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UCB

Société Anonyme / Naamloze Vennootschap

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Annual report of the Board of Directors for the financial year ended 31 December 2021

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 2021.

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 2021 for an overview of the activities and consolidated results of the UCB Group.



1. Major events during the financial year 2021

1.1 Redemption of Institutional bonds

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%.

On 29 April 2021, UCB SA/NV early redeemed another institutional bond at its principal amount of € 350 million. The bond was issued on 10 March 2015 at an interest rate of 1.875% and was initially due on 2 April 2022.

1.2 Issuance of a new institutional Eurobond

On 30 March 2021, UCB SA/NV completed the issuance of a € 500 million institutional Eurobond issued at 99.751% of the nominal value with a maturity date on 30 March 2028 at a fixed interest rate of 1.00%.

1.3 Liquidation of UCB Finance N.V.

In April 2021, UCB Finance N.V. finished his liquidation process initiated in December 2020, by distributing the residual liquidation proceeds of € 329 million to UCB SA/NV and is now dissolved.

The liquidation proceeds are recognized in the non-recurring financial incomes in the financial statements 2021 in line with the advance liquidation proceeds received in 2020 and amounting to € 3 602 million in aggregate.

1.4 Loan agreements with the European Investment Bank (EIB)

In 2021, UCB SA/NV redeemed the last tranches for a total of \$ 20 million out of the \$ 100 million financing loan concluded with the European Investment Bank (EIB) in 2014. The loan was part of the InnovFin 'EU Finance for Innovators' program set up jointly by the European Commission and the EIB Group.

On 18 November 2021, UCB SA/NV signed a new credit agreement with the EIB for an amount of € 350 million. The purpose of this loan is to finance the investments related to the construction of our new manufacturing plant (or biological production unit) at our Braine l'Alleud site and related R&D investments.

The credit is made available to UCB, for a period of two years, disbursable in EUR or USD with a maximum of 5 tranches in a minimum amount equivalent to € 70.0 million, each with a maturity period of maximum 8 years after disbursement.

As per 31 December 2021, UCB SA/NV did not draw any tranches under this credit agreement.

1.5 Acquisition of participations held by Sifar SA/NV

In the framework of an internal group restructuring, on 29 November 2021, UCB SA/NV completed the share purchase agreements for the participations in two UCB affiliates previously held by Sifar SA. The purchase



price has been determined based on the fair value of the affiliates. The concerned participations are the following:

- 49 shares of Vedim S.A. de C.V. for a total amount of MXN 22 million (€ 0.9 million equivalent); and
- 100 shares of Vedim Sp. Z.o.o. for a total amount of € 1.4 million.

1.6 Capital reduction of UCB Manufacturing Ireland Ltd. and interim dividend distribution

On 1 December 2021, the board of directors of UCB Manufacturing Ireland Ltd., the Irish affiliate of UCB SA/NV, approved a capital reduction for an amount of € 153 million, followed by the decision on 2 December 2021 to approve the payment of an interim dividend amounting to € 184 million.

On 18 January 2022, the board of directors has decided to revise downwards the interim dividend payment to an amount of € 183.5 million.

The interim dividend payment has been accounted for as a reduction of the investment value in the books of UCB SA/NV. The residual net book value of € 0.2 million has been impaired and recognised in the non-recurring financial charges considering the limited expectations of future earnings in the Irish affiliate.

1.7 Transactions in UCB securities

During 2021, UCB SA/NV acquired 750 000 UCB shares for a pair value of € 2 million and disposed of 898 441 UCB shares for a pair value of € 3 million in order to honor the exercise of share options and share awards granted to the Board of Directors and certain categories of employees.

As a result, on 31 December 2021, UCB SA/NV retained a total of 5 331 781 UCB shares representing 2.74% of the capital and a par value of € 16 million. The amount reported in the balance sheet under the section “own shares” represents € 444 million.

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

On 31 December 2021, an impairment testing has been performed on the shareholdings of UCB SA/NV. We can conclude that there is no risk of impairment and that there is no additional impairment to be considered.

2. Change in accounting policies

There were no changes in the accounting policies in 2021.

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 2021.

4. Major events after the balance sheet date

On 1st February 2022, UCB commenced, through its indirect wholly owned subsidiary, Zinc Merger Sub, Inc., a tender offer to purchase all outstanding shares of common stock of Zogenix, Inc. for a price per share of \$ 26 in cash at closing plus a contingent value right (CVR) for a potential cash payment of \$ 2 upon EU approval by December 31, 2023, of FINTEPLA® (fenfluramine) as an orphan medicine for treatment of Lennox-Gastaut syndrome. The transaction is expected to close by the end of the second quarter of 2022.

The acquisition shall be financed with available cash combined with an external financing of \$ 800 million with both UCB SA/NV and UCB Biopharma SRL/BV acting as a potential borrower and as a guarantor.

5. Conflicts of interest met during the financial year

There were no transactions or contractual relationships in 2021 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 2021.

6. Financial information

Results at 31 December 2021

The operations of UCB SA/NV generated in 2021 a net profit of € 313 million after tax compared to € 3 790 million in 2020.

