

UCB

Société Anonyme / Naamloze Vennootschap

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Annual report of the Board of Directors for the financial year ended 31 December 2022

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 to 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 2022.

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 2022 for an overview of the activities and consolidated results of the UCB Group.

1. Major events during the financial year 2022

1.1 Acquisition of Zogenix Inc. by the UCB Group & external financing

In March 2022, UCB finalized, through its indirect wholly owned subsidiary, Zinc Merger Sub, Inc., the acquisition of 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 cash payment of \$ 2 upon EU approval occurred in February 2023 of Fintepla® (fenfluramine) as an orphan medicine for treatment of Lennox-Gastaut syndrome.

The acquisition was financed with available cash within the Group combined with an external financing of \$ 800 million between UCB SA/NV and UCB Biopharma SRL/BV as borrower and UCB SA/NV, UCB Biopharma SRL/BV, UCB GmbH, UCB Pharma GmbH and UCB, Inc. as guarantors.

In this context, an internal loan agreement was signed between UCB SA/NV, as lender and UCB Biopharma SRL/BV, as borrower for an initial drawdown under the credit facility of € 611 million followed by a further drawdown of € 269 million.

Following the acquisition of Zogenix, Inc., the capital of UCB Holdings, Inc., a subsidiary of UCB Pharma SA/NV, was increased by \$ 1 750 million. UCB Holdings, Inc. further increased the capital of its underlying subsidiaries with the same amount.

To allow UCB Pharma SA/NV to initially finance, and subsequently commit the capital increase for refinancing thereof, UCB SA/NV provided UCB Pharma SA/NV with two intra-group long term loans for a total amount of € 1 620 million.

1.2 Novation of the “Ra Pharma bank loan” & capital increase of UCB Pharma SA/NV

In the framework of the acquisition of Ra Pharmaceuticals, Inc. in April 2020, UCB Biopharma SRL/BV entered into a term credit term loan facility agreement on 10 October 2019 between, among others, UCB SA/NV and UCB Biopharma SRL/BV; as borrowers, and BNP Paribas Fortis SA/NV and Bank of America Merrill Lynch International Designated Activity Company as bookrunners, for a principal amount of \$ 2 070 million of which \$ 1 315 million remained outstanding at the end of June 2022.

In view of recapitalizing and strengthening the equity of UCB Biopharma SRL/BV, the balance of \$ 1 315 million (or € 1 260 million) was the subject of a novation from UCB Biopharma SRL/BV to UCB SA/NV on 5 July 2022.

Following said novation, UCB SA/NV became (i) a borrower under the Ra Pharma term loan and (ii) the holder of a claim, in the amount of \$ 1 315 million towards UCB Biopharma SRL/BV. This claim was then split into two separate intragroup notes, namely (i) an intragroup note for a principal amount of € 819 million (the "Note 1") and (ii) an intragroup note for the remaining amount, subsequently used for the partial reimbursement by UCB SA/NV of the drawdown under the credit facility with UCB Biopharma SRL/BV contracted in the context of the acquisition, by the UCB Group, of Zogenix, Inc. (the "Note 2") (please refer to section 1.1).

On 15 July 2022, the extraordinary meeting of shareholders of UCB Pharma SA/NV decided to approve a capital increase in kind through the contribution of the "Note 1" for an amount of € 819 million by UCB SA/NV, with issuance of 98.433.814 new shares.

Following the capital increase, the total contribution in UCB Pharma SA/NV by UCB SA/NV amounts to € 8 370 million.

1.3 Financing operations

On 28 July 2022, UCB SA/NV entered into a First Incremental Facility for € 90 million under its UCB SA/NV – Term Facility Agreement dated 10 October 2019 with a tenor of 6 years and 6 months. The proceeds of this loan were used to partially prepay the UCB SA/NV – Term Facility Agreement dated 10 October 2019 maturing on 2 April 2025 thereby reducing the total outstanding amount thereunder from \$ 1 315 million to \$ 1 225 million.

On 2 November 2022, UCB SA/NV entered into 4 “*Schuldscheindarlehen*” (SSD) financing agreements denominated in € 144 million and \$ 20 million with a weighted average tenor of 4,4 years. The proceeds of these loans were used to partially prepay the UCB SA/NV – Term Facility Agreement dated 10 October 2019, maturing on 2 April 2025 thereby reducing the total outstanding amount thereof from \$ 1 225 million to \$ 1 060 million.

1.4 Capital reductions of UCB Biopharma Ltda. and dividend distribution

On 30 June 2022, the shareholders of UCB Biopharma Ltda., the Brazilian affiliate of UCB SA/NV, approved a dividend distribution of BRL 12 million (or € 2 million equivalent) together with a capital reduction for an amount of BRL 60 million (or € 11 million equivalent) through the cancellation of 60 million shares, considering that the Company's current share capital is excessive in relation to the development of its current and future activities.

On 30 November 2022, the shareholders of UCB Biopharma Ltda. approved an interim dividend distribution of BRL 45 million (or € 8 million equivalent).

1.5 Transactions in UCB securities

During 2022, UCB SA/NV acquired 500 000 UCB shares for a fair value of € 2 million and disposed of 921 021 UCB shares for a par value of € 3 million in order to honour the exercise of share options and share awards granted to the members of the Executive Committee and certain categories of employees.

As a result, on 31 December 2022, UCB SA/NV retained a total of 4 910 760 UCB shares representing 2.52% of the capital and a par value of € 15 million. The market value reported in the balance sheet under the section “own shares” represents € 410 million.

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

On 31 December 2022, an impairment test has been performed on the shareholdings of UCB SA/NV.

This test resulted in the recognition of impairment charges amounting to € 5 million on the value of the shares held in UCB Ventures SA/NV and recognized in the financial results in the income statement of 2022.



