemption of the € 250 million bond that matured in 2020;
- the issuance of an intra-group payable towards UCB Biopharma SRL/BV with a term of 7 years for € 716 million recognized under the other loans payable after more than one year and intended to fund the capital increase of UCB Finance N.V. (please refer to section 1.1) in addition to the issuance of a private loan with a term of 7 years for € 150 million (please refer to section 1.6);
- the increase of the accruals and deferred incomes for € 60 millions related to the compensation received from UCB Fipar SA/NV for assuming the obligations on the outstanding plans from 2014 to 2019 (please refer to section 1.8).

7. Changes to the composition of the Board

Please refer to the Corporate Governance Statement in the UCB Group Integrated Annual Report 2020 for the changes in the Board composition in 2020 as well as the proposals for changes to the composition in 2021.

The mandate of PwC Réviseurs d'entreprises SRL as statutory auditor expires at the end of the general meeting of shareholders of 29 April 2021.

Upon the recommendation of the Audit Committee, which has been presented to and approved by the Works Council, the Board of Directors will propose to the General Meeting to appoint Mazars Bedrijfsrevisoren - Réviseurs d'Entreprises CVBA, having its registered office at Berchemstadionstraat 78, 2600 Antwerp in Belgium and with company number 0428.837.889, as statutory auditor for a term of 3 years, up to and including the General Meeting convened to resolve on the annual accounts for the financial year ended 31 December 2023.

The representative of Mazars Réviseurs d'Entreprises - Bedrijfsrevisoren will be Mr Anton Nuttens, registered auditor.

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

Please refer to the UCB Group Integrated Annual Report 2020, "Notes to the Consolidated Financial Statements", "Financial Risks Management".

9. Change of control

Please refer to the Corporate Governance Statement included in the UCB Group Integrated Annual Report 2020 for a complete overview of all agreements including change of control provisions approved in 2020.

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 2020.

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 2020.

Brussels, 24 February 2021.

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Jean-Christophe Tellier
Chief Executive Officer and Director

Pierre Gurdjian
Vice-Chair of the Board