The evolution in the net profit (decrease of € 3 477 million) is mainly due to:

- the decrease in other operating income for € 27 million mainly due to the decrease of the service agreements recharges with the other affiliates partially compensated with the decrease of the services expenditures for € 16 million;
- the decrease of the remuneration, social security and pensions costs for € 15 million mainly due to the decrease of salary costs amounting to € 8 million and the decrease of the variable remuneration;
- 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 € 13 million following the increase of the UCB stock price;
- the decrease in the net financial result of € 3 464 million as a result of:

- the decrease of the net recurring financial income for a total amount of € 167 million, mainly due to the absence of dividend from UCB Pharma SA/NV in 2021 compared to € 100 million in 2020 and the lower dividends from the other affiliates for € 49 million in addition to the decrease of the interests income for a total amount of € 12 million 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 institutional bonds initially issued at higher rate compared to the new Eurobond issued during the year (please refer to sections 1.1 and 1.2);
- the decrease of the net non-recurring financial income for a total amount of € 3 297 million due to the residual liquidation proceeds of € 329 million from UCB Finance N.V. received in 2021 compared to a net advance liquidation proceeds of € 3 602 million received in 2020 (please refer to section 1.3) in addition to the realized gain on the Dermira, Inc. shares for € 16 million received in 2020 and the reversal of the impairment charges in 2020 for € 11 million related to the subsidiary UCB Ventures SA/NV.

Result appropriation

After taking into account the profits carried forward of € 52 million, the profit available for distribution amounts to € 365 million. The Board of Directors proposes the following allocation:

- distribution to the shareholders of a gross dividend of € 1.30 per share; and
- carry forward the balance.

The Board of Directors thus propose to pay, against delivery of coupon no. 25, a gross dividend of € 1.30 per share (giving right to a dividend net of Belgian 30% withholding tax of € 0.91). 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 2021, 189 173 877 UCB shares are entitled to a dividend, representing a total distribution of € 246 million. The Board of Directors will communicate at the General Meeting the total number of UCB shares entitled to the 2021 dividend and will submit the aggregate amount to be distributed to the shareholders for approval. The annual accounts of 2021 will be adapted accordingly.

Subject to the approval of the proposed dividend distribution by the General Meeting, coupon no. 25 will be payable as from 3 May 2022.

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 2021.

Balance Sheet items at 31 December 2021

On the balance sheet of UCB SA/NV at 31 December 2021, the total assets and liabilities amount to € 10 935 million, as compared to € 11 390 million at 31 December 2020.

The variation on the balance sheet is mainly driven by:



- the decrease of participating interests in affiliates of € 182 million as a result of the acquisition of participations previously held by Sifar SA/NV for € 2 million (please refer to section 1.5) and the interim dividend distribution of € 184 million from UCB Manufacturing Ireland Ltd. (please refer to section 1.6);
- the decrease of the short-term intra-group receivable for € 308 million due to the payment of the receivable with UCB Pharma SA/NV for € 615 million compensated with the increase of the positive cash pool position towards UCB Biopharma SRL/BV for € 309 million;
- the decrease of the deferred charges for € 18 million mainly due to the deferral of the premium paid in 2016 for the assignment of the intra-group receivables;
- 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 € 4 million following the increase of the UCB stock price;
- the early redemption of the bond for € 350 million with an initial maturity date in April 2022 (please refer to section 1.1) compensated with the issuance of a new bond amounting to € 500 million (please refer to section 1.2);
- the decrease of the short-term payables for € 653 million mainly due to the payment of the bond with maturity date in January 2021 amounting to € 350 million (please refer to section 1.1), the payment of the remaining portion of the loan towards the European Investment Bank (EIB) of \$ 20 million (or € 17 million equivalent) (please refer to section 1.4) and the decrease of the negative cash pool position toward UCB Biopharma SRL/BV for € 310 million;
- the decrease of the accruals and deferred incomes for € 24 million related to accrued interests that decreased by € 16 million following the bonds redemption in addition to lower derivative financial instruments for € 5 million and the partial recognition of the compensation received in 2020 from UCB Fipar SA for € 4 million to assume its obligations on the outstanding UCB Long Term Incentive plans from 2014 to 2019.

7. Changes to the composition of the Board

Please refer to the Corporate Governance Statement in the UCB Group Integrated Annual Report 2021 for the changes in the Board composition in 2021 as well as the proposals for renewal in 2022.

During the general meeting of shareholders of 29 April 2021, Mazars Bedrijfsrevisoren - Réviseurs d'Entreprises CVBA, having its registered office at Avenue du Boulevard 21 box 8, 1210 Saint-Josse-ten-Noode in Belgium and with company number 0428.837.889, has been appointed 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 permanent representative of Mazars Réviseurs d'Entreprises - Bedrijfsrevisoren for the execution of this audit mandate is 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 2021, “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 2021 for a complete overview of all agreements including change of control provisions approved in 2021.

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 2021.

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 2021.

Brussels, 24 February 2022.

[signed]

Jean-Christophe Tellier
Director

[signed]

Fiona du Monceau
Director