2. Change in accounting policies

There were no changes in the accounting policies in 2022.

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 2022.

4. Major events after the balance sheet date

On 23 January 2023, UCB SA/NV entered into a second incremental facility agreement for € 90 million under its UCB SA/NV – Term Facility Agreement dated 10 October 2019 with a tenor of 5 years. The proceeds of this loan were used to partially prepay the UCB SA/NV – Term Facility Agreement dated 10 October 2019 maturing on 2 April 2025 thereby reducing the total outstanding amount thereof from \$ 1 060 million to \$ 962 million.

5. Conflicts of interest during the financial year

There were no transactions or contractual relationships in 2022 between UCB SA/NV, or its affiliates, and a member of the Board of Directors that gave rise to conflicts of interest (in 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 2022.

6. Financial information

Results at 31 December 2022

In 2022 the operations of UCB SA/NV generated a net profit of € 210 million after tax compared to € 313 million in 2021.

The evolution in the net profit (decrease of € 103 million) is mainly due to:

- the increase in other operating income by € 34 million mainly due to the increase of the service agreements charges with the other affiliates which was partially compensated by the increase of expenditures for services by € 30 million;

- the increase of the remuneration, social security and pensions costs by € 10 million mainly due to the legal obligation to apply several cost-of-living adjustments leading to a total salary increase in excess of 10% in 2022;
- the decrease in the provision covering the risk of share price changes in relation to the long-term incentives granted to the Executive Committee and certain categories of employees, for a total amount of € 15 million following the decrease of the UCB stock price; and
- the decrease in the net financial result of € 110 million, as a result of:
 - the increase of the net recurring financial income by € 224 million, mainly due to the absence of dividend from UCB Pharma SA/NV in 2021 compared to € 200 million in 2022 in addition to the increase of net positive currency differences of € 23 million;
 - the decrease of the net non-recurring financial income for a total amount of € 334 million due to the residual liquidation proceeds of € 329 million of UCB Finance N.V. received in 2021 in addition to the impairment charges in 2022 of € 5 million related to UCB Ventures SA/NV.

Result appropriation

After taking into account the profits carried forward for an amount of € 118 million, the profit available for distribution amounts to € 328 million. The Board of Directors proposes the following allocation:

- distribution to the shareholders of a gross dividend of € 1.33 per share; and
- to carry forward the balance.

The Board of Directors therefore proposes to pay, against delivery of coupon no. 26, a gross dividend of € 1.33 per share (resulting in a dividend net of Belgian 30% withholding tax of € 0.93). 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 these are not entitled to a dividend. Per 31 December 2022, 189 594 898 UCB shares are entitled to the dividend, representing a total distribution of € 252 million. The Board of Directors will communicate the total number of UCB shares entitled to the 2022 dividend at the Annual General Meeting and will submit the aggregate amount to be distributed to the shareholders for approval. The annual accounts of 2022 will be adapted accordingly.

Subject to the approval of the proposed dividend distribution by the Annual Meeting, coupon no. 26 will be payable as from 3 May 2023.

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 2022.

Balance Sheet items at 31 December 2022

On 31 December 2022, the total assets and liabilities amount to € 12 985 million, as compared to € 10 935 million on 31 December 2021.



The variation on the balance sheet is mainly driven by:

- the increase of the value of shareholdings in affiliates of € 803 million as a result of the capital increase of UCB Pharma SA/NV by € 819 million (please refer to section 1.2) compensated in part by the capital reduction of UCB Biopharma Ltda. by € 11 million (please refer to section 1.4);
- the increase of the long-term intra-group receivable by € 1 596 million due to a new loan to UCB Pharma SA/NV of € 1 620 million (please refer to section 1.1);
- the decrease of the short-term intra-group receivable by € 308 million due to the decrease of the positive cash pool position towards UCB Biopharma SRL/BV by € 308 million;
- the increase of the deferred charges by € 10 million mainly due to the higher accrued interest income of € 16 million as a consequence of the new loan to UCB Pharma SA/NV of € 1 596 million in addition to the increase of the positive fair value revaluation of the derivatives by € 12 million slightly compensated by the decrease of the deferral of the premium paid in 2016 for the assignment of the intra-group receivables by € 18 million;
- the decrease in the provision covering the risk of share price fluctuations related to long-term incentives granted to the Executive Committee and certain categories of employees, by a total amount of € 8 million following the decrease of the UCB stock price;
- the increase of the amounts payable after more than one year to € 1 814 million as a consequence of the assignment of the “Ra Pharma bank loan” by \$ 1 315 million in addition to the external financing to acquire the Zogenix Group for \$ 800 million (please refer to section 1.1 & 1.2) slightly compensated by the reclassification as a short-term payable of the € 176 million bond with a maturity date in October 2023;
- the increase of the short-term payables by € 268 million mainly due to the reclassification of the € 176 million bond maturing in October 2023 as a short-term payable and the increase of the negative cash pool position toward UCB Biopharma SRL/BV by € 86 million; and
- the increase of the accruals and deferred incomes by € 19 million related to the increase of accrued interests by € 16 million following the assignment of new loans (please refer to section 1.2) in addition to the increased positions of derivative financial instruments by € 5 million and the partial recognition of the compensation received in 2020 from UCB Fipar SA/NV of € 3 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 2022 for the changes in the Board composition in 2022 as well as the proposals for renewal in 2023.

8. Financial instruments, credit risk, liquidity risk, treasury related risk

Please refer to the UCB Group Integrated Annual Report 2022, “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 2022 for a complete overview of all agreements including change of control provisions approved in 2022.

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 2022.

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 2022.

Brussels, 21 February 2023.

[signed]

Jean-Christophe Tellier
Director

[signed]

Fiona du Monceau
Director